

WELFARE REFORM

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS
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WELFARE REFORM

MONDAY, FEBRUARY 14, 2000

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

The Subcommittee met, pursuant to call, at 11 a.m., Living Classrooms Foundation, 802 South Caroline Street, Baltimore, Maryland, Hon. Nancy L. Johnson (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-1025

February 7, 2000

No. HR-14

Johnson Announces Field Hearing on Welfare Reform

Congresswoman Nancy L. Johnson (R-CT), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a field hearing on welfare reform. The hearing will take place on Monday, February 14, 2000, at the Living Classrooms Foundation, 802 South Caroline Street, Baltimore, Maryland, beginning at 11:00 a.m.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include State and local public and elected officials, program operators, advocates, and researchers. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

This hearing is the continuation of a series of field hearings on welfare reform being conducted by the Subcommittee. Previous field hearings have been conducted in Nevada, Arizona, Pennsylvania, and Florida.

The Subcommittee's goal is to learn how welfare reform is being implemented in States and local communities across the nation. During this series of hearings, State and local witnesses are describing their programs and the impacts their programs are having on welfare caseloads, employment, the economic well being of families, and the local economy.

In announcing the hearing, Chairman Johnson stated: "Thanks to welfare reform, welfare rolls are down by more than 50 percent, employment of mothers who used to be on welfare is up, poverty is down, and more former welfare recipients are working and gaining independence. This is a great start. To build on this success, Congress is watching the progress of welfare reform very carefully—both in Washington and around the country—to ensure that our new approach is helping families improve their lives."

FOCUS OF THE HEARING:

The Subcommittee expects to learn details about the welfare reform programs being conducted both in Baltimore and the State of Maryland. Witnesses are expected to describe specific impacts on families, welfare dependency, employment, the welfare caseload, and communities. The hearing will also feature testimony on the role of churches in Maryland's welfare reform program.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format,

with their name, address, and hearing date noted on a label, by the *close of business*, Monday, February 28, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements, other than invited witnesses, wish to have their statements distributed to the press and interested public at the hearing, they may deliver 50 additional copies (2-sided) for this purpose to the Living Classrooms Foundation, 802 South Caroline Street, Baltimore, Maryland, by close of business on Thursday, February 10, 2000.

FORMATTING REQUIREMENTS:

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

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

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

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

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

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

Note: All Committee advisories and news releases are available on the World Wide Web at "<http://waysandmeans.house.gov>".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman JOHNSON of Connecticut. Good morning, everyone. I am Nancy Johnson. I represent the 6th District of the great State of Connecticut. And I chair the Human Resources Subcommittee of the Ways and Means Committee. We really are delighted to be here. We have had a very interesting tour this morning. And we are delighted to be here.

We do more field hearings than most of the Subcommittees of the Congress, because we believe that getting out there and hearing from people who are implementing changes in Federal law and dealing on the frontlines with the real problems that people and kids and families face in America is very important, not only for the process of writing new legislation but for the constant process of adjusting and improving the law, so that it provides a better

framework within which problems in the real world can be addressed.

This is our fifth field hearing, but we have had dozens of hearings on the Welfare Reform bill that was passed a number of years ago in an effort to track the consequences of that really dramatic radical change in the law.

It gave the States far more flexibility and control than they have ever had under any major Federal program, and we wanted to see whether it was worth it and how you are doing. The results to this point are spectacular—the number of people leaving the rolls, and the poverty figures associated with children and families. It is really unprecedented for those poverty figures to decline for several years running.

And even during the big job expansion of the Reagan era, the number of people on welfare grew, and the poverty figures went up. So what we are seeing is something different, and I believe it is in part because the system is working differently, setting up different expectations for both participants and providers and is more responsive to the specific needs of regions, cities, counties, and towns in America.

Probably the most exciting statistics associated with welfare reform are this decline in poverty and particularly the extraordinary third-year decline in poverty among black children. So we are very pleased with what we have seen happening. We are particularly pleased with the creativity that has been shown at the State and local levels in developing the program and responding to very local needs.

We are very aware of some of the problems that are developing: Why is it people who are entitled to Medicaid aren't on Medicaid? Why is it people aren't getting hooked into food stamps the way they should be being hooked into food stamps? How is it that we are going to not only place people in jobs but help them advance in their careers and move up that earnings ladder?

So we are far from complacent about what needs to be done. But we do look forward to your experience both with the opportunities that the new plan has given you and what you feel you have accomplished, as well as what you feel the next set of challenges are.

I have had the privilege as the Republican chairwoman of the Human Resources Committee to have Ben Cardin as my Ranking Member. And while you read in the paper about all the partisan stuff that goes on in Washington, and this is particularly nice to say here because from reading the background, I know you work this way as well, this Committee—this Subcommittee works in an extremely nonpartisan fashion, and Ben's serious interest in these services over many years, not just since he has been on this Committee, has been an enormous asset to our work. And it is a pleasure to be with him in his district today.

And I am going to turn the hearing over to Ben to chair it.

Mr. CARDIN [presiding]. Well, let me first thank Mrs. Johnson and welcome you to the 3d Congressional District of Maryland. It is a real honor to have the Ways and Means Subcommittee on Human Resources meet here in Baltimore.

I want to just spend one moment in congratulating Nancy Johnson for her leadership on these issues. We have made tremendous

progress in Washington on a bipartisan basis due to Mrs. Johnson's leadership. She has reached out to Democrats and Republicans to work together to put forward a constructive environment in Washington. The foster care bill that we were able to get enacted was due to her leadership and willingness to make sure that all sides were heard.

And we are making progress on the fatherhood bill for the same reasons. It is a pleasure to have her here in Baltimore, but it is particularly a pleasure to serve as her Ranking Member on a Committee that is dedicated to try to get things done in a very positive way.

I would also like to thank the people from Living Classrooms for opening up their facilities here today. We are very proud of Living Classrooms in Maryland. It has been an innovator in providing services for children at risk. And I think all of us are working to try to make it easier for children in our society, particularly those that are at risk.

Before the hearing, we had a chance to tour the facilities. And I want to thank again the people from Living Classrooms.

Mrs. Johnson, I am proud of what we have been able to do in the State of Maryland. I think the State of Maryland has been a real innovator on welfare reform issues and on human resource issues generally. And we are very proud of what we have been able to accomplish.

This Subcommittee is charged with the responsibility of oversighting what is happening in welfare reform. And we all have good reason to be optimistic; the welfare rolls are dramatically reduced, and the number of children living in poverty has been dramatically reduced.

These are certainly matters for us to be very encouraged about. On the other side, we all understand that there are issues that cry out for our attention. We look at what happens to people after they leave welfare, and we find in too many cases the jobs that they have are not producing very high income, that they still have poverty issues. And we need to take a look at that.

We look at people who should be eligible for food stamps and Medicaid and find that they are not enrolled in the Medicaid Program or the Food Stamp Program. We look at childcare services and know that many families still cannot afford safe, affordable childcare. So we have concerns, even though we know that we have made a lot of progress.

We have a strong economy. Now is the time for us to take a look at what we can do in order to shore up our programs. The strong economy has produced budget surpluses in Washington and in Annapolis. And we are very interested to see what we can do to make our system stronger.

The whole concept of the Federal welfare reform is to give flexibility to the States, to give you maximum opportunity to look at ways that you could address the problems here locally. I think one of the things we want to concentrate in this hearing is what has Maryland done; what has the State chosen. Why did you choose one strategy over another strategy for welfare reform, and is it working or not?

I just really want to call your attention to a couple of things that I noticed about the State of Maryland; some positive, some concern. And please put them on the table.

One of our concerns, of course, is how do we deal with those leaving welfare to make sure that they are not living in poverty. A survey by the University of Maryland found after leaving welfare, workers earned roughly only \$11,000 a year. Now to combat that, to Maryland's credit, you took the laudable step to make the earned income tax credit partially refundable. And I commend you on that.

On the other hand, the State continues to implement a very miserly policy on how much earned income is disregarded for the purposes of welfare eligibility. Until very recently, only two States ended assistance payments sooner than Maryland for welfare recipients going to work. And I am sure that is not a statistic that we are proud of in the State of Maryland. Again considering our ability, we should, I think, be at a better place than that.

On the issue of Medicaid and food stamps, I commend the State of Maryland for acknowledging this problem and sending temporary medical cards and simplified Medicaid applications for the 60,000 individuals who may have been inappropriately dropped from Medicaid when they left cash assistance. I am interested in learning how many of these 60,000 individuals retain Medicaid coverage today.

To provide more resources for low-income families and to reconnect—noncustodial parents with their families, we are concerned about the fact that some States have allowed for pass-throughs of child support to families on public assistance, other States have not.

I think we all agree that this is a valuable tool for reconnecting families. Regrettably, Maryland keeps every penny of child support collected on behalf of families on cash assistance. I hope there will be some consideration during this general assembly of legislation that is currently pending that would change that. I am curious as to the status of that particular bill.

Of course, one of the biggest issues confronting mothers attempting to move off of welfare-to-work is to finding quality daycare. In this context, I worry that Maryland is eligibility levels for childcare assistance limited to families earning less than \$22,000 a year leaves too many parents without access to affordable daycare.

Maryland is one of the only a few states that have set childcare assistance eligibility levels at 40 percent of the State median income, which is far below the allowable Federal threshold of 85 percent of the State median income. Governor Glendening recognized this in his new budget and has provided the modest increase from 22,000 to 25,000. So I would again like to know what progress we are making on getting more families the daycare that they need.

I am encouraged by the good work being done in Maryland and nationwide to overhaul the welfare system, but there is still much more that both the State and Federal Government must do.

We during this last legislative session maintained our commitment of providing flexible funds to the states. There was an attempt made to try to reduce TANF funds. And on a bipartisan basis, we prevented that from happening living up to our commit-

ments to the States. Well, we think this is a partnership and the States have a commitment to make sure that these funds aren't being used to supplant other funds that the States have made available to deal with children and families on welfare. And I would be interested on your views in that regard.

And then, finally, if I might suggest, that I do think the Federal Government must be an active player; we just can't be a bystander. Our opportunities are also better right now because of our growing economy, and we need to be proactive. I would hope Congress would pass the minimum wage bill that I think would help in this regard and that we would increase Federal funding for childcare. I authored a bill to do just that.

I have also introduced legislation to require the Federal Government to share with the States the costs of passing through more child support to low-income families. So I think we need to work together in a partnership in order to continue the progress that we have made.

Let me conclude from where I started. We are very pleased with the way that the welfare rolls are being reduced and child poverty is being reduced and that we maintained our commitment of flexible funds to the States and the creative innovations the States have used. But we need to now reach further.

The families that are remaining on cash assistance are more difficult than they were the families that we had a year ago on cash assistance, and we need to figure out strategies where the Federal Government and the State government working together can deal with those issues.

[The opening statement of Hon. Benjamin L. Cardin follows:]

Opening Statement of Hon. Benjamin L. Cardin, a Representative from the State of Maryland

Madame Chairwoman I want to thank you for joining me in Baltimore today to oversee the progress of welfare reform in Maryland. There is much here to warrant optimism, including a rising number of individuals leaving welfare for work and a declining number of Maryland's children living in poverty.

However, there are still a number a major obstacles to overcome, such as very low earnings for welfare leavers, problems with access to Medicaid and food stamps for low-income families, and financial barriers to quality day care. In short, welfare reform is working in Maryland, but the job is far from done.

There can be little doubt that our strong economy combined with significant budget surpluses in both Washington and Annapolis present a once-in-a-lifetime opportunity to tackle many of the core problems leading to poverty. We should all hear the echo of the famous phrase—"if not now, when?" Now is certainly the time to make sure that recent employment gains turn into permanent poverty reductions.

Today, I would like to focus on the choices Maryland has made under the Federal welfare reform legislation, which gave States broad discretion in designing their own programs. In other words, why did Maryland select some welfare reform strategies and not others, and how do these policies intersect with the overall State budget. Let me mention a few specific issues.

One of the central problems that continues to vex welfare reform efforts here in Maryland and around the country is helping people leave poverty for a better life when they leave welfare for work. For example, a University of Maryland survey found that, a year after leaving welfare, workers were earning roughly only \$11,000 a year.

To combat this problem, Maryland took the laudable step of making its earned Income Tax Credit (EITC) partially refundable to increase the take-home pay of low-wage workers. However, the State continues to implement what can only be called a miserly policy for how much earned income is disregarded for the purposes of welfare eligibility. Until very recently, only two States ended assistance payments sooner than Maryland for welfare recipients going to work. Some improvements to Mary-

land's earnings disregard policy were implemented last year, but more needs to be done to make work pay, not painful.

On a related issue, too many individuals who are trading a welfare check for a pay check are losing other benefits to which they are entitled, such as Medicaid and food stamps. I was pleased that our State acknowledged this problem by sending temporary medical cards and simplified Medicaid applications to 60,000 individuals who may have inappropriately lost health coverage when they left cash assistance. I am interested to learn how many of these 60,000 individuals retain Medicaid coverage today.

Of course, one of the biggest issues confronting both mothers attempting to move from welfare to work, and those trying to stay off welfare, is finding quality day care for their children. In this context, I worry that Maryland's eligibility levels for child care assistance, limited to families earning less than \$22,000 a year, leaves too many parents without access to affordable day care coverage.

Maryland is one of only a few States that sets its child care assistance eligibility level at 40% of the State Median Income (SMI), which is far below the allowable Federal threshold of 85% of SMI. Governor Glendening's new budget begins to recognize the inadequacy of Maryland's child care budget by proposing to modestly increase the income eligibility thresholds from \$22,000 a year for a family of three to \$25,000 for such a family.

I am encouraged by the good work being done in Maryland and nationwide to overhaul our welfare system. But there is still much that Federal and State officials can do to improve outcomes for low-income families, especially considering the resources generated by a strong economy. Yet despite the needs of poor families for improved child care, health care and work rewards, some states are apparently using Federal TANF dollars to replace, rather than augment, State money dedicated to helping these families.

This type of supplantation does not adhere to the spirit of the welfare reform agreement between the State and the Federal government. The Federal government has upheld its end of the agreement by maintaining the TANF grant's flexible funding at its statutory level. But the States must also continue to do their part—which means focusing Federal TANF funds on helping needy families, not on freeing up State dollars now dedicated to poverty programs.

Finally, by focusing most of my comments on Maryland's welfare policies, I do not mean to suggest the Federal government should merely stand on the sidelines. While Congress should continue to give States broad flexibility in determining their welfare policies, there are other areas where the Federal government should be more proactive.

For example, I hope and expect that Congress will increase the minimum wage to raise the earnings of low-income workers, especially those leaving welfare. I also believe we need to increase Federal funding for child care to help families balance the burdens of work and raising a family—and I have authored a bill to do just that. I have also introduced legislation to require the Federal government to share with the States the cost of passing through more child support to low-income families.

Madame Chairwoman, let me again thank you for bringing this Subcommittee to Maryland to oversee welfare reform in action. I know you share my desire to hear about both the promise and the problems of welfare reform here and around the Nation.

Madam Chair, I appreciate the honor that you allow me to introduce the first panel that we have. We have, I think, the two key legislators that have been responsible for the progress that we have made in the State of Maryland. Senator Madden comes from Howard County, a county that is one of our real growth counties in the State of Maryland, one in which the State senator can pick whatever priorities he wants to concentrate on.

We are very, very proud that he has been a champion on welfare reform in our State. And I applaud him for those efforts. He has been a true champion on trying to make sure we do the right thing for families in our State.

And Samuel Rosenberg, a member of the House of Delegates, which I consider to be the upper House, considering that I served

as Speaker of that body, only because of the protocol, we will allow Senator Madden to go first. But Sandy Rosenberg, he and I came from the same legislative district. He chairs one of the Subcommittees on the Appropriations Committee.

In Congressional terms, we would call you a cardinal. And I understand that may not go over well in your district, but I will see what happens. But he has been one of the real leaders in our State on progressive issues dealing with poverty and dealing with children.

And then we have Lynda Fox, who is the secretary of the Maryland Department of Human Resources, the person charged on the executive side with implementing our human resource programs, including welfare reform and has been one of the real policy developers on the welfare issues in our State.

And last, Fred Puddester, who is the secretary of the Maryland Department of Budget and Management. Fred has experiences on both the legislative and executive side. He is a person who has incredible credentials and credibility among legislators and in our entire State for running budget discipline, as well as using the budget in a creative way to deal with the problems with the people of our State.

So welcome. Your entire statements will be put in our record. And we would appreciate it if you would try to limit your formal presentations to no more than 5 minutes.

Senator Madden.

STATEMENT OF HON. MARTIN G. MADDEN, SENATOR, MARYLAND SENATE, AND CO-CHAIRMAN, MARYLAND GENERAL ASSEMBLY, JOINT COMMITTEE ON WELFARE REFORM

Mr. MADDEN. We know the urgency of that message sitting in our own Committee for the last month and having another 2 months to go.

Madam Chairman, thank you very, very much for coming out here to the land of pleasant living. We appreciate your valuable time in doing so. We want to thank you for the opportunity to show you what the States can do when they get a chance to be closer to the people they are trying to serve. And we thank you for devolving this program down to us. We also particularly thank you keeping your word on maintaining the 5-year level block grant. I think it would have been a terrible precedent on this first devolving of the Federal Government to the States to have to come back and break that word. It would have set a bad precedent for the next time we wanted to do another program.

Maryland was determined not to duplicate the Federal one-size-fits-all system. And so we granted our 24 local social services directors in the 23 counties and the City of Baltimore the flexibility, the funding, and the autonomy to make their own decisions on what is best to bring welfare—with what is best to bring people to self-sufficiency that we are trying to serve.

We backed this promise up by guaranteeing the local social service directors that they would receive 45 percent of the savings generated from any caseload reduction in their jurisdiction. And this has generated numerous experiments and different programs;

things that work in one county are quickly duplicated in others where they are applicable. Things that don't work, we move on.

I, for one, adhere to the old saying there is no failure in trying and failing, only in failing to try. And we have never held anybody responsible for trying something that didn't work. One of the things that has happened is that Allegheny County, a county with one of our highest unemployment rates in the State, has the biggest caseload reduction in Maryland. They are down 90 percent. It is not because the job market is better up there; it is not. They just tried new and more innovative approaches.

We have given our local social service directors the individual authority to give education exemptions, rather than a blanket exemption for everyone. We think we are on the right track here in Maryland. We want more ability to do so.

Two things I would ask you to do as we move forward. Maryland came out of the welfare reform effort very early. We had a Federal waiver prior to August the 22d of 1996 when the landmark legislation was passed and signed. So we kicked in right away in October 1996. I think your Department of HEW approved our plan on January 1997. So our clock is now 3 years and 1 month ticking.

And as Congressman Cardin knows, we only go into session January through April. If you all don't tell us this session what you are going to do at the end of the 5-year time limit, we have no way to react to the changes because that means you won't do it until after our 2001 session. We will be out of session until 2002 when our time limit has already expired. From our perspective here in Maryland and the other early States, it is imperative that you tell us this year what is going to happen at the end of the 5-year block grant; otherwise, we don't have the time we need to react in a proper manner.

The second thing I would urge you to do is please devolve more programs back to us. And, you know, right now, a year from now we are going to have a new President for sure and perhaps some new people sitting in certain seats. I think we should keep this bipartisan consensus that was started 3 years ago continuing, and if you are not ready to devolve back the Medicaid Program or the Food Stamp Program nationally, why not start some pilots? Start with six States, three with Democratic Governors, three with Republican Governors, one rural State, one urban State, one on the West Coast and one on the East Coast, whatever you think is fair and gives you a broad perspective. Give six or eight States a chance to show you what we can do on Medicaid and food stamp eligibility.

I will guarantee you this, we will do it fairly and we will do it compassionately, and we will do it more efficiently. Now, I can't guarantee you a result, but I can almost predict that we will find results that far exceed your expectations, just what we found in welfare. Nobody would have predicted the success the welfare program had.

So please, as you go about recertifying the welfare, why not try a pilot program in certain States? I only ask one request, make sure one of them is Maryland. And I think we will find this body of knowledge—it is transferrable. Maybe it is too big a step to do it on a national basis, I understand that. Try some pilots. Connecti-

cut would also be a good one to start out, Madam Chairperson. Those are my two requests here.

Congressman Cardin, to answer one of your questions, the issue you raised regarding Maryland cutting off benefits very early when somebody leaves welfare, that is a deliberate policy that I endorsed here in Maryland. The reason why is that the way the Federal law is set up, if you give even \$10 of cash assistance to anyone, it counts as one of those 60 precious months of lifetime eligibility somebody on welfare has.

I would much rather direct aid through tax credits or additional noncash assistance, because whether we give a full cash benefit to somebody for a month or whether we give them a \$10 supplement while they are working, each of those cash payments eats up one of those 60 months of lifetime eligibility. I don't think it is a wise use of resources to do so.

Thank you for your time.

Mr. CARDIN. Thank you very much, Senator Madden.

Mr. CARDIN. Dr. Rosenberg.

**STATEMENT OF HON. SAMUEL I. ROSENBERG, DELEGATE,
MARYLAND HOUSE OF DELEGATES, AND CO-CHAIRMAN,
MARYLAND GENERAL ASSEMBLY, JOINT COMMITTEE ON
WELFARE REFORM**

Mr. ROSENBERG. Thank you. Welcome, Chairman Johnson, Ranking Member Cardin, Congressman English to Baltimore City, to the 3d Congressional district, not the 42d legislative district. It was my honor to serve my first term with Congressman Cardin's last term in the House Delegates of Maryland.

I think one of the important things about how we have approached welfare reform is in one of the things that Congressman Cardin did not say about Senator Madden, that is, that he is a Republican; I am a Democrat. We have had a bipartisan approach to welfare from the outset in Maryland.

We have also had I think an approach that is nonideological, in the sense the very first welfare innovation act that we did—we are now on our 5th or 6th annual acts—but the very first year the advocates came to us and said you should study what the impact is of what you are doing. And so we wrote into the law that there will be funds for an annual study that Congressman Cardin cited as to what is the impact of what we have done.

We have paid attention to that study in molding what we do. We have achieved a great deal of success, but we have only begun the process of welfare reform. There are people who remain on the rolls who will be more difficult to find work. But, more importantly, or equally as important, I think our priority now has to be helping people who have left the rolls begin to move up the economic ladder, so that their second or third job is one that pays a higher wage, and that involves a variety of factors on our part: Job skills, childcare, continued support, and things like Medicaid and food stamps.

And I think that is our priority now as we move into the second phase of welfare. And we need the ability—we need to keep the ability to do that, to be innovative, to be flexible, and to retain the funds to do that. In Maryland, we have provided that the savings

go into a dedicated-purpose account so that they can only be used for welfare-related purposes. This is—you know, so that it doesn't go into, you know, just the general funds so that Mr. Puddester can use it for a variety of purposes. It has to be used for welfare-related purposes. We have reinvested through the locals giving them flexibility. And I think that is something—that is the kind of flexibility that we should retain.

When you decide—when you reauthorize the program when, you know, whether it is in this calendar year or the next calendar year, preferably sooner, so we know what we are doing, it is essential that we retain that flexibility, so that individually each State can address problems as it sees fit.

And it is as Senator Madden said, we have said to the locals, it is not just do as we say; we have given them the flexibility to address problems. Congressman Cardin, you spoke specifically of the pass-through of child support. There is legislation before us this year—we haven't had a bill hearing on it yet. But I think what has motivated us throughout this process is a sense of giving people the opportunity to move off welfare, providing whether it is programs or incentives but also saying that there is a consequence for your children, for your family if you fail to take advantage of that opportunity.

Most notably that has been the case with what we have been trying to do with substance abuse. Senator Madden took the initiative several years ago to say if parents are abusing, they are not going to be good parents, and their children are going to suffer. And we have—we are still working on that to make it work; but we have said that, you know, if we make drug treatment available to you and you fail to, you know, work—remain in the program, there is a consequence for your children if we do nothing, so we are going to do something and deal with custody issues there.

We are still trying to make sure that that treatment is made available. But I think that—I think that best epitomizes what we have tried to do here in welfare in Maryland, address the problem, not from an ideological approach but by saying there is a problem, here is how we think, here is the tools, the opportunities to address that problem and moving forward and constantly evolving so that we are, in fact, addressing that problem.

So our bottom line is continue to give us that flexibility, continue to give us the resources so that we can address those problems. And we look forward to working with you as we have worked as a legislature, Democrat, Republican, legislative, as well as advocates and elected officials to giving people the opportunity to move not just out of welfare but up the economic ladder.

Mr. CARDIN. Thank you.

[The prepared statement follows:]

Statement of Hon. Martin G. Madden, Senator, Maryland State Senate, and Hon. Samuel I. Rosenberg, Delegate, Maryland House of Delegates; Co-Chairmen, Maryland's General Assembly's Joint Committee on Welfare Reform

Dear Chairman Johnson:

Thank you for the opportunity to appear before the U.S. House of Representatives Ways and Means Committee's Subcommittee on Human Resources hearing in Baltimore on welfare reform. Congress and the President made the right decision in devolving welfare to the states.

Maryland was determined not to duplicate the failed federal "one size fits all" structure. Accordingly, we gave each of our 24 local social service directors (23 counties and Baltimore City) the flexibility, funding, and autonomy, to make their own decisions on how best to address the barriers to self-sufficiency faced by their residents. We backed this approach by providing that 45 percent of the savings realized because of caseload reductions is returned to the 24 local departments. This led to the creation of many new approaches, such as a source of funds for innovative demonstration projects between local social service departments and nonprofit organizations, as well as other local entities. Welfare reform has succeeded beyond our most optimistic expectations. We certainly hope that this flexibility continues as the existing TANF block grant ends and discussions begin regarding its extension.

As co-chairs of the Maryland's General Assembly's Joint Committee on Welfare Reform, we are proud of the State's efforts to implement welfare reform. Our efforts enjoy bipartisan support and could not have been accomplished without a high level of cooperation between the legislature and the Executive Branch. From January 1995 to December 1999, Maryland's welfare caseload has declined by more than 65 percent. An on-going legislatively mandated study indicates that most of those people who left welfare found jobs, have stayed employed, increased their earnings, and have not returned to welfare.

We are also proud of the fact that Maryland is an acknowledged leader in developing innovative approaches to helping welfare recipients achieve independence. For example:

- Maryland was the first State to implement a drug screening program for welfare recipients because we recognized that a significant barrier to independence is substance abuse;
- Maryland allows any program savings to stay with our State welfare agency and its local departments of social services;
- Maryland created a special account for State-only funds that can be used only if caseloads start increasing; and
- Maryland mandated that an ongoing study be conducted that follows former welfare recipients. This study has provided invaluable information regarding what happens to those people that leave welfare and is considered a model for other states.

In spite of our success, we recognize that there is still much work to be done. Starting in January 2002, the first group of welfare recipients in Maryland will be subject to the 60 month time limits. Unless exempted, these welfare recipients will no longer be eligible to receive any TANF benefits. While the caseload declines remain encouraging, the fact is that Baltimore City has well over one half (48,000 cases) of the State's remaining caseload, and most of these individuals fall into the "hardest to place" category. While we continue to endorse the autonomy and flexibility granted to the local departments, we also recognize that a regional approach may be necessary to assist Baltimore City in addressing its caseload. For example, transportation barriers prevent inner-city residents from obtaining access to well paying suburban jobs. We will have to devote more resources to removing these barriers.

As we begin to focus on the "hardest to place cases," we were pleased to see that the new TANF regulations afford the states much greater flexibility in the use of their funds to move welfare recipients to independence. We are also pleased that Congress has declined to take away the TANF surplus that the states have accumulated in the event caseloads start increasing. We encourage you to continue the TANF block grant and your support of state and local efforts.

We have helped people move from welfare to work. Now we must give people the opportunity to move from unskilled, subsistence jobs to higher skilled, better paying jobs. We also would like you to consider devolving other programs to the states, such as Medicaid and Food Stamps. If you are not ready to devolve all of the major programs for the poor to the states, we would encourage you to establish a three year pilot program in 6 states and would like for Maryland to be included in the pilot. We promise to administer these new pilot programs fairly, compassionately, and efficiently. . . .we also expect to achieve positive results that exceed all our most optimistic expectations.

Mr. CARDIN. Secretary Fox.

**STATEMENT OF HON. LYNDIA G. FOX, SECRETARY, MARYLAND
DEPARTMENT OF HUMAN RESOURCES**

Ms. FOX. Good morning. I would like to thank Chairman Johnson and Congressman Cardin and Congressman English for coming to Baltimore today to allow us this time to talk about both the successes and challenges of welfare reform here in Maryland.

As you can see from the panel, it has been a real team effort. The Governor and the General Assembly have collaborated together to have a unified, consistent, coherent approach to welfare reform; and we think it has worked very well. We have assisted many, many families; and at the same time, we have protected children and protected those with disabilities and other vulnerabilities.

Certainly one measure of our success has been our caseload decline. Since January 1995, our caseload has decreased by over 66 percent. It has ranged from place to place around the State, going as high as about 90 percent in some counties, but remaining at about a 55 percent decrease in Baltimore City. As in other parts of the country, the welfare caseload is becoming more of an urban phenomenon.

At this point, about six in 10 of those who are receiving Temporary Cash Assistance do reside here in Baltimore City. We think that the caseload decline is one measure of our success, but clearly not the only measure of our success. Dr. Catherine Born will talk a little bit about the work she has done. Basically we found people have become employed, stayed employed, had wage gains and maintained their families.

We believe that we are using the flexibility that you have given us through the devolution of welfare reform to the advantage of Maryland families. At this point we appreciate that we can serve not only those who are receiving cash assistance but also those that have left our rolls and those who are only one paycheck away from needing our assistance.

We also have used this opportunity to do a lot more in terms of programming for fathers so that we are serving both parents whether or not they reside in the same household. We have been able to expand our childcare resources. We have taken advantage of the transferability into the childcare development fund.

We have done that for 2 years, and we are asking for permission in this year's state budget to do it a third year. That has enabled us, as Congressman Cardin pointed out, to increase our eligibility threshold. It has also enabled us to provide greater access to the program for children of teen parents and also children being cared for by kinship care providers.

We also are embarking in July on an After School Opportunity Fund of \$10 million that will enable private and nonprofits and traditional childcare providers to do after school activities. We are also expanding our Family Support network. They serve young vulnerable families with children birth to 3. We are expanding our Healthy Families Maryland program, which is a home visiting program aimed at reducing subsequent nonmarital births as well as preventing child abuse and neglect. And we are enhancing our activities to serve those that have left welfare.

As we reach this point, we are really seeing a new set of emerging issues. We feel like we have entered into stage two of welfare reform. So job retention and job skills enhancement are now becoming increasingly important.

We also appreciate the flexibility we have been given for the first time to really engage in prevention activities so that we ensure that the next generation need not be dependent on welfare. In the beginning, our goals were caseload reduction and customer satisfaction. Now, it is much more job retention, earnings gain, diversion and prevention.

It has become increasingly clear that we are not going to succeed in the long run without coupling those leaving cash assistance with the other Federal and State supports that are available. We have been working very hard on ensuring that everyone who is entitled gets medical assistance, food stamps, childcare, both the State and the Federal earned income tax credits, and avail themselves of child support enforcement services as well.

I think there are many ways that Congress can continue to help us as we continue this welfare reform journey. We certainly appreciate that you left our funding intact. We appreciate your respect for our bargain. I do think that the high balances may have given you a false impression. I think States like Maryland were prudent in their use of their funds. We wanted to be certain that the caseloads were going to fall and were going to remain low.

We also were in a very uncertain regulatory environment. The initial HHS regulations really had a chilling effect, I believe, on the creativity in States in using the resources. So we are hoping to continue, but we have not yet any guarantee that the economy will remain as vigorous as it has been. The Regional Economic Studies Institute at Towson University tells us that about 9 percent of our 61 percent decrease can be attributed to the health of the economy. The rest is really attributable to policy change, which I think is interesting.

But keeping that in mind, we do urge that you continue the sustained level of funding in the reauthorization.

Mr. CARDIN. Thank you very much.

[The prepared statement follows:]

Statement of Hon. Lynda G. Fox, Secretary, Maryland Department of Human Resources

INTRODUCTION

Good morning, my name is Lynda Fox. I am the Secretary of the Maryland Department of Human Resources. It is a privilege to be here today to discuss my views on the successes and challenges of welfare reform in Maryland. I would like to thank Chairman Johnson and the Committee for this opportunity. I would also like to thank our Congressman, Ben Cardin, for all of his hard work in getting as broad a possible range of views into the development of the original welfare reform legislation and in taking a leadership role in the development, where appropriate, of mid-course corrections to the Congressional vision of welfare reform. In Maryland, we think the Temporary Assistance to Needy Families program has had a dramatic and positive impact not only on welfare but the entire human services delivery system. In Maryland and across the nation, we are making great strides in assisting families to become independent of welfare and to enter the workforce. At the same time, we are safeguarding children, people with disabilities and other vulnerable populations by providing needed services.

It is also a privilege to appear before you today as part of a panel that vividly demonstrates that, in Maryland, welfare reform is a team effort. Senator Madden

and Delegate Rosenberg have provided a clear policy direction for Maryland's welfare reform efforts. Dr. Born has provided them and us with the facts and research necessary to make reasoned policy choices. Secretary Puddester has provided the budgetary guidance that is necessary to make our efforts successful. Because of the cooperation and foresight of Governor Parris Glendening and the Maryland General Assembly, Maryland is a leader in welfare reform -welfare reform that is firmly based on our research and the research of others and that takes maximum advantage of the fiscal flexibility you have given us to determine how to best serve low income families in Maryland. In the brief time that we have together, I would like to share with you some of our successes, point out some of the challenges that still lie ahead and enlist your support in facing those challenges.

OUR SUCCESSES

One measure, but only one, of our success is that of a caseload decline. We have built on the strengths of our customers and helped move them to independence. Since January 1995, we have helped 150,547 Marylanders become independent of welfare. As of the January 2000, our cash assistance caseload has gone from 227,887 customers to 77,340 customers, a decline of 66.1%. Based on work done by the Regional Economic Studies Institute at Towson University, this decline in Maryland can be attributed largely to the implementation of our Family Investment Program. Towson University has been forecasting the state's welfare caseloads since 1992. They have projected the caseload in the current economic environment both with and without welfare reform. Their forecast estimates that without welfare reform, but with a booming economy, the caseload would have declined about 9%, rather than the 66.1% we have achieved. They have concluded that the dramatic difference in the rate of decline is at least partially due to the strong economy; but even more importantly, is a result of the sound policy decisions that have been made in Maryland.

Maryland's caseload decline also mirrors a national trend in that the population remaining on cash assistance is disproportionately located in urban areas. While the state caseload has declined 66.1%, the caseload in Baltimore City has declined 55.3%. As a result of this difference in decline rates, Baltimore City now has 61.1% of the state's caseload.

The more important question is not just how many people have left welfare caseloads but how well do they fare after they leave. I will leave it to Dr. Born to describe the details of her research work on this basic and important question. I think that we in Maryland have answered the basic questions that were asked at the beginning of the current welfare reform effort. We have found that people who leave welfare generally find work, preserve their families and do not return to the rolls.

Another of our successes is that we have been able to understand more clearly and take advantage more fully of the true flexibility the Congress has given us and which we now see, years later, reflected in the final federal regulations. I will leave it Secretary Puddester to discuss more fully how we are taking advantage of this flexibility. Be assured that in Maryland we are using this flexibility to fund a host of activities that we think faithfully implement the purposes of the federal welfare reform law and serve low-income Maryland families who receive cash assistance, have received cash assistance or are but one paycheck away from receiving cash assistance. We have used in this flexibility on activities such as the following:

Child Care Expansion.

We have transferred \$92 million from the TANF block grant to the child care block grant in order to meet growing child care needs and to fund program expansions that will serve additional children.

The Maryland After School Opportunity Fund program.

We will use \$10 million in TANF funds to launch this program in July 2000. This program will provide funds to a myriad of after-school programs designed to enhance the motivation, performance and self-esteem of youth and thus meet the goals of the federal welfare reform legislation.

Expansion of Our Family Support Center Network.

These centers were developed to establish preventive supports for families during the early formative years and to encourage the formation and maintenance of two-parent families. These centers are community-based programs that provide services to assist mothers and or fathers with children age birth through three, particularly in high-risk communities, to raise healthy families and build productive futures.

Expansion of the Healthy Families Program.

This program provides home visitation and on-site services to families such as parenting education, family planning and employment services. This program's goals include the prevention of subsequent out-of-wedlock pregnancies as well as child abuse and neglect.

Expansion of Our Job Skills Enhancement Pilot Project.

This program provides of participants with training to enhance existing skills, gain additional or alternative skills or to learn interpersonal communication and other related skills to retain their jobs and increase their potential for advancement beyond entry-level positions.

THE CHALLENGES THAT REMAIN

Caseloads have declined. This is not the end of the story of welfare reform but rather the beginning of a new chapter. Those that remain tend to live in urban areas where there is a problem with the supply of jobs and also tend to have a greater number of barriers to independence. We also have to ensure that those who have left do not come back, unless absolutely necessary. Finally, we are faced with the issue of true welfare prevention not just diversion. In our diversion activities, we want to insure that people do not stay in our welfare offices very long. In our prevention activities, we want to ensure that they do not have to come to us for cash assistance in the first place. We faced the initial issues of welfare reform and are now facing new and more difficult issues. Among these are:

Job Retention and Job Skills Enhancement.

Is important that those who leave welfare for a job keep that job and move on to a better job. With assistance from planning grants and input from advocates and members of the General Assembly we are devising a number of programs to ensure that those who leave welfare for a job keep that job and use it as a stepping stone for career.

Prevention Activities.

The final federal regulations have more clearly articulated the flexibility in the federal welfare reform law. Maryland has enthusiastically grasped that flexibility to design and enhance programs that are preventive in nature. This continues a long tradition in Maryland of focusing on different kinds of preventive activities. For example, one of Maryland's very first of welfare reform activities was called the Primary Prevention Initiative that focused on child immunizations and school attendance as being preventive of welfare dependency. We are building on this tradition of prevention by funding after-school programs, family preservation programs, family support centers, dropout prevention programs, out of wedlock pregnancy prevention programs, young fathers programs and other community-based initiatives.

Realigning the Major Welfare Reform Goals of the Department.

At the beginning of our welfare reform effort, we developed, in concert with the Maryland General Assembly, a Reinvestment Strategy. Our major goals were caseload reduction and customer satisfaction with an overall objective of creating caseload savings and reinvesting those savings back into programs that would help those with greater barriers to independence. The General Assembly gave the Department unprecedented fiscal flexibility to carry forward caseload savings into the future. Now, we are faced more squarely with the issues of job retention, earnings gain, diversion and prevention. Consequently, we are more clearly articulating a goal of the support of low-wage working families. The policy shift to welfare as a temporary support has accentuated the fact that other governmental means tested programs are supports to employment and eventual family independence. Taking the lead from David Ellwood, we view independence as a multi-legged stool with governmental means tested programs and private efforts working together to move the family eventually to independence. The programs we are providing and/or marketing to our customers include:

- *Child Support.* *TI We have included a Child Support First component to our program and are building a Child Support Last component to ensure that those exiting from the welfare rolls have the child support money to which they and their children are entitled.*

- *Child Care.*

As our welfare caseload projections go down, our child care projections increase as more people move to work and need this support.

- *Medical Assistance.* We have developed manual review mechanisms and are shortly going to turn on new computer programs to fully implement the provisions

of Section 1931 of the federal welfare reform law regarding Medical Assistance. We are committed to insuring that all medical assistance applicants who are eligible are correctly determined to be eligible, regardless of their cash assistance status.

- *Food Stamps*. This program has taken on increased importance as part of the social safety net as cash assistance caseloads have declined. As I will discuss later, this program unfortunately does not have the flexibility that exists in TANF

- *Earned Income Tax Credits*. We continue to aggressively market both the federal EITC and Maryland's own refundable EITC.

HOW YOU CAN HELP US MEET THE CHALLENGES

To meet the challenges I have described, the states cannot go it alone. Most certainly, they (along with Maryland) will not be able meet those challenges with reduced federal support. Consequently, I offer the following suggestions as being some of the more fruitful ways in which the federal state partnership in welfare reform can continue to grow along an exciting, devolved and research driven path.

Maintain Current Levels of Support.

We understand the Committee's concern that some states have accumulated significant TANF reserves. I think this accumulation reflected an initial prudence on the part of the states and an uncertain federal regulatory climate. Now that we more fully understand the flexibility inherent in the federal welfare reform law, I believe that Maryland and other states will reduce those balances by spending on appropriate activities for low-income families.

Look Toward a Reauthorization of the TANF Program at Current Block Grant Levels.

We have been led to understand that is it the opinion of many that upon reauthorization the TANF block grant to the states may be smaller. We would urge you to reject that kind of thinking. The federal welfare reform law was the result of the historic agreement between the states and the federal government regarding the risks of significant change in the area welfare reform. The states were willing to accept those risks and the burden of any unforeseen additional costs. The Congress needs to hold up its part of the bargain and continue funding at reauthorization at current levels. I would remind you and everyone listening that we have yet to see the repeal of the business cycle. We have yet to see how the progress we have made and the successes we have achieved will fare in a time of serious economic downturn.

Continue the Principle of Maximum State Flexibility in the Design of Their Welfare Programs.

Now that states have had some experience with welfare reform, you will see even greater experimentation and a greater drift away from welfare the way it was. There are some who are troubled by this, despite the results of studies such as we have done in Maryland concerning welfare leavers and other aspects of our program. I urge you to resist the recommendations those who would attempt to reestablish aspects of welfare as we knew it by placing controls on state flexibility and creativity and otherwise attempting to unravel the historic welfare reform agreement.

Continue to Work toward Granting the States the Flexibility They Have in the TANF Program to Other Federally Funded Means Tested Programs, Particularly Food Stamps.

I offer the following suggestions:

- *Substantially reform the Food Stamp Program to simplify it and conform it to the goals of welfare reform while preserving its role as a significant part of the social safety net.* There needs to be a radical simplification of this program's complex income, asset and deduction rules, which continue to mystify staff and customers. In themselves, they constitute a considerable barrier to participation in the program.

- *If the above cannot be done or seems too big a step, the Congress should grant increased waiver authority to United States Department of Agriculture to allow state experiments in the Food Stamp Program.* This would be similar to the waiver demonstration projects that gave states the experience and the information to craft successful welfare reform programs. States are the great laboratories of democracy. While we are well aware of the fact that this Committee does not have jurisdiction over the Food Stamp Program, we urge you to constantly work with your colleagues that have direct responsibility for that program to grant the state's a measure of the flexibility that was contained in the federal welfare reform law. As you know,

the states have responded appropriately to that flexibility and would do the same with regard to the Food Stamp Program.

Full federal participation in the pass-through and disregard in the calculation of the grant of any child support collected on behalf of families who receive TANF cash assistance.

There is growing support in Maryland and across the nation for passing through and disregarding at least a portion of the child support collected on behalf of children receiving cash assistance. There are many good reasons to do this. Among these are the extra income it gives the family while they receive cash assistance, but more importantly the tie that this creates between the non-custodial parent and the children that will continue long after the family has left welfare. The problem with this strategy is that current law governing the distribution of child support collections requires that we give to the federal government half of what we collect for these families. Thus, we can pass through and disregard only the state share of the collection unless we choose the extra expense of paying the family the federal share.

We are supportive of any legislation that would have the federal government participate in the cost of passing through and disregarding child-support collections to current TANF cash assistance recipients. We would also suggest that this passed through and disregarded income be excluded from the income that is counted to determine the family's Food Stamp benefit. Otherwise, the family would be giving back to about one dollar from every three it got. Finally, we note that this passing through and disregarding of the child support collection will require significant computer programming for a state such as Maryland. Should the Congress mandate such a pass through, we suggest that the states be given ample time to properly adjust their automated systems to properly execute such a policy.

Giving states assistance in our continuing program improvement and research efforts.

We have demonstrated that Maryland's welfare reform effort is firmly based on continuing program improvement and using our research results. Our program will continue to develop and improve to better serve low-income Maryland families only to the extent that we can gather enough meaningful data to evaluate our programs and find out where people who have left our programs are or are working. There are several databases that have been constructed or are under construction that fall under the jurisdiction of your committee. Access to either of them would significantly assist Maryland in evaluating its program, seeking a federal High Performance Bonus in the area of TANF and improving the services we offer to our low-income families. We would request legislation to allow us and our researchers access and receive match information including identifiers for TANF purposes from both of the following databases:

- The *Expanded Federal Parent Locator Service database*, which holds employment information from all of the states as well as the federal government. Maryland is a small state surrounded by others with a large number of federal employees. Access to this database, properly restricted to preserve confidentiality and the proper use of the data, would be of significant help to us in designing future enhancements to our program and in targeting services.

- *The database being created under the authority of Section 136(f)(2) of the Workforce Investment Act.* While not as powerful as the above database, we would say that cross-state information is as valuable in designing and evaluating programs to implement TANF as to implement WIA.

Thank you for your attention. I will be happy to answer any questions you may have.

Mr. CARDIN. Secretary Puddester.

STATEMENT OF HON. FREDERICK W. PUDDESTER, SECRETARY, MARYLAND DEPARTMENT OF BUDGET AND MANAGEMENT

Mr. PUDDESTER. Thank you. Chairman Johnson, Congressman Cardin, Congressman English, I want to thank you for coming to Baltimore, and joining us here. And Chairman Johnson, it is sort of old home week for me. When I came to Maryland 21 years ago,

I had a little more hair. And as a legislative analyst, Congressman Cardin was the Speaker of the House. It was sort of like an old home week for me to come here.

I am going to repeat, I guess, a lot of what my colleagues said here. But I think what you have at the table shows you the commitment to welfare reform we have here in Maryland. But as Delegate Rosenberg said, it is executive branch, legislative branch, Republicans and Democrats before you.

My testimony comes from the perspective of the budget guy. We have had a lot of success in welfare reform in this State. Lynda talked to you a little bit about the reduction and the caseload. But we also had a lot of challenges before us. We have guided our program by one of local option, local answers to these issues as part of an overall strategy the State has in terms of outcome-based budgeting. What we have done is handed these decisions, if you will, over to the local Department of Social Services. And I think the results speak for themselves.

We do have some innovative stuff going on at the State level. Congressman Cardin mentioned the \$22 million increase in child daycare in this budget the Governor has placed before us. And there is \$10 million for an afterschool program, which was part of a piece of legislation that came out of the general assembly last session. We both at the State and the local level have some innovative programs that I think are contributing to the success we have.

That is not to say we don't have challenges. You heard a lot about sort of the next level in getting people more independent and getting wages up for those people that leave welfare. As Lynda's staff deals with the folks that are left on the welfare rolls, you see average caseload costs going up. And you see they are dealing with a more difficult client to place out in the work force. And I think that is going to continue, that her staff will continue to have more challenges as they seek to continue to reduce the workload.

I want to thank this Committee, this Subcommittee, Members of Congress for keeping the deal—that is very important to us—in terms of selling this throughout the State. I want to commit today that from the executive branch side, we are going to keep our part of the deal, too.

We are trying to draw down our TANF funds. We are not going to be supplanting general funds in their place. Delegate Rosenberg talked a little bit about our dedicated-purpose account. What we have set up in Maryland is an account to capture the savings that we get from the reduction of the caseload; that account is set aside and cannot be used for anything other than activities related to this population.

Hopefully by the end of fiscal year 2001, we can get as much as \$70 million in that account. But the concept is that it is there to help Lynda and her staff and the local departments to deal with the issues that face us. And we will not be here in Maryland siphoning off money that we are saving for other purposes.

I want to thank all for the opportunity to come here today and the help you have given us in making welfare reform a reality here in Maryland. Thank you.

[The prepared statement follows:]

**Statement of Hon. Frederick W. Puddester, Secretary, Maryland
Department of Budget and Management**

Good morning, my name is Frederick W. Puddester, Secretary of the Maryland Department of Budget and Management. It is a great privilege to be here today to discuss the status of welfare reform in Maryland. I would like to thank Chairman Johnson for this opportunity and on behalf of the citizens of Maryland express our gratitude for holding this hearing here in Baltimore. I am honored to be here today with my colleague from the cabinet Secretary Lynda Fox from the Department of Human Resources, Dr. Cathy Born from the University of Maryland, as well as the chairs of the Maryland Legislature Joint Committee on Welfare Reform, Senator Martin Madden and Delegate Sandy Rosenberg. This panel reflects the widespread commitment to welfare reform in Maryland government as evidenced by the presence to executive branch, the university community and the legislative branch. We are all partners in making welfare reform a success.

My testimony today is from the perspective of the Secretary of Budget and Management. As a part of my duties, I am responsible for the development and execution of the Maryland State budget. The activities of welfare reform are a significant activity for the Maryland Department of Human Resources, itself one of the largest state agencies.

You have asked for my views on both the successes and challenges of welfare reform in Maryland. Clearly the most significant success has been the 66.1% reduction since January 1995 in the number of individuals receiving Temporary Cash Assistance. This reduction in the number of individuals receiving assistance is good for the individuals, their families, and their community. As the Budget Secretary, I clearly look forward to individuals transitioning from receiving assistance to becoming taxpayers, their transition from the expenditure to the revenue side of the appropriation is always welcome.

One of the key components of welfare reform is the requirement for work or work related activities as a condition of assistance. The State of Maryland has been spending approximately \$40 million in locally driven reinvestment strategies. We are allowing the local departments of social services the opportunity to develop work related and training activities which reflect both the needs and resources of their communities. This flexibility is matched with performance requirements as defined in outcome measures of our strategic planning process known as Managing for Results.

Another significant development for Maryland is the flexibility to utilize funds for support services beyond the traditional assistance programs. Secretary Fox and her staff have long advocated that it is insufficient to merely direct individuals receiving assistance to find a job. Support services are necessary to make both job training and continuing employment a reality. Under welfare reform, Maryland has been able to increase the support of childcare purchase of care by approximately \$28 million. The Governor's budget currently under consideration by the state legislature will provide an increase of 2100 slots for child care and bring the total number of slots to almost 29,000. This effort will permit individuals receiving assistance to provide care for their children while attending work related activities and while working. Similarly, a new initiative in Maryland called the After School Opportunity Fund is being implemented under welfare reform. Experts tell us that a significant portion of inappropriate juvenile behavior occurs during the late afternoon, after the conclusion of the school day, and before the parents return from work. Our new program will assist in providing quality programs for our children during these critical hours and is anticipated to help reduce the number of teenage out of wedlock births.

The road to welfare reform is not complete and there are challenges remaining to be addressed. In Maryland, we have been successful in reducing the assistance caseloads by 66.1% since January 1995. A concern remains for those individuals who remain on the caseload. We understand that these customers often have multiple barriers to independence. These may include lack of basic educational levels, poor basic job skills, few job specific skills, possible substance abuse, and the lack of family role models and mentors to be a successful employee. In short, these individuals will be far more challenging and expensive to return to work than those returned to date. We can reasonably expect that some portion of these individuals will not transition to employment within the five year time frame and may ultimately require some level of state only support, if they cannot be excluded from the time limitations under a hardship exclusion.

The changes under welfare reform have had a significant impact of other supporting services as well. While our assistance caseloads has significantly declined, the participation in the medical assistance program has continued to grow. This growth has resulted from both revised eligibility requirements as well as the ability to con-

tinue individuals in these programs for a period of time after they transition to employment. With respect to the medicaid program additional state resources are being utilized to meet the required federal matching component.

From the beginning of welfare reform there was a congressional commitment to maintaining the constant level of funding for five years. It will be critical to continue this level funding stream into the future. While the caseload may have declined it has become apparent that the average costs per recipient have been rising. As a greater portion of the caseload represents the more challenging customers this trend can be expected to continue. In addition, post welfare support services such as childcare and after school programs are critical to the program's long term success.

I believe that Secretary Fox and her staff have been successful in transitioning individuals from the assistance rolls to the employment rolls. However it is critical to note that the initial job placement does not represent the end of the story. Support will be necessary to assist individuals in retaining their new found employment and perhaps more importantly in developing the skills necessary to advance their individual career path. We must continue the efforts to assist individuals in not just obtaining a first job but being able to eventually move in a career path to support their families without government assistance.

It has been noted that Maryland has embarked on a strategy to effectively and fully use available TANF dollars. I must say this strategy has not resulted in supplanting of State funds in any way. The State of Maryland has not, and I repeat has not, realigned State funds previously allocated to the poor for other governmental functions. We have not supplanted State general funds with TANF Federal Funds. We have in some instances elected to utilize TANF funds for allowable activities in area of family support centers, dropout prevention activities, and a healthy families program. The state general funds which supported these activities have been placed in a dedicated purpose or reserve account for family investment programs. Their future use is restricted to requirements as a result of an economic downturn or mild recession. Both of these items are events which we have not experienced since the beginning of welfare reform.

States such as Maryland will require the continued Congressional assistance in the implementation of welfare reform. The TANF program comes up for reauthorization in federal fiscal year 2002 and needs to be reauthorized at the current level. States need the continued flexibility to develop and implement locally driven programs. We would hope that the successes of the flexibility in welfare reform can be extended to the medicaid program and food stamps as well.

Thank You for the opportunity to appear before the Committee today and for your continued support and flexibility to make welfare reform a reality.

Mr. CARDIN. Thank you. Mrs. Johnson.

Chairman JOHNSON of Connecticut. I thank the panel for your excellent testimony. There are so many questions. I will just ask about a couple of different things first.

First of all, on this issue of daycare, your eligibility guidelines are really very stringent. And yet if you are going to succeed in the work force, and if your first job is entry-level pay or even considerably above that, you simply can't pay rent and daycare.

Now, do your eligibility guidelines look low because they are for a bigger grant? Do you have a big voucher program that helps the working poor? How is it you are getting people off welfare when you actually have a very stringent guideline for daycare subsidies?

Ms. Fox. I think it is important, with respect to eligibility for childcare, to remember that we are basing it on State median income. Maryland has among the highest State median incomes. We will be increasing eligibility from 40 to 45 percent of State median income, which is about \$29,900 for a family of four.

So I think that it is a bit misleading when you state it in terms of median income, and you compare it to the maximum Federal allowable. So there is that issue.

Also we have certain dilemmas in childcare funding. If we don't pay adequate rates to our providers, then we bar freedom of choice of childcare from our families. We found that we reached a point where our rates became outmoded and many providers would not accept the children in our purchase-of-care programs.

So we have increased the rates. We have also increased eligibility limits. We also reduced our copayments; at one point our copayments were higher. And we do have a cost-sharing system with parents who are working, but not with parents who are currently receiving cash assistance and on the way to work.

We always had a dilemma of do we serve children at a higher level and serve a smaller proportion of the eligible population, or do we serve more of the eligible population at a somewhat lower rate? What we are really trying to do is encourage everyone to avail themselves not just of childcare, but of medical assistance. We have an eligibility limit of 200 percent of poverty for the State Children's Health Insurance Program. So most of the children if they are not eligible for Medicaid are eligible for MCHIP.

We also are encouraging use of food stamps. I guess one of the things I would mention here, recognizing that it is not within the jurisdiction of your Committee directly, that the complexity of the Food Stamp Program is a real deterrent to its use. Both our customers and our workers are confused by all of the asset, deduction and income rules. It is just so complicated for the size of the benefit that I think many working families decide to forego it.

I think this unfortunate in many instances, but we are trying to encourage use of food stamps. We have also been heavily marketing the Earned Income Tax Credit (EITC), both Maryland's refundable credit and the Federal credit. Because we know if someone goes to work even at minimum wage, if they receive the food stamps they are entitled to and the EITC, then they have left poverty.

Mr. MADDEN. Let me follow up very quickly. I believe we have about 31 percent of our people who have informal care, in other words, a relative or somebody watching them. But, Congressman Cardin, you urged the passage of an additional pass-through of child support benefits to the mothers there. One of the problems is that a pass-through doesn't affect their eligibility for TANF funds in the State of Maryland, but it does affect their eligibility for food stamps.

And that is another reason why I am saying why not devolve food stamps back to the States here, let us cut through all these bureaucratic layers and put more dollars into the customers' hands. We can do it a lot simpler and clear up some of these complicated rules out there.

Mr. ROSENBERG. As Secretary Fox referred to the dilemmas in childcare, if you increase eligibility and you don't increase the amount of money available, fewer people get served. The other dilemma we have is with our limits on spending growth in Maryland on an annual basis that if we increased money for childcare, that means there is less available for job training.

So that is the dilemma and the discussion we are going to have during our budget hearing in the next month.

Chairman JOHNSON of Connecticut. I just have to say that dilemma is better reconciled at each State than at the Federal level, which is the way we used to do it.

Let me ask also how your drug screening program is working. Do you have adequate drug treatment resources? Do you have adequate mental health services?

Mr. MADDEN. We have adequate funds. One of our problems has been getting people to identify themselves as substance abusers. We make it very easy to do so. If you identify yourself as a substance or alcohol abuser, you do not have to comply with the work requirements or one of our work activities that exempts you from having to go out and get a job.

We have funds available over and above the Medicaid package. The Medicaid package calls for comprehensive substance abuse treatment. Comprehensive is a deceiving word. It is not really the appropriate word; it doesn't cover your residential treatment. We put up \$3 million for appropriate treatment for mothers with substance abuse problems. And we have had difficulty identifying enough people. Lynda can probably tell you what we are going to do to rectify that.

Ms. FOX. When we began what we did, we had workers do a screening. They used a CAGE screen, which is a basic interview screen and then the Managed Care Organizations were to do a more comprehensive assessment. There was a lot of passing of paper back and forth. It simply didn't work very well.

So we tried a pilot in Baltimore City and in Prince George's County, which is our other major urban jurisdiction, where we placed substance abuse specialists on-site at the local Department of Social Services, and they began to do all the screening. We found we identified twice as many customers having addiction problems. Thus, we were able to get at least twice as many people to enter treatment.

So we found that that is working. There will be, we hope, legislation this Session that will eliminate some of our other screening mechanisms and substitute the placement of these addiction specialists in the local department offices.

With the pilot program, we found that about 10 percent of our customers had some type of alcohol or drug problem.

Chairman JOHNSON of Connecticut. How about mental health?

Ms. FOX. Mental health, we have not had as much difficulty with. As part of the reform of Medicaid, we carved out the public mental health system, and there is a 1-800 number that anybody can call, either the customer or the customer's workers, to link them with publicly funded mental health services. So, if they get Medicaid, there is access. But if not, there is other public funding and still access.

So access to those services has not seemingly been a problem. We do have many customers, though, who do have that as an issue.

Chairman JOHNSON of Connecticut. Thank you.

Mr. CARDIN. Let me now recognize Congressman Phil English from Pennsylvania. He has been a very valuable member of the Human Resources Subcommittee and one of those individuals who again has really reached out to all Members of the Congress to move forward on a lot of progressive programs to help our children.

Mr. ENGLISH. Thank you, Mr. Chairman. And it is a real privilege to be on your home turf today. It is a great privilege to have an opportunity to hear some of the very interesting things that are happening in Maryland.

Secretary Puddester, I was wondering. You state that Maryland has not supplanted State general funds with TANF funds, but that the general funds which supported these activities have been placed in a reserve account for family investment programs. I am intrigued by that. We have nothing like that in Pennsylvania. Tell me how it works.

Mr. PUDESTER. The way it works, which we finally got the regulations last April, we sat down with Lynda's staff, and unfortunately the legislative session already ended, so we had to work on the next budget; and we identified programs that were eligible under the regulations that were currently funded with general funds.

And what we have done in this budget, using drawing down TANF funds and appropriating those moneys for those programs, taking the general funds we had there and putting them in the reserve account, so they are there for us for whatever purpose and that reserve fund is in fact restricted. So it is a—there is a way of drawing down them and taking the general funds that were there and putting them in a special fund.

Mr. ENGLISH. How much of a TANF reserve does Maryland retain? Have you taken any special action to increase the TANF spending to reduce any reserves that you have? Is there any concern that you don't have rainy day funds and hence may not have funds available when a recession hits?

Mr. PUDESTER. Yes. We actually are in very good shape in Maryland. I am sure, talking to the folks in Pennsylvania, they are in a similar position. We hope to have about \$70 million in the special account for TANF alone. We maintained in Maryland a minimum, a statutory minimum 5 percent rainy day fund. We are currently at the end of this budget cycle going to have a number that is probably in excess of 10 percent of the budget. So I think in this stage we are in very good shape in Maryland, in terms of both TANF reserve and our rainy day funds in light of recession.

Mr. ENGLISH. Thank you very much. Secretary Fox, I am intrigued. One of the things that came up in a hearing we had in my hometown of Erie, Pennsylvania, is the difficulty that many people who now have eligibility for Medicaid are not actually on the program, because as they leave TANF, they are not continued automatically on it; and many of them are apparently unaware of their eligibility and hence are not ensured.

Is that a problem here? Or can you suggest a way that other States can be avoiding this problem?

Ms. FOX. We were very concerned about that last spring, and what we did was we imposed what we jokingly called the "human moratorium," because our computer couldn't support completely what we wanted to do. We actually implemented a system whereby a worker who was either denying an application for cash assistance or closing a cash assistance case made a recommendation but couldn't close the case, if she thought it was supposed to be closed;

then it was reviewed by her supervisor. And then there was a review at the central office of our department.

It is only after three people have looked at the case that it could be closed. We have since then gone back and reprogrammed our computers so that this will be happening in an automated fashion now. What we have found is that we have increased enrollment. Maryland is, I think, one of the exception States in that our Medicaid caseload in total has increased fairly considerably since the advent of welfare reform. We believe that strategy helped us a lot.

The other thing that we have done is outreach since the beginning of welfare reform about—not just medical assistance, but also food stamps and the EITC and childcare and child support. We have worked with the advocates and we have distributed a lot of written materials, posters and videos. We worked with an organization called the Southern Regional Institute that worked with several of the southeastern States.

We are in the process now of updating all of those outreach materials. Every place I go when I speak, I always talk about the need to move from simply moving people off of the welfare rolls to supporting low-income working families. I try to make clear that some families are going to need these supports for sustained periods of time and that there is nothing wrong with accepting this kind of help. In fact, in our annual report we have a very nice quote from one of our customers, and she said, "I would be ashamed if I were too proud to take food stamps when my children need groceries."

Mr. ENGLISH. That is very impressive. And may I say if we Republicans in Pennsylvania tried to set up something called a human moratorium, it would be cause for alarm. But it sounds like a very positive policy.

One last question, you have what we don't have in Pennsylvania, and that is your own refundable EITC. What experience have you had in marketing this? One of the criticisms of the EITC on the Federal level that, I think, sometimes honestly is overstated is the fraud problem. Have you dealt with the fraud problem at all at the State level? Has that in any way been a significant issue?

Ms. FOX. To the best of my knowledge, it has not been a significant issue in Maryland. Our biggest challenges have been having people understand both the Federal and the state credits and knowing how to access them. Actually, one of our local departments is going to provide vouchers to customers who have left welfare for work so that they can get some tax preparation services. We are going to see if that helps people to access the credits.

Mr. ENGLISH. Thank you. Thank you, Mr. Chairman.

Mr. CARDIN. Thank you.

First, Secretary Puddester, I want to go over some of the testimony that is going to come out later to give you a chance to comment on it. Your credibility is so high in my view that, if you tell me that you are not using TANF money for other than to supplant State, I believe you. And I know that you are—you have established a great deal of credibility over your career.

But there is going to be testimony later that there is \$100 million of money that is being replaced, and there is another—someone else is indicating that there is \$22 million of the surplus Federal

funds that are being used to supplant, they are using that money to supplant what the State was going to do on their own.

I take it a lot of this has to do with this account you are talking about where you are placing the savings in the account? I guess my question to you is that, What are the restrictions on the use of this money? Can the State come in and use it for other purposes? I assume you can change the law. How certain are we that the money is going to actually be used to deal with the issues concerning welfare?

Mr. PUDESTER. Congressman Cardin, the statute is very clear. When we set up what Delegate Rosenberg said, dedicated-purpose accounts, there is budget statutory language when the money goes into the account that details the uses on which it can be utilized for. That language is in the budget this year. So it is tied back to the State Reserve Fund Law, which sets up the ability to set up these dedicated-purpose accounts.

We have used them in the past, savings and loan dedicated-purpose accounts. We have got one, quite frankly, Congressman Cardin, that is sitting there now, \$50 million that we put in place back in 1995 when there was an anticipation there would be Federal cutbacks. Governor Glendening in his first budget said let us set aside \$50 million in the event that these Federal cutbacks come in, and we will have a buffer.

No cutbacks came. The \$50 million still sits there. We could have grabbed off that \$50 million if there was a lot more flexibility at any time in the last 5 years. But because that money was specifically put in that account to address cutbacks in Federal aid and there were no cutbacks in Federal aid, the money sits. And I think that is as good evidence as you can have that the money will be used for the TANF-type related programs.

Mr. CARDIN. Thank you. I appreciate that.

Senator Madden, I appreciate also the point that you made about the food stamp eligibility and pass-through of child support. There is an offset; it is not dollar for dollar. I think it is 3 to 1. But I think individuals are still going to be better off financially with the pass-through, the families are going to be better off financially with the pass-through of child support.

The point, I guess, I am raising goes beyond the dollars. We all want to connect families together; a child needs both a mother and father to pay for the support as well as for other purposes. And we want them to all at least be part of that child. And the pass-through of child support has a better chance for both parents to be involved in the raising of that child.

I guess that is the main reason that I am concerned. And I guess my question to you is that if we do change Federal policy to help financially the States in paying for part of that, is it possible you all might move aggressively in this area?

Mr. MADDEN. I think it would clear up a lot of our concerns about it. Because it is my understanding now if we pass through the child support, I think it costs us on our block grant also, as far as the dollars we are getting from the Federal Government.

Ms. FOX. Right. At this point, as you know, we split with the Federal Government the child support that is collected on behalf of cash assistance beneficiaries. I think we would be willing to forego

our side if the Federal Government were willing to forego its side. It would help, I think, if there were some disregard of that income for food stamp purposes, as well as cash assistance purposes. Because the State frankly would be foregoing \$1 in \$3 in Federal food stamp benefits if we were to do both a pass-through and a disregard.

Mr. CARDIN. That is fair enough. Let us see if we can't work out something on that, see if we can't improve the Federal law here.

Ms. FOX. I would add one other thing. If you do legislation in that regard, if you would give States time to do the computer changes that would be necessary to implement it, that would also be very helpful.

Mr. CARDIN. Delegate Rosenberg, I noticed that there is at least proposals, tax proposals in the General Assembly to expand the refundability of the EITC. I applaud the State for what it has done. But it would be helpful if you could do more, particularly when you are looking at changes in your Tax Code.

I have heard both the chairman of the Budget and Tax Committee and the chairman of the Ways and Means Committee indicate that they are looking at modifications of the EITC. Is it likely that is going to happen this year?

Mr. ROSENBERG. I think if those two chairmen are looking at it, it is very likely there will be some progress on that. Although we do have a question to what extent do we do things of that nature which are entitlements, and say at x level of dollars you are entitled to x sort of—whether it is a credit or the earned income disregard or to what extent do we invest in job training that will help people rise through the economic—rise up the economic ladder. Because of our spending affordability limits, which you are very familiar with, there is only so much that we can do in the operating budget in any fiscal year in terms of growth.

So that is a continuing issue for us. To what extent is it, you know, investing, helping people earn more, to what extent should we be using our operating budget dollars, for things like income disregard, earned—the tax credit.

Mr. CARDIN. I think it is a very good point. I expect you are going to give the same political posture we are that you are going to be looking at a tax bill this session. And it would be helpful if part of that tax proposal deals with the problems we are dealing with. It is—I don't think it is an either/or, it seems to me that it is one in which you will have an opportunity to make progress in both areas.

Mr. ROSENBERG. I would hope we could, yes.

Mr. CARDIN. Secretary Fox, on the Medicaid eligibles who are not getting the benefits here, there is a little bit of suspicion by the Federal Government, the States generally, certainly not Maryland, that since you pay a good part of the Medicaid bill, you may not be as aggressive in trying to get people enrolled as otherwise you might. I was very much interested in the fact that you sent out these insurance cards and really working at the 60,000 that weren't enrolled in a program they were eligible for. What success are you having?

Ms. FOX. We believe we have had considerable success. One of the things we did to track this particular issue was engage the

Schaefer Center at the University of Baltimore to follow up on customers leaving each month since January 1999. We have been doing that now every month, and we will do it through the end of the State fiscal year. What we are finding is a very high proportion of those that leave for work are getting one or more benefits, with the most common benefit being medical assistance.

The State has spent a lot of money expanding the CHIP program. I believe our enrollment strategy worked. We achieved in 1 year what we expected to get in 18 months. So the State has been making a considerable investment in medical assistance, and it has created a few headaches for Fred. I think those of us working in welfare reform really think that medical coverage is a key support needed by low-income working families, especially those with children.

Mr. CARDIN. It certainly is part of the overall picture. If you can keep us informed on that, I know that our Committee is very interested to get those who are eligible for Medicaid enrolled.

Chairman JOHNSON of Connecticut. I would like to make a couple of comments. First of all, we are going to be holding a hearing on Medicaid and the problems and how States can do a better job, and perhaps you would be willing at that time to go through some of the detail of how you dealt with the problem of the fall-off in Medicaid participation.

Second, I would like to put on the record two things. First of all, the national figures in terms of the number of people returning to the welfare rolls after having left are discouraging, high. One study recently described it as a 30 percent return rate, and your low return rate is really a marvelous achievement, in my mind.

Third, we looked very closely last year at including in a bill that we tried to help you with the welfare-to-work programs by making it easier to use some of that surplus that had not been drawn down for rainy day funds. If we do it from our end, then there is a new cost estimate, and we have to pay for it.

I do want to point out that you have done it very, very well. By using the—by drawing down your TANF funds and using some of your match to have a rainy day fund, you have effectively achieved the goal that we wanted you to achieve but now cannot foster. You have done it perfectly legally, it is absolutely right, but it is concerning to me that some States were not prepared to draw down their funds for services for a rainy day fund. So again, you are really a model of successful effort in that area, and we commend you.

I do want to urge you to work with us on this issue that you have brought of enlarging the block grant at least on a pilot basis. We have struggled with this many, many years. As you point out, if you change the food stamp eligibility criteria, you pay a lot more money, or you can put a lot of people out of the program. It would be interesting to get your thoughts on what you could do if you had a waiver.

We need to think to have some better insight into how that would work so that we can trust that level of devolution. You do have two different Committees involved. I am very interested as we approach reauthorization, and, Senator Madden, I did not realize how urgent it was that we give you some direction this early.

Mr. CARDIN. Just to interrupt, you are on your own for at least 1 year.

Mr. MADDEN. But you understand the situation?

Mr. CARDIN. I understand. I have been there in your position.

Mr. MADDEN. Eighty percent of the people we cannot exempt.

Chairman JOHNSON of Connecticut. Maybe we can do a 1-year extension with no changes in the law. But I do think that given the remarkable changes in the bureaucracy in the Federal and State and local levels that this reform has produced, it would be a shame to permanently reauthorize for another 5 years without understanding where we could go further. I think the coincidence of having developed the Work force Investment Act and the much greater flexibility in the use of job training funds at the same time we did welfare reform was really a lucky happenstance. But I think particularly in a State like this, where you have really used the flexibility and are doing different things in different areas, we would value your input as we approach reauthorization. And I think a pilot project under that reauthorization is the least we can do.

So you will note or—I don't know why you would follow our business when you have plenty of your own. We have used what we have learned in welfare reform to amend the independent living program and try to replicate the services and supports to those young people leaving foster care and making the transition to work and independence. We are doing that in the fatherhood area, although we have much to do to create a national program, but we hope to support States like yours that are doing that so we can develop knowledge as to what a national program should look like, or whether that should be folded into the block grant.

So there are many ways that we are trying to roll out what we have learned from welfare reform in other areas so we can move as a nation from a dependence model to a supportive work model across the board. And as we approach reauthorization, we really do invite you to recommend—make recommendations as to how we change that.

Just one last question along that line: Do you have any comments about the new regulations that the administration has just published creating some new categories of awards to be added to measure State performance beginning October 1, 2000? Is this a good thing?

Ms. FOX. We do have some concerns about some of the additional measures and whether they are really measuring the right thing. We have prepared written comments on those regulations that we are submitting to HHS, but we would be glad to send a copy to you.

Chairman JOHNSON of Connecticut. Thank you very much. It was a very good panel, and we appreciate your input, and we look forward to working with you.

Mr. CARDIN. Let me compliment Chairman Johnson because I think these hearings will be very valuable as we reauthorize the TANF law. Your testimony today helps us in that process.

Our second panel includes Lynda Meade, who is the Director of Social Concerns, Catholic Charities of the Archdiocese of Baltimore, and Chair of the Welfare Advocates Coalition; Sharon Duncan-Jones, Executive Director, Park Heights Corridor Coalition, Baltimore; Steve Bartolomei-Hill, Director of the Maryland Budget and

Tax Policy Institute, Silver Spring, Maryland; Dr. Catherine Born, professor, School of Social Work, University of Maryland at Baltimore; Dr. Stanley Carlson-Thies, Director of Social Policy Studies, Center for Public Justice, Annapolis, Maryland.

Without objection, your entire statements will be made part of our Committee record. You may proceed as you wish. We will ask that you try to limit your formal presentations to no more than 5 minutes.

First it is a pleasure to call upon Lynda Meade, who has been a longtime advocate on behalf of welfare reform.

STATEMENT OF LYNDIA MEADE, DIRECTOR OF SOCIAL CONCERNS, CATHOLIC CHARITIES, ARCHDIOCESE OF BALTIMORE, AND CHAIR, WELFARE ADVOCATES COALITION

MS. MEADE. Thank you. It is a pleasure to be here today. What I wanted to talk to you about is a perspective that you may not have heard before. Let me tell you that Welfare Advocates is made up of about 500 groups, basically community-based human service agencies, faith communities, consumers as well as advocate groups, and we are a statewide organization which has been in existence for 21 years.

We decided to undertake a survey of consumers to see what they thought about the new welfare reform, and I think that you will be pleased to know that many said—we received 1,700 responses from across the State, which is really a pretty significant number. Many folks said that welfare reform had really helped them get a new lease on life, and for those folks and for those who do feel that they have a new lease on life, that is very, very important.

They did raise a number of concerns, and I would like to briefly talk about three of those concerns with you. First, the consumers who replied said that Maryland's policies, and I think we have talked about this a little bit, encourage entry-level, low-wage jobs where it is difficult to make ends meet and where support after employment is minimal. And I would just like to make a couple of quotes because these folks actually said how they felt about what was good about welfare and what was bad. One said that, "they cutoff benefits too soon after getting a job." Another said "they are more serious about getting a job and not caring sometimes about the outcome;" "I feel more financially unsure". Or, "there is more pressure on me and my family"; or, "the daycare does not pay enough for the care of my child".

These are some of the comments that address the issue of low wages and minimal support after employment, but we believe that Maryland is in a unique position to adopt some policies to address these issues, and examples would include at the State level increasing the refundable portion of the earned income tax credit, and we would endorse any expansion at the Federal level as well; the proposal to expand the Children's Health Insurance Program to higher-income families, and we think that is important; as well as expanding health benefits to low-income working parents.

You mentioned child care a number of times, and annually indexing the percent of median is important because a person might be eligible today, but if their salary goes up, they may not be eligible next year, as well as making sure that copays are affordable.

Second, training and education was viewed by consumers as absolutely critical. Well over half said they needed education or training to obtain better employment, better paying jobs, and many said that they thought that their education and job training should count toward participation work activities. There is opportunity in Annapolis this year to open the door toward education and job skills training for low-income working parents and would allow folks on welfare who are participating at least 20 hours a week to be able to access this, and it is something that we would absolutely endorse. Employers say that they want to hire people with basic academic skills, and our folks say that they need literacy, and so we think that all of that is good.

The third point I would like to make deals with the customers who responded said that assistance has declined not just once they leave welfare for work, but when they are applying or while they are on welfare. Welfare advocates would say that people need a basic safety net. Some comments from the surveys include, "I can't make ends meet," and "I am behind in rent". There are a number of policies that Maryland enacted at the start that really were cost-saving measures until they were sure what was going to happen within the context of welfare reform. The feeling is that Maryland should rescind some of those policies. One is the child support pass-through, and the legislation here provides for a full pass-through, and we believe that it not only encourages the responsibility and the participation of the noncustodial parent, but is actually an incentive to participate in child support payments.

The other thing that Maryland did was eliminate a 14-day—instituted a 14-day delay in payment, so you apply for welfare, you are deemed eligible, but you only get 2 weeks' worth of benefit, and that is really placing families at dire hardship when they are already financially unstable. It means utilities arrearages, it means being behind in rent, and it is asking a family who is going to start to look for employment to try and really play catch-up.

I am going to close. There are a couple of other policies that we think should be eliminated: The child-specific benefit and the \$60 income counting against eligibility for subsidized housing. We attach the comment—a synopsis of comments. These are real people, 1,700 real people talking from the State of Maryland, and obviously some are doing well, and others continue to need more help, and still others are struggling in their quest.

We would suggest that any additional welfare policies in Maryland assure that families fare well. Thank you very much.

[The prepared statement follows:]

Statement of Lynda Meade, Director of Social Concerns, Catholic Charities, Archdiocese of Baltimore, and Chair, Welfare Advocates Coalition

Mr. Chairman and members of the U.S. House of Representatives Ways and Means Subcommittee on Human Resources, my name is Lynda Meade. I am Director of Social Concerns for Catholic Charities in the Archdiocese of Baltimore and am before you today as Chair of the Welfare Advocates coalition.

Welfare Advocates is celebrating its 21st anniversary this year. We are a state-wide coalition of 500 community-based human service agencies, faith-based organizations, advocacy groups and consumers. We strongly believe that the true measure of welfare reform is not the reduction in caseload, but whether families are "faring well".

We think it is important for policy makers to know how current or former welfare recipients view welfare reform. To determine their views, we designed a simple

questionnaire that we distributed across the state—in local social service offices and through our network of service providers.

We had circulated a similar survey in the early 1990s and received nearly 1,300 responses. With welfare reform and the drop in caseload, we expected to receive about 800 or 900 replies.

We had more than 1,700 responses from across the state. The responses came from every jurisdiction in Maryland except Caroline County on Maryland's Eastern Shore. The results were analyzed by Dr. Daphne McClelland of the University of Maryland, Baltimore County.

The five open-ended questions we asked were:

- 1) What do you think is *good* about the new welfare program?
- 2) What do think is *bad* about the new program?
- 3) How have the welfare changes affected you and your family?
- 4) What would help you get off of welfare?
- 5) What changes would you make to the welfare program?

The responses truly reflect consumers' views of the successes and challenges of welfare reform in Maryland. I would like to weave together the results of the survey, some actual quotes from those who responded together with policy directions we believe Maryland should adopt.

By far, the number one response to what is good about welfare reform was *the assistance*. In the words of consumers:

"Helps people get a new lease on life."

"Try to help you get on your feet."

"Assistance in finding a job."

Other major response categories were *improved policies*—"helps when you really need it" and a *better process*—"improved efficiency and accuracy"

Slightly more than half responded that welfare reform had a positive effect on them and their family.

"I feel good about working for what my family has; it's sometimes tough financially."

"[It has] opened my eyes to a better life. And I'm determined to make it."

"We are still struggling but soon hope my independence will surface."

And, the simple, yet meaningful statement: "I learned to drive."

Conversely, the number one answer to what is *bad* about the new program also was the new policies—specifically the policy requiring people to take any job at any wage and that once employed, support is minimal. "[They] cut off benefits too soon after getting a job," wrote one person. Another said, "they are more serious about making you get a job and not caring sometimes about the outcome." Still another person wrote, "I'm afraid of losing benefits if I work over my scheduled hours."

Time Limits and the lack of a safety net are other policies of concern to consumers. One person responded, "anyone can fall on hard times and they may really need help again until they can get back on their feet."

The second most frequently stated answer to what is bad about welfare reform was the decline in the types and amounts of assistance. Concerns raised included providing Medical Assistance to adults for only one year, the lack of child care, job training and housing opportunities.

At the same time, nearly half of those responding said that welfare reform had resulted in a negative effect.

"I feel more financially unsure."

"There's more pressure on me and my family."

"I cannot make ends meet"; "I'm behind in rent."

"The day care assistance doesn't pay enough for the care of my child."

"It has made us get 2 jobs to meet the criteria and then it made us over income to receive MA."

We believe that Maryland has a unique opportunity to adopt various policies to address the issues of limited income and the need for post-employment support that were so eloquently cited by consumers. These policies include:

- Raise the refund amount for Maryland's Earned Income Tax Credit
- Expand Maryland's Children's Health Insurance Program to cover more children
- Extend health insurance to low-income working parents
- Raise and index the eligibility standard for Child Care so more families would be eligible and assure that co-payments are affordable
- Raise our state's income disregard that is now pegged at 35%.

In response to the question, what would help you get off of welfare, the overwhelming response was "better" employment—better pay, a permanent job, benefits

and more job opportunities, particularly on the Eastern Shore and Western Maryland.

Training and education were considered critical components for consumers to leave welfare. Almost 50% of those responding spoke of the need to continue their education, to obtain a GED or to receive some training. And, they want their efforts to count toward requirements for work activities. Maryland should enact the Working Parents Opportunity Act currently before our legislature to allow parents working or in work activities at least 20 hours per week to be supported in their quest for education and training.

Consumers also want a more individualized approach. "See the uniqueness of each case," wrote one individual. To assist individuals currently on welfare, many of our members believe funds should be made available to work activity and job placement vendors to provide case management services. These service providers are in an excellent position to develop linkages for health, substance abuse treatment, mental health services, housing, transportation and other needs as they are working with individuals and families on a daily basis.

For those who apply for assistance or who continue to receive welfare benefits, we believe that Maryland should rescind a number of policies adopted some years ago as primarily cost-cutting measures. Our recommendations include:

- Restore the Child Support pass-through provision and pass-through 100% of the payment.
- Eliminate the 14-day delay in benefits upon approval of eligibility
- Eliminate the Child-Specific Benefit provision that requires a 3rd-party payee.

In conclusion, it is evident to us that some families are empowered by the opportunity to work and to leave welfare. Others face challenges and continue to need assistance and still others are working yet struggling to make ends meet. We believe that now Maryland is in an extraordinary position to meet the continuing needs of its citizens and to help families to "fare well".

Thank you for the opportunity to testify before you today.

What Families on Welfare or Who Have Moved into Work Think About Welfare Reform

THE RESPONSES OF MORE THAN 1,700 FAMILIES

Profile of Those Responding:

- Slightly more than 2/3rds said they were *not* receiving cash assistance
- Almost 2/3rds said they *were* receiving Food Stamps
- Slightly more than said they *did* receive Medical Assistance
- Almost 9 in 10 said they *did not* receive housing assistance
- Almost 95% said they *did not* receive energy assistance
- Responses are from every jurisdiction in Maryland except Caroline County.
- Almost 1/2 of those responding were from Baltimore City.

The Survey Results:

1. What Do You Think is *Good* About the New Welfare Program?

The Assistance: (69%)

- "Helps people get a new lease on life."
- "Has caused more people to be more responsible."
- "Assistance in finding a job."
- "Try to help you get on your feet."

Improved Policies (38%)

- "Helps you when you really need it."
- "Pretty good for those who want to help themselves."
- "Helps in time of need."

Better Process: (15%)

- "Improved efficiency/accuracy."
- "Workers more responsive."

2. What Do You Think is *Bad* About the New Welfare Program?

The new Policies: (37%) Specifically:

a. Forced to take any job/Low Wages & Little Support:

- "People are taking jobs that they don't like which will cause them to change jobs more;"
- "Welfare is not patient with people having a hard time finding and/or keeping a job."
- "Cut off benefits too soon after getting a job"

- “Lack of good paying jobs’ “Not enough good jobs.”
- “No transportation in rural areas”
- “Low paying jobs won’t support families”
- “I’m afraid of losing benefits if I work over my scheduled hours.”
- “They are more serious about making you get a job and not caring sometimes about the outcome.”

b. Time Limits

- “If you don’t have a job by their deadline they cut you off and if you start working they cut you off right away”
- “Anyone can fall on hard times and they may really need help again until they can get back on their feet.”

c. Lack of a Safety net:

- “Those who struggle to maintain independence can’t get help on medical or even food.”
- “What about people who can’t work”?

Decline in the Types and Amounts of Assistance (25%)

- “Only give MA for 1 year.”
- “Doesn’t give people enough child care and medical assistance time”
- “Need more money.”
- “Training is lacking for employment”
- “Not enough housing opportunities”

“The Process (23%)

- “Long wait”; “Unorganized.”
- “Now takes longer (14 days) to get assistance”
- “Child care vouchers are never on time.”

3. How Have the Welfare Changes Affected You and Your Family?

“There has been a *positive effect* said nearly 55% of those who responded

A. On The Individual and Family:

- “I feel good about working for what my family has; it’s sometimes tough financially.”
- “Made me responsible and independent.”
- “Opened my eyes to a better life. And I’m determined to make it.”
- “It has made me try to get a job so that I don’t have to deal with welfare anymore.”
- “We are still struggling but soon hope my independence will surface.”

B. The Assistance has Improved:

- “I found a better doctor for my son.”
- “I have more food each month, my bills are paid and I’m thankful.”
- “I learned to drive.”

“There has been a *negative effect* said nearly 45% of those who responded

A. On the Individual and Family:

- “I feel more financially unsure.”
- “I worry a lot “I’m afraid.”
- “There’s no hope for help in the future if needed.”
- “There’s more pressure on me and my family.”
- “I spend more time away from my children.”
- “Mothers cannot mother properly”

B. The Assistance has Declined:

- “I did not receive benefits this month.”
- “I cannot make ends meet; “I’m behind in rent”
- “Was discontinued from receiving TCA for not looking for a job while in school”
- “I am not a citizen so things have become much harder and my child suffers.”
- “The day care assistance doesn’t pay enough for the care of my child”
- “It has made us get 2 jobs to meet the criteria and then it made us over income to receive MA.”

4. WHAT WOULD HELP YOU TO GET OFF OF WELFARE?

A Job; A better job (96%)

- “A better paying job.”
- “A permanent job with benefits.”
- “A job where hours can match my child’s school.”
- “A decent paying job.”
- “More jobs on the Eastern shore”; “More jobs in Garrett County”

More Training and Education (47%)

- “Help in continuing my education.”
- “Obtain my GED and get training for a good paying job.”
- “Some type of training program.”

Child Care Assistance (12%)

- “Help with a job and day care.”
- “A babysitter I can trust.”
- “Day care help.”
- “After-school programs for children of parents who are working.”

Other Areas of Importance:

- Transportation (5%)
- Housing (4%)
- Child Support (4%)
- Drug Rehab (1%)
- Housing (4%)
- Health Care (3%)

5. *WHAT CHANGES WOULD YOU MAKE TO THE WELFARE PROGRAM?*

Quality jobs, not just any job

- “Put more into helping parents find decent jobs”
- “To make sure the jobs people are getting are good career jobs and pay enough money”

Quality child care, not just any child care

- “Better child care”; “more funds for child care”

Education/Training Opportunities for all recipients who need it

- “Define education as a work activity”
- “Include serious training so people could get jobs with benefits”
- “More emphasis on education and other programs which would lead to self-sufficiency”
- “Social Services should make people with no high school get a GED”
- “Would push college/vocational education as well as job finding skills”

Policy should focus more on health and children

- “Focus more on children and medical”
- “Give child with disability treatment, not just money”
- “Make dental available”
- “Keep medical assistance at all times”

Time limits should be extended

- “Could reapply after the 5 year limit if really in need”
- “Be more patient with people and don’t take people off so quickly”

People Need a Basic Safety Net

- “Help people until they can find a job”
- “More Food Stamps”; “More help with utilities”; “Provide more money for housing costs”; “Make it easier for families who stay together”; “Give more support”
- “Increase the minimum gross amount a family can earn in order to receive public assistance”

Provide Transitional Support when Leaving Welfare for Work

- “Working single parents should be allowed to receive TCA for 1 year to assist and prevent any reason to return”
- “Need day care when sent to work programs”
- “Extend time receiving benefits even when get a job”
- “Need to invest more money for a person to get ahead”
- “Extend child care and medical assistance”
- “Something to help working moms”

Recipients Should be Informed of Policy and Policy Changes

- “Better information about programs”
- “Inform recipients about how program works before cutting them off”

Policy should be Tailored to Needs of Individual

- “Assess the problems the family is incurring: Childcare availability; give specific training, assess housing situation, transportation”
- “Better screening”
- “See uniqueness of each case”
- “Rules are made on a general basis, but really need to observe on case by case situation”

- “Handle cases individually and take into consideration each unique situation”

Workers Should Treat Recipients with Respect and be Efficient and Effective

- “Workers need to be more professional”
- “Should see worker at time stated on interview”
- “Workers that like to work with people”
- “Understanding from workers”; “Encouragement from workers”
- “Have a person to take messages from callers and put on workers’ desks”
- “Workers you can get in contact with”
- “Smaller caseloads for workers”; “Don’t change caseworkers so much”
- “More efficient workers”; “Quicker processing”

Prepared by Welfare Advocates: 1/2000 Based on an analysis by: Daphne McClellan, Ph.D., MSW, University of Maryland, Baltimore County

STATEMENT OF SHARON DUNCAN-JONES, EXECUTIVE DIRECTOR, PARK HEIGHTS CORRIDOR COALITION, INC., BALTIMORE, MARYLAND

Ms. DUNCAN-JONES. Thank you for the opportunity to share a grassroots perspective on the socioeconomic impact of welfare reform. I am going to kind of tailor my comments first by giving you a statistical overview of the Park Heights community which I represent, also assess welfare reform from a neighborhood perspective, as well as acknowledge some real creative ways that the local department is using some of its flexibility and how it really complements some of the revitalization efforts in Baltimore, and in particular the Park Heights community.

I am going to offer what I believe are some common-sense approaches how we can further leverage our welfare reform and allow these lessons to really benefit the families and the communities that we serve.

Park Reist Corridor Coalition is a grassroots organization which is committed to revitalizing the social, economic and environmental infrastructures of Park Heights. Geographically it is located in northwest Baltimore, and it is the single largest neighborhood in Baltimore City. Park Heights is in the Seventh Congressional District, populated with nearly 40,000 residents, which embody 1,733 acres. Park Heights is described as the largest urban renewal area in the United States.

Park Heights is not an empowerment zone. The social and public health indicators impacting Park Heights reflect a blighted community. Child maltreatment, crime, infant mortality, substance abuse, diabetes, crime, and HIV/AIDS are the highest in the State, and the present economic condition in Park Heights can be linked to past conditions in Baltimore beginning in the seventies when manufacturing jobs began to fall. Since 1990, Baltimore City has suffered a loss of 63,000 manufacturing jobs. Specifically, Park Heights has experienced economic decline with two major companies relocating out of our community and out of the city. That is London Fog, a clothing manufacturer, and Park Sausage, a meat manufacturer.

In spite these blighted conditions, the strength of Park Heights is the resiliency of its people, its residents, who desire in live in a safe, sober and economically sound community.

The big question today is has welfare reform worked in Baltimore and in Park Heights. Depending on how you define success, I think the answer will differ. Has Maryland been successful in decreasing the welfare roll, welfare dependency and welfare caseloads? Yes. Has welfare reform significantly impacted the socioeconomic well-being of Maryland, Baltimore City and Park Heights? I don't believe so, so my answer is no; no because obtaining employment is not enough in changing human behavior.

Our families and communities need intensive family centered services that focuses on building the individual, the family and the community. However, there is hope. The Baltimore City Department of Social Services' new Northwest Project is very promising because its 3-year initiative which commenced October 1999 leverages lessons learned from social service delivery and welfare reform. The new initiative begins to boldly and realistically address the socioeconomic barriers to obtaining self-sufficiency. The generic caseloads, which consist of one clinician to eight families, enhances not only the family capacity, but the community's capacity as well.

The project goal is to infiltrate Park Heights with intense family centered services. Thus far, the community's response to this has been incredible, mainly because a governmental agency finally gets it. Comprehensive approaches to welfare reform, can be cost-effective, and they can work.

I really want us to continue to be creative, particularly when we are talking about urban-based communities impacting African American families and using common-sense approaches to enhance effectiveness of welfare reform. Spend the funds wisely and invest in the human spirit, and I have a couple of suggestions. I believe that we really need to maximize the family centered services to assist the employers in reducing job retention. We need to pool multi-agency resources like HUD, EPA, Department of Commerce, the Justice Department, Education Department, CDC to maximize the family and community capacity to be sober, safe and economically sound. We need to leverage the community, establish linkages with the community-based revitalization efforts and welfare reform. When doing so, we systematically leverage critical resources like health care, education, community development and job training services.

Another point, we need to utilize the unique capacity of faith-based institutions to further nurture the human spirit of families and communities.

My final point is we need to invest in communities to enhance the local economy on a neighborhood-level by advocating for specific job training to restore the basic retail services like dry cleaners, bakeries and family restaurants. In Park Heights, as large as it is, there is only one family restaurant. Let's start designing healthy and family friendly communities.

Bottom line, poverty cost; and poverty left to fester carries an intergenerational price tag that we cannot afford. Getting a job is not enough. Strengthening people, families and the socioeconomic infrastructure of communities will yield positive and sustainable results in America, Maryland, Baltimore City and Park Heights.

Thank you for the opportunity to share the reality of welfare reform in Park Heights with you today.

[The prepared statement follows:]

Statement of Sharon Duncan-Jones, Executive Director, Park Heights Corridor Coalition, Inc., Baltimore, Maryland

Introduction

Hello, I am Sharon Duncan-Jones, Executive Director of the Park Reist Corridor Coalition, Inc. a grassroots nonprofit organization committed to revitalizing the social, economic and environmental infrastructures of Park Heights. Geographically, Park Heights is located in Northwest Baltimore, and it is the single largest neighborhood in Baltimore City. Park Heights is in the 7th US Congressional District of Maryland. Populated with nearly 40,000 residents which embody 1,733.7 acres, Park Heights is described as the largest urban renewal area in the United States. Park Heights is not an empowerment zone.

STATISTICAL OVERVIEW

The social and public health indicators impacting Park Heights reflect a blighted community. Child maltreatment, crime, infant mortality, substance abuse, juvenile crime, diabetes, and HIV/AIDS are the highest in the State. The present economic condition in Park Heights can be linked to past conditions throughout Baltimore. Beginning in the 1970's, manufacturing jobs had begun to fall. Since 1990, Baltimore has suffered a loss of 63,000 manufacturing jobs. Park Heights has experienced economic decline with two major companies relocating out of the community and the city: London Fog, a clothing manufacturer and Park Sausage a meat manufacturer. Park Height's unemployment rate is 22%, and it is well above the city's average.

Yet, despite these blighted conditions, the strength of Park Heights is the resiliency of the residents. Residents who desire to live in a sober, safe and economically sound community.

ASSESSING WELFARE REFORM

The big question for today is, has welfare reform worked in Baltimore City and in particular, Park Heights. Depending on how you define success, the answer will differ. Has Maryland been successful in decreasing the welfare roll, welfare dependency, welfare caseloads, yes! Has welfare reform significantly impacted the socioeconomic well-being of Maryland, Baltimore City, Park Heights, no! No because, obtaining employment is not enough in changing human behavior. Our families and communities need intensive family-centered services that focuses on building the individual, their families and communities.

PROMISING SOCIOECONOMIC APPROACH TO WELFARE REFORM

However, there is hope. The Baltimore City Department of Social Services' new Northwest Project is very promising because the three-year initiative which commenced October 1999, leverages lessons learned from social service delivery and welfare reform. The new initiative begins to boldly and realistically address the socioeconomic barriers to obtaining self-sufficiency. The small-generic caseloads (1:clinican to 8 families) enhance family and community capacity. The project's goal is to infiltrate Park Heights with intense family-centered services. Thus far, the community's response has been incredible. Mainly because a governmental agency finally gets it! Comprehensive approaches to welfare reform are cost effective and they can work!

CREATIVE AND COMMON-SENSE APPROACH & STRATEGIES

Let's continue to be creative and use common sense approaches to enhance the effectiveness of welfare reform. Spend the funds wisely. Invest in the human spirit. I have a few suggestions:

- Maximize family-centered services to assist employers in reducing job retention.
- Pool multi-agencies resources like HUD, EPA, Department of Commerce, Justice Department, Education Department and CDC to maximize family and community capacity to be sober, safe and economically sound.
- Establish linkages with community-based revitalization initiatives and welfare reform. *When doing so, we systemically leverage critical resources like health care, education, community development and job training services.*
- Utilize the unique capacity of faith-based institutions to further nurture the human spirit of families and communities.

- Invest in communities to enhance the local economy on a neighborhood-level by advocating for job training to restore the basic retail services like dry-cleaners, bakeries and family restaurants. *Let's start designing healthy and family-friendly communities.*

Bottom-line, poverty cost; poverty left to fester carries an intergenerational price tag that we *can not* afford. Getting a job is not enough. Strengthening people, families and the socioeconomic infrastructure of communities will yield positive and sustainable results in America, Maryland, Baltimore City and Park Heights.

Thank you for the opportunity to share the reality of life in Park Heights with welfare reform.

Mr. CARDIN. Mr. Bartolomei-Hill.

STATEMENT OF STEVE BARTOLOMEI-HILL, DIRECTOR, MARYLAND BUDGET AND TAX POLICY INSTITUTE, SILVER SPRING, MARYLAND

Mr. BARTOLOMEI-HILL. Thank you. I am Steve Bartolomei-Hill, Director of the Maryland Budget and Tax Policy Institute, which is a project of the Maryland Association of Nonprofit Organizations. I am going to talk about three things today: How well people are faring once they have left welfare, the opportunities that exist to mitigate some of the hardship that continues for people who have left, and people who remain on the rolls, and talk about the State maintenance-of-effort requirements.

Now, caseload declines have been the numbers that have been used the most to tout success of welfare reform, and the declines have been dramatic. At their peak, three times as many people received welfare in Maryland as currently are on the rolls. These caseload declines do mask some of the hardship that continues.

The Department of Human Resources has been tracking people who have left welfare. One of the things that they found is that at the time that people leave welfare, about half of them are found to be working. Four out of 10 are working in both the first and second quarters after they have left welfare, but only 3 out of 10 are found to have any earnings in each of the first four quarters after they leave welfare. Their numbers do understate the number of people who are actually working, but even if they understate the number by half, it is clear that many people have left, but they cannot be found to be working.

Even those that are working have earnings that remain quite low. The median income is about \$800 a month. That is below the poverty level for any size family with children. Understand that a substantial fraction are not working. Among the minority that are working, half earn less than \$800 a month. Clearly many families continue to struggle to make ends meet. Part of that is by design. As Senator Madden said, the State has earnings disregards and a benefit level that intentionally ends eligibility for benefits when people's earnings remain very low.

However, amidst this hardship, there are substantial opportunities to make some improvements. The caseloads have declined. That leaves fewer people to work with. State and Federal resources remain available at their prereform levels based on the fixed block grant. And independent of the welfare funds, the State has a substantial budget surplus of about a billion dollars, they are project-

ing budget growth of about 9 percent, and we have tobacco settlement funds. If only a portion of these funds were invested in the well-being of low-income families, the state could make substantial improvement.

Unfortunately, there have been only a few bills introduced in this legislative session that make progress in that area. We have talked about some of them, passing through child support, reversing some of the earlier benefit cuts, and increasing the State-earned income credit. However, as mentioned, some of these simply reverse cuts, and none of these are assured of enactment.

I think what is more telling are areas where policymakers have not sought increases. Those areas include child care, health care access for adults, and increase in benefits or disregards.

I think one thing that is apparent is that the more significant policy changes and the policy changes that cost money remain outside of State fiscal priorities.

I think the continued Federal role is important. The Federal Government can stimulate change perhaps by offering incentives to States to take action. The Child Health Insurance Program is a great example of that. When the child health insurance block grant became available, suddenly increasing access for children became a fiscal priority in most States. On the other hand, without similar incentives, their parents got left behind. While Maryland, like many States, provides access to health insurance for low-income children up to 200 percent of poverty, their parents get health insurance or lose their health insurance when their income is about half of poverty. That would be an opportunity. If there were Federal incentives to increase health care access, States might do that.

Child care is another area. There was discussion about the State increasing its child care limits. There has been some modest progress. One thing that wasn't mentioned, though, was that all of that progress is being made with Federal funds. There have not been any new State funds invested in extending child care.

And the child support disregards would be another area Federal incentives could stimulate State policy. Most States are not passing through child support to families that receive cash assistance. So there might be some role for the Federal Government in offering some incentives to do that.

Just briefly, on the maintenance of effort: one of the most challenging aspects of understanding state policy choices under welfare reform is being able to follow the money—both federal and state welfare funds. Cash assistance payments in Maryland have declined from \$294 million in 1996 to about \$100 million for FY 2001, yet we are told that there is not enough money to make program enhancements. It might be appropriate for your General Accounting Office to look at what the fiscal conditions are in States and where the money is going.

I will conclude there. In summary, many families have left welfare, but even those that have left still endure economic hardship. There are plenty of opportunities to make progress in that area now. To the extent the policymakers argue that there are no funds available for enhancements, we need to increase our understanding of where the money is going. Thank you.

Mr. CARDIN. Thank you.

[The prepared statement follows:]

Statement of Steve Bartolomei-Hill, Director, Maryland Budget and Tax Policy Institute, Silver Spring, Maryland

Thank you for the opportunity to address you today. My name is Steve Bartolomei-Hill, and I am director of the Maryland Budget and Tax Policy Institute. The Institute provides timely and accurate analysis of budget and tax priorities in Maryland. We focus on how policies affect low-and moderate-income people and other vulnerable populations, and the important community programs that serve them. The Institute is a project of the Maryland Association of Nonprofit Organizations.

Prior to directing the Institute, I worked for several years in the Office of the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services. Because of my prior experience analyzing welfare issues, the Institute has paid particular attention to the progress of welfare reform in Maryland.

My written testimony focuses on two aspects of welfare reform in Maryland:

- caseload declines and indicators of well-being among low-income families with children
- opportunities that exist for enhancing Maryland's welfare program, and the importance of federal leadership and incentives

For your information, I am also including the following two items:

- policy choices made upon initial enactment of the Personal Responsibility and Work Opportunity Act of 1996
- state plans to meet the Maintenance of Effort requirement

Behind the Numbers: Indicators of Success and Well-Being

In Maryland, as in many states, the most prominent number used to tout success under welfare reform is the dramatic decline in caseloads. At the pre-reform peak, three times as many families received cash assistance in Maryland compared to current enrollment levels. However, focusing on caseload declines masks the economic hardship that continues for most families that have stopped receiving cash assistance. Further, the declines in caseloads have not coincided with commensurate increases in employment.

Since October 1996, the Maryland Department of Human Resources has been tracking the employment status of families that have stopped receiving cash assistance. Their data, which is based on state employment records, shows the following outcomes:

- Half of exiting families had earnings in the quarter that they left welfare;
- Four in ten exiting families had any earnings in both the first and second quarters after leaving welfare;
- Three in ten exiting families had any earnings in each of the first four quarters after leaving welfare.

State employment data do not account for former recipients who are working in other states, those who are in jobs that are not covered by the state's unemployment insurance system. Thus, it understates the number of former recipients who are working. Nonetheless, as the majority of recipients live in Baltimore City, which does not border another state, this factor is unlikely to explain away the large percentage of families who cannot be found on state employment data.

Among those who are fortunate enough to work, earnings remain low. Median earnings are about \$800 per month. Earnings at this level are less than the federal poverty level for any size family with children.

These employment and earnings outcomes say more about the "success" of welfare reform than simply looking at caseload declines. Yes, families are no longer receiving cash assistance, but most cannot be found to be working, and even those who are working remain poor.

Several factors contribute to the continuing poverty of those who have left welfare and those who remain. Benefit levels remain low enough such that the day to day financial hardship may itself be a barrier to work and the potential for economic well-being. When recipients do begin to work, benefit reductions begin at the first dollar of earnings, and are steep (benefits are reduced by \$.65 for every dollar earned). As a result, a family of three loses eligibility for assistance when earnings are about \$650 in a month-an amount that is slightly more than half of the federal poverty level.

Current Opportunities

Amid the ongoing problem of economic hardship, a confluence of factors provides an unprecedented opportunity to help low-income families.

- The substantially reduced caseload leaves fewer cases to work with, though today's recipients may have greater needs and greater barriers to work.
- The continued poverty of those who have left the roles indicates the need to enact policies that help low-income, working families make ends meet.
- The availability of federal and required state welfare funds provides resources to meet some of the needs of low-income families with children.
- Independent of welfare-specific funds, the state has a budget surplus of nearly \$1 billion, is projecting spending growth of nearly 9 percent for the coming fiscal year, and has an infusion of tobacco settlement funds. If just a portion of these funds were targeted to lower income families, Maryland would have the opportunity to make substantial program enhancements.

A few bills have been introduced in this session of the General Assembly that take advantage of this opportunity and address some of the issues that contribute to income inadequacy.

Child Support Pass-Through and Disregard Currently, none of the child support that is collected on behalf of families receiving cash assistance is actually passed on to the family. Like 26 other states, Maryland keeps all child support collected and shares it with the federal government. A proposal would pass through and disregard all child support.

Make Benefits Payable From the Date of Application Currently, new recipients and families who are re-enrolling in the program receive a first-month payment that is roughly half of the regular benefit—a maximum of \$222 for a family of three. This is one of three cost-saving measures that was implemented in 1997 when there was concern that state and federal welfare funds would be insufficient to cover costs. A proposal would reverse this and provide the full benefit to new enrollees.

Earned Income Credit One proposal would increase the state's refundable earned income credit from 15 percent of the federal credit in tax year 2001 to 50 percent of the federal credit.

While these are important proposals, some simply reverse previously enacted cuts, and none are assured of enactment. More telling are the numerous areas where policy makers are not seeking to invest more state funds. These include essential items such as child care, health insurance for adults, and increases in benefits or disregards in the cash assistance program. *This highlights an important point about state policy decisions affecting low-income people: the more significant, and thus costly, items continue to remain outside of state fiscal priorities, even in this time of plenty.*

I believe that this indicates the importance of federal leadership to stimulate policy change. A good example of this is the Child Health Insurance Program, which has led states to substantially increase health care access for children. Federal financial incentives made expanding health care access to children a fiscal and policy priority. At the same time, without similar federal leadership and incentives, parent access to Medicaid has languished. In Maryland, a parent who makes a little more than \$500 a month—less than half of the poverty level—earns too much money to qualify for Medicaid.

Another example exists in the area of child care. Maryland has made modest inroads in increasing access to child care. However, all of this has been done with federal funds. Without cost-sharing incentives, the state has invested no new funding in child care. As a result, a single parent with two children in day care and who earns a little more than \$25,000 per year is ineligible for any child care assistance.

A final example is in the area of child support pass-throughs. When federal cost sharing stopped with passage of the welfare law in 1996, 27 states, including Maryland, ended their child support pass-throughs.

There are many advantages to state flexibility and the creation of block grants. However, the importance of federal leadership and incentives to states cannot be understated.

The remainder of my testimony provides information on how Maryland responded to welfare reform, and how Maryland is meeting its Maintenance of Effort requirement amid the dramatic caseload declines.

Initial Responses to the Personal Responsibility and Work Opportunity Act of 1996

In addition to complying with the work-focused approach of the federal law, Maryland reacted to the Personal Responsibility and Work Opportunity Act of 1996 by enacting several policy changes in its welfare program. Some of these are described below.

Changes in earnings disregards: Earnings disregards were simplified. If you recall, under prior federal law the first \$120 of earnings and one-third of the remainder were disregarded for the first four months of earnings; the first \$120 of earnings were disregarded in the fifth through twelfth month of earnings; and, the first \$90 of earnings were disregarded thereafter. Many had complained that the time-limited nature of disregard policies were confusing and discourage work.

Maryland changed its disregard policy such that 20 percent of earnings were disregarded for determining program eligibility, and 26 percent of earnings were disregarded for recipients. This 26 percent disregard was increased to 35 percent in 1999. In 1999, legislators also took advantage of the flexibility allowed under federal law and removed from the federal 60-month time limit those families who are working.

As a result of the current disregard policy, a family of three must earn below \$520 in a month in order to become eligible for cash assistance. Recipients who earn more than \$650 in a month are ineligible for assistance. To give you some perspective, this ranks 41st among the 50 states in earnings level before eligibility ends.

Cost Saving Measures: Initially, there was concern that the federal block grant and new federal cost sharing arrangement would not provide the state with enough money to meet cash assistance needs. As a result, changes were adopted to reduce cash assistance payments:

Child Support: Maryland repealed the \$50 pass-through in child support.

As a result, none of the child support that is collected on behalf of families receiving cash assistance is passed on to the families for whom it is collected.

Delayed Eligibility: New applicants, and families who re-enroll in the program, receive a reduced benefit in the first month of program eligibility. Under this policy that delays program eligibility until 15 days after the date of application, the maximum first-month benefit for a family of three is reduced to \$222—an amount that would be less than 20 percent of the federal poverty level.

Housing Assistance is Counted as Unearned Income: Families who receive section 8 and public housing assistance have their benefits reduced by \$60 per month.

All of these policies were implemented to save money when shortfalls were projected in state and federal funding for welfare. To this date, despite a caseload decline of two-thirds and ample federal and state funds, these policies remain in effect.

Indexing Benefits Cash assistance benefits are adjusted annually so that their value is no longer eroded by inflation. In 2000, maximum benefits in Maryland for a family of three are \$417 per month, an amount roughly equal to one-third of the federal poverty level. However, the indexing that began in 1997 does not make up for benefit cuts that occurred in the early 90s. Between 1990 and 1997, benefit cuts and inflation reduced the value of cash assistance benefit by more than 25 percent.

Meeting Maintenance of Effort

One of the more challenging aspects of understanding state policy choices under welfare reform is following the money—both state and federal funds. In fact, tracking the funds can be so complicated that you may wish your General Accounting Office to examine how states are meeting the maintenance of effort requirement amid the caseload declines that have been experienced.

Maryland's TANF block grant is \$229.1 million per year. Maryland's maintenance of effort level is based on pre-reform state spending of \$236 million per year. Combining federal and state funds, pre-reform spending on welfare and related programs was \$465 million per year.

However, total spending on cash assistance has fallen by nearly two-thirds—from \$296 million in 1996 to a projected \$104 million for the upcoming fiscal year. Still, Maryland does not have a significant surplus of unspent TANF funds, and the apparent lack of state funds continues to be a barrier to program enhancements. Where has the money gone, and how is the state meeting its MOE requirements?

In a hearing before the Senate Budget and Tax Committee last week, Department of Human Resources officials assured committee members that they had scoured the state budget to find every possible spending item that could help the state meet its MOE requirement without necessitating an actual increase in spending. Existing spending that is proposed to count as MOE includes the state's refundable earned income credit, education grants to high poverty areas, and after school programs.

Two relatively small items may be indicators of the state's aggressiveness in identifying spending to meet MOE. In both cases, items may be counted as MOE, even if state funds are not involved.

- In 1999, Montgomery County, Maryland enacted a local refundable earned income credit, to be financed with county funds. Under current regulations, these county funds may be counted as state Maintenance of Effort funds., and state fiscal analysts have suggested that state do so.

- In 1999, as part of electric utility deregulation, a surcharge on commercial and residential utility rates was applied to create a universal service program for low-income consumers. Some of these funds are likely to be counted as maintenance of effort funds.

All together, nearly \$100 million of non-welfare funds have been found to count toward the state's MOE limit for the upcoming fiscal year. These funds offset the \$100 million reduction in state funds from areas considered to be traditional welfare spending.

It is my understanding that some are calling for reductions in the MOE spending requirements. I believe that policy choices made in Maryland indicate that the opposite is needed. MOE requirements should be tightened to ensure that states maintain spending for lower-income families. For example, at the very least, MOE should be limited to state general funds.

Summary

- While many families have left welfare, their earnings remain very low, and their need for ongoing assistance such as child care, health care, and income support continue.

- Despite an abundance of funds, significant enhancements in state safety nets have remained outside of state budget priorities. This suggests the need for federal leadership to stimulate state investments in lower income families.

- Despite the maintenance of effort requirements in federal law, Maryland has taken advantage of caseload reductions to invest in the well-being of families. Rather, the state has scoured the budget to find as many existing items as possible that can count under MOE, thus avoiding the need to actually maintain or increase spending. This suggests the need for tighter federal rules on how Maintenance of Effort funds can be spent.

Mr. CARDIN. Dr. Born.

STATEMENT OF CATHERINE E. BORN, PH.D., PROFESSOR, SCHOOL OF SOCIAL WORK, UNIVERSITY OF MARYLAND AT BALTIMORE

Ms. BORN. Thank you.

Madam Chair, Mr. Cardin, and Mr. English, I have been doing welfare research in Maryland in partnership with our State agency and our general assembly for about 20 years, and this is my first opportunity to appear before a congressional Committee, and I have to tell you, it is a big thrill. I am delighted that you are holding this hearing in Maryland. I think you realize that we have made a true bipartisan effort and have had some real accomplishments here in welfare reform even though we have not gotten the national attention that some other States have.

It is fitting that we are here in Baltimore City as well, because I think in this city and other urban centers is where many of the key challenges we now face will be played out in the next few years.

We have a bipartisan effort here in Maryland. We don't always agree about everything. Mr. Bartolomei-Hill has a slightly different interpretation of some of our research findings than I do. It may be a perception—matter of the glass being half empty or half full.

I would like to talk about my perspective on successes and challenges as they have emerged through our one research study, Life After Welfare, which is the first leaver study to be released in the

country. I have been told and I believe it is indeed one of the best and one of the biggest. It is not the only study that we are doing, and I think that is important to note. We are studying welfare stayers, people who are coming on now for the first time, special populations, how welfare and housing subsidies interact. We have one of the most comprehensive State-level research agendas in the country, and I think our elected and appointed officials deserve credit for taking the risk to subject what our State has been doing to public scrutiny. I applaud them for that, not just for the money that they give me to do the studies.

Very quickly, I think that the successes in Maryland are families are leaving welfare voluntarily, not because they have been sanctioned. Sanctioned cases represent 10 percent or fewer of all case closures. Families are not being forced to put their children into foster care, an outcome I think that was not desired by anybody when this national debate was going on. Children are not coming into foster care as a result of welfare reform. Families are not coming back on welfare either.

Recidivism, as the Chairman noted, is fairly low, but it is a phenomenon that we need to worry about. The recidivism that we have seen in Maryland happens in the first few months after families leave welfare, which I think suggests a challenge. I am not sure we have figured out exactly how to cope with it. However, we have to make sure that postexit services are available for families immediately upon leaving, because those first 3 to 6 months are critical if they are to remain off the rolls.

The majority of exiting adults do find employment after they leave welfare. Two-thirds work after leaving welfare. That is based on our review of the unemployment insurance database for the State of Maryland. Half of all exiting adults work in the first quarter after they leave welfare, and work effort does persist over time. This is not a short-lived phenomenon. Half of all of the exiting adults work in every single quarter up to nine quarters postexit. They may work longer than that, but that is as far as our data go at this point in time.

I think the bottom line is simply this: Families are leaving welfare voluntarily in Maryland. They are keeping their families together. They are finding employment in unemployment insurance-covered jobs in the State. They are keeping their families together. We have won the first welfare reform battles, I think, rather clearly and convincingly in this State, but we are far from winning the war. We are not finished yet. That is part of why you are here.

Some of the challenges do relate to the fact that when people leave welfare, they tend to find jobs. Those jobs happen to be in the industries that are growth industries, wholesale and retail trade, nursing homes, hospitals and that, but they tend not to make very high initial earnings, \$2,400–\$2,500 a quarter. There is a trend toward wage growth over time, but no one would conclude that most of these adults are immediately lifted out of poverty by their own earnings. We do need to think about what we can do to help people move up the earnings and employment ladder.

The challenges. One of them is the researcher's challenge that I think is really relevant to policy. We need more data. All I can talk to you about in terms of tracking our families is people who found

jobs in Maryland that are covered by the unemployment insurance program. I looked quickly at the 1990 census data. Forty-four percent of the adults in Prince George's County who work, work outside of the State; 32 percent of the working adults in Montgomery County work outside of the State; 38 percent of working adults in Cecil County work outside of the State. If we really want to know what happens to families and be able to answer your questions thoroughly, you need to help us get reasonable access to the unemployment insurance databases of other States.

I have been told by a Federal agency that shall remain nameless that individual States should call Mr. So-and-so at the U.S. Department of Labor, and he could help us figure this out. That is no way to run a railroad or to access this type of important tracking data. Those data need to be protected from misuse, and confidentiality is a concern, but I believe we need your help to get that data available to States.

One other database that is critical is the expanded Federal Parent Locator Service. That can help us answer a critically important question that no one has really addressed, and that is the role of child support in families' postexit lives. Is this a reliable source of income? Are we doing everything that we can to collect support for families once they have left assistance? That databases has all kinds of State employment information in it as well as Federal employment. At least in Maryland we really would like to answer all of these questions about what happens to families as honestly and thoroughly as we can, but we do need your help in accessing additional data to do that. Thank you.

Mr. CARDIN. Thank you very much.

[The prepared statement follows:]

**Statement of Catherine E. Born, Ph.D., Professor, School of Social Work,
University of Maryland at Baltimore**

INTRODUCTION

Good morning. My name is Catherine Born. I am a faculty member at the University of Maryland School of Social Work, where I am proud to lead an inter-disciplinary team of social science researchers engaged in a number of policy-relevant and often cutting-edge research projects in the area of welfare reform, broadly defined. On behalf of myself and my research team, I am extremely honored, Madam Chair, Vice-Chairman Cardin and members of the Committee, to have been invited to appear before you this morning to talk about what our research suggests some of the successes and challenges have been during the first three years of this new welfare era.

I am also extremely pleased that you are holding this field hearing here in my home state. Maryland's reform efforts and accomplishments have not gotten anywhere near the national attention that some states' programs have received. Yet, while the national spotlight was shining elsewhere, we were quietly and competently and in true bi-partisan fashion going about the very important business of crafting a welfare reform program for our state and its people. As I trust you will conclude from the testimony submitted and heard here today, we have done an excellent job. In addition, I believe our elected and appointed officials deserve considerable credit for taking the risk of subjecting their new welfare programs to independent research scrutiny. As I'm sure you know, there are now a number of "welfare leavers" studies afoot in the land; Maryland was the very first state in the nation to commission such a study and -to this day -our study is one of the largest, longest and best of its kind.

MARYLAND'S WELFARE RESEARCH PROGRAM

For over 20 years the University of Maryland School of Social Work and the Maryland Department of Human Resources have partnered in the conduct of policy-

relevant research on Maryland's welfare programs; in fact, School of Social Work research provides the empirical backbone for Maryland's approach to welfare reform. Through partnership projects, Maryland has become a national leader in both welfare policy and welfare research. Currently, the School is carrying out three programs of research each consisting of multiple projects:

- *Life After Welfare*—This program began with a large, on-going, multi-year study of welfare leavers. The study began in the first month of welfare reform in Maryland, October 1996 and the first report was issued in March 1997, one of the first in the nation released in the post-PRWORA era. Four interim reports have been issued to date reporting on employment, recidivism, and child welfare outcomes. More detailed analyses of special populations are also conducted including, to our knowledge, the first study of the circumstances and outcomes of sanctioned families, released in November 1999. Notably, separate analyses of employment stability, wages and wage growth by industry are also underway as is a study of the role of child support in families' post-TANF lives.

- *Life On Welfare*—This series focuses on welfare-stayers and welfare-newcomers since TANF and state-level reform. Among the projects are: 1) a quantitative and qualitative look at one county's entire on-welfare caseload in the 18th month of reform; 2) a multi-year study of first-time entrants to cash assistance in the summer of 1999 utilizing both administrative and survey data; and 3) an in-depth comparison of the on-welfare caseload at two time points to see if the prediction that caseload decline leaves a higher proportion of hard-to-serve clients on assistance is accurate.

- *Setting the Baseline*—This series consists of focused analyses of historical administrative data to provide baseline measures of phenomena such as cash assistance recidivism and foster care entries among children whose families have left welfare.

Together these research efforts provide state and local policymakers with important data on how welfare reform is affecting Maryland families and any mid-course corrections that might be needed. They also enable us to identify successes achieved to date and important challenges which remain. The remaining pages highlight some of these successes and challenges.

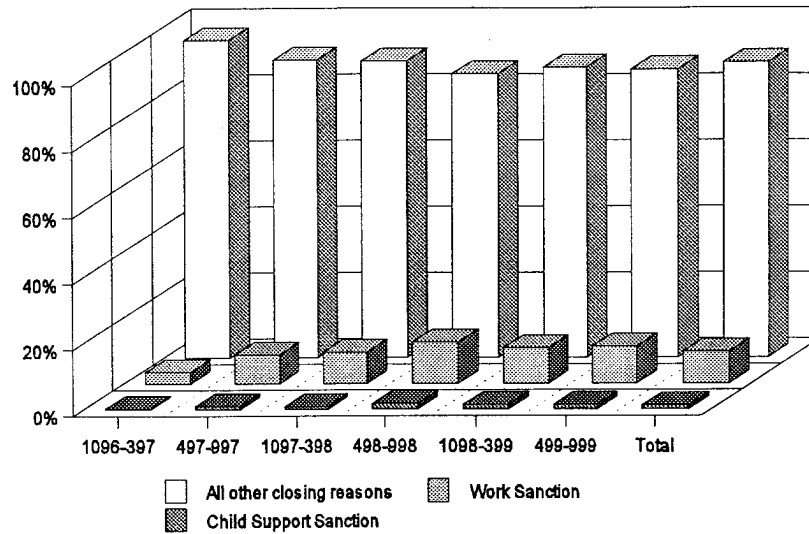
SUCCESS:

Maryland's caseload decline is not due to the imposition of full family sanctions

- In the first three years of reform, just about one in ten (11%) cases in our Life After Welfare sample exited cash assistance because of a full family sanction.

- Though still low, the percent of work sanctions has increased over time (from 3.5% in the first six months to 11.2% in the most recent six months). The percent of child support sanctions has remained very low at less than 2%.

- Compared to non-sanctioned welfare leavers, sanctioned payees are younger, began having children at earlier ages, are more likely to be Caucasian, and are less likely to have worked, pre-exit, in a Maryland UI-covered job.



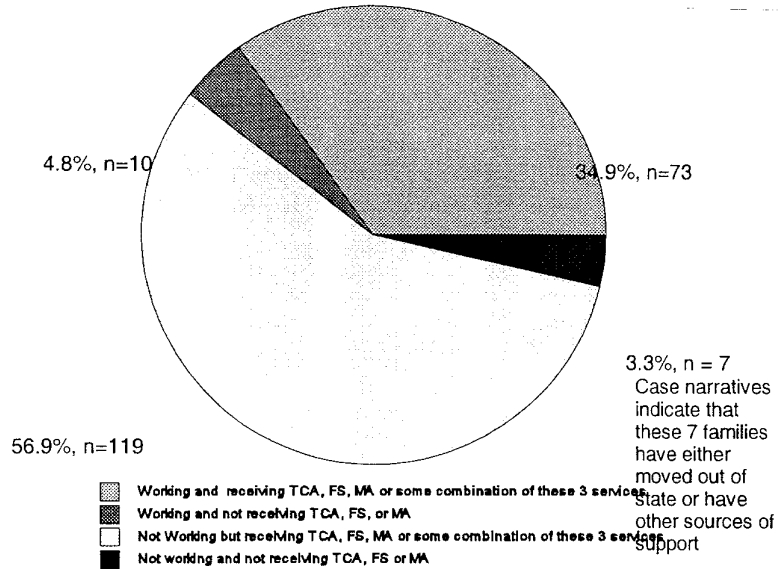
SUCCESS:

The majority of sanctioned families either return to welfare or become employed in the first few months.

- Sanctioned adults are less likely (31.1%) than others (56.1%) to work in the quarter in which they leave welfare and, among those who did work during this period, mean quarterly earnings of sanctioned adults are significantly lower (\$1,741.57) than among those who were not sanctioned (\$2,344.41). Although the proportion of sanctioned adults working in UI-covered jobs increases, the same pattern prevails in the quarter after welfare case closure: 38.4% of sanctioned payees are working compared to 55.7% of non-sanctioned payees.

- Within the first 90 days after case closure, sanctioned families are much more likely to come back on welfare than are other families; almost twice as many sanctioned families (35.2%) as non-sanctioned families (18.4%) came back on welfare in three months or less.

- As these data illustrate, two outcomes are most prevalent among sanctioned payees: the majority either seek and find employment immediately after case closure or come into compliance and return to cash assistance. Of the remainder, the vast majority continue to receive Food Stamps and/or Medical Assistance. Others move out of state or appear to have other sources of support; in no cases, however, did families totally disappear from view.



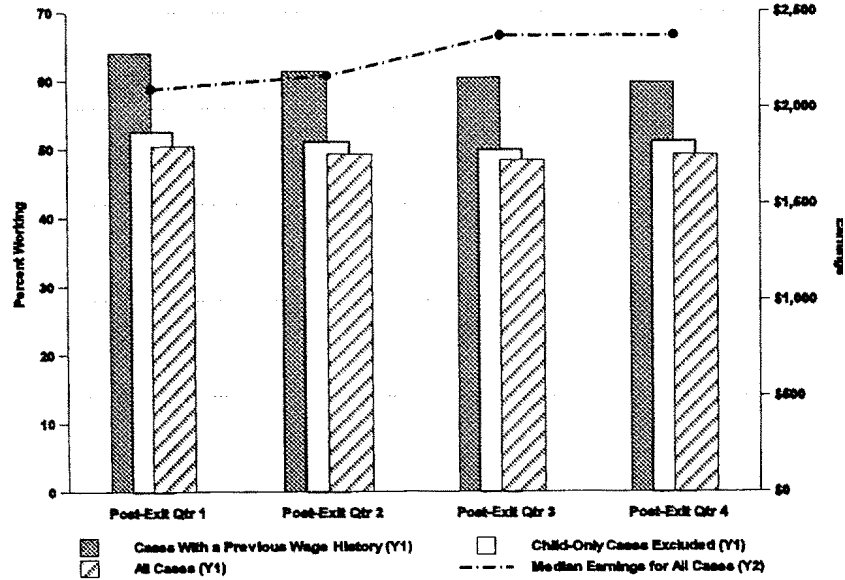
SUCCESS:

Considering all welfare leavers, most former payees become employed.

- Excluding those who come back on welfare right away (i.e., within 30 days), two of every three payees (66.6%, n = 3,082/4,625) worked in a UI-covered job in Maryland after leaving welfare.¹
- Excluding those who return to welfare right away, about half (50.4% or n = 2,330/4,625) of former payees worked in UI-covered employment in Maryland in the first quarter post-exit.² Among those with history of UI-covered employment prior to their TCA exit, nearly two-thirds (64.1%, n = 1,997/3,118) worked in such a job in the first quarter after leaving welfare.

¹ All earnings figures refer only to wages earned in a UI-covered job in Maryland by the adult who formerly headed the TCA case. Other types of income, earned or unearned, received by this person and any and all wages/income received by other persons in the household are not included. Thus, these figures do not necessarily equate to total income for the payee or family.

² Excluding child-only cases (where the adult casehead was not on the welfare grant), this figure increases slightly to 52.5%.



SUCCESS:

Work effort persists over time.

- The statewide pattern of roughly one out of two adults working in UI-covered employment in Maryland continues in the 2nd through 9th quarters post-exit. That is, in each subsequent quarter, about half of all former payees are employed in a job covered by the state's Unemployment Insurance system.

- Those with a pre-exit wage history have noticeably higher rates of post-exit employment: roughly three-fifths of these clients are working in *each* of the 2nd through 9th quarters after they exited from welfare.

- In the first post-exit quarter, median quarterly UI-covered earnings are \$2,100 for all cases.³ The trend in quarterly earnings is a slight upward one over the 2nd through 9th post-exit quarters such that, for all cases, median earnings are \$2,556 by the 9th quarter after the welfare case closed.

- For many former clients, work effort and UI-covered employment do persist over time: 1,493 of 2,905 (51.4%) exiters in the 10/96 – 3/98 sample worked in the first quarter after exit. Of the 1,493 exiters with work experience in the first quarter after exit, the percent working in subsequent quarters ranges from 83.0% in the second quarter after exit to 72.7% in the fourth quarter after exit. This finding suggests that first quarter working exiters maintain employment at a fairly high level in subsequent quarters.

- The most frequent employer types for adults working in the first quarter after their TCA exits are:

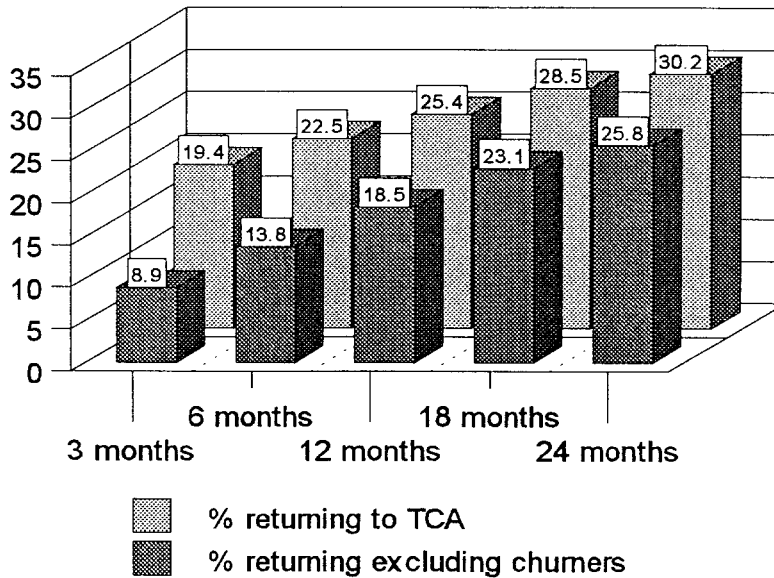
- Wholesale and Retail Trade – 34.2%
- Personal/Business Services – 24.1%
- Organizational Services – 20.3%
- Together, these three industries account for 78.6% of the employers.

³All earnings figures refer only to wages earned in a UI-covered job in Maryland by the adult who formerly headed the TCA case. The figures are a total for the quarter and cannot be reduced to hourly figures. Other types of income, earned or unearned, received by this person and any and all wages/income received by other persons in the household are not included. Thus, these figures do not necessarily equate to total income for the payee or family.

SUCCESS:

The majority of welfare leavers do not return to welfare in the first two years.

- Seven out of ten adults (69.8%), who exited TCA in the first six months of welfare reform stayed off welfare for two full years.
- About one in five families (19.4%) returned to TCA within 3 months of exiting.
- The recidivism rate increases slightly over the next 9 months reaching 25.4% at the 12 month follow up point.
- Churners, who return to welfare within 30 days, account for a large portion of recidivism.
- Excluding churners, the recidivism rates are 8.9% at 3 months, 13.8% at 6 months, 18.5% at 12 months, 23.1% at 18 months and 25.8% at 24 months.



SUCCESS:

Children are not coming into foster care as a result of families leaving cash assistance.

- Children in families which leave welfare do not appear to be at increased risk of foster care placement. Placements that do occur tend to happen in the first few months after the family exits cash assistance; the case narratives lead us to suspect that in at least some of these cases, the foster care placement preceded and indeed prompted the TCA case closure.
- We find that 158 of 9,677 (1.6%) children had a history of Intensive Family Services prior to the welfare exit that brought them into our sample. In the first three post-exit months, 18 children out of 9,677 (0.2%) children received Intensive Family Services. The number increases over the next nine months reaching a high of 44 out of 5560 children (0.8%) at the twelfth post-exit month.
- Among all the children in our sample, 30 (0.3%) had a history of kinship care and 198 (2.0%) had a history of foster care placement. Far fewer children enter foster or kinship care in the months following their families' departure from the welfare rolls. At the three month follow up point, 13 of our 9,677 children (0.1%) had entered foster care and none had entered kinship care. By the sixth post-exit month two children had entered kinship care and 22 were in foster care. At the one year follow up point, less than one-tenth of one percent of children had entered kinship care and four-tenths of one percent had been placed in foster care.

CHALLENGES AS WE GO FORWARD

Welfare reform in Maryland has been and remains a truly bi-partisan effort based on empirical data and the hard work of many persons. Our reform program has been conscientiously implemented by state and local welfare agency officials and carefully overseen by elected officials and it has involved numerous community partners. Also since day one, we have made serious and sophisticated efforts to monitor outcomes through research and to use research results to improve program operations. Despite these commendable traits and the documented successes we have achieved, many important challenges remain in our state and across the nation. A few of the more important of these include:

- **Increase participation** of former welfare recipient families and the working poor, more generally, in programs such as Medical Assistance (MA) and Food Stamps (FS) and take steps to reframe and market these programs as family supports, not "welfare." Take-up rates in MA and FS, as well as child care and possibly child support have been lower than expected among former TANF families and have been chronically lower among the working poor than among other groups. This situation continues despite expanded eligibility and/or relaxing of certain program rules. Such services are critical supports for newly-employed former welfare recipients and, indeed, for the much larger population of working poor families. Our challenges here include: document reasons for these disturbing trends; experiment with creative methods of outreach, education and service delivery/application venues and strategies; make certain all welfare and other community agencies' staff are aware of new rules. Perhaps a widespread, generic public education campaign (posters on busses, libraries, etc.) might be useful.

- **Reform Food Stamps!** Some positive changes have recently been made, but more wholesale review and reform of this critically important program is sorely needed. In the absence of wholesale reform, expanded waiver authority is imperative.

- **Devise and reward regional approaches.** Caseload decreases in many urban centers have not kept pace with declines in other areas such that, reversing pre-TANF trends, welfare caseloads are now increasingly concentrated in large cities. Job opportunities, however, lie elsewhere. Addressing this mismatch in other than band-aid fashion requires cross-jurisdiction collaboration and attention to myriad issues in the areas of welfare, housing, transportation, safety, child care and more.

- **Time is running out.** In less than two years, the first wave of TANF recipient adults will potentially hit the federal five year lifetime time limit. While there was much discussion about this time limit at the outset of reform, we have seen little data to estimate the magnitude of this coming crash, state contingency plans, and the like. The challenge now is to begin to take a close look at the needs and TANF use patterns of current customers, to develop strategies to prevent families from reaching the limit, and to plan for how we will deal with those who despite all efforts hit the five year mark.

- **Although recidivism has been relatively low, it still occurs for 3 out of 10 families.** Recidivism did not matter in a practical sense under the old system so little is known about why families return to welfare. Today, returns to welfare mean a family is closer to the lifetime limit. Our data make it clear that the first few months after exiting cash assistance are a critical period for families in which risk of returning to welfare is highest. Policymakers and program managers must continue to make concerted efforts to assist families in maintaining their independence from cash assistance in these first critical months. In addition, few researchers have examined recidivism under TANF in any great detail; more need to do so.

- **Welfare caseloads have changed** In some counties, the typical welfare family no longer consists of a mother and one or two children, but instead is comprised of a grandmother or other relative and several dependent children. Welfare program rules for such families vary across states, but in general we know very little about these types of families -their characteristics, special needs, long-term prospects, etc. In addition to research, policy attention must be paid to how TANF features such as time limits, exemption policies and thresholds, work requirements, etc. affect these families and vice-versa.

- **More data are needed** The list of questions addressed in welfare reform research studies needs to be broadened to include studies of special populations (sanctioned families, caretaker relative families, new TANF entrants, recidivists, etc.). States and their research partners also need federal assistance in obtaining access to data that will permit more thorough answers to questions already under study (e.g., employment outcomes for welfare leavers). Maryland shares borders with four other states and the District of Columbia; our lack of access to other states' data on UI-covered employment and wages is the single most important barrier to our

ability to more comprehensively document former recipients' employment, wages and financial well-being.

Another extremely rich, unique, invaluable and relatively inexpensive-to-use source of important program monitoring/client outcome data is FPLS. These data could be used not only to assess the ability of non-custodial parents to pay child support, but also to enrich our understanding of the employment patterns of former TANF recipients. Easier access to this data would eliminate many of the problems with tracking cross state employment. Based on our experience and knowledge, Congressional leadership will likely be needed to facilitate access to these data, but also to insure that the data are not misused and that confidentiality concerns are adequately addressed.

There are many other specific challenges, in addition to those just listed. However, when all is said and done, I believe the biggest challenge we face is simply to finish the job that we started just a few years ago. I for one, share the view expressed by Isabel Sawhill in a recent issue of the Brookings Review.

"Ending poverty as we know it is not an impossible dream. By combining requirements that adults work with adequate supports for those that do, and assuming reasonably good labor markets, it should be feasible to reduce poverty and hardship to minimal levels at a cost that is well within reach. The most pressing needs are child care subsidies and health care insurance for adults who now lack such coverage. In the long run, improvements in education and more intact families are the best insurance against poverty. But in the interim, work remains the most powerful antidote to poverty and social exclusion. The new supports for the working poor enacted on a bipartisan basis over the past several decades are a huge step forward. We should now finish the job..."⁴

With the continued strong leadership of your subcommittee, I believe we can indeed "finish the job." Thank you very much, I would be pleased to answer any questions you might have.

Mr. CARDIN. Dr. Carlson-Thies.

STATEMENT OF STANLEY W. CARLSON-THIES, DIRECTOR, SOCIAL POLICY STUDIES, CENTER FOR PUBLIC JUSTICE, ANNAPOLIS, MARYLAND

Mr. CARLSON-THIES. Thank you, Madam Chair, Congressman Cardin and Congressman English. The Center for Public Justice is a national, nonpartisan, faith-based organization, a think tank, headquartered in Annapolis. My focus is Maryland welfare's collaboration with faith communities. I have been following this issue since 1995, and I am a member of a special committee, the Faith Community/Department of Human Resources Partnership Council, which has been established by the department as a bridge to the faith communities.

It seems to me the logic of welfare reform requires collaboration. How can public welfare help people get off welfare and stay off unless it works not only with business, but also with the many social organizations that provide not just training, but also encouragement and guidance? Congress pressed collaboration further by adopting the Charitable Choice provision requiring States to open welfare procurement to competition by all kinds of religious groups, to honor the faith characteristics of religious organizations that accept public funds, and to protect the rights of welfare recipients who get services from such organizations. Maryland has made collaboration with the faith communities one of its welfare reform goals, and I think it can show considerable success.

⁴ Sawhill, I., (1999). From Welfare to Work: Toward a New Antipoverty Agenda. Brookings Review, Fall 1999, p. 27-30.

I salute the department for its initiatives, but the faith communities remain largely on the sidelines. I think more vigorous State action is needed. Maryland's collaboration initiatives predate the 1996 Federal welfare law, and since then the Department of Human Resources has continued its initiatives, including that partnership council, clergy conferences, and changing the welfare statutes in response to Charitable Choice. I note three significant fruits of all of this.

First of all, the Community-Directed Assistance Program, a pilot project in Anne Arundel County, put churches in charge of welfare budgets for families that wanted extra help to get off welfare. It worked well for the families, the churches and, I think, for the department.

Second, here in Baltimore, Payne Memorial AME Church's outreach program has used a very large State contract to place over half a thousand hard-to-employ welfare recipients into jobs and is continuing to give jobs and life skills training to the rest.

And third, 2 weeks from today the Faith Community/DHR Partnership Council will kick off a new information clearinghouse and referral system for Baltimore-area religious organizations.

There are also other collaborations around the State, yet I think the collaboration is scattered and sporadic. In the first place, faith communities in Maryland have been very reluctant partners, in some cases have even been opponents of collaboration. Many conservative churches just ignore welfare. They don't like what government does, but they do not do a whole lot themselves, and are not paying a whole lot of attention to the opportunities that the department wants to put before them.

On the other side, a number of black and progressive churches have decided that welfare reform is designed to hurt and not help people, and that the department's talk of collaboration is a mask for government abandoning its welfare responsibilities. Such churches are not enthusiastic about partnership either. The department has tried to break through this opposition and apathy, but with only limited success.

The churches are responsible for their own attitudes, but I think the department can do more. So here is the second reason for limited partnerships. The department does want collaboration, but I think it has not made it as strong a commitment as it could.

Collaboration needs to become the commitment of the whole department, including each local office. If each local office would designate an active liaison to the faith communities, that would send a strong message. If the department would adopt a program for the whole State that matches volunteer mentors coming from congregations and other groups with welfare families, that would also send a very large signal of its desire for partnership across the board.

Most important, the department and the State need to carry through compliance with Charitable Choice. The law gives the department permission to contract with religious groups and assures the rights of welfare recipients if they are served by religious organizations. The law was changed to reflect those charitable choice elements. But I think the law is unclear about protecting all the rights of faith-based organizations that contract with the State. Particularly their right to choose only employees committed to their

faith prospective is unclear in the law. In effect, the department is welcoming faith-based organizations to a new partnership, but the relationship into which they are being invited still has some of the old restrictive rules. Full and visible compliance with Charitable Choice would send a powerful signal to the faith communities and to the public and all parts of the Department of Human Resources that collaboration with the faith communities really is a top priority of Maryland welfare reform. Thank you.

Mr. CARDIN. Thank you very much.

[The prepared statement follows:]

**Statement of Stanley W. Carlson-Thies, Director, Social Policy Studies,
Center for Public Justice, Annapolis, Maryland**

Good morning. My name is Stanley Carlson-Thies. I am the Director¹ of Social Policy Studies for the Center for Public Justice, a national organization, headquartered in Annapolis, Maryland, that conducts public policy research and provides civic education for leaders and citizens. I appear here today on behalf of myself and the Center for Public Justice. The Center for Public Justice has been involved for nearly a decade in research concerning welfare reform.

Our particular interest in welfare reform is how government and faith-based organizations can work together most fruitfully to assist poor families and neighborhoods. We are strong supporters of the Charitable Choice provision of the federal welfare reform law and are co-publishers of the much-used resource, *A Guide to Charitable Choice: The Rules of Section 104 of the 1996 Federal Welfare Law Governing State Cooperation with Faith-based Social-Service Providers* (1997; co-published with the Christian Legal Society). Much of my time is devoted to research and education about the implementation of the Charitable Choice provision by state and local governments and about how faith communities can best respond to the new opportunities.

My research on Charitable Choice is focussed on a set of states not including Maryland. However, I have been following the matter of Charitable Choice and collaboration in Maryland since 1995 and for the past several years have been a member of a special committee, the Faith Community/Department of Human Resources Partnership Council, that brings together representatives of the department with members of various Baltimore-region faith communities to determine how to work together more effectively. My comments will emphasize the progress of government-faith community collaboration in the State of Maryland.

One of the most important innovations of the welfare reforms inaugurated by the 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is to shift welfare from a government-centered program to a collaborative effort of government and a range of community partners. Welfare is now intended to help families move to independence through employment. That transition requires the cooperation not only of businesses that can offer jobs, but of many other groups that can provide not only specific services such as job training or child care but also counsel, encouragement, and social support. Many welfare departments are actively building partnerships with community groups and with churches and other faith-based organizations that can provide such guidance, support, and assistance.

The welfare law not only encourages such partnerships by asking welfare departments to help families move to independence but includes a specific provision to promote collaboration between government and faith-based organizations. The Charitable Choice provision (section 104 of PRWORA) requires state and local governments to operate their procurement programs in a way that facilitates the participation of the faith communities.

Charitable Choice requires government to allow all kinds of religious organizations to compete for contracts or to provide voucherized services, without excluding some on the ground that they are too religious or are "pervasively sectarian." Charitable Choice provides specific protections for the religious character of organizations that accept government funds, including their right to hire only staff who agree with the organization's religious principles. Charitable Choice also includes specific protections for recipients, requiring religious organizations to serve people in need without regard to their religion and requiring government to provide a secular alternative to recipients who object to receiving services from a religious organization.

¹The Center for Justice is a nonpartisan 501(c)(3) organization. Neither the Center nor the witness is receiving nor has received federal government grants or contracts.

These rules are designed to remove the secularizing effects of past federal, state, and local procurement practices—secularizing effects that require participating religious groups to tone down or sideline much of their religious character and that have caused many other religious organizations to avoid collaborating with government entirely.

The State of Maryland has made partnerships with the faith community one of its welfare reform goals and has experienced some notable successes. The state is committed to making further progress. However, the faith communities in the state still seem to be largely on the sidelines. To engage them more fully will require the state to press forward its collaboration initiatives, and Charitable Choice in particular, more vigorously.

Maryland's outreach to the faith communities predates the federal welfare reform law. Maryland's own welfare reform law of 1995 envisioned churches and other religious organizations becoming administrators of welfare benefits for recipients who had been penalized for not meeting program requirements. The state also started an innovative pilot program in Anne Arundel County, the Community-Directed Assistance Plan, that puts congregations in charge of extra welfare benefits for welfare families seeking extra guidance to achieve independence.

These initiatives were retained in the state's implementation of the Personal Responsibility and Work Opportunities Reconciliation Act. In addition, the Department of Human Resources included clergy representatives on its welfare advisory committee, and top department officials, including Alvin Collins, former head of DHR, have addressed various conferences to explain welfare reform to the faith communities and to encourage their engagement with the state's redesigned effort. As noted, the department has organized the Faith Community/DHR Partnership Council to promote better cooperation. And the state has modified its statutes in response to Charitable Choice, specifically authorizing purchase of services from religious organizations and codifying religious-liberties protections for welfare recipients served by religious organizations.

The state's initiatives have borne significant fruit.

- The Community-Directed Assistance Plan, although involving a relatively small number of churches and welfare families, was an excellent program for both the churches and the families, and it drew national attention. (Unfortunately, it could not be reconfigured to fit within TANF guidelines and had to be ended after Maryland implemented the new federal welfare rules.)

- In 1997 the state entered into a \$1.5 million contract with Baltimore's Payne Memorial AME Church Outreach Program to place hard-to-employ welfare recipients in employment. The Outreach Program, which draws on role models and other resources of the parent church, has served a thousand recipients, placing just over half in employment, with the others in further job training or undergoing life-skills development.

- Two weeks from today, the Faith Community/DHR Partnership Council will host a public launching of an information clearinghouse and referral system, housed and staffed by the Department of Human Resources, that will be a major new resource for Baltimore-area faith communities. With one call, pastors, ministry staff, and others will be able to refer a needy family to a church that offers the needed services, be connected with a departmental ombudsman who can overcome government roadblocks that have prevented a person from accessing guaranteed benefits, or start the process of making available to the wider community the particular programs of their own organizations. Lynda Fox, the current Secretary of DHR, and a representative from Gov. Parris Glendening's office are scheduled to attend to give the venture a high profile kickoff.

These are all very important initiatives, important for the families in need, important models for both government and religious organizations to show in practice how they can work together. And there are other new collaborations scattered around the state, both financial and nonfinancial, formal and informal. In Prince George's County, for example, an extensive network of congregations and faith-based nonprofits is organized as Community Ministry of Prince George's County to work with each other and with public services to offer effective assistance to poor families. In addition, before welfare reform and in other areas of social services the state for many years has contracted with religiously affiliated service providers.

However, taking all of this together, and evaluating the whole trend of collaboration in Maryland, it is my judgment that much progress remains to be made. The state has undertaken significant initiatives and yet collaboration with the faith communities remains sporadic and scattered, more the exception than the rule.

A major cause of underdeveloped collaboration is the lack of interest in it, and even strong opposition to it, on the part of too many in the faith communities. Many African American churches in the Baltimore area have judged welfare reform to be

an attack on poor black families; along with other progressive faith groups they have tended to interpret the state's invitation to collaboration to be a veiled attempt by government to evade its own social responsibilities. There was significant church opposition to the state's specification in its 1995 law of a particular service role for religious organizations, and DHR has had a hard time overcoming the bad feelings despite repeated efforts to respond to the criticisms. And sadly, though perhaps not so surprisingly in a state in which the government has historically played a very large social role, many churches seem mainly to be ignoring welfare reform and the plight of families being asked to change from dependence to independence.

The state has worked to overcome apathy and opposition; the Faith Community/DHR Partnership Council and the participation of top DHR representatives at various meetings on welfare reform for the faith communities are clear signs of this. Yet perhaps the signs have been neither clear enough nor persistent enough. The attitude abroad in the state still seems to be that welfare is basically the task of government and not a joint responsibility of public and private organizations. In this atmosphere, faith-based organizations may discover that public welfare welcomes their assistance, but they are even more likely not to be aware that any new opportunities are open for their involvement.

To overcome this inertia and to create a new atmosphere, I urge the Department of Human Resources to dramatically expand its outreach efforts to the faith communities. The Partnership Council and the meetings on welfare reform need to be supplemented. The invitation to collaboration needs to become a consistent message of the whole department and of state government in general. Each local office, for example, should be actively cultivating relationships with faith-based organizations; one possibility is to designate one staff member in each local office to be the liaison with faith-based organizations. The Community-Directed Assistance Program could be expanded to other counties. Or, as a number of states have done, the department could initiate a program that draws volunteer mentors from congregations to be teamed with recipients facing the uphill battle of finding and keeping a good job. It may take Maryland churches a long time to warm up to such a program, but its very existence would be a strong signal to the faith communities and to the public that the government understands that welfare is a shared responsibility.

Most important, the State of Maryland should complete the job it began when it changed its statutes in response to the Charitable Choice requirement. Maryland law now clearly states that the Department of Human Resources can contract with religious organizations, and it specifically safeguards the religious rights of recipients of services from such organizations. But as far as I can determine, the law was not changed to explicitly guarantee to faith-based organizations the various protections of their religious character that are specified in the Charitable Choice provision. The state is telling faith-based organizations that they are welcome to participate in procurement, but it has not made the terms of the relationship more hospitable to religious organizations that are protective of their faith character. In particular the state appears to be maintaining its requirement across the board that contractors cannot use religious criteria when they choose staff, even though Charitable Choice lays down a different rule and even though the ability to hire only employees committed to the organization's mission is an essential right for many faith-based organizations.

Department and procurement officials last Fall made a presentation to the Partnership Council on the contracting process and the state's legislative response to Charitable Choice, welcoming faith-based organizations to participate in procurement. Extending that invitation widely to the faith communities, and offering the necessary training to faith-based organizations, is the next major item on the agenda of the Partnership Council. So the faith communities in Maryland will soon be hearing a louder message that they are welcome to collaborate with the Department of Human Resources.

But that welcome will not seem very warm to many faith-based organizations if the state does not make it clear in writing that religious groups will no longer need to sideline key elements of their religious character when they collaborate with the department. This is not a matter of privileging faith-based organizations at the expense of poor people who just need help; it is a matter of putting into practice Charitable Choice's careful balancing of the rights and requirements of both faith-based organizations and recipients of services.

Most churches, synagogues, and other faith-based organizations in Maryland will never seek to contract with the Department of Human Resources to provide welfare services. But compliance with Charitable Choice is as important for them as it is for those organizations that would like to compete in procurement. Full and visible compliance with Charitable Choice will send a message to every faith community, and to the whole welfare bureaucracy, that the State of Maryland has truly inaugu-

rated a new era of partnership with civil society and hospitality to faith-based organizations in carrying out its welfare responsibilities.

Thank you.

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Mr. CARDIN. Mrs. Johnson.

Chairman JOHNSON of Connecticut. Thank you.

I was very interested in your comments, Dr. Carlson-Thies, as to how difficult it is to develop this partnership. In the fatherhood bill we continue the Charitable Choice provisions, and I am particularly interested in that bill because in many of our inner cities, there is very little institutional structure left, and some of the small minority churches are amongst the best.

Do you think one of the reasons churches do not want to participate is because the paperwork is heavy? The regulation is heavy? It is a world they don't feel comfortable in; and if so, how can we make it simpler?

Mr. CARLSON-THIES. I think that those are all reasons. In a State where government has had a large responsibility historically, social organizations have often not thought that this is a major part of their responsibility. In that situation, the question is what can the government do to try to bridge over that and reach out. I think there is a very good faith effort to do that, but there could be more ingenuity. There are States which have aggressively tried to reach out and have reengineered procurement as a way of doing that, or do more subcontracting or things like that.

In the final analysis faith communities will or won't come forward, and the government is not responsible for that, but I think there are things that could liven up and bridge over the gap.

Chairman JOHNSON of Connecticut. I think it is important that within the faith-based community you enrich the conversation so that there is a better understanding and knowledge about what participation is possible and how you can do it. I think it would be premature for us to do any further legislating in that area. Some of the points that a number of you raised about disregards are, frankly, all within the State realm of control. State legislatures do face difficult tradeoffs between how much they invest in one area, leaving them less money in the other. But certainly the points you raised were well taken.

Mr. Bartolomei-Hill, I was curious about your \$800-a-month figure because if someone earns \$800 a month, they earn \$9,600. Under food stamps—and they are eligible for them, and presumably they will get them—they get \$2,256 more, and under the earned income credit, they get \$3,840 more. So they end up with an income of \$15,696. In this State the poverty level for a family with two kids is \$13,000. I understand poverty income levels are

very low, and it is still hard to live even if you meet the poverty income levels, but I think we should acknowledge what the statistics are showing nationwide—and that is if a recipient works, they do better than they did on welfare. Now, is it enough? It is not enough. How do we help people move from a minimum wage job up the ladder? That is absolutely the big challenge. But it is distressing to me, and I would ask you if you differ with these figures.

I think it is important that we talk facts here and not heart. I mean, in one's heart one knows that it is very difficult to live on a poverty income. When you look at these figures, if you differ with them, now is your chance.

Mr. BARTOLOMEI-HILL. Presumably these figures came from Ron Haskins, and I would not dispute figures that came from Ron in terms of what food stamps eligibility limits are and what the earned income credit is. It is true once you start to include other government benefits, someone who is earning at that level would be above poverty if they were a single parent and had one child. However, the chart does not take into account additional expenses such as child care, transportation, and health care.

I think one important thing to remember, too, is that we are talking about median earnings for the half of people who are found to be working. Now, it is not the same half of people who are working each quarter, so most welfare exiters are not earning as much as \$9,600 a year. Granted, there is no dispute that child poverty has decreased in this country, but I think it is important to note that many of the families who have left welfare continue to struggle to make ends meet. Because they have left does not mean that our job is done, particularly in Maryland where a family of three, if you earn \$650 a month, you make too much money to receive any cash assistance. It is hard to make ends meet on \$650 a month even if you do include the food stamps that they would be eligible for and the earned income credit.

Chairman JOHNSON of Connecticut. Although that is approximately their situation on welfare. If they are getting a welfare benefit of that amount, they are eligible for Medicaid and food stamps, but not much else. If some of that money is coming from work rather than a benefit, you also get the EITC.

Mr. BARTOLOMEI-HILL. People who make enough to be off of welfare maybe better off than their counterparts who are receiving welfare. But in that regard, I would say—I have been doing poverty research for many years and going to welfare offices and meeting with people, and still I have no idea how people make ends meet on \$417 a month, even if they do get food stamps of a couple hundred dollars a month.

Chairman JOHNSON of Connecticut. Last, I want to mention to Dr. Duncan-Jones, your focus on community is really in the long run the right focus, and your suggestion that we need to pool multiagency resources is, in my estimation, where we need to get to. In my hometown, after a decade of trying, we have been able to integrate weed and seed and COPS money and HUD rehab money and all these things with the training dollars and focus them on training people to work for the employers who are coming into town so we don't have transportation problems. We do have quite ways to go on that.

Developing within a State a waived project so you can put all of these moneys together, they are hard for us to do from Washington because we can't see them. You might remember that the President proposed a river pilot for heritage rivers. Well, all the river pilot does is try to figure out what money is in Commerce and what is in Interior, what are all of the moneys that might be used by communities along major rivers to do economic development in a way that preserves the environment and so on.

So we are at a point where we have done enough block granting to see how much more energy and insight there is State by State, and how do we move now to interagency block granting. We have talked here this morning about almost the impossibility of the food stamp eligibility process. We really do need to think about big ideas. I think any group of people in a State that get together and look at the COPS money, the weed and seed neighborhood regeneration, drug treatment, all of these things together would get a pretty sympathetic view. It wouldn't be just up to us. We would have all of those other Committees.

We have begun to hold a few joint hearings. That is a revolution. We are working on a joint hearing with the Senate. That will be a real revolution. But we do have to move there, and the more you push us in our thinking and the more concrete your proposal, the better off we will all be.

Ms. DUNCAN-JONES. When we talk about neighborhood impacts, we do need that type of collaboration, at least the promotion and the advocacy on that in Washington, D.C., particularly I am talking about urban areas that costs the Federal Government. Poverty costs. I am talking about the intergenerational poverty. So there needs to be—when we talk about the top down, there needs to be that avenue that is already poised to be able to encourage States and encourage cities on a local level to do the type of collaboration that we are talking about.

When we talk about from a public policy perspective, it is cost-effective when you are pooling the resources to impact neighborhoods that are truly, even despite some of the challenges as well as the accomplishments with welfare reform, are not designed for healthy, sober, safe and economically sound communities, and we need to really be creative. I am talking about in Park Heights where substance abuse as a major problem.

We invited the Baltimore City Department of Social Services to look at their numbers with child maltreatment, and they could not ignore Park Heights because that is where the majority of their maltreatment, child abuse, neglect and sexual abuse were coming from. We challenged them to join with us to leverage these services as it relates to building capacity with our families, and that is when we sat around the table and talked about some flexibilities.

We asked one of our primary care providers, Sinai Hospital, to leverage with us in reference to approaching substance abuse. We are leveraging resources, data, and research from local universities and colleges in our area so that we can do this. Like you said, it's not about the emotion. We are talking about competency as well as compassion when we are approaching families, and we have to really leverage. When we talk about what is the report card or

what is the formula that is going to really impact a human being, it is going to be homegrown.

When we look at Park Heights, for example, there is one family restaurant along Park Heights corridor from Park Circle to Northern Parkway. There are 30 churches and 29 bars. We are designing a community for poverty. We are looking at education outcomes. We have to take all of this collectively into account and really make an impact.

Chairman JOHNSON of Connecticut. I thought that it was very encouraging that the Baltimore City Department of Social Services has been your ally. If you can begin to develop this at the local level on exactly what you need to collaborate, this wonderful program that we were looking at this morning could be a tremendous ally to the local public school system, but because they are not a public school, they cannot share in the money. So the more you can identify those barriers—and a State like this is small enough and sophisticated enough in its service delivery capability that really we could easily get a bipartisan group that would be interested in working on this.

Ms. BORN. I would like to make a comment about the earnings data, although I think this chart and your comment probably took care of it. People take our earnings numbers, and they do all manner of things with them that really cannot be done; divide them and assume that people were working full time every week and every month in the whole quarter. That is not necessarily true. It could be that the \$2,500 per quarter was earned in 1 week in 1 month. And so I think it is not fair to the people whose interests we all care about to waste time playing games with the numbers. The data do describe what somebody earned in a quarter, average, median. We can list them all out and then we can all agree, we did welfare reform. But, while people appear to be better off, they are not as well off as we would like them to be.

Let's get on with the next step. That is the important thing. If we are going to debate each other, let's debate about what we need to do going forward, not about what these numbers mean.

Chairman JOHNSON of Connecticut. Thank you.

Ms. MEADE. Congresswoman, I just also wanted to comment that one of the things that we see both from the agencies who work with families on or are leaving welfare, or with the consumers themselves, automatically their expenses go up. They are paying for transportation now. It may be from home to child care, sending somebody off to school, and then to work and reverse the commute. Clothing for work. You have to dress differently, and you have to have different clothing when you go to work. Child care copays are—a lot of things. There are a lot of other expenses that people have not had to incur to date.

I have talked to a couple of people who have received the earned income tax credit, and they have told me basically from the Federal Government, which is substantial, that they have maybe bought a car, or they hope that nothing happens over the course of the year so they can then on an annual basis get their car fixed. That takes a chunk out of the money. So certainly costs go up for low-income families also.

Mr. CARDIN. Thank you very much.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

And may I say, this has been a wonderful panel to listen to and a diversity of views, but also some very important insights.

Dr. Carlson-Thies, I particularly appreciate your testimony in support of Charitable Choice, which I have been a strong supporter of. I believe we need to get faith-based organizations engaged programmatically in addressing some of the problems that we are facing in the underclass.

I am wondering, one of the things I have been wrestling with on this issue is what specific protections do we need to provide to faith-based organizations in order to protect their religious character if they become programmatically integrated into the safety net?

Mr. CARLSON-THIES. Are you asking for protections that go beyond what are existing under Charitable Choice?

Mr. ENGLISH. Are they necessary?

Mr. CARLSON-THIES. I think what is there works quite well. Some things can be strengthened a little bit. Charitable Choice gives the choice of doing vouchers and minimizing micromanaging and maximizing the liberty of the faith-based organizations. I would recommend that strongly to States as a way to involve a diversity of providers. If you look at the numbers, I am not going to play the numbers game either, certainly one of the problems has been people who are eligible for things like food stamps, and earned income tax credit as well, often don't get them, and that is partly because there is not great communication between the department and former welfare recipients. They don't trust the department in some cases, they are glad just to be gone, and one of the ways to bridge that communication gap is to involve the faith communities' social organizations more generally.

I think the Federal legislation has created the opportunity. I think it is up to States to push that as far as they can.

Mr. ENGLISH. Ms. Duncan-Jones, what is even more impressive to me is you being out in the field and dealing with these problem day to day, and you have submitted testimony in support of bringing faith-based organizations more into the mix. In your view, what can the States do to encourage greater participation by faith-based organizations?

Ms. DUNCAN-JONES. I think basically we are so use to that division between church and State, and we need to really, I believe, do a lot of technical assistance with church-based institutions in just understanding the bureaucracy. Even though we have legislation that helps to make some of that bureaucracy thinner, it still exists.

Also in reference to preparing, I believe, documentation, research as well as outcome assessments of what works and what doesn't work is needed. We need to sit around the table more. One of the things that we are trying to do in Park Heights is with some of the blighted conditions, having an ecumenical prayer meeting to talk about some of the socioeconomic conditions that plague us all within the community; technical assistance, particularly with faith-based communities, about presenting sound proposals that are cost-effective and that are going to work is the way to go.

One of the things that we are trying to do in Park Heights even on a neighborhood level is evaluation. It is important. Leveraging resources, for example, with some of the local churches by having University of Maryland School of Social Work or the law school provide neighborhood-based research for us. That is a cost that they are leveraging for us. But, it is also a great learning/serving opportunity for college students because they are the next generation that is going to be faced with this price tag. If we don't get down to finding real solution regarding how people can work and how people can move forward we are in trouble.

Faith-based institutions need that technical assistance in packaging their ideas and concepts. They have been in the community. They have been the strength, particularly in African-American communities, urban-based communities, and we can utilize their unique ability, one, because they have a realistic approach that is relevant to the people. They are there. They also have the outreach in the social church ministries to do that, and the capacity to nurture the human spirit and keep that person on the job. Use churches as employee assistance resources.

I think we need to be creative when we are talking about the stress and the depression that some people who are facing welfare reform are experiencing, because this is a whole new world, and the expectations are really high, and because we are doing so well with welfare reform, no one wants to see a decline, and I believe being able to leverage these lessons with that particular population, meaning the faith-based community, we can continue to enhance the success as well as our willingness to understand and learn as well. I think that the faith-based institutions offer so much, and we need to maximize the services that they traditionally have made within our country and continue to make on neighborhood-based levels.

Mr. ENGLISH. Ms. Meade, the survey that your association has sponsored, I think is going to be extremely valuable to us, because of the breadth of the number of people responding. One of the problems that I have run into in my home community in Erie, Pennsylvania, is a great concern by many people trying to work their way out of the welfare system, about the adequacy and access to childcare.

What have your respondents told you about that? Is there adequate childcare there? How big is a concern for them? How big is it a barrier for them?

Ms. MEADE. Thank you, Congressman. Of course, it always boils down to the individual, and for some it is transportation and for others it is childcare. But when we asked the question what changes would you make to the welfare program, it was open ended, they could say whatever they wanted, the second highest response was in the arena of childcare. And they—it wasn't just any childcare, they wanted better childcare and more affordable childcare.

I am not sure what they meant by better, but my sense was licensed, regulated. You know, they wanted to be able to access the best of all for their child or children. So it ranks very high in terms of consumer needs.

And, again, we are pleased that the Governor has put some additional funds in and expanded the opportunities, but we need to go a lot further. There are no, I don't believe, many State funds that have been put into childcare services in Maryland.

Mr. ENGLISH. Dr. Born, my final question, I had discussed with Secretary Fox the whole question that has plagued us in Northwestern Pennsylvania, about how a lot of people who are eligible for medical assistance are not actually utilizing it, may not be aware of it. She talked about the human moratorium policy that they had established.

From your research, have you found that that has worked in Maryland and what conclusions would you draw that you can offer to us in trying to address this problem in another State?

Ms. BORN. Well, we are beginning to track Medicaid enrollment—by each individual, adult and child leaving welfare. And we don't have that data yet; we should in another 6 weeks or so. But I think there is the stigma issue as well for MA a little bit and certainly for food stamps. And I think it is that—it took us all long enough to figure out what decoupling really meant. And I think for families, you know, you got the check, you got MA. You didn't get a check, you didn't get medical assistance.

I think that confusion was a piece of it as well. Outreach is critically important and participation in these programs is real. I think, more so in food stamps, but also in medical assistance, we really need to reframe those programs so people don't think of them as welfare any more, but think of them as family support.

Mr. ENGLISH. Sure. Something appropriate for the working poor to utilize.

Ms. BORN. Absolutely. If I remember the literature correctly, food stamp participation among the working poor has always been lower than it has been among all other eligible groups. This isn't a new problem. It is just a problem that I think for us now has more urgency, but clearly that is one that is solvable. We can fix these problems, those aren't hard problems.

Mr. ENGLISH. Thank you, Mr. Chairman. Again, thank you, all of you on this panel for your wonderful insights, and they have been most useful to this Member.

Mr. CARDIN. Dr. Born, continuing along some of the statistics that you were able to determine during your study. First, I found it interesting about not having all the employment information, which I think is a good point that you raised. But you indicate that about half of the people are working; they may not be working a full year as you also point out.

What happens to people that are not covered by a UI employment in our State? What is happening to that group that are leaving welfare?

Ms. BORN. Well, I think the numbers about the percents of people in certain counties that work outside the State is part of the answer to that question. People are working in other States. And we have no data. And Steve, and I would go back and forth about what that means. But that is one outcome.

In particular, we looked at our not-found in the unemployment insurance database in Maryland, and not back on cash assistance

folks at one point in time. And we found that they were disproportionately in border counties in Maryland.

It doesn't prove anything, but I think it suggests the importance of getting access to other States' data. Also, some people do come back on cash assistance. As the chairman noted, our recidivism rates are lower than they were under the old AFDC program and lower than have been reported in some other studies. But some families do come back on cash assistance.

Others—and we get this from looking at sanctioned families, in particular—they may not be working and they may not be back on cash. But they are getting food stamps or medical assistance. Some move out of the State. SSI actually appears to be a not uncommon income source in families as well.

And, of course, the big thing that none of us researchers really have a good way to get yet is information about income earned or unearned to other adults who may be living in that household, and that is kind of a \$64,000 challenge that I think we are all struggling with. So it is an incomplete picture that we have, most definitely.

Mr. CARDIN. And we—this might be your first formal appearance before our Committee, but your information has been before us before in our work. And we would appreciate you keeping us updated as more information becomes available. Obviously, the program is relatively new to get information about long-term impact of people that are leaving welfare, but that is extremely helpful to us in trying to evaluate the success of welfare reform.

So please keep us informed.

Ms. BORN. Thank you.

Mr. CARDIN. Mr. Bartolomei-Hill, I would just like to get your view on one issue, and that is, Maryland does not have a very generous earnings disregard as we talked about. Other States have much greater eligibility for disregarding income.

My question is, have you noticed any policy differences, any impact in other States that do allow for greater disregard, as far as the demographics of those that are on welfare or leaving welfare?

Mr. BARTOLOMEI-HILL. I haven't explored that issue. I am not sure that I understand the question.

Mr. CARDIN. Is there a good policy reason to have a disregard—not to have a disregard? Is there a—are we getting—does the disregard encourage people to stay on welfare that shouldn't stay on welfare? Has there been any information that has been determined by the policies of other States that could be used by Maryland to say, hey, maybe our policy is the right policy and the rest of the Nation is wrong?

Mr. BARTOLOMEI-HILL. I think there are a couple of answers to that question. There is a lot of economic research that makes this basic conclusion: when work pays, more people work. That conclusion is supported by studies that were conducted under the other old welfare system. Further, research that has been done on the earned income credit shows that the earned income credit has a substantial impact on the work effort of single women. In other words, the earnings boost offered by the earned income credit induces people to begin working.

I don't want to speak for Senator Madden, but, Senator Madden's perspective with respect to the low earnings disregard is, as he expressed, that he does not want to have a more generous earnings disregard out of fear that people will be receiving relatively small benefits and using up some of their 60-month time clock, so that would be one policy reason for keeping earning disregards low.

Although, I would note in Maryland when they made modest expansions to the earned income disregard last year, they put people who have earnings into a segregated state program so that the 60-month time clock does not apply to people who have earnings.

Mr. CARDIN. I appreciate that. And, obviously, we don't know the impact yet of the 5-year time limit. We haven't been faced with that yet. But it obviously is something that needs to be looked at as we get more and more people who are going to be bumped up against that time limit.

If I just might to, Ms. Duncan-Jones I guess, and Ms. Meade—although you pointed out different areas that we need to pay attention to—Ms. Meade, you mentioned daycare one of—the customers felt that that was a major additional concern.

I guess my question to both of you, if we have more resources, I want you to set priorities for us—I know everything is important. But can you rank what you think are the most glaring needs out there? Is it postemployment services? Is it job training? Is it daycare? Is it transportation? Is it health care? And you can't answer them all. You have got to give me some priority choice here.

Where would you place the additional resources in Maryland in order to deal with the problems you see in Park Heights or the problems that you have seen around our State?

Ms. DUNCAN-JONES. I would focus them specifically on building the local economy. We would dually deal with transportation issue, because most of the clients, particularly in Park Heights, are going outside of the city for employment. And so our city really needs our local economies to be encouraged. So, specifically, dealing with job trainings to support the basic retail services that are no longer in our communities, bakeries, family restaurants, dry cleaners, we need specific training with these individuals, because we don't want them once their off welfare to move out of our community.

We don't want the blight—I mean, blight that fizzles and then we are left with just a low-income community. We want a mixed community. But we also want those basic retail services restored. So from an economic perspective, job training in those specific areas that would help to encourage and enhance those people once they have gotten off welfare, to reinvest in their community.

Ms. MEADE. I think my answer based on the survey would be, first of all, to increase income of the low-wage worker. They desperately feel that they need additional resources in order to afford the costs that they are incurring in their ongoing expenses of rent or utilities.

Mr. CARDIN. The minimum wage earned income tax would be high on your list?

Ms. MEADE. Absolutely. I think the second thing, and I think Maryland really—it has been talked about earlier, but was alluded to—is that we took the approach that one size does not fit all, that it is going to be very individualized. And I think that families know

best what their needs are. So one might need health insurance and another might need a car, and still another might need better childcare.

And I wonder if we could ever get to the point of really working with families on an individual level to—I mean, whether it is a menu of choices that the family has to make, where they know what their income is and they know what their needs are, and some of those supports can be offered to them on an individualized basis.

So that doesn't answer your question, except to say that—.

Mr. CARDIN. No, it's helpful. That is helpful; it really is. I think all of your testimony, just following up with what Mr. English said, this panel has been very helpful to us.

Let me, if I might, turn the hearing back to Mrs. Johnson, our Chair, and thanking her for being willing to come out to different parts of our county to find out what is happening. That is the only way we are going to determine what is happening on welfare reform; and your commitment to come here and to listen to people, I think, is very, very helpful. Thank you.

Chairman JOHNSON of Connecticut. Thank you very much. And let me thank Congressman Cardin and also Nick Gwyn, the chief of his side of the staff, because they really have been the backbone of the effort to develop today's hearing, because they know you, and they make it possible. I appreciate that.

It has been an excellent panel. I also want to thank Congressman English for coming. It is really hard to get Members to come out of Washington. It takes time that normally they would be in their district. And we just all are loaded with so many things to do that it is difficult.

And I really am pleased that Ben has been at every single hearing that we have had and Phil has been a faithful participant in many. So I appreciate their being here very much.

Let me conclude by saying that a number of you have talked about creativity and the difficulty of getting out there in new territory. Just because we have a good start doesn't give us any right to not really continue to push to be creative and to develop new partnerships, new collaborations and a far more integrated system over time.

Also, as you work in areas on research, because if we don't know what we are doing, we will never progress, we are really interested and grateful to you about talking about barriers there are, just getting the data that we need to know what it is that we are doing.

So barriers to data, barriers to research are things that we need to know; but I would urge you in your research don't leave any stone unturned. Don't assume that what they want is more daycare centers right in their neighborhood. I mean I have been in daycare a long time. I was a State senator many years before—a few years before I came to Congress.

It would be very interesting to see. You know, do they want the right to be able to choose a neighbor they know that their kids are friendly with, particularly for afterschool care? When they say they want better care, do they really want to pay their neighbor enough so their neighbor doesn't have to work and take care of just their kids?

You know, I think we are often blinded by the spectrum of choices that come from the past. And as important as certainly daycare centers are, I think there is a next iteration of the organization of childcaring services that is going to be more family centered, more child centers, more neighborhood centers but provide much greater oversight and stimulation to, for instance, kinship care indication situations, as well as neighbor care situations. And I think there it is the kind of development that licensure doesn't develop itself, but that could be very fruitful for us.

So I would hope that as you move forward, and ask people things, you—we try to delve a little bit more into what options they might really think about if they were free to choose.

Last, let me say that I have thought about things. I occasionally get into territory everybody, including my staff, wishes I wouldn't. So let me just throw out an idea that I am thinking about now. And really in our fatherhood bill, it became the biggest point of controversy and criticism.

There was a lot of criticism of the initiative in that bill to give States just a preference in the line of grants, if they could create some—develop some creative approach to this bill of arrearages. You know, if you have a child—if you father a child when you are 14 years old and you don't even notice that you are building up these arrearages, frankly, you will never overcome that debt. I mean you are into \$40,000, \$50,000 and you don't even have a high school diploma.

So we do have to think much, much more honestly about the situation of those that we want to pay child support. And in thinking this over, I am really very serious about looking at what courts say fathers should pay.

And I don't see the logic of shouldering debt that exceeds the court-ordered support amount. I mean, if the society chooses to pay more than the court-ordered support amount as we do on welfare, that is our choice. But the liability should be determined by the court's decision as to what that noncustodial parent should be contributing to that child.

I think there are a lot of things that we need to think about in this area, because recently a friend of mine who has some reason to know says that there are 400 fathers that he is aware of through programs just in the City of Hartford who couldn't possibly come out into the real work community. That means they will never be able to participate in a fatherhood program. We can't help them get a job. We can't help them relate to their children; and we can't help them to develop a good partnership relationship with the custodial parent.

Now, when you have a public policy that is a barrier to you doing all the things you know you ought to be doing, you must ask yourself, what are our options here? So it is one of the things that we have a chance to think about; and while we are not going to tell States how to do it, because we have absolutely no idea about how to deal with these arrearages, so it is absolutely true, we are thinking about giving teachers the right to get loan forgiveness if they teach in urban areas. We do that now with people coming out of physician training. We let them reduce their loans if they work in our community health centers.

So there is plenty of precedent for allowing people to—as they change their lives manage the consequences of less responsible years. I think there is going to be a real need to deal with that one problem of arrearages, but there are other similar barriers lurking in there and very much in this issue of organizing communities.

And I think your comment, Sharon, that, you know, there are 15 bars and there is no corner grocery store or cleaners was very, very relevant; what kind of community are actually we encouraging. So we have a lot of work to do. As we move forward, there is literally no substitute. And one of the enormous benefits of a free society and of a democracy is that, in fact, in a democracy you govern yourselves.

You elect us, but we are only your voice. The real energy and the real content that you develop to steer our voice comes from you, and that is a level of frontline activity that we cannot possibly replicate. So this has been a very useful and productive hearing for us. And I thank both the first panel and each one of you for being here. And I thank very much the Learning Center. Have I got that right?

Mr. CARDIN. Living Classrooms.

Chairman JOHNSON of Connecticut. Living Classrooms for their hospitality and their interesting tour this morning. Thank you. The hearing is adjourned.

[Whereupon, at 1:20 p.m., the hearing was adjourned.]

