

# MAKING ENDS MEET: CHALLENGES FACING WORKING FAMILIES IN AMERICA

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## HEARING

BEFORE THE

### COMMITTEE ON THE BUDGET

### HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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HEARING HELD IN WASHINGTON, DC, AUGUST 1, 2001

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## **MAKING ENDS MEET: CHALLENGES FACING WORKING FAMILIES IN AMERICA**

**WEDNESDAY, AUGUST 1, 2001**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC.*

The committee met, pursuant to call, at 10:11 a.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Gutknecht, Collins, Miller, Putnam, McDermott, Bentsen, Clayton, Hooley, Moore, Capuano, Holt, Matheson, Honda, Price Clement, and Moran.

Chairman NUSSLE. Good morning. This is the full committee hearing that we call "Making Ends Meet: The Challenges Facing Working Families in America," before the full Committee on the Budget. Today we are honored to have a number of witnesses to come forward to talk to us about this very critical issue.

I want to begin by complimenting my very good friend, Mrs. Clayton, for her suggestion that we hold this meeting. She made this suggestion to me in private, and then did so at, I believe, the full committee markup of the budget. I appreciate the suggestion that we have this hearing to discuss the way that the Federal Government approaches families in need across America, or the way that those needs are not met in any instances and how we can do a better job.

I would be happy to recognize Mrs. Clayton for an opening comment in a moment. But let me just inform the committee that before us today, we have a returning alumni member of the Budget Committee, our good friend from Maryland and my partner on some budget process reform issues that—believe it or not, Ben, we are still discussing and debating—Ben Cardin from Maryland.

Mr. CARDIN. I know you will be doing that well beyond our terms.

Chairman NUSSLE. I have a feeling you are right. He is the ranking member, of course, on the Ways and Means Subcommittee on Human Resources.

We are honored as well to have Marian Wright Edelman, who is the president of Children's Defense Fund. We are honored to have you here today. We know of your good work and concern, and we appreciate your willingness to come forward and give us your advice.

We also have the opportunity to hear from Dr. Haskins. Dr. Haskins is a former alumni from the Ways and Means Committee, and worked quite a bit as we worked through the very difficult sub-

ject of reforming welfare. He is now a senior fellow at the Brookings Institute.

We welcome all of you to the panel. It is a very serious subject we need to consider, and I would be happy to recognize either Mr. McDermott or Mrs. Clayton for any opening comment. Mrs. Clayton.

Mrs. CLAYTON. Thank you, Mr. Chairman, and thank you also for keeping your word and working on this issue. I know you also care about the issue, and I thank the witnesses who have come to share their insights. I ask for permission to put my full statement into the record.

Chairman NUSSLE. Without objection.

Mrs. CLAYTON. I just want to cite a couple of points. About 2 years ago I made these statements. I would like to say them again.

For some, these are the best of times. The United States is now enjoying the longest sustained period of economic growth in the history of the Nation. We have seen more people get into the work force, there are higher wages and low unemployment. We should be grateful for that. Many people have become wealthy and more have entered into the middle class. For them, this is a robust prosperous economy.

However, for many people—due to no fault of their own—this has been the worst of times for them. While the rich have gotten richer, many people have apparently gotten poorer.

The national budget and policy debate this year has focused on how to spend the projected budget, not the one we are spending now, the projected budget surplus over the next few years. Some favor a huge tax reduction that would tend to increase the income of the wealthy. Others favor paying the national debt and investing in Social Security and other measures to ensure our economic security in the future.

It is time for the debate to include some consideration of the effect of Federal Government policies in creating or exacerbating wide income wealth disparities and what it can and should do to reverse those conditions. It is time for Congress to provide additional, necessary, nutritional benefits such as food stamps and assistance, especially for children and people who work full time, who indeed cannot make enough wages so that they can provide their income.

My last statement is that income and wage disparity are sometimes compounded by race, education, gender, and family structure. We as policymakers need to see that. A recent report from the Children's Defense Fund documented the high risk of children who live in poverty: steady growth, less education, and lower earnings. Sadly, the number of people who live in poverty, who suffer from hunger or food insecurity number more than 4 million or more children and many millions of adults and seniors.

Indeed, Mr. Chairman, these are serious issues that affect all Americans, and I thank you for this hearing. I look forward to hearing the witnesses who have come.

Chairman NUSSLE. Thank you. I ask unanimous consent that all the members be given 7 days to submit statements for the record. Without objection, so ordered.

[The prepared statement of Mr. Matheson follows:]

PREPARED STATEMENT OF HON. JIM MATHESON, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF UTAH

Chairman Nussle, Mr. Spratt, members of the committee. I am very pleased that the committee has decided to take up this important topic today. Too often I am afraid that our hearings are not focused on the true plights of those we represent. We talk about a lot of important issues, but often without relevance to the day-to-day lives of working Americans. This hearing is about those day-to-day lives.

The challenges that face the working poor in this country continue to be immense despite years of economic growth and even declining welfare roles. Many Americans are still struggling to make ends meet. Understanding the core sources of those struggles, is essential for Congress to act in one of its most important roles, as a steward over the public welfare.

In preparation for this hearing, I have spent some time trying to understand something about the working poor that live in my home state of Utah—trying to better grasp what challenges are most insurmountable to them. Although my remarks are by no means exhaustive of the numerous social and economic struggles that these families face, I would like to share two of the most problematic components of climbing out of poverty in Utah.

When you just look at the numbers, Utah does not appear to be doing too badly. Utah has the second lowest poverty rate in the United States, 8 percent of residents live below the poverty line. However, these numbers are somewhat more complex. If household income is figured on a per capita basis, that is accounting for the number of individuals within a household, and more accurately indicating their economic well-being, then larger Utah families are not doing very well. In fact by this measure, Utah's annual median per capita income falls behind the national average by \$5,254. In addition, although Utah has relatively low unemployment rates, when the average wage earned in Utah is compared to its national counterparts in key industries and work sectors, the average wage in Utah is nearly 16 percent below the national average. This is especially critical since the cost of living index for Utah is comparable to the national average, and higher than the national average in the state's metropolitan areas.

These numbers reveal the complex nature of understanding true poverty, since the poverty people experience is related more to the number of individuals in their household, and the way wages compare to their cost of living. It is then possible for a state like Utah to have had great economic growth, high rates of employment and forecasts of continued job growth (as Utah has for the last decade) and see the numbers of uninsured and underinsured increase, the demand at local food pantries grow, and the services requested from local agencies balloon. Truly, poverty is a more complex issue than an initial brush that numbers may indicate.

One of the greatest challenges facing families in Utah is affordable housing. The National Low Income Housing Coalition defines a housing wage as the "amount a worker would have to earn per hour in order to be able to work 40 hours per week and afford a two bedroom unit at Utah's Fair Market Rent." In Utah the FMR is \$608, which means that the housing wage in Utah is at least \$11.69 per hour. Compared to the accepted standard for housing costs, 30 percent, the average renter in Utah pays 65 percent of his or her income on a two-bedroom unit. In fact, if a worker was earning minimum wage, \$5.15 per hour, it would take working 91 hours per week to be able to afford a two bedroom unit in Utah. Affordable housing is obviously a crisis for families working to make ends meet.

This is only exacerbated by the costs associated with child care. For the working poor there is very often no choice besides child care if they want to work. Yet, the cost of child care in Utah is nearly debilitating. According to the Department of Workforce Services Office of Child Care, 54 percent of parents seeking referrals for child care services in Utah earn less than \$25,000 a year. At the same time, the cost of child care alone is between \$3,500 and \$4,500 a year per child, more than tuition at the University of Utah. Although 13,000 children in Utah received child care subsidies last year, this only represents 25 percent of the eligible population according to state standards, and only 10 percent of the eligible population according to Federal standards. To be eligible for child care support a family must make \$21,108 or 56 percent of the State Median Income. On average, for a family of three making \$15,000 a year, nearly 41 percent of their income will go to child care expenses—if they have more than one child, the cost of child care becomes almost prohibitive.

If a working family in poverty in Utah was to pay 65 percent of their income in rent and 40 percent of their income on one child's child care, they would have already over-spent their income. However, this same family, who received support through a combination of state funds and the Federal Child Care and Development

Fund, would spend less than 1 percent of their annual income on child care. Clearly, Federal programs can have an impact on alleviating the burdens faced by working families.

The reality of these complex situations requires local, state, and Federal partnerships. The answers are inherently multi-faceted and not easy. However, I hope that as we talk about housing, and child care, and welfare, and health care we in Congress can remember that there are many real, working people who struggle to make ends meet. Again, I commend the committee for holding this hearing. Taking the time to address these issues is not always the most politically expedient action, but it is a critically important one. I look forward to the witnesses' testimony and their suggestions for potential solutions to the situations faced by so many Americans in poverty.

[The prepared statement of Ms. Hooley follows:]

PREPARED STATEMENT OF HON. DARLENE HOOLEY, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF OREGON

I would first like to thank the Chairman for allowing this hearing to take place today. This is an extremely important issue and I am looking forward to hearing from our panels today.

There are so many problems facing the working poor in our country, that it is hard to know where to begin when talking about the issue. The problems that we as a country must address are many, and are not small. The Federal Government classifies an annual income of \$14,000 as the poverty line. If you use this as a basis for your determination of who is in poverty, then over 12 percent of the United States population, or 32 million people are poor. Tens of millions more have incomes that will not cover their basic needs. For many of these people it's not that they cannot find work, it's that they cannot find work that pays enough. Jobs that pay \$6 or \$7 an hour just can't cover all the expenses of day-to-day life and that is how too many Americans live: DAY-TO-DAY.

We need to expand health coverage to all low-income parents and their children, affordable child care needs to be more readily available so parents can work, and probably the biggest issue facing the poor in our country is affordable housing. However, not only is cost a major issue, but for 20 percent of families, their housing is substandard. So the question is what can we do that we are not doing? What can we do differently?

As we continue to work to find answers to these important questions, I look forward to hearing the testimony from our witnesses. I yield back the balance of my time.

Chairman NUSSLE. We will start with our good friend and colleague, Representative Cardin from Maryland. We appreciate you being here today, and we welcome you back to the committee. All of the witnesses' statements will be made part of the record and you may summarize as you would like.

**STATEMENT OF THE HON. BENJAMIN L. CARDIN A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND; MARIAN WRIGHT EDELMAN, PRESIDENT, THE CHILDREN'S DEFENSE FUND; AND RON HASKINS, PH.D., SENIOR FELLOW, THE BROOKINGS INSTITUTION**

Mr. CARDIN. Thank you, Mr. Chairman. Let me thank you very much for conducting this hearing. I also want to thank Marian Wright Edelman for being here today. She is our hero on the issues affecting families in our society and for all the work she has done for many years, so it is an honor to be with her on this panel.

And also Dr. Haskins. The two of us worked very closely together on the Ways and Means Committee when he was chief counsel to the Human Resources Subcommittee that I have the honor of being the ranking Democrat.

I really do applaud you for holding this hearing because I think it is important how our Nation responds to the problems of working families and whether we are doing enough. During the last 8 years

we have made progress. We have made progress in large measure because we have had unprecedented economic growth in our country. We have moved forward in Congress on the earned income tax credit, which has helped a great deal. And I would also suggest that the welfare reform bill of 1996 also made a difference. So we have made a lot of progress during these past 8 to 9 years, but there is still much work that needs to be done and that is what concerns me.

I don't want us to be lulled into a sense that we have accomplished our goal when we have not. One out of every six children in the United States grows up in poverty. That is unacceptable. It should be unacceptable to all of us. We know we can do better.

We are now looking at an economic slowdown. We don't know how long it is going to last and what impact it is going to have, but clearly our vulnerable children will be even more vulnerable; our vulnerable families will be more vulnerable. As we take a look at the people who are currently depending upon our welfare system, we see that they have tremendous economic challenges. We know that they have tremendous needs, and it is going to be more difficult for us to deal with these particular families.

So Mr. Chairman, I must tell you up front, I was disappointed by the President's budget because I don't think the President's budget spoke to this as a priority. When you look at his request for the Administration for Children and Families, it rose by an unacceptable 2.9 percent growth. When you look at the other areas within the President's budget, those grew by much larger percentages. This was one of the smallest growth areas. Inflationary growth is about 3.6 percent, discretionary growth is about 4 percent, but for our children and families only 2.9 percent. We can do better.

When you take a look at some of the President's initiatives and then match it up with what actually has happened in the budget, we have a mismatch. In regards to one of his major initiatives, the faith-based initiative, the President did not restore the cuts to the social services block grant, which is probably one of the most important programs that could help faith groups. Why haven't we provided more money in the social services block grant?

The President talks about a fatherhood initiative. That is very important, but there is nothing in the President's budget to allow the pass-through of child support to families. Right now we have a policy that if you pass child support through to families, the State has to repay the Federal share. That is not right.

The President talks about continuing the momentum for our welfare system, yet his budget didn't provide for the supplemental grants that 17 States rely upon. In each of these areas, Mr. Chairman, there is bipartisan support. We have bipartisan support to increase the social services block grant to deal with the fatherhood initiative and to deal with welfare. So I would urge us to recognize that we can do better.

There was one area that I think the President did move forward in his budget, and I want to raise a question to the committee on it. The President's budget provides for \$200 million additional funds for promoting safe and stable families. That is good. That is something that Democrats and Republicans can agree upon. The

budget that was passed by Congress provides for the supplemental grants in TANF, which 17 States rely upon. So we have two initiatives that I hope we would move forward.

But, Mr. Chairman, I would rest easier if you could assure us today that the funding allocations in the budget resolution for these programs is still in place. I am not sure it is because of the suggestion about extra outlays already being used up in the tax legislation that has been reported from our committee.

So if you clarify for us as to whether we could move forward on these two initiatives that are covered under the budget resolution, I think that would be good news for our families.

There are some areas—I don't have a lot of time, but let me just mention, if I might, four areas that I would hope the committee would pay attention to providing some additional resources: child care, child support, unemployment insurance, and TANF.

In the child care development block grant program, the current funding level is just inadequate. We should be providing more money to deal with child care. One half of our States have established family eligibility at less than 60 percent of the State's median income. When you realize the cost of child care is between \$4,000 to \$10,000 a year, we can do better and we must do better.

The child support issue I have already mentioned, where the current law imposes 100 percent tax rate on the lowest-income families in our society by having an offset on the child support that goes—that is paid by the noncustodial parent. In some cases, these families aren't on welfare. We can do better. We have a bipartisan bill to correct this.

On unemployment insurance, the GAO report this January indicated there is only limited protection for low-income wage earners. It is very interesting. Low-wage earners are two times more likely to be unemployed and they are one half as likely to collect unemployment insurance. We had a nonpartisan group of stakeholders in the unemployment insurance field make a recommendation. It is time we take that up and deal with it.

Mr. Chairman, let me lastly mention the issue of TANF. In 2002 we are going to have to reauthorize the welfare programs. The people who remain on welfare are our most difficult cases. They have low income levels, low education levels, limited work history, substance abuse, domestic violence, disabilities. We need to start with the premise that we will maintain our commitment of Federal resources on TANF, adjusted for inflation, so that our States can plan for the next 5 years to have the Federal Government as a true partner to deal with the most vulnerable in our society.

I urge you, as we start looking at this year's budget and next year's budget, to allocate a reasonable amount of resources so that we can accomplish these goals and reduce the poverty of our families in our country. Thank you.

Chairman NUSSLE. Thank you Mr. Cardin.

[The prepared statement of Mr. Cardin follows:]

PREPARED STATEMENT OF HON. BENJAMIN CARDIN, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF MARYLAND

Mr. Chairman, let me start by thanking you and Mr. Spratt for giving me this opportunity to come before your committee to talk about our Nation's response to helping working families escape poverty.

Eight years of unprecedented economic growth, increases in the Earned Income Tax Credit, and welfare reform have all contributed to the recent decline in the poverty rate. However, we cannot let this improvement lead us to complacency, particularly when one out of every six children in the U.S. continues to grow up in poverty. Furthermore, we must recognize that the gains provided by a long economic expansion might quickly erode should the economy continue to slow down.

Therefore, I was disappointed that President Bush's budget request for the Administration for Children and Families failed to keep pace with inflation and failed to match the President's overall spending update for government programs. We can and must do better.

If President Bush is serious about helping faith-based organizations serve needy families, he should propose restoring the deep cuts in the social services block grant, which has a long history of collaborating with religious charities. If the President wants to help non-custodial fathers play a bigger role in the lives of their children, he should advocate sending those parents' child support payments to their children, rather than to the government. And if President Bush wants to maintain the momentum of welfare reform, he should recommend extending the so-called supplemental grants under the TANF program, without which 17 States will see a cut of up to 10 percent in their welfare funding. Regrettably, the President's budget is silent on these issues, despite bipartisan support for addressing all of them.

I should point out that the President's budget did include some welcome and very useful child welfare proposals. Most prominently, the Administration's budget proposed a \$200 million annual increase for the Promoting Safe and Stable Families Program, which provides resources to prevent child abuse, to strengthen fragile families, and to promote adoption when appropriate. However, there appears to be some confusion as to whether the recent tax bill used up the funding set aside in the Budget Resolution to increase resources for this important child welfare program. I hope the Budget Committee can clarify this situation quickly so that we can move forward to address areas covered in the Budget Resolution, including the Safe and Stable Families program and the TANF supplemental grants.

As this Committee considers future funding levels to help working families and to address poverty, it might be useful to survey unmet needs in some key areas. Because my time is short, I will focus on child care, child support, unemployment insurance, and the Temporary Assistance for Needy Families Program or TANF.

The current funding level for the Child Care and Development Block Grant (CCDBG) is insufficient to provide quality day care assistance to the millions of families attempting to escape or stay off welfare. In fact, about half of the States have established thresholds for a family's eligibility for child care assistance at less than 60 percent of the State median income leaving many low-income families without access to child care subsidies, while still having too little income to benefit from the Dependent Care Tax Credit. To realize the financial burden on these families, you only have to remember that child care costs between \$4,000 to \$10,000 a year, roughly the same as tuition at a public university. To ensure that working families can find accessible and affordable child care, Congress should increase funding for the CCDBG.

Like quality day care, consistent child support payments can help families move toward self-sufficiency. Unfortunately, current law actually penalizes States that send child support collections to families struggling to leave welfare, and in some cases, to families that have already left public assistance. For example, if a State sends a child support collection to family on welfare, it still owes the Federal Government between half and three-quarters of that same child support payment (based on the State's Medicaid match rate). This has discouraged States from passing through child support, and encouraged them to adopt an effective 100 percent tax rate on child support payments to certain families. Last year, the House overwhelmingly passed bipartisan legislation to end this disincentive for States to send child support to families, but the Senate failed to act on the measure. The House should again pass this legislation, particularly now that several compatible bills have been introduced in the Senate.

Another hole in our Nation's safety net exists in the Unemployment Insurance system. In January, the Government Accounting Office reported that the unemployment compensation system provides "only limited protection for low-wage workers." In fact, the GAO found that while low-wage workers were twice as likely to become unemployed, they were only half as likely to receive UI benefits compared to higher-wage workers (even when employed for similar periods of time). The fact is that UI coverage rates are not very impressive for any group: only 18 percent of unemployed low-wage workers were receiving UI benefits compared to 40 percent of higher-wage workers.

As our Nation's unemployment level continues to creep up, Congress should consider the non-partisan recommendations issued last fall by the major stakeholders in the UI system to correct some of the program's shortcomings. This plan suggests, among other things, eliminating certain barriers to UI benefits, such as precluding part-time workers from receiving assistance unless they seek full-time work, and ignoring the most recent wage data when determining eligibility.

Let me conclude with an issue Congress will consider next year, the reauthorization of TANF. There can be no doubt that welfare reform has been an important factor in helping many low-income mothers join the workforce and begin to replace a welfare check with a paycheck. But the job of welfare reform is far from done. Those left on the rolls are more likely to have multiple barriers to employment, such as low educational levels, limited work histories, substance abuse problems, domestic violence issues and disabilities. These problems will demand intensive services to allow recipients to enter employment.

Just as importantly, many of those leaving welfare for work have yet to leave poverty for a better life. These individuals need help with both employment retention and wage progression. In addition, we need to do a much better job of ensuring that working welfare leavers receive other benefits for which they remain eligible, especially Medicaid and food stamps.

Finally, I want to correct a misconception that there has been an enormous decline in the TANF caseload. It is accurate to say that the number of people receiving cash assistance from TANF has declined by half over the last 6 years. However, it also true that the number of people receiving TANF-funded work supports, such as child care and training, has grown substantially over the same period of time. Any discussion about TANF's future funding must account for this total TANF caseload, not just those receiving cash benefits. This comprehensive caseload number explains why States spent 93 percent of their annual Federal TANF grants last year, even as the number of cash recipients continued to decline. In fact, a dozen States actually spent more than their annual TANF allocation in 2000, meaning they dipped into funds reserved from past years.

For all of these reasons, Congress should continue to fully fund TANF—by which I mean, the current allocation plus an adjustment for inflation. Such a commitment will allow States to take the second step in welfare reform turning initial employment gains into permanent poverty reductions. Thank you.

Chairman NUSSLE. Now, as I said, we are honored to have Marian Wright Edelman from the Children's Defense Fund. We welcome you and are looking forward to your testimony.

#### **STATEMENT OF MARIAN WRIGHT EDELMAN**

Ms. EDELMAN. Thank you, Mr. Chairman. Thank you for holding this hearing. Thank you, Mrs. Clayton, for encouraging this hearing. I am honored to be here with Mr. Cardin and Dr. Haskins. We will put our written statement in the record. I also want to put into the record a report of the Children's Defense Fund on families struggling to make it in the work force, a post-welfare report, and a summary of what we think this country and this Congress must do; and that is the Act to Leave No Child Behind, which will end child hunger.

Children's hunger cannot wait for another year, so I am glad you are thinking about moving food stamp reforms this year because we should have no hungry children in the richest nation on earth.

This bill would grow our children's health care coverage—which you can do this year—coverage for disabled children and coverage for children of legal immigrants. We have an opportunity to do what is right by our children and see that in reality no child is left behind. I am very pleased that three members of this committee are sponsors to the overall bill and 27 members, including the Chairman, sponsor certain provisions of this bill.

But the bottom line is it is time for our Nation to take care of its children, all of them. I don't know what your faith says, but my faith didn't say, those of us who are Christians, a few of the chil-

dren come, or half of the children come, or three fourths of the children, or only able-bodied children come, or white male children come. It said all of the children come.

This Nation now has to live up to its promise for all of its children. Every 4 seconds a baby in America is born into poverty. Every minute a child is born without health insurance. Every 11 minutes one of our children is neglected or abused. Every 2 hours and 20 minutes a child is killed by guns. Nearly 11 million children are without health insurance; 90 percent of them live in working families, playing by the rules, not covered by their employers. We can do something about that this year, and I hope you will.

Seven million school-aged children are without adult supervision after school and during the summer months when parents are working. They need to be taken care of. We can do something about this. We can't afford not to. Only 12 percent—as you have heard Mr. Cardin say—of the children and parents eligible for child care assistance are getting that.

We need to increase the funds for the block grant and the Act to Leave No Child Behind. We would make sure that every eligible parent get that. If people are going to stay in the work force, they need not worry about the quality of care. We know about the importance of the early years, and so I really hope we are going to pay attention to child care. That is one of the biggest reasons parents say they are not able to stay in the work force or go into the work force.

Head Start serves 3 out of every 5 eligible children. We know it works. Every child who should get a good start for school should be getting Head Start, so we can do something about it. Most poor children, Mr. Chairman, live in working families; 78 percent of those children live in families where someone worked all or part of the time—this is up from 61 percent in 1993.

And, again, we must make work pay. Our community monitoring projects found that more than half of those who left welfare left for a job, but many of those lost their jobs. And child care, the absence of child care or stable child care, was the most frequent reason given for not working. Sixty percent of those who left welfare to work, in our community monitoring report, had wages below poverty. More than half suffered crises because of these low wages. They were unable to pay rent or buy food or to get medical care, and had their utilities cut off. Many States are not telling working families that they are still eligible for food stamps or for housing assistance or child care assistance.

Again, we can simplify and streamline these procedures. But, again, if you are working and if our goal is self-sufficiency, you can make a difference on that this year.

Education is a key factor. Our report found that those with a high school education were more likely to be employed and to have higher wages; and education and training for parents is a very important tool.

Finally, families who worked and received health coverage, child care, and food stamps were more likely to have stable employment and less likely to lose a job. So I hope that you will take steps now to see that these supports for working families are available.

I want to emphasize the three or four things I hope you will do and take action on this year. The first is health coverage for all uninsured parents and children, and other pending measures to simplify procedures so that parents can get the health care they need. Coverage of legal immigrant children, allowing parents of children who are disabled to buy into Medicaid is something we can do. There should not be children without health coverage in this country and there should not be children of working families without health care coverage. So I hope you will make it easier by simplifying Medicaid and CHIP, and provide that coverage this year. Sick children cannot wait. I don't want any one of us with a sick child not to be able to get health coverage.

The second is, I hope you will take immediate action on food stamp provisions in the farm bill reauthorization. You should not ask hungry children to wait another year in order to get adequate food when you have the means and the power to do something about it. Our report, again, will outline how working parents are not able to get enough food to make sure that their children don't go hungry. I hope you will take steps in the farm bill to make it easier for low-income families to continue to receive food stamps when they leave welfare for work by allowing States to provide 6 months of transitional food stamp benefits, making the benefits responsive, to larger families and to inflation by changing the standard deduction, decreasing bureaucratic barriers.

We lay these out in the written testimony, but the bottom line is hungry children should not have to wait another day or a month or a year in order to be fed.

And, last, I do hope that your fiscal 2000 Labor HHS appropriations bill and other funding issues will put some meat and money and investment behind our wonderful words, "leave no child behind," and that we provide adequate child care and invest in Head Start and end the housing needs. And that is all, again, laid out in the written testimony, but it is shameful that in the most powerful richest nation on earth that we have children living in poverty, that we have hungry children, that we have children living in shelters, and many of them are in working families. These are not acts of God. These are our moral and political and economic choices as a Nation, and I hope we will change them.

Chairman NUSSLE. Thank you so much for your testimony.

[The prepared statement of Marian Wright Edelman follows:]

PREPARED STATEMENT OF MARIAN WRIGHT EDELMAN, PRESIDENT AND FOUNDER,  
CHILDREN'S DEFENSE FUND

Chairman Nussle and Members of the Committee, thank you for the opportunity to present testimony on the challenges facing working families, struggling to make ends meet.

The Children's Defense Fund's (CDF) mission is to "Leave No Child Behind" and to ensure every child a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life and successful passage to adulthood with the help of caring families and communities. CDF provides a strong, effective voice for all the children of America who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of poor and minority children and those with disabilities. CDF educates the nation about the needs of children and encourages preventive investment before they get sick, into trouble, drop out of school, or suffer family breakdown. CDF began in 1973 and is a private, nonprofit organization supported by foundation and corporate grants and individual donations. We have never taken government funds.

In less than the time it takes to read my testimony; another 14 infants will be born into poverty in America; another 10 without health insurance; and one more child will be neglected or abused. Every 44 seconds, a baby is born into poverty; every minute a baby is born without health insurance; every 11 minutes, a child is neglected or abused; and every 2 hours, 20 minutes, a child or youth is killed by guns in America.

These facts are not acts of God. They are our moral and political choices as men and women, as citizens and leaders. We can and must change them.

We are blessed to be living in a time of incredible opportunity and unprecedented prosperity. Yet despite living in the world's wealthiest, most powerful nation, millions of our children are still being left behind.

Every day, too many of our children have too little to eat and no place to sleep. According to the U.S. Department of Agriculture, 12 million children live in "food insecure" households, unable to afford adequate and nutritious food. About 3.6 million children live in households with "worst case" housing needs as defined by the U.S. Department of Housing and Urban Development. These are households where more than half their income is spent on rent or they live in severely substandard housing. Many are working families who are simply unable to make ends meet.

Every day, parents of the nearly 11 million children without health insurance worry about what to do when their child becomes sick. Ninety percent of these uninsured children have working parents. Uninsured children are far less likely to receive medical or dental care when they need it. They are far more likely to use hospital emergency rooms as a primary source of health care and too often fail to get adequate follow-up care or information on preventive measures or ways to manage chronic illnesses like asthma or diabetes.

Every week, nearly 7 million school-aged children are left alone without adult supervision or structured activities in the hours after their school day ends. While struggling to make it in the workforce, parents constantly worry about what is happening in those hours between 3 p.m. and 7 p.m. when violent juvenile crime rates peak and unsupervised children are more likely to be at risk of dangerous behaviors such as smoking, drinking, sex, or crime. Millions are also left without adult supervision during the summer months.

Safe, reliable child care enables parents to work and to become self-sufficient, but too few families have access to quality care or can afford its costs without assistance. Public funding for child care is so limited that only 12 percent of the families eligible for Federal child care assistance receive help. Full day child care easily costs \$4,000 to \$10,000 a year, and the average annual cost of child care for a 4-year-old in an urban child care center is more than the average cost of public college tuition in all but one state. Working families pay 60 percent of the costs of child care. In contrast, for college, families on average only pay 35 percent of costs with the government or private sector picking up 65 percent of the cost. Head Start, one of the most successful early childhood programs, serves only three out of five eligible preschoolers.

Our nation is at a pivotal moral and economic point as we debate what kind of choices we will make to build a more just and compassionate society—one where no child is left behind. We have the know-how, the experience, tools, and resources to end child poverty and child suffering. And we have the responsibility as mothers, fathers, grandparents, and concerned and sensible citizens to act now.

We can build a nation where families have the support they need to make it at work and at home; where every child enters school ready to learn and leaves on the path to a productive future; where babies are likely to be born healthy and sick children have the health care they need; where no child has to grow up in poverty; where all children are safe in their community; and every child has a place to call home—and all Americans can proudly say "We Leave No Child Behind."

#### MORE POOR CHILDREN LIVE IN WORKING FAMILIES

One in six children—12.1 million—live in poverty. Despite the recent (and welcome) drop in child poverty rates, children are more likely to be poor today in a time of unprecedented wealth than they were 20 or 30 years ago. In 1999, the overall child poverty rate was 16.9 percent; in 1979, 16.4 percent; and in 1969, 14 percent.

Seventy-eight percent of these poor children live in families where somebody worked all or part of the time—up from 61 percent in 1993. The 1996 welfare legislation resulted in millions of families leaving welfare for work, but the supports for these struggling families have not been adequate to ensure their fragile hold in the workforce. Some families are better off today, but millions are not thriving and are struggling simply to survive. What will happen to these families as the economy

cools down? What safety net will catch their children when welfare time limits are reached, businesses downsize, and layoffs hit the most vulnerable workers?

CDF has, for the past 4 years, conducted a community monitoring project to learn more about what was happening to families leaving welfare. We sought the help of more than 180 community agencies in 16 states, who by the end of 1999 had conducted interviews with more than 5,200 individuals. A CDF report issued in December 2000, *Families Struggling to Make it in the Workforce: A Post Welfare Report*, analyzed the responses of more than 2,000 parents seeking services at emergency shelters, food pantries, and other agencies. A copy of this report is submitted for the record. These families were among the poorest of the poor, often working but finding that low-wage work alone is not enough to fend off hardships. Specifically, we found that:

- More than half of those who left welfare since 1996 had left for a job, but a third no longer had a job;
- Lack of child care was the reason most often reported for not working;
- Nearly 60 percent of those who were working had family weekly wages below the poverty line; and
- More than half the employed parents had been unable to pay the rent, buy food, afford medical care, or had their telephone or electric service cut off.

We also found that education was a key factor in determining how families fare after welfare. Parents with at least a high school education were far more likely to be employed as those without at least this basic level of education. Those without a high school education also earned substantially less.

CDF's findings about hardships for low-income working families have been replicated in many other studies and reports in the last several years. Many of these studies were cited in the HHS Third Annual Report to Congress on TANF (August 2000). Most studies found that at least two-thirds of parents who left welfare worked at some point in the year before they were surveyed, but far fewer (between 35 and 40 percent) worked all four quarters. Last week, the Economic Policy Institute released a report that found families need an income of at least twice the Federal poverty line in order to make ends meet. They found that nearly 30 percent of the families earning less than this level experienced at least one critical hardship such as being evicted, having utilities shut off, or not have access to medical care. Here are some examples of families struggling to make it:

- A North Carolina mother with an 11-year old daughter left welfare for a job. She worked 38 hours a week at \$6 an hour and was proud to have been named employee of the month. But then she lost her housing and was living in a transitional homeless shelter with her daughter. She had no health insurance. She earned a few dollars more than the official poverty line but not enough to meet basic needs. Should a parent working hard every day be unable to find a decent, stable place to live with her child?

- Many of us read with dismay a New York Times story of a 55 year old grandmother trying to care for her four grandchildren. She struggled to deliver them clean, fed, and in uniforms to their Manhattan public school, starting each day from a different homeless shelter. The grandmother, who had worked at a low-wage supermarket job, had been unable to get a voucher for child care because she was not on welfare. She tried to make ends meet by adding a shift as a hospital aide, but when her health failed, the family began to fall further and further into a bottomless pit without a home. Should a grandparent, struggling to keep her grandchildren together, not have the support she needs?

- I heard in Texas a mother earning \$8 an hour with no health insurance describe her stressful dilemma when her daughter woke her up in the middle of the night gasping for breath saying her inhaler was broken. The mother had to debate whether to rush her child to the emergency room or to an all-night drugstore for an over-the-counter remedy she prayed would work. She realized later that for \$88—the estimated cost of an emergency room visit—she was gambling with her child's life. Should any parent or child face this draconian choice in a rich America?

- A Colorado newspaper story profiled a young mother who lost Medicaid because she bought a car to transport her 6-year old asthmatic daughter during the cold winter months. Before she purchased the car, she and her daughter had to leave home at 6:30 a.m., take light rail and then a bus to get to day care and work. In winter, she saw her daughter getting sicker, with hospital visits every other month. Concerned that exposing her child to the cold during their daily journey was increasing her health problems, she bought the car, not knowing that in her state acquiring an asset worth more than \$1500 would mean she would lose her child's health insurance. Should a mother have to make this kind of choice?

Despite their best efforts, the paychecks of these families do not stretch far enough to feed, clothe, and shelter their children. Working in low-wage jobs, these

parents cannot afford child care or health coverage, benefits that rarely come with their employment. Without stable child care or transportation to get to their jobs, they risk unemployment and further hardships for their children and families.

If low-income families leaving welfare or trying to stay off of welfare are going to make it in the workforce, they need help. Working parents need child care, health care, transportation, housing, and other supports to meet the basic needs of their families. Our community monitoring report found that those families who worked and received health coverage, child care assistance, and food stamps were more likely to maintain consistent and stable employment and were less likely to lose a job. They were also less likely to suffer hardships like the inability to pay for food, rent, or utilities and were much more likely to report ongoing improvements in family well-being.

What we need to do is make the smart investments in supports for low-income working families to enable them to lift their children out of poverty and make it in the workforce. But we can't do it piecemeal. Children don't come in pieces and the solutions to the problems low-income working families face must be addressed comprehensively. We need to renovate the whole national house for our children—not just the individual rooms that are in serious disrepair.

#### THE ACT TO LEAVE NO CHILD BEHIND

CDF has worked closely with Members of Congress and a wide range of children's advocates to craft legislation that combines the best ideas, policies, practices, and approaches into one comprehensive measure, the Act to Leave No Child Behind (H.R. 1990/S. 940). It was introduced in May by Representative George Miller (D-CA) and Senator Chris Dodd (D-CT). There are currently 67 cosponsors in the House and 7 in the Senate. The Act has already been endorsed by nearly 200 organizations. The Act would:

- Ensure health coverage for all of the 10.8 million uninsured children and for uninsured parents
- Lift every child from poverty in the next 10 years
- End child hunger through the expansion of food programs
- Get every child ready for school through full funding of quality Head Start and child care and funds for preschool programs
- Make sure every child can read by the fourth grade and can graduate from school able to succeed at work and in life
- Provide every child safe, quality after-school and summer programs so that children can learn, serve, work, and stay out of trouble
- Ensure every child a place called home and decent affordable housing
- Protect all children from neglect, abuse, and violence and ensure them the treatment they need
- Ensure families leaving welfare the supports needed to be successful in the workplace, including health care, child care, and transportation

We could fund the entire Act to Leave No Child Behind for far less than the \$1.3 trillion spent on the recently enacted tax bill. As Congress continues to debate and revise its budget decisions, it must focus on where our national priorities lie. With the investments needed to help hard-working families and their children or in tax breaks for those in the highest income levels, who have benefited enormously during the economic growth of the 1990's; while families in lower brackets have either seen their incomes stagnate or decline in real dollars.

#### OPPORTUNITIES TO INVEST IN WORKING FAMILIES AND THEIR CHILDREN RIGHT NOW

In the coming months, Congress will have the opportunity to act on a number of key initiatives included in the Act to Leave No Child Behind that address many of the needs of working families. CDF urges you to seize this opportunity to move forward quickly on a positive agenda to meet the urgent needs of America's children and families. Specific areas for immediate action include:

- *Health Coverage for Uninsured Children and Their Parents and Other Pending Health Measures.* Congress included funds in the FY 2002 Budget Resolution that would allow enactment of several important pending measures to extend health care to uninsured children in low-income families and to many of their parents. Congress should quickly enact the Family Care Act (H.R. 2630) and provide health coverage for parents of children already enrolled in Medicaid and Children's Health Insurance Program (CHIP), simplify outreach and enrollment for the CHIP and Medicaid programs, and remove barriers such as asset tests for Medicaid coverage. Congress should also lift the ban on covering legal immigrant children and pregnant women under CHIP and Medicaid by passing the Legal Immigrant Children's Health Improvement Act (H.R. 1143). In addition, Congress should enact the Family Oppor-

tunity Act (H.R. 600), a bill with broad bipartisan support in this committee, that will give states the option of allowing families to purchase Medicaid's comprehensive coverage for children with disabilities. These are important first steps toward ensuring health coverage for all of America's nearly 11 million uninsured children.

There also are important provisions in pending patients' bill of rights legislation that affect health coverage for children. As the House considers this legislation, it is essential that it contain strong enforcement provisions and pediatric protections for children enrolled in managed care programs, like those included in the Bipartisan Patient Protection Act, H.R. 2563, and S. 1052 passed by the Senate, which include ensuring families the right to designate pediatricians as their children's primary care providers, guaranteed access to pediatric specialists, and the use of pediatric-specific criteria in evaluating needed or appropriate care. Working families need to know that when they have health coverage for their children, they will be able to access needed care. Congress should guarantee these protections.

- *Food Stamp Provisions in the Farm Bill Reauthorization.* CDF's community monitoring report, like other recent studies, found that many low-income working families lose food stamp benefits as they leave welfare, although they remain eligible because of their low-level of earnings. As the House and Senate Agriculture Committees begin developing a new farm bill, we believe it is important to include food stamp program changes to ensure low-income families the help needed to provide adequate nutrition for their children. CDF's community monitoring report found that families receiving food stamps were much less likely to encounter difficulties buying food for their families.

We urge Congress to act favorably on the measures proposed in title VI of the Act to Leave No Child Behind. These reforms include:

- making it easier for low income families to continue to receive food stamps when they leave welfare for work by allowing states to provide 6 months of transitional food stamps benefits;
- making the food stamp benefit more responsive to larger families and to inflation by changing the standard deduction;
- restoring food stamp eligibility for legal immigrant families including children who arrived in the U.S. after enactment of the 1996 welfare legislation;
- removing the current cap on excess shelter costs for non-elderly households;
- including child support payments as part of the earned income deduction for food stamp benefit levels; and
- decreasing bureaucratic barriers to enable working families to receive food stamp benefits. These include reducing the number of office visits, encouraging phone, mail, or on-line verification procedures, and the use of redetermination rather than recertification requirements consistent with the approach now used for the Medicaid, CHIP, SSI, and other means-tested programs.

The proposed changes also would revise the current quality control penalty structure to encourage states to serve all eligible families and provide incentives for states that improve their services for working families.

- *FY2002 Labor-HHS Appropriations Bill and Other Funding Issues.* During its consideration of the FY2002 Labor-HHS Appropriations Bill, Congress will be able to make urgently needed investments in vastly underfunded children's programs. We urge Congress to increase funding for the Child Care and Development Block Grant program by \$1 billion in FY 2002 to provide vitally needed child care services to 246,000 more children and provide a \$1 billion increase for Head Start to move us closer to our goal of serving all eligible children. We also urge you to increase investments in immunizations and child protection. Child welfare programs are funded far below the levels needed to meet the needs of troubled families and children. The President's request for increased funding for the Promoting Safe and Stable Families Program and support for young people leaving foster care who are pursuing college or vocational training (also included in the Act to Leave No Child Behind), should be acted on promptly. Funding for the social services block grant must also be restored.

There are many other urgent child investment issues addressed in the Act to Leave No Child Behind that will help working families survive and thrive. Other provisions would strengthen supports for these families through approaches such as child support enforcement, minimum wage increases, living wage initiatives, unemployment insurance coverage reforms, and a significant number of changes to the Temporary Assistance for Needy Families (TANF) program to help parents both move off welfare into the workforce and lift their children out of poverty. I urge the Committee to look closely at each title of the Act as you focus on how we address the challenges facing working families.

Never has there been a better time to seize the mantle of leadership and build a nation worthy of its promise for all of our children. There is no excuse. We can

not let the words "leave no child behind" become a fig leaf for unjust political and policy choices. Children cannot eat words and phrases. They need concrete action. It is in our hands to make sure that as America moves forward, we leave no child behind.

Chairman NUSSLE. Dr. Haskins, welcome to the Budget Committee. We appreciate your work in the past on budget and welfare reform and we look forward to your testimony.

**STATEMENT OF RON HASKINS, PH.D.**

Mr. HASKINS. Thank you, Mr. Chairman. It is a great privilege to be here today before this August committee. I recall fondly all the years of cooperation between the Ways and Means Committee and the Budget Committee, and I had the opportunity to work with many of the Members sitting here today, and I greatly enjoyed that. I consider it a privilege to be here and also a privilege to be here with Mr. Cardin, a tremendous member of the Ways and Means Committee who helped us produce lots of bipartisan legislation during the years that I was with the committee when the Republicans were in the Majority. And it is a special privilege to be here with Marian Wright Edelman, who, as you say, is one of the leaders in the children's cause.

What I would like to do is to talk about a special group of families, namely female-headed families, most of whom have left welfare or would be eligible for welfare or in fact are eligible for welfare. This is a group of families that have experienced tremendous changes in recent years, and I want to talk about two strands of public policy.

I agree with Mrs. Edelman that it is possible for policy makers to have major impacts here through two strands of public policy. One strand is welfare and welfare reform. The 1996 welfare reforms dramatically changed our welfare system, and they made it more demanding. There are parts of the reforms that were extremely controversial in 1996: the 5-year time limit; the strong work requirements; the sanctions that are now in place—all of which are now being used with great regularity by the States. They are making some families worse off, but the major result has been that there has been a tremendous increase in the number of people who have left welfare. In fact, the rolls have declined by about 60 percent since 1994, and by about 50 percent since we passed legislation in 1996 and this is completely unprecedented.

These things you read in the news paper about hot economies that produced reductions in the welfare caseload—if you look back at the history of the welfare caseload—that simply is not true. The welfare caseload has virtually never declined, and it has never declined even 3 years in a row. But we are now in the sixth year of decline. So the authoritarian use of government power to enforce work standards and to require a welfare system that demands something of participants is one crucial strand.

The second, by contrast, is what I would call the work support system, and this is outlined in some detail in my testimony. It consists of child care, Medicaid, the new State Child Health Insurance program, food stamps, earned income tax credit, and the child tax credit, especially now that it is partly refundable due to recent action by the Congress. Those programs are in place to help working families avoid poverty.

I want the members to keep those two strands of policy in mind. Now I want to talk about developments in the economy and among American families since 1994. Usually the date that I am going to talk about here in summarizing my testimony is through 1999, but sometimes through 2000, depending on what year is available.

First, the welfare rolls are way down, as I already mentioned. Second, employment has skyrocketed among female-headed families, particularly unmarried female-headed families; and these are precisely the families that are most likely to go on welfare, to stay on welfare, and to have very long spells, often exceeding 10 years. So employment is way up.

Third, earnings are also way up, and this is extremely clear in Census Bureau data, especially in the bottom 20 percent of female-headed families with children. And their earnings in some cases have doubled over this period. So earnings are way up.

Fourth, poverty has declined dramatically, especially among blacks. In 1997 and 1999 we had the biggest single-year declines in black child poverty in history; and at the end of 1999, black child poverty was the lowest ever. Furthermore, if you look at a broader Census Bureau measure of poverty that includes the earned income tax credit and other benefits from the work support system, poverty declined more than twice as much in the 1990's than it did during the 1980's, and that is probably because so many more mothers were working. So it is probably the combination of the work and the work support system that produces this big decline in poverty.

And fifth, changes in family composition at last are beginning to occur. I want to be cautious here. I don't want to say this is caused by welfare reform, but we now have in at least three national data sets since 1994 or 1995, and in the case of teen births since 1991, there were very substantial declines in teen births, as well as in nonmarital births; and now in recent years, an actual increase in the percentage of American children in two-parent families.

So we have these two strands of policies and these very favorable developments. I would say that there is almost a universal agreement that the favorable developments are caused by three factors: One are the changes in welfare reform that I just mentioned; two are the expansions in the work support system that both of the previous witnesses have mentioned; and three is the American economy, which is dramatic and wonderful. Even wages at the bottom—among the bottom 25 percent of female-headed families—are now increasing.

So it is those three factors, and we could argue about the proportion attributable to each, but here is the major point that I would make to this committee. This committee and other committees in Congress should make sure that those two strands of public policy continue to function. While I feel we have less control over the economy, welfare reform and the work support system were created by policymakers, and it is those two strands that are helping produce this remarkable progress.

There are issues, to be sure. The most important is, I think, to maintain TANF funding. There will be great temptation in Congress next year, and there might be a member or two of this committee who will try to cut the TANF block grant because the rolls

are down. I feel that would be a serious mistake. The States have a lot more to do, as Mr. Cardin pointed out.

Second, there are families that are actually worse off. They are floundering because they have not been able to meet welfare requirements. We should find out ways to help those families. As Marian Wright Edelman said, the food stamp and Medicaid programs are not working as they should. It might not cost more money, but we definitely need to look into why those programs are not functioning as they should.

And finally, I think the States have not been as aggressive as they could be in family formation issues, particularly trying to reduce nonmarital births and to promote marriage. So this is an agenda worthy of every committee in Congress.

The conclusion that we should draw is we are on the right track. We should keep going in the direction we are going, with modest additional investments.

Thank you, Mr. Chairman.

[The prepared statement of Ron Haskins follows:]

PREPARED STATEMENT OF RON HASKINS, SENIOR FELLOW, BROOKINGS INSTITUTION

Chairman Nussle, Ranking Member Spratt, and Members of the Committee on the Budget, my name is Ron Haskins. I am a Senior Fellow at the Brookings Institution in Washington, DC and a Senior Consultant at the Annie E. Casey Foundation in Baltimore. Until January of this year, I was a staffer with the Committee on Ways and Means where I had the great privilege of working on the seminal welfare reform law of 1996. Thus, it is a great privilege to appear before you today to discuss the effects of this mighty piece of legislation on working families.

Figure 1 provides extensive information about the effects of the 1996 reforms. The graphs in Figure 1 show, respectively, that the rolls of the Temporary Assistance for Needy Families (TANF) block grant and its predecessor program (Aid to Families with Dependent Children; AFDC) have declined by nearly 60 percent and that there has been a huge increase in the number of single mothers who work. The increase in working mothers has been especially impressive among never-married mothers; these mothers exhibited a 40 percent jump in employment in just the 3 years leading up to 1999. This spectacular rise in employment is especially important because in the past never-married mothers were the least likely to complete high school or to have job experience and the most likely both to go on welfare and to stay on welfare for long spells. The figure also shows that child poverty has declined greatly both as measured by the official Census Bureau measure of poverty and by a broader poverty measure that takes into account more public benefits including the Earned Income Tax Credit and food stamps. Finally, the figure shows that by 1999 poverty among all female-headed families and among black female-headed families was the lowest it has ever been.

Figure 1  
Welfare Reform is Working

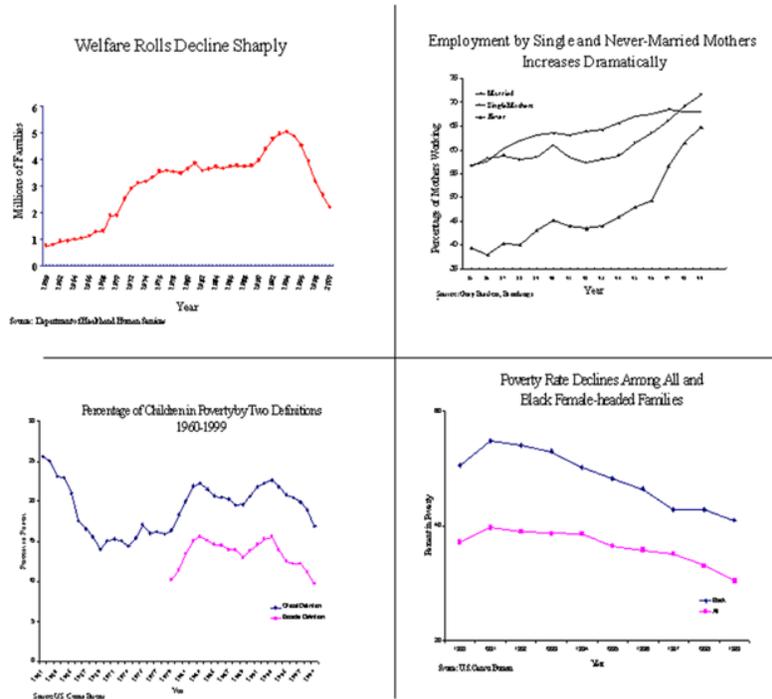
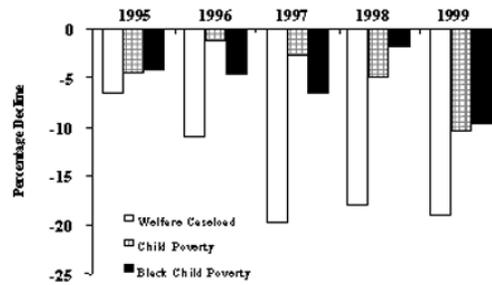


Figure 2 provides additional information on poverty. The first panel shows that as the welfare rolls declined so dramatically every year between 1995 and 1999, both overall child poverty and poverty among black children also declined every year. In fact, the declines in black child poverty in both 1997 and 1999 are the biggest single year declines in history and by the end of 1999 black child poverty was the lowest ever. It is useful to reflect on the patterns depicted in this panel. At the same time that the nation is experiencing the greatest declines in the welfare rolls in history, child poverty is also declining more than at any time since the 1960's. In fact, as the second panel in Figure 2 shows, under a broad Census Bureau measure, child poverty declined more than twice as much during the economic expansion of the 1990's than it declined during the expansion of the 1980's. Both the 1980's and the 1990's expansions generated a net increase of about 19 million jobs, but the expansion of the 1990's was accompanied by a much greater decline in child poverty. The reason is simple. In the 1980's, single mothers stayed on welfare and did not take advantage of the growing economy. In fact, during the expansion of the 1980's the welfare rolls actually grew by over 10 percent. By contrast, as we have seen, in the 1990's about two million mothers left welfare or avoided welfare altogether and most of them found jobs. Obviously, only when mothers join the economy can they take advantage of economic opportunity. The third panel in Figure 2 shows that even deep poverty (poverty at half the official poverty level or about \$7,300 for a family of three in 2001) has fallen dramatically.

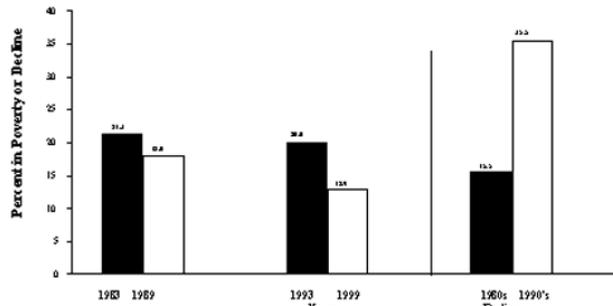
Figure 2  
Poverty is Declining

Welfare Caseloads and Children's  
Poverty Decline Simultaneously, 1995-1999



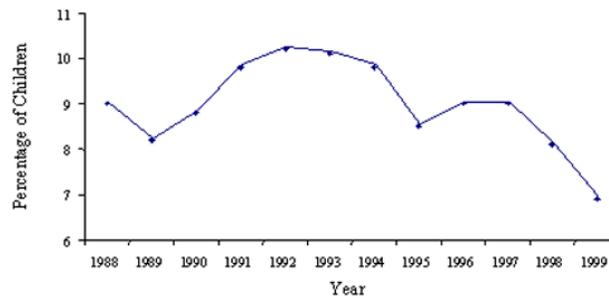
Source: Caseload Data from Congressional Research Service; Poverty data from Census Bureau

Decline in Children's Poverty by Broad  
Definition, 1983-89 and 1993-99



Source: U.S. Census Bureau

Percentage of Children in Deep Poverty, 1988-1999



Source: U.S. Census Bureau

Changes in welfare receipt, work, income, and poverty are not the only possible effects of the 1996 reforms. Unlike previous welfare reform legislation, the 1996 reforms aimed specifically at decreasing the number of children born outside marriage and increasing the formation of two-parent families. In creating the TANF block grant, Congress formulated four goals that states should use the block grant funds to achieve. One of these, of course, was to provide cash assistance to destitute families. But an explicit goal of the legislation was to reduce welfare dependency both by increasing work and by increasing marriage. In fact, three of the four TANF goals addressed issues of family formation.

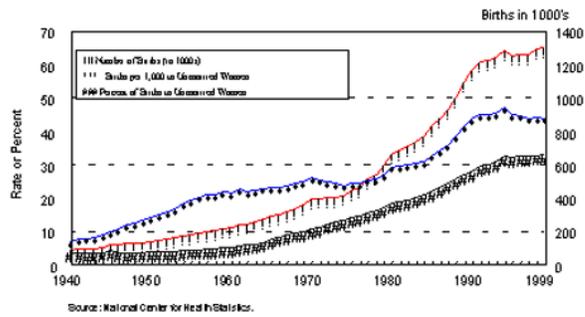
The data shown in Figure 3 provide some evidence that an exceptionally important shift in nonmarital births and family living arrangements is now beginning to occur. The top panel shows that after more than a half century of increases, the number of births outside marriage, the nonmarital birth rate per 1,000 unmarried women, and the percentage of all children born outside marriage leveled off in about 1995. Part of the explanation for this felicitous result is found in the second panel of Figure 3. Due in part to widespread recognition that teen pregnancy is harmful to both the adolescent mother and her child, as well as to federal, state, and local policies aimed at reversing the tide of teen births, the nation is now in the midst of a decade of progress in reducing teen births. Equally impressive, the third panel of Figure 3 shows the most recent and perhaps the most hopeful of the increasingly positive trends in nonmarital births and family formation. This trend, based on national data from the Census Bureau, shows that the percentage of children under age 6 living with their married mother halted its 30-year decline in 1995 and has increased every year but one since then (Bavier, 2001). Similar results have been reported recently from another national survey being conducted by the Urban Institute in Washington, DC (Acs & Nelson, 2001).

It is necessary to avoid overclaiming for the effect of the 1996 reforms on these very positive developments in family formation. However, there are several reasons to believe that welfare reform may be playing at least some role in these historic shifts. First, even though many of these developments in family formation began before the Federal reforms were enacted in 1996, by that time a welfare reform movement in the states was well underway. By 1994, half the states had mounted welfare reform demonstration programs under waivers from Federal law, an approach to reform that was initiated by the Reagan Administration and had been picking up speed during the Bush and Clinton Administrations. Many of the state demonstration programs involved mandatory work reforms that were similar to those later required by the 1996 Federal reforms.

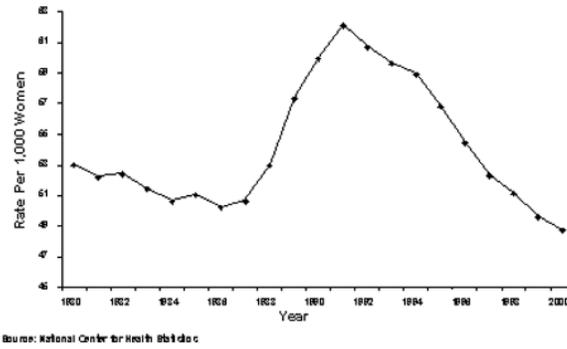
The mandatory work requirements of state and Federal legislation are designed in part to discourage nonmarital births and to encourage marriage. By requiring most mothers to work shortly after joining welfare, and by limiting cash benefits for most recipients to 5 years, mothers are forced to realize that they cannot depend on permanent welfare benefits like they could under the old AFDC program when millions of mothers stayed on welfare for more than a decade. Once mothers understand that they cannot permanently depend on welfare, they begin to realize that they must have other sources of income. The major means of achieving income for most of these mothers is work. However, marriage can also increase the mother's income if she marries a man who is employed. The data in the last panel of Figure 3 suggest that a growing number of poor and low-income mothers are taking the course of marriage.

Figure 3  
Measures of Non-Marital Births are Leveling Off or Declining

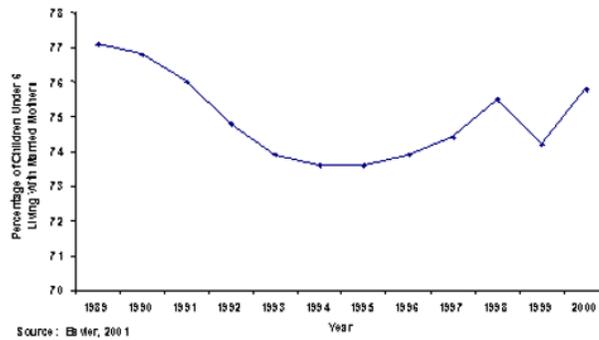
Number of Births, Birthrate, and Percent of Births to Unmarried Women: United States, 1940-99



Teen Birthrate, 1980-2000



Percentage of Young Children With Their Married Mothers Increases After 1995



Again, these trends must be watched closely and Congress would be well advised to carefully review these and other data on family composition as part of the welfare reform reauthorization debate that will take place next year. Given the encouraging data on family formation, it seems wise for Congress to consider additional actions that might be taken to provide even more movement away from births outside marriage and toward marriage and parenting by both biological mothers and fathers.

Regardless of the interpretation one gives to the data on nonmarital births and family formation, virtually no one doubts that welfare reform is playing a major role in the substantial increases in employment and declines in child poverty shown in Figures 1 and 2. Why have the welfare rolls and poverty declined while work increased so much in recent years? Nearly every analyst agrees that the answer involves three factors that have combined to produce these exceptionally favorable changes. The three factors are the welfare reform movement that swept the states and the Federal Government in the early- and mid-1990's, the growth of a Federal system of benefits for working families, and a strong economy. Scholars do not agree about the relative importance of these factors, nor will they ever (Blank and Schmidt, 2001). But no one disputes the claim that two of the factors were produced by deliberate decisions of policymakers at the Federal and state level. I hardly need to tell members of this Committee about the historic Federal welfare reform legislation of 1996. After a partisan and even somewhat rancorous debate, Congress approved the 1996 welfare reform legislation with a bigger bipartisan majority than the bipartisan majority that enacted Medicaid in 1965. Let's be clear, the 1996 reforms were highly bipartisan and were signed by a Democratic President who had campaigned on the promise to "end welfare as we know it."

But less well known than the famous 1996 reform legislation is the work support system that Congress has created with dozens of legislative initiatives spanning more than a quarter century. The work support system consists of a variety of programs that provide benefits to poor and low-income working families. By definition, any program that provides benefits to working families is part of the work support system, but I would emphasize seven programs (see Figure 4) that now provide extensive help to working families. These include child care, Medicaid and the relatively new State Child Health Insurance Program (SCHIP), food stamps and child nutrition, the earned income tax credit (EITC), the child tax credit, and housing programs. As a recent study from the Congressional Budget Office (CBO, 1998) shows, owing mainly to legislative expansions of these programs since roughly the mid-1980's Federal spending on working poor and low-income families has increased greatly in recent years. The CBO analysis reveals that if Congress had not made statutory changes to expand the work support programs since 1985, in 1999 the Federal Government would have spent a mere \$6 billion to support poor and low-income working families. However, taking into account all the expansions (plus the child tax credit and the SCHIP program which are new), CBO estimated that the Federal Government would spend nearly \$52 billion on working families in 1999. This projection of \$52 billion was almost surely an underestimate of the amount actually spent to help working families in 1999 because so many more mothers left welfare than was predicted, thereby greatly increasing EITC spending. In addition, the CBO study examined only entitlement spending which does not include some child care programs, housing, and several other benefits.

Figure 4  
Federal Programs that Support Low-Income Working Families

Program	Summary
Child Care	There are numerous child care programs that provide care to children while mothers work. These include the Child Care and Development Block grant, Head Start, Title XX, the Child and Adult Care Food program, and two tax credit programs. Between 1993 and 2001, the funds available through these programs grew from about \$9.5 billion to \$20 billion.
Medicaid	A federal-state health insurance program for poor and low-income families; most states provide coverage to children of working families up to about 200 percent of the poverty level (almost \$29,000 for a family of three), although coverage for parents ends at much lower income levels
State Child Health Insurance Program (SCHIP)	The program offers federal matching funds for states and territories to provide health insurance coverage to uninsured, low-income children from families whose annual incomes are higher than Medicaid eligibility thresholds. By 2000 enrollment in the SCHIP program reached 3.3 million children
Food Stamps & Child Nutrition	Food Stamps is a federally-financed, state-administered program that provides low-income families with either coupons or an electronic debit card that can be used to purchase food; a mother earning around \$10,000 qualifies for about \$2,000 in food stamp benefits; other child nutrition programs include the school lunch program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
Earned Income Tax Credit	A refundable tax credit that provides a cash income supplement of up to \$4,000 for working families with incomes of less than about \$30,000; the maximum benefit for a mother with two children and earnings of about \$10,000 is \$4,000
Child Tax Credit	When fully implemented, families will receive a \$1,000 credit per child against their federal income taxes. The credit will be refundable for families earning over \$10,000 but with little or no tax liability
Housing	A series of programs that provide federal subsidies for rent or home purchase, or direct provision of housing in housing facilities owned by government

To gain a more complete understanding of the work support system and how it has grown, consider child care, Medicaid, and the EITC, three of its major components. In 1993, across all child care programs including Head Start, the Federal Government spent about \$9.5 billion. By 2000, the total Federal dollars available for child care had exploded to around \$18 billion, nearly twice as much as just 7

years earlier. The two major reasons for this increase were that in the 1996 welfare reform law, Congress included an additional \$4.5 billion over 6 years in money for the child care block grant. Further, Congress allowed states to spend TANF dollars on child care either directly out of the TANF block grant or by transferring up to 30 percent of their TANF funds into the child care block grant. Thus, Congress gave states both increased funding of programs designed specifically for child care as well as the flexibility to use TANF funds for child care. As a result, there is general agreement that states have been able to meet all the demand for child care of families still on TANF as well as provide TANF-supported child care for a period of time, usually at least 1 year, after families leave TANF (Besharov & Samari, 2001).

Changes in Medicaid are equally impressive. It might be argued that one of the original sins of American health care policy for the poor was that the only way to gain entrance to Medicaid was through either the AFDC or the Supplemental Security Income (SSI) programs. In other words, to obtain Federal support for health care, a family had to go on welfare. This approach to rationing Federal support for health care was never a good idea. But as Congress and the American people became more and more concerned about welfare dependency, maintaining a Medicaid system that literally required a family to go on welfare before its members could receive help became unsustainable. Beginning in the mid-1980's, Congress enacted a series of reforms, designed primarily by Henry Waxman, that expanded eligibility for Medicaid to people, especially children, outside the AFDC and SSI programs. These coverages were gradually expanded until the 1996 welfare reform law completely separated eligibility for the TANF program from Medicaid eligibility. Now nearly all children who live in families with incomes under the Federal poverty level (\$14,630 for a family of three in 2001), and many children who live in families with much greater income, are eligible for Medicaid health insurance. Moreover, in 1997 Congress and President Clinton created the SCHIP program that offers coverage to children above the Medicaid eligibility level. In fact, because of the SCHIP rules for handling work disregards, some states are providing coverage to children in families with incomes in excess of \$35,000.

The EITC shows the same pattern as child care and Medicaid; namely, large increases in both total spending and in the number of families receiving benefits. In 1984, about 7 million families received an average credit of about \$260; total Federal spending was \$1.6 billion. By 1999, after Congress expanded the credit in 1986, 1990, and 1993, usually on a bipartisan basis, about 18 million families received an average credit of \$1,700 at a total Federal cost of \$31 billion.

It would be difficult to exaggerate the importance of the combined effect of the 1996 welfare reform legislation and the expansion of the work support system by Congress and several presidents. Through repeated legislative action involving a broad array of programs and though its approval of substantial increases in spending, Congress has shown a deep commitment to changing the rules of the game for low-income families. In the old days, welfare often provided a better deal than low-wage work. Now Congress has substantially restricted welfare use and greatly increased the returns to low-wage work. As a recent study by the Urban Institute in Washington, DC shows, in most states mothers who take a minimum-wage job and work half-time are better off financially than they would be on welfare (Coe and others, 2001).

This system of limited welfare and expansive public support for low-wage work is the best approach the Federal Government has yet found for both reducing welfare dependency and fighting poverty. Taken together, these two sets of changes constitute a revolution in Federal policy toward poor and low-income families.

There is, of course, no public policy that works flawlessly. Thus, it is not surprising that this new approach to fighting dependency and poverty has been shown to have some problems (Haskins and Blank, 2001). Four of the problems are especially notable and should be a major focus of discussion during the welfare reform reauthorization debate in Congress next year. All four could raise issues for the Budget Committee and for next year's budget resolution.

The first problem is one that seems solvable. Because Congress has so carefully constructed the work support system described above, it is disappointing to find that two vital parts of the system are not working well. Families leaving welfare or low-income families that avoid welfare are not receiving the Medicaid and food stamp benefits for which they qualify. After several years of increases, administrative data for both programs show declines in enrollment of either families with children or without children. In Medicaid, for example, national data show that the number of children enrolled declined between 1995 and 1998 (Herz & Baumrucker, 2001). A recent national study of families leaving welfare found that only about 40 percent of families eligible for food stamps actually received the benefit (Zedlewski, 2001). It hardly seems necessary to emphasize how important these two benefits are to

poor and low-income families and how essential they are to creating an effective national work support system. Thus, Congress and the states should carefully review the caseload declines and determine whether changes are called for in statutes, regulations, or administrative procedures. It would appear that part of the food stamp problem could be solved by changes in the Federal quality control system which provides an incentive for states to be less than aggressive in ensuring that working families receive food stamps (Haskins, 2001). With regard to Medicaid, as testimony before the Committee on Ways and Means last year demonstrated, states such as Florida, Oklahoma, and Ohio that took aggressive administrative action had substantial increases in the number of children and families receiving coverage (Committee, 2000). The major thrust of administrative action in these states seems to have been measures designed to ensure that families knew they were eligible and that made it as easy as possible for working families to apply for and maintain their eligibility. Florida, for example, changed its procedures so that families could apply for and maintain their eligibility entirely over the phone.

A second important problem is that some families are worse off as a result of welfare reform. Although the children's poverty rate has declined substantially, some families appear, nonetheless, to be falling through the cracks. Wendell Primus (2001) of the Center on Budget and Policy Priorities in Washington, DC, based on national data from the Current Population Survey, estimates that as many as 700,000 families with children have less income in 1999 than in 1995. Not all of this increase should be attributed to welfare reform. Even so, it seems clear that the 1996 reforms have led to declines in income for some families. Under the AFDC program, mothers could and often did stay on welfare for long spells. Indeed, Bane and Ellwood (1983) showed that up to 65 percent of the families on the rolls at a given time would eventually be on the rolls for 8 years or more. But the TANF program that replaced AFDC has serious restrictions on length of spells. The Federal 5-year time limit provides incentive for families to get off welfare as soon as possible. Many states have adopted time limits that are even shorter than the Federal 5-year limit; some families in these states have already hit the state time limit and have left welfare. State policy on sanctions is probably even more important than time limits in causing families to leave welfare (Pavetti and Bloom, 2001). More than 35 states have sanction policies that result in complete termination of cash welfare benefits. The point is that whereas families could stay indefinitely on AFDC, they must meet TANF requirements or have their benefits reduced or terminated. Congress may want to use the reauthorization debate to review what actions states are taking to help these families and to determine whether they can return to welfare once they fulfill whatever requirement resulted in their sanction. Similarly, Congress may want to determine whether states are prevented from helping families that reach the 5-year time limit because Federal policy allows a maximum of 20 percent of the state caseload to be exempt from the time limit.

The next two issues are not so much problems as they are opportunities that need to be further exploited. The first of these is the family formation goal of the 1996 reforms. Although the number and percentage of children born outside wedlock has leveled off and the number of children living with two biological parents has increased slightly, research shows that states have not been very aggressive in designing and mounting programs to reduce nonmarital births or increase marriage (Gais and others, 2001). There is every reason to believe that state and local programs designed to increase marriage and reduce nonmarital births would produce even greater success. Especially important would be programs that offer services to young couples at the time of a nonmarital birth. Recent research shows that about half of these couples live together and a total of more than 80 percent describe themselves as being in a mutually monogamous relationship (McLanahan, 1999). However, research also shows that the majority of these relationships fall apart within a year or two (Rangarajan and Gleason, 1998). Thus, job training and employment assistance, counseling, and other services may prove beneficial at the time of the birth when the parents are committed to each other and their baby. A major goal of these programs should be helping fathers find jobs or acquire skills to qualify for better jobs.

The second issue is that many, perhaps most, of the mothers leaving welfare take low-wage jobs. Both experience and research show that mothers now working in low-wage jobs can, with proper assistance, move up the job ladder. However, as Gary Burtless (1995) of the Brookings Institution has shown, most mothers will not improve their income without external assistance. If Congress wants to help these mothers improve their income, there is probably no choice except to find ways to help them acquire more training and education. The Congressional debate on this issue may be somewhat misleading because members may simply assert that if education and training are made available, all will be well. But this claim is false.

Two education and training strategies make sense at this point. First, states and localities should mount programs in which they cooperate with low-wage workers and educational institutions to arrange courses that lead to specialized short-term training or even 2-year degrees. It is essential that the training be relevant to employment available in the local economy. Educational institutions, especially junior and community colleges, must be flexible in the length of courses and the times at which they are offered in order to meet the needs of single working parents.

The second strategy is to work with employers to identify the types of training that are required for low-wage workers to advance in their organization. Some programs of this type already exist, but many more are needed. Employers in need of skilled workers are often agreeable to arrangements of this sort and may even pay at least part of the training costs and grant their workers released time for training. In some cases, it may prove possible to work with both employers, who can identify the types of training and the skills required for advancement, and with local post-secondary institutions that can provide the training.

The 1996 welfare reforms, in combination with expansions of the work support system over the past quarter century, are now providing a solid basis for using public policy to simultaneously minimize welfare dependency, increase employment, and reduce poverty. Although it is too early to make any definitive claims, it appears that these policies are also associated with stable or slightly declining rates of non-marital births and are having a positive impact on family formation. Given these achievements, it would be a serious mistake for Congress to make big changes in either welfare reform or the work support system at this point. Especially if Congress wants states to tackle the remaining problems and thereby produce even more progress against welfare dependency, poverty, and family dissolution, it would be a grave mistake to reduce funding for the TANF block grant. Federal welfare and work support policies are producing great success. There is every reason to believe that if allowed to continue with only minor adjustments and modest additional investments, they will produce even more growth in employment and income and greater declines in welfare dependency and poverty in the years ahead.

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Chairman NUSSLE. Thank you, Dr. Haskins. I have questions, but I will invite Mrs. Clayton to go first.

Mrs. CLAYTON. Thank you very much.

Dr. Haskins, let me start with you. There is, I guess, a CBO report that I don't have before me but I am sure you are familiar with. In spite of those elements of policy that you speak about, and in spite of the economic well-being or well-performing economy, at least until the last few months, that there is a greater disparity growing still. In spite of the structure of welfare, I would suggest to you that welfare reform has resulted in a positive reduction of people on welfare, and that is good.

That is not to say that in so doing, we have reduced the level of poverty, or work force programs that you cited that have aided as we thought they would have, in supplementing the transition from welfare to work—i.e., food stamp or sufficient child care; or indeed, in spite of the good program that CHIP is, in aiding families to make that transition.

Now, I am sure you would say that people are not coming back because they don't have the program. I think the enforcement part is working. I think the States are doing that. What I am fearful of is the assumption. If I can get you to comment—if I am wrong, would you help me clarify. The assumption of your report is, everything is going OK. Stay on course. Make sure we reauthorize TANF, and not do things to enhance the effectiveness of the programs that Congress put in place to do. For example, in addition to removing people from welfare, it is our responsibility to remove them out of poverty. Part of the concern is not to have people dependent on government when they can do for themselves. That should happen.

The other part is that as a country of conscience, we want to speak to people who are in poverty. So would you comment on that? Did I misunderstand you?

Mr. HASKINS. Yes. I just want to emphasize again the main point of my testimony, which is the combination of the demanding nature of the welfare system, that is almost completely new and has resulted in literally millions of mothers leaving welfare, and at least 60 percent are employed at any given moment, and 80 percent over

a period of time, so they are doing exactly what Congress and the States wanted them to do.

Then, secondly, this work support system that does in fact—we can see this in the Census Bureau data, we don't have to guess. Their incomes are dramatically supplemented by the work support system.

But what you point out about the work support system not being perfectly effective and in fact, having some serious problems is correct. I totally agree with that, and I have not ever written a report that diminishes those problems. They are important problems.

There are two things especially that the Congress can do that I think would have an immediate and powerful impact on the level of poverty in the country. The first is to fix the food stamp program. Most of these families are eligible for about \$2,000 in food stamps, and only 40 percent of the mothers who have left welfare and are still eligible for food stamps get them. There are lots of technical reasons.

I know you are on the Agriculture Committee. I testified and gave several good reasons in my testimony. The biggest of all, I think, has to do with the quality control system. There need to be fundamental changes in the quality control system, and I think many more of these families would then get their food stamps.

The second is that we could provide \$3 billion in cash paid by fathers to these families—female-headed, low-income families—through the child support system, if we would pass—or what we really need to do is get the Senate to pass the action the House took last year. The House passed legislation to do this by a vote of 405 to 18 last year, and the Senate refused to take it up. So those are two actions we could take this year or next year that would have an immediate and substantial impact on child poverty.

Mrs. CLAYTON. Let me just get any member of the panel, or all. There is an article in today's paper that comes, I think, from the Washington Times on the pending reform of the TANF, the welfare reform. They have several myths, and I am just going to cite the first one.

Myth number one: Welfare reform has reduced poverty by putting poor women to work. Over the past 5 years, a lot of poor women have left welfare, added wage-paying employment to the work that they do at home. But two points about this fact should be kept in mind. First, increased work participation owes a lot to a tighter labor market, high wages, and earned income tax credit. Welfare reform is only part of the story.

Mr. CARDIN. I think we have all agreed that welfare reform was a part. The economy has played a major part. I want to underscore a point that Dr. Haskins has made about the fact that we have a continuing role. You are absolutely right. We know we have got to keep people off of cash assistance. We are not sure we have been as successful in getting people in the work force and being successful in the work force. We don't have enough information to know that from the information available.

I want to correct one statement. The number of people that are receiving assistance under TANF is actually increasing; it is not declining. The number of people on cash assistance has declined dramatically, but the number of people receiving services under

TANF is increasing, and that is the way it needs to be. So the Federal role is still extremely important, and you are absolutely correct. We know for sure that the number of people receiving cash assistance has declined. We know the overall poverty rate has declined. We think a lot of that has to do with the economy and the other tools we have put into place, but we have not been as successful in making sure that people are out of poverty that are leaving welfare.

Ms. EDELMAN. I would make just one other very brief comment in response to welfare reform. I think the jury is still out in terms of its impact, and the key will depend on the kind of investments you make in housing and food stamps and other supports that working parents need.

Second, while there has been some decline in child poverty, I don't think we should be proud that there are 12 million poor children after 8 years of unprecedented prosperity in the richest nation on earth, and that 78 percent of them live in a household where someone works.

The child poverty rates, despite our modest progress over the last few years, are higher than they were in 1969 and in 1979, and we are richer than we have ever been.

And, third, you know, we should not be making modest investments in our children. We know about the effective investment of prevention. We should be making significant investments in our children. And we did not make a modest tax cut. That is why we need to talk about having a comprehensive investment in making sure that child care, Head Start, education, and health care are available. So we should talk about how we take care of our children at this rich time in our history.

Chairman NUSSLE. That is where I would like to pick up the questioning, because I think oftentimes on our committee we talk so much of numbers, and I am sorry about that. Unfortunately, that is the role of the Budget Committee, to talk numbers, to talk percentages, and I am certainly pleased and I know you are all pleased, and hopefully the Nation is pleased, that we have the kind of decline in our welfare rolls that we have seen. I think that is good news.

The untold story about that, unfortunately—and that is the reason I was so interested in holding this hearing—is that while it is great that there is 60 percent that have been reduced, it means the other 40 percent have not, and they are still stuck for some reason. And exploring that is the reason for this hearing.

A couple of things I would just like to ask, first on housekeeping. Ben, you asked the question about safe and stable families and the TANF supplemental grant as well as future issues. I am interested in working with you on that. It may require a waiver at the Rules Committee as an example. I am willing to help work with you to figure out whether we should consider that. I understand because of the way the outlays were used in Ways and Means this year that in fact we may—but I will be happy and the Budget Committee will be happy to work with you.

Mr. CARDIN. Thank you. The safe and stable families expires October 1, so we need to act quickly on that.

Chairman NUSSLE. As you know, we put that in the budget for a reason. We felt that was an important priority, and even though there may be a technicality on how the Ways and Means Committee worked on their outlays this year, we will work with you to see if we can't figure that out.

Mr. CARDIN. Thank you, Mr. Chairman.

Chairman NUSSLE. I would suggest, as well, that my message on TANF—having been on the subcommittee when we came up with that, when we wrote the welfare reform bill and legislation that has had some success—my message to the administration is that does need to continue, Dr. Haskins. I don't believe that we are yet ready to claim total success until we can erase that face that is looking at me up there, especially of the first one there, of the child that is hungry. That one disturbs me probably most of all.

You mentioned that the three components, Dr. Haskins, that have got us to the point of success are, number one, some success, good success, is welfare reform; number two, expanding the work support system; and, third, economic growth and the strong economy. Those different levels are, in part, the reason for the success that we have seen so far.

One of the things that I remember when we debated this bill in subcommittee and you helped guide us through that process, is we had a system where one size fits all. The reason that we moved to the system is we recognized that one size does not fit all. Everybody needs a little bit different size and flexibility.

I would ask this for all three of you. I know you have put it into your longer testimony, but could you boil it down for me? What is next? What do we need to do next in order to meet the needs of the many who are still stuck? We celebrate the ones who have been able to escape, and that is good news; but there are still those that are stuck. And particularly what I think we tried to debate during the welfare reform is that it is not just dollars; it may be policy changes as well. Just throwing money at it is what we did, arguably, for 25, 30, 40 years since the war on poverty of the sixties. That didn't seem to do enough; we needed, policy changes.

So the question is, are there policy changes that we need to make? Are there financial investments that we need to make? What is your advice, from all three of you, as we go into reauthorization of TANF and food stamps and other very important programs?

Why don't I start with you, Ben, and we will work down the aisle.

Mr. CARDIN. First let me say I agree with Dr. Haskins. I think we should stay on course, and I think the basic bill passed in 1996 should be continued and the funds should be adjusted for the additional cost of inflation, and we should continue our commitment to allow the States the flexibility they need to address the problem.

I think we should amend that bill to remove the disincentives for work. There are several provisions in the bill that actually work as a disincentive for the State getting a person in work and still providing any assistance.

Third, as Dr. Haskins pointed out, the pass-through in child support would be a major help to bring families together. It has passed

the House. It is a bipartisan bill. We need to get it through the Senate.

And then, lastly, I would mention the issue of child care. We are not providing enough resources for child care. It is a huge problem for those who remain on the welfare rolls. It provides safe and affordable child care for American families. We have to make a larger investment here in Washington.

Chairman NUSSLE. Thank you. Ms. Edelman.

Ms. EDELMAN. We have laid it out in the written testimony, but the first thing is, are we making a commitment as a country that our goal is to end child poverty, not just to end welfare, and take the measures that we know that support work? Child care support needs to be available for those who are working, health coverage for working families and transportation, are all laid out in the Act to Leave No Child Behind, as well as work expense allowances, more child support dollars, low-cost housing.

But, again, children don't come in pieces. They need a range of supports to their families in order to escape poverty: better wages, earned income tax credit expansions. The child tax credit that you voted as part of the tax bill we would like to see fully refundable. It would help make an enormous impact. Food stamp reforms that we are talking about here so that we can take steps forward to alleviate hunger. Better wages.

And so we have laid this out in a coherent vision in the Act to Leave No Child Behind, and I hope you will support it. But I want to come back to the point that children don't come in pieces. Families need a coherent set of policies and a commitment to providing supports and the skills—including education and training—that they will need to become self-sufficient. But it is going to require profound culture change at both the Federal and State level. We have laid it out in a 1,200-page bill, and a section of that addresses steps that we can take to end child and family poverty and it also presents our position on TANF reauthorization.

Chairman NUSSLE. Dr. Haskins.

Mr. HASKINS. I think there is almost no question that the number one thing we could do to have the biggest impact on poverty is to promote marriage. There is no question that over the last 30 years the single biggest cause of child poverty and increases of child poverty has been the dissolution of American families. At last, since 1994 and 1995, we are beginning to make progress. It is not clear what role the government can play, so I would not recommend big investments.

We should remove disincentives for marriage from the earned income tax credit and all other programs, but we should also encourage experimentation by the States. There are in fact many States that are changing their laws and are instituting programs to help families move toward marriage. I will give you one example. We now know that for children born outside of marriage in big cities in the United States, 50 percent of the parents live together at the time of the birth, and an additional 30 percent, for a total of 80 percent, say that they are in a committed monogamous relationship.

Now, they love each other. They love the child. If we could give them help at that moment, especially the fathers in their income

and employment, I think it could have a major impact on marriage. And if the couple stays married, the statistics are that the child will virtually never live in poverty.

The second thing—which we have mentioned several times—is the child support enforcement reform which would directly put about \$3 billion in these families' hands over a 5-year period. The House already did it. We should convince the Senate to do it.

Third is the food stamps. Again, \$2,000 for these families would immediately bring several hundred thousand of them above the poverty line. And keep in mind, we don't have to change the statute on the food stamp benefit. It is an open-ended entitlement. We just need to figure out how to get States to be more effective in making sure that families that are eligible actually get it.

Fourth, I already mentioned floundering families. I think that is a very important issue. We should not forget these families. We should focus on these families. We have very poor interventions now. I think it is more like 20 percent than 50 percent. But we should learn how to help these families.

And, finally, this is way too complicated to talk about in any detail, but I think our Nation's employment support system, the U.S. Employment Service, the Job Training, what used to be the Job Training Partnership Act, now the WIA, Workforce Investment Act, and TANF all need to work together. There are a few places where that is happening but it is not happening very well. That could also have major impacts on our unemployment insurance program. So those are the five leading candidates on my list.

Mr. CARDIN. Could I just have one last comment?

Chairman NUSSLE. Yes, please.

Mr. CARDIN. Dr. Haskins mentioned several objectives that are in the core program of TANF and we give bonuses for it, including promoting marriage. What we don't have as a core objective in TANF is reducing poverty, and I think we should amend the statute to make reduction of poverty a core objective of TANF, offering bonuses to our States that achieve results in those areas.

Ms. EDELMAN. I support that.

Chairman NUSSLE. Thank you, all of three of you. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I would like to shift the focus a little off food and get to housing. I assume this House budget material from the Democratic Caucus has been available to the Republicans, but it has some fascinating statistics in it and—yes, I know they are top secret. Things like the Low-Income Housing Coalition, which I suppose maybe the Republican staff didn't look at, but the fact is that I voted against TANF because I could see what was going to happen. I remember when we emptied the mental hospitals and suddenly people couldn't figure out where all the people came from who were lying around in the streets. And I want to assume for a second that housing prices are so far out of line for most people, they estimate that the rent in San Jose for a two-bedroom apartment is \$1,308, and that means you have to have weekly hours, at minimum wage, of 175 hours to pay for that.

Now, when you start thinking in those terms, you can see that more and more people are going to lose housing. Now, where do they live? Well, they can move to shelters or they can move to mo-

tels. What ought to be required reading for everybody who has any ideas about this is the book, "Nickel and Dime" by Barbara Ehrenreich.

In terms of the problems of housing, now if a parent loses housing and can't get into a shelter, where do they sleep? In the car; right? With the kids. Now, then comes along the child abuse officer who says, "Hey, this is child abuse so we are going to take these kids away from this parent."

And I expect we are going to see—I guess I will ask you, Ms. Edelman. What is your forecast if we don't—as we did yesterday—do anything about housing in the HUD bill and some of these other problems—what is your forecast for us down the road if we don't deal with these things?

Ms. EDELMAN. I don't even have to be a forecaster. I mean, in drafting the bill there is a section that addresses affordable housing—housing came up over and over again. There is one story about a North Carolina mother with an 11-year-old daughter who left welfare for a job. She worked 38 hours a week at \$6 an hour, and was proud when she was made employee of the month. Then she lost her housing and was living in a transitional homeless shelter with her daughter. She had no health insurance and earned a few dollars more than the official poverty line.

But the housing issue and the shelter issue and the rootlessness issue has come up again and again. I hear school officials tell me about children that are moving every 3 months, where their parents are trying to stay one step ahead of the landlord. There are 80, 90 percent turnover rates in some schools. It is just an enormous problem. And so we have not addressed that in a significant way, because the percentage that they are having to pay for rent is simply beyond the means of most low-income families working at minimum wage. And an issue that we have to address, is accessible, affordable housing shelters.

We have gotten used to—I have gone to a State and gone through a school in an Arizona city where they have a school for homeless children. Why should there be a school for homeless children? Where is the—

Mr. MCDERMOTT. It is the same in Seattle.

Ms. EDELMAN. And it is the same in Phoenix. We have gotten used to shelters. It is a huge problem. We address it systematically, but it is so core.

Last story. I was in Columbus, Ohio, and a teacher told me a story of asking children during the hurricane season to write essays on shelters, and the children did not write about shelters in emergency situations. She had a number of stories of children who were describing what it was like to live in homeless shelters, to have no place to play, to have no privacy, to have the stigma of having to tell their classmates they didn't have a place to live.

It is a profoundly important issue for millions of working families that I hope we will address, and so I thank you for raising it.

Mr. MCDERMOTT. Let me raise another more complex question, or it seems attendant to it. If you look at this material that was given to us from a study by somebody named Peter Edelman, and you look at the least affordable places in the country, they are all on the West Coast, with the exception of one reference to Charlotte,

North Carolina and Raleigh-Durham/Chapel Hill, North Carolina. Everything else is Washington, Oregon, and California.

Those three States have minimum wages quite a bit higher than the national average. The national average is something like \$5.15; 5.15 is the minimum wage, except in Washington State whereby initiative we made it 6—I think it is \$6.40 or something. The States where we pay the most, they are the worst off. What is the answer here?

Ms. EDELMAN. Again, I think what we know is that people without a living wage, you can't make it with housing and food and with child care on \$6 an hour. I think you had a report come out talking about what is a livable wage that will allow you to meet the needs of your children. And so the incomes of working families at a minimum wage level, as it has currently existed—without the other work supports like child care and housing, these families can't make it. And so I think we need to address that.

Mr. McDERMOTT. Thank you.

Chairman NUSSLE. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. I want to associate my comments with my friend, Mr. McDermott. He brought up some issues that are really probably one of the most important things to me being a Member of Congress, and that is how do we provide housing for the people in this country who need housing?

I was raised by a single mother. My dad left when I was about 6 months old, and I lived in a poor neighborhood. There were probably 50 percent Mexicans, 40 percent Oakies, and 10 percent Arkies, and I was in the minority as an Arkie. So I know what it is like to try to better yourself in life and to buy a home. But the problem I have is that we acknowledge the problem and yet we never deal with the problem.

Now, Mr. McDermott talked about California, Oregon, and Washington and so many other States, and then locally here. We talked about the concept of affordable housing, and you will never have affordable housing if you don't have a move-up marketplace. It is impossible, because unless you have people moving out of the lower-priced homes into homes that they can afford more money for, the lower-priced homes are never going to become available for people who need those homes.

We have talked about Section 8 vouchers, and there has been some discussion in the Housing Subcommittee from public housing authorities that we need to increase Section 8 vouchers. I know what they are trying to do. And specifically, the director from Los Angeles came in and said that Los Angeles County has about a 3 percent vacancy rate in rental units for Section 8 voucher. And 3 percent in a marketplace like that means they are 100 percent occupied, because 3 percent is a normal rollover for people moving out of units and repainting units or recarpeting and bringing them out. So what he meant was there is no availability at all of affordable housing.

Now, Section 8 vouchers used the way we use them, totally focusing on rental units, does nothing but benefit landlords who own rental units, and increase demand for rental units; because when you increase Section 8 vouchers in a limited affordable housing

market, all you do is increase the average rents that landlords can charge for those. And yet we don't address the problem.

Now, we had an interesting debate on the floor recently on the VA-HUD bill, and some people probably wagged their fingers at me for my belief. We were talking about public housing and the problems sometimes dealing with public housing units: Gangs tend to be drawn to them; drug abuse. We acknowledge that in Congress and we try to deal with it, because we fund them at a different level than local government funds police protection for the rest of the community. So we acknowledge that there is a problem.

When we talked about being able to use government funds for down payments for people in these income brackets, to be able to get them into a home rather than having these moneys the government is providing just solely used to benefit landlords who own the rental properties—and if you tell a person who is at low-income level that you must use these Section 8 vouchers for rental, and you are going to be relegated to rental housing for the rest of your life, they will never be self-reliant.

In fact, every year, 2, 3, 4, 5 years, their rents increase because market demand increases and the cost increases.

We talked about being able to use these moneys to be able to put a buyer assistance down payment so these people could buy a home—and I mean the people who are stuck in public housing,—and also have the availability to use Section 8 vouchers as part of their monthly payment.

The way to solve the crisis of low-income people who are stuck in public housing is to be able to get them to a home of their own.

Now, a great example is one of my finest friends—

Mrs. CLAYTON. Would the gentleman—

Mr. MILLER. Just a second. I would be happy to take questions. A lady who is a checker down in the Longworth cafeteria—missed yesterday. She wasn't at work. I walked up and said, are you OK? Were you sick? And she had this huge grin on her face and said, I bought a house yesterday. And she was elated. I said, how long have you been working? She said, I have been working for it over 2 years, and I finally bought that house.

The happiness in that woman who works herself to death for probably very little, that now she can afford a house, that is what we should—the example of California was mentioned about the high rents, the minimum wage, you know, they should be able to do better. But California, because of tort reform and the tort issues associated with building condos and townhomes—and you understand this, you have not seen any townhomes or condominiums built in California for 10 years because the law is such that an attorney can go file a lawsuit against the builder of a townhome that the association has nothing to do with. The attorney can therefore go to the board of directors and say, you either enjoin in this lawsuit or you can be held personally responsible for not enjoining; and they have to enjoin.

And any attorneys on the committee here, I wish you would check that out because it is a fact. Builders will not build those units which are generally affordable because they can't even get liability insurance in these States to build them; because all liability

policies have exclusions for attached products; because they know there is going to be a lawsuit.

So how do we help people? If you can take Section 8 vouchers and use part of the money for a down payment and get these individuals into a home and then let them use the Section 8 vouchers that they qualify for part of their rent, in 4 or 5 years their rent hasn't gone up, and before you know it, these people can afford to make their payments by themselves. Plus down the road 8 or 10 years if they decide to move to another community, they have the equity in the home that they own, that when they sell it, they can take that money to buy a home in a neighborhood they want to live in, not a neighborhood they are forced to live in because that is the only area they can get into with a Section 8 voucher.

So I applaud my colleagues on the Democrat side for wanting to address this issue. But I would also encourage us to look at some approach other than a Band-Aid over the sore.

Let us realistically look at—try and figure out what the problem is and try to cure the problem rather than putting a Band-Aid over the sore. You have such a situation in this country where the concept of property rights have so eroded and due process on applications for approvals for units—in California we built out 140,000 units this year, 80,000 less than are needed, and it is not because developers don't want to build units. It is they can't get through the process and get entitlements rapidly enough to build them. So every year the demand increases, it increases, and the amount of people who want to go into housing cannot afford to do it.

I would strongly encourage this committee and other committees to address the problem, as housing is a great issue. If you buy a \$100,000 home in this country, \$35,000 of that is directly attributed to government fees. That is an aberration, and we need to deal with it. And thank you for your kindness, Mr. Chairman.

Chairman NUSSLE. Thank you. The gentlemen's time has expired.

Mr. MILLER. A long time ago. I yield.

Chairman NUSSLE. Ms. Hooley?

Ms. HOOLEY. Thank you, Mr. Chairman.

A question to any of the panelists. What do we do—as we have seen people leave the welfare rolls, many of them still living in property, we still have many people—the time is running out for people to leave our welfare system. Having listened to people who have been on the welfare rolls, there are some people that are very difficult to move off the welfare rolls. What do we do with those that are still there, as we have certainly some recession at this point, although we still have kept our unemployment fairly low—what do we do and how do we deal with the children, those that are still left on our welfare rolls as we are not able to get some of those parents back into the marketplace and on jobs? Any one of you? Or all of you?

Mr. HASKINS. We struggled with the issue when the welfare reform bill was written. I think most people working on the bill assumed that there would be families that would not be able to leave the rolls and support themselves over a period of time because of addictions; because of borderline mental retardation; because of personality disorders and so forth. So the trick is to develop a sys-

tem that is both demanding and is indeed built on personal responsibility, but still allows for, more or less, continuous receipt of welfare by a very small group of people.

So wisely, the Congress punted and said to the States, you figure it out. Under Federal rules, States can have 20 percent of their caseload that exceeds the 5-year time limit so that at least, even in the cases where we are failing and we can't figure out how to help the people leave, they can stay on welfare, in effect, indefinitely, and it is up to the State to decide who can stay.

Now, the big issue before us is how many of these people can we help get off the rolls and stay off the rolls? I will absolutely assure you that today people who answer that question, their percentage is much smaller than it was in 1996. In 1996, Members of the House of Representatives stated on the floor that half of the people or so were going to have a lot of trouble leaving welfare. Yet we have already seen reductions in the rolls of 60 percent. Now some of them are struggling, and there are still people left on the rolls that can leave.

So we don't know what the percentage of floundering families are, but as I said in my testimony, we should learn more about how to help these families. It is going to involve small steps. There will be a lot of failure, but the key is to keep helping them solve their child care problems, get treatment for addiction if they need it and so forth, and all these things the State can do under the TANF block grant because they have the flexibility to do that.

Mr. CARDIN. One of the problems is that you are penalized for taking a small State, and we have changed the law in that regard. If you leave welfare and go to work, and the State wants to provide some supplemental assistance, your clock is still running. We should correct that. We should reward work. We should reward people who want to take the courage to try to succeed but need some help.

The people that we are talking about don't have work histories. They don't have a lot of experience. So it is going to take small steps, and the welfare reform bill of 1996 did not acknowledge that there were going to be some very difficult people, that we have to have more flexibility with the system. We need to deal with that.

Secondly, we need to provide services long after people have left the cash assistance, and States are doing that. They are doing some of that today, but we need to acknowledge that as a partnership with the Federal Government, that we are not just interested in getting people off of cash assistance. We want to see people succeed in the workplace, and that is going to require a lot of postemployment training programs. We have started that, but they are expensive, they cost money, they cost resources, and that requires the Federal Government, again, to be in a full partnership in understanding that our objectives are more than just getting people off the cash assistance.

That is why I raised the issue that a core principle of welfare reform should be reduction of poverty. If we do that, then it is a legitimate concern of the State to continue programs to make sure people not only get off of cash assistance, but succeed in the workplace.

Ms. EDELMAN. We have laid out our response to the need for a minimal safety net of decency and protection for children in the 12 titles of the Act to Leave No Child Behind, which I hope you will look at. Children should not go hungry, regardless of the status of their parents. Children should not be homeless in America regardless of the status of their parents. And children should get that healthy start in life with basic health care and early investment and with a decent education so they never have to depend on welfare, so that these basic building blocks of decency and self-sufficiency should be provided to every one of our children.

And secondly, we do address the need for treatment and prevention for those families who have domestic violence and substance abuse problems. We don't have adequate treatment, we don't have adequate education and training, and we need more transitional supports, as has always been addressed. But we have looked at everything we know how to look at to say how do we make parents more self-sufficient, enable them to work, which we favor, but how do we make sure that the next generation never has to rely on welfare or have needs because they have the skills and the good early starts that they need. This committee can make an enormous step doing that by making sure that the health care and the food assistance and the child care assistance is in place.

Ms. HOOLEY. One more question just to Representative Cardin. If we make getting out of poverty part of that system, what kind of an investment is it going to take? Because, I mean, we have a lot of working poor, a lot of people who are struggling, who work hard every single day, who just can't make it, and it seems like more and more of the odds are against them as child care goes up in our State, as utility bills go up, as housing costs go up. How do we ever get to the point that people who have worked hard, who have gotten off of welfare, they are doing everything they can to take care of their families and children; how do we get into that next step, and what kind of an investment is that really going to take?

Mr. CARDIN. It is an excellent question, and that is what I hope this hearing is the first step in focusing, what type of investment we have to make as a nation. Clearly TANF is part of that, and the continuation of TANF and the expansion of TANF. But it is also dealing with child care and increasing the child care block grant. It also deals with housing and dealing with the housing policy. It is the Medicaid budget and making sure that transitional Medicaid exists for people who leave welfare. It is the EITC and strengthening the EITC so people can really make money by working in our society. It is the social services block grant that we cut in 1996, that we shouldn't have cut in 1996, that provides the support service within our community.

So we don't have one tool nationally. There are many tools that are available to help us succeed in reducing poverty in this country. Clearly TANF is one of those tools that needs to continue and expand as we look to reauthorizing it next year.

Ms. EDELMAN. May I make one other comment, please? We could fund all the health care provisions, the child care provisions, the work supports that we advocate for expansion of the earned income tax credit and lift every child out of poverty for far less than we

voted in tax cuts for the non-needy. And if we just did not have the repeal of the estate tax for about 3,500 wealthy families take effect, we could do much of what we need to lift our children out of poverty and to give them health care.

So this is not a money issue. It is a choice issue about how we are going to invest resources. But we have the means to lift every child and family out of poverty for far less than we have chosen to invest in the non-needy.

Chairman NUSSLE. Mr. Bentsen?

Mr. BENTSEN. Thank you, Mr. Chairman. I thank our panel for being here.

At the outset, I want to thank Ms. Edelman. Your organization recently opened a branch office down in McAllen, Texas, in the lower Rio Grand Valley, which is really a couple hundred miles from my district, but I spend a lot of time down there, and I think it is important that you have done that. I think we are finding in Texas, particularly in one of the fastest-growing counties in the United States and along the border area, that child poverty is an ever-increasing problem. It is not a new problem, but it is an ever-increasing problem.

Mr. Cardin and Dr. Haskins and others have brought up other issues, and I don't want to just focus on TANF and its outcome, because there is much more to poverty than the TANF program. Obviously we know a lot of working families are struggling to make ends meet who have never even been involved with welfare, but the fact is, as Mr. Cardin brought up in his testimony, TANF reauthorization is before us, and we need to be thinking about it.

When TANF passed in 1996, we were in the upswing of the general economy. When TANF comes up for reauthorization in 2002, we may well not be in a recession, but we certainly will be on the tail end of the positive business cycle, or at least at the very beginning of a recession, at which times usually those in the lower income end of the scale tend to fare worst. And I am curious, given the research that you all have done, how you see TANF working, because I think it is going to be important for us. And I want to ask just a couple of questions.

Some have to do with the general functions of the programs, and some have to do with the State-Federal relationship of the program, because I think they are both important.

Ms. Edelman, in your testimony, you raised some—I think—startling statistics about the number of people who get off welfare and get a job, but then fail to continue to have that job after a period of time. This is occurring, if those numbers really are as high as your studies and other studies you cite are showing, at the same time that we are seeing States who either implemented their own rules or the Federal program hits the time limit, and if we have a triple witching hour in the stock markets, this could well be the triple witching hour of human resources, because the third factor is the economy as I mentioned.

Are you all seeing any evidence that we have a significant number of the population who have not been able to hold a job, are running up against the time limit and are running into a declining economy?

Second of all, on the issue of health care. We know that the States—I believe, quite frankly, the States have not done a particularly good job of running some of the Medicaid programs. In fact, I believe—and I get criticized for this every once in a while—but as a Texan, I am quite disappointed at how poorly we have done in participating in the Medicaid program. We have 800,000 children in Texas who are Medicaid-eligible and not enrolled in the program, and the reason they are not enrolled is because they don't know where to go to find it. It's a hide-and-seek game that the State pays for what people are otherwise legally entitled to. In fact, the State has been held under a dissent decree in Federal court, and the legislature has done some work, but they haven't done enough, in my opinion.

We also know that in TANF—and this was a critical part for many of us to support TANF—that the legislation was crafted, and Mr. Cardin played a role, and Mr. Nussle played a role in this, to ensure that there was sufficient funding for child care and job training in the form of block grants. Additionally, the legislation extended funding for participation in the Medicaid program once someone left the welfare program and went into the work force and would otherwise be ineligible. But we come to find later that in many reports the States were not adequately drawing down on those funds, and, in fact, there was a move in the Congress at one point to draw those monies back in to use for accounting pumps to make our budgets work.

Are those studies correct? Are the States doing an efficient job of drawing down these funds, or when we go to TANF reauthorization, is this something where, quite frankly, we should have a stronger Federal role imposing this?

Mr. CARDIN. You are raising a lot of issues that will come up. The States did a rather poor job in enrolling Medicaid-eligible people who left the welfare rolls in the Medicaid program. There has been some slight improvement in the last year. Some States have done better than others, but still there are too many families that are ineligible for Medicaid that are not enrolled, and we think part of the reason is that there are mixed messages being sent when they leave welfare. They don't know they are entitled to these benefits. And we have tried to correct this, and some States have worked with us.

Ken, we don't know what impact the 5 year time limit is going to have, because the States haven't run up against it yet. They are just starting to come up against the 5-year limitations. They also have a safety valve within the statute. So it really has not been tested yet, and we don't know.

We also have the contingency fund that has never been called upon. That expires this year. We should reauthorize that for 1 additional year until we reauthorize TANF next year. We don't know what is going to happen in the next 12 months, but it would be nice to have a contingency fund available in case the economy turns.

We also have to reauthorize this year the supplemental grant that affects your State of Texas. It does not affect Maryland, but it is an important part of the program. So we have to take some actions this year. But you are asking questions that are going to

have to be confronted by Congress next year when it reauthorizes TANF, and we have to be sensitive to deal with the problems that you mentioned.

Ms. EDELMAN. There are 6 million children currently eligible for Medicaid and for the Child Health Insurance Program who are not getting it. States are not doing a good enough job. The fact that you could have children without health insurance, 11 million of them, and we are not breaking our necks to let their parents know to simplify the procedure so that they can access them? I mean, we will submit for the record a report on where all the States are.

[The information referred to follows:]

#### LOW-INCOME UNINSURED CHILDREN AND CHIP

	Target: Uninsured children under 19 at or below 200 percent of Federal poverty level			Type of CHIP program*	Total children ever served by CHIP in FY 1999	Date of CHIP implementation
	Number	Percentage of all children in State	State rank			
Alabama .....	154,000	12.9	43	C	38,980	2/1/98
Alaska .....	11,000	5.3	6	M	8,033	3/1/99
Arizona .....	190,000	13.8	47	S	26,807	11/1/98
Arkansas .....	92,000	12.8	42	M	913	10/1/98
California .....	1,281,000	13.1	45	C	222,351	3/1/98
Colorado .....	72,000	6.4	16	S	24,116	4/22/98
Connecticut .....	53,000	6.3	13	C	9,912	7/1/98
Delaware .....	13,000	6.6	21	S	2,433	2/1/99
District of Columbia .....	16,000	13.7	46	M	3,029	10/1/98
Florida .....	444,000	11.5	41	C	154,594	4/1/98
Georgia .....	214,000	9.7	37	S	47,581	11/1/98
Hawaii .....	13,000	4.0	2	M	NI	7/1/00
Idaho .....	31,000	8.0	30	M	8,482	10/1/97
Illinois .....	211,000	6.1	11	M	42,699	1/5/98
Indiana .....	131,000	8.0	31	C	31,246	10/1/97
Iowa .....	67,000	8.6	35	C	9,795	7/1/98
Kansas .....	60,000	8.0	29	S	14,443	1/1/99
Kentucky .....	93,000	8.6	33	C	18,579	7/1/98
Louisiana .....	194,000	14.6	48	M	21,580	11/1/98
Maine .....	24,000	7.6	26	C	13,657	7/1/98
Maryland .....	100,000	7.1	23	M	18,072	7/1/98
Massachusetts .....	69,000	4.4	3	C	67,852	10/1/97
Michigan .....	156,000	5.7	9	C	26,652	5/1/98
Minnesota .....	50,000	3.7	1	M	21	10/1/98
Mississippi .....	110,000	13.1	44	C	13,218	7/1/98
Missouri .....	97,000	6.4	17	M	49,529	9/1/98
Montana .....	24,000	9.6	36	S	1,019	1/1/99
Nebraska .....	30,000	6.3	12	M	9,713	5/1/98
Nevada .....	43,000	8.6	34	S	7,802	10/1/98
New Hampshire .....	20,000	6.3	14	C	4,554	5/1/98
New Jersey .....	134,000	6.3	15	C	75,652	3/1/98
New Mexico .....	117,000	21.1	51	M	4,500	3/31/99
New York .....	399,000	8.2	32	C	521,301	4/15/98
North Carolina .....	138,000	6.6	20	S	57,300	10/1/98
North Dakota .....	10,000	5.7	8	C	266	10/1/98
Ohio .....	205,000	6.7	22	M	83,688	1/1/98
Oklahoma .....	170,000	17.6	50	M	40,196	12/1/97
Oregon .....	67,000	7.4	24	S	27,285	7/1/98
Pennsylvania .....	200,000	6.5	18	S	81,758	5/28/98
Rhode Island .....	19,000	7.5	25	M	7,288	10/1/97
South Carolina .....	110,000	10.4	39	M	45,737	10/1/97
South Dakota .....	17,000	7.8	27	M	3,191	7/1/98
Tennessee .....	115,000	7.9	28	M	9,732	10/1/97
Texas .....	1,031,000	16.7	49	C	50,878	7/1/98
Utah .....	46,000	6.0	10	S	13,040	8/3/98
Vermont .....	7,000	4.6	4	S	2,055	10/1/98

## LOW-INCOME UNINSURED CHILDREN AND CHIP—Continued

	Target: Uninsured children under 19 at or below 200 percent of Federal poverty level			Type of CHIP program*	Total children ever served by CHIP in FY 1999	Date of CHIP implementation
	Number	Percentage of all children in State	State rank			
Virginia .....	118,000	6.5	19	S	16,895	10/22/98
Washington .....	85,000	5.3	7	S	NI	2/1/00
West Virginia .....	45,000	10.1	38	C	7,957	7/1/98
Wisconsin .....	75,000	5.2	5	M	12,949	4/1/99
Wyoming .....	15,000	10.5	40	S	NI	12/1/99

\*M=Medicaid expansion; S=separate State program; C=combination of separate program and Medicaid expansion; NI=not implemented as of September 30, 1999 (FY 1999).

Ms. EDELMAN. That there is unspent child health money when parents are really struggling to get health care means that they have to do a better job. And one of the things that I hope we will do in Congress this year is to simplify those procedures to demand better outreach and to make it easier rather than harder for working parents to get the health care to which they are currently entitled.

I hope we won't wait until next year to simplify these procedures and to invest in health coverage for all children and their parents, particularly, again, since most of them are working.

And lastly, the jury is out on what is going to happen. We have 21 States that have reached their TANF<sup>7</sup> time limits, and another 11 States' time limits will be reached by the end of the year. And the remaining 16, except Michigan and Vermont, will reach those time limits by the end of 2002. But we should be very concerned if we have got so many parents who are not staying in the work force after they have gone into the work force and are having to fall out because of the absence of child care and health care and the other things we talked about earlier, and because we haven't dealt with the hardest cases yet.

I think these are going to be very big issues that the jury is out on, and we need to, again, make sure that we are taking adequate measures to alleviate and prevent child suffering as we go through these transitional periods. But it is going to require, again, a redefinition of what our goals are. If our goals are to eliminate child and family poverty, and to make parents more self-sufficient, and to see that the children get what they need, I think this will require States to act in a very different way, and to make sure that we are making it easier rather than harder for children and parents to be served.

So I hope that is something that we will be paying a lot of attention to as we reauthorize TANF, but our goals have to change, not seeing how many folks we can get off welfare, but how many folks can get into the labor force and how many children we can make sure get health care.

Mr. BENTSEN. And my time is up. I don't know what Dr. Haskins wants to add, but I do want to say this for the record: Congress, in my opinion, has repeatedly made the rules for Medicaid easier for the States. They passed a bill that I introduced last year, a bill that Diana DeGette introduced last year to make enrollment easier, and at some point I think the Federal Government is going to have to tell the States, if you are not going to do it, we are going

to do it for you. I know that breaks a lot of codes and all that we have sort of set with the States, but I think it is a real problem.

Mr. CARDIN. There is no question there was financial pressure on certain States not to be aggressive enrolling people who left welfare and Medicaid, and that was felt at the local offices, and it affected the number of families enrolled.

Chairman NUSSLE. Mr. Moore?

Mr. MOORE. Thank you, Mr. Chairman and members of panel. I do appreciate your testimony here this morning. We in Congress, as you know, deal with many very, very important issues. Certainly tax cuts are important to American people. We have had a lot of debate, a lot of time spent by Members of Congress in the House and the Senate on tax cuts, and the President pushed through his \$1.35 trillion tax cut. Certainly energy policy, which is on the floor today in the House is important. Education is important, defense, and the President still is talking about his missile defense system, which all costs a lot of money. Yesterday and the day before we spent probably a lot of time, but not nearly enough time, talking about cloning and medical research and how to handle that in the future. And these are all—and I am not being sarcastic—very, very important issues.

On the other hand, as Ms. Edelman said, I don't think there is anything more important in this country than our children, and I think we all have to take, I guess, a new inventory of this. And, again, I appreciate the testimony here, because all of you have stressed the need to pay enough attention to our children in this country and what happens with them.

I came to Congress in 1998, and I had been a district attorney for 12 years and dealt with child abuse and family violence and saw what that does to families and to children especially. And you don't forget that when you see it firsthand as a prosecutor and talk to moms and kids who have been through some of the things they are through.

I think there are two vulnerable populations in our society, and we need to pay particular attention to them, and certainly the senior citizens and elderly and especially the poor among those. But the ones who truly can't take care of things are children, and we have a special obligation, I think, as Members of Congress, to devote sufficient time and attention to children and make sure their needs are met, because, again, they can't care for themselves. They are totally dependent, at least young children, on adults to provide that care.

It is frustrating, as a Member of Congress to know that we have all these responsibilities to Americans, and the issues I have already talked about, and we pay attention to those, and yet the voices that aren't heard enough, I guess, are the ones speaking out for kids, as you all have this morning.

I was over in Kansas City—I think I mentioned this once before in talking to the Secretary of Education who was here—and I went to I think it was a second- or third-grade class. There was a little boy, and the superintendent of the schools who was taking me around said, do you see that little boy over there? He and his mom live in a car, and how do we expect him to focus on what is being taught in school when he is wondering where he is going to be

sleeping at night? And the test scores are not going to be good either.

We talk about testing kids, and we talk about education and leaving no child behind, but we leave a lot of kids behind. And one thing I participated back home a couple of weekends—and this is very, very small—but went door to door trying to tell people about the CHIP program in some of the low-income neighborhoods, and sometimes when people would answer the door, they seemed almost suspicious of why somebody there from the Federal Government would be trying—what do they want, and what were they going to be asking, what kind of questions.

And you mentioned, Dr. Edelman, a report about medical care for children. I guess I really would like to see that and find out how we can better—the States—get parents to enroll their kids in the medical care programs that are available to children. That would be, I think, very, very helpful.

Again, I don't have other questions right now, but I do appreciate the information. All three of the witnesses have delivered their statements, and I know Congressman Cardin has done a lot of work in this area, and I really appreciate that as well. Thank you all very much.

Chairman NUSSLE. Mr. Capuano?

Mr. CAPUANO. Mr. Chairman, thank you. First of all, I want to thank you for having this hearing as well. I think it is honorable and the right thing to do.

I have a few comments, a few clarifications I would like to get, and then a few questions, starting with, first of all, I appreciate the focus on the difference between ending poverty and ending welfare. I think it is an important distinction that I will carry forward from this day as I speak about these issues—because I haven't really thought of it in those terms—and I just want to thank you for putting it in those terms.

Secondly, I wish Mr. Miller was still here, relative to his comments on down payment assistance. There are many people who think that we have to do one and not the other, and that is just not true. Last year, the House actually passed a bill on housing issues the Senate didn't take up that included a down payment assistance program that I authored in the Banking Committee. It was adopted, I believe, on a voice vote. I am not even sure. It was bipartisan; everybody agreed with it. There was no problem whatsoever amongst any housing advocate that I know relative to the President's proposal on a new down payment assistance program. The problem is at what cost? And for me the issue is not that program or any other program that wants to help anybody get into housing, either as a tenant or an owner. It is that program is authored at the detriment of existing housing programs.

We are proposing to build a new porch on our houses when we not only allow but actually encourage the crumbling of the foundation. We are taking money away from existing housing programs and are adding in new programs, and that is a huge distinction. It is not the same to say we oppose new programs. We don't. I don't know anybody who does. We simply want to make sure that the programs we have are maintained and stabilized before we start

building on it. And I wish he had been here to hear that, and I will try to express that to him at a later point.

The other point I want to make is I am sure that it is true. I know it is true. Not every State has screwed up the SCHIPs program. There are some States that have done a pretty good job, and I think that has to be drawn out as well, because it is not a total problem. There are many States that have done a good job—not many, several. Maybe many. I don't know the exact number. And they have provided a model that other States can and should follow. We don't have to reinvent it here in Washington. It would be a shame, though—I happen to agree with Mr. Bentsen that maybe we will have to at some point. It would be a shame if we have to take it back. I don't want it back. It should be at the State level, but they refuse to do it. When other States can do it, that is something we will need to address, and I think it is important to say that, that not every State has made a mistake.

I would just like to get a clarification, Dr. Haskins. I think I understand it, but I want to make it clear in my own mind. When you talked about encouraging marriage, and at a later point during that same discussion you talked about committed monogamous relationships, I want to know, was your statement a statement on moral values or a statement on the economies of scale that is gained by more than one person contributing to the overhead of a family loosely defined?

Mr. HASKINS. I believe it was both. But it certainly is just a statistical observation first. There is, I think, virtually no analyst would doubt that one of the main contributing reasons to increases in child poverty and continuing high levels of child poverty is the dramatic increase in the percentage of our children who live in single-parent families. It started roughly in the early 1960's and just kept going until about 1994 or 1995, at which point it leveled off, and it is coming down a little bit now. That in itself will have a dramatic statistical impact on growth of poverty rates or child poverty rates in general.

But it is also a moral statement that parents who have children should be deeply committed to them. All our young people should know that by far the best rearing environment for a child is a married two-parent family.

Now, we have a lot of single families. We shouldn't forget them. We should not demean them. We don't need to say unkind things about them. But the fact remains that children do much better in a married two-parent family, and our public policy should take that into account.

Mr. CAPUANO. I appreciate that, but I would take issue with the moral value aspect. I agree with you 100 percent that the economy is gained by having two or more adults together. It is a great benefit and a great benefit for the child. On the other hand, I didn't expect this to be a moral discussion. I might disagree with you on, first of all, the definition of marriage, and, second of all, whether a child is better off with two parents or two adults in the household, whether they are married or not. I would argue that they probably are better off even if they are not married, and marriage would be nice, and it is a nice moral value that maybe I might share with you, but I am not sure it is important to the discussion

we are having of the economics of policy. But, again, it is a discussion for another point.

But I want to ask Ms. Edelman and Mr. Cardin, Dr. Haskins made a comment that we are on the right track, very general statement obviously, and lots of details we could argue about. I just want to make sure that you would agree with that general statement that we are on the right track, or would you not? Would you disagree with it?

Mr. CARDIN. I think we have some very important tools that are in place, and we need to strengthen those tools. In regards to welfare, yes, I think we are on the right track. In regards to housing, no, we are not on the right track. In regards to other areas that affect poverty, I think we have to be bolder and look at new approaches, but I think in regards to the social programs of welfare and the related—if we provide the resources, and we correct the problems that I have mentioned, I think the tools will work to reduce the poverty levels in this country.

Ms. EDELMAN. May I just make a very few brief comments? One is that we will submit for the record how all the States are doing in enrolling their children and what can be done to make it better, so you can make your own judgments. But at some point we need a Medicare program for children. If every 66-year-old is automatically entitled to health care without a whole lot of bureaucracy regardless of where they live, every 6-year-old and 16-year-old should have the same. So while we are trying to pave the little highways that we have on Medicaid and CHIP, I hope we will move ourselves toward the same safety net that we have for our senior citizens so that parents do don't have to go through the State bureaucratic hassle.

Secondly, I would just like to comment that even if—and I will check my figures when I go back—but even if we took the poverty rates in two-parent families in America among children, they would be far higher than poverty rates in any other comparable industrialized nation, and we need to do better by both single parents and by two parents. But we have got parents—two parents struggling in a labor market who still can't buy decent housing or rent decent housing or afford child care, and so we have got to support two parents as well as single-parent families in the labor force.

And lastly, we may be on the right highway, but we are not going fast enough, and there has just got to be a whole different level of commitment. We cannot have a Nation that says, we favor justice and equal opportunity, and have 12 million poor children. No other country in the industrialized world has poverty rates like these. I mean, no other country lets its children go without basic health care regardless of where they live. And we know what to do. If you made the child care tax credit fully refundable, 2 million children could have been lifted out of poverty immediately. I am very glad that we got a partial one, but we can take those steps.

We have got to move far more holistically and with the sense of moral urgency to see that all of our children get the good early childhood foundation they need, to get the education they need, and that is what we have tried to do by laying out a coherent policy vision in the Act to Leave No Child Behind. They don't come in pieces, again, and we have got to stop the incremental marginal

steps and to take our children and families as seriously as we have taken, from my view, far less important things.

So we need to go in a much more comprehensive and a much more rapid way. Children have only one childhood, and we are building prisons faster and faster. I don't know what to say about the values of a Nation that would rather wait until a child gets into trouble and build more and more expensive prisons and won't give that same child health care and child care.

These are not rocket science solutions. I would just invite any member of this committee to go out with us and to look at all the wonderful programs and policies that are in place, which if we extended them to all children, which is what we need to do, could really begin to have an enormous impact.

So the issue is not what to do. The issue is building the will that makes us do it, and we are determined to see that that happens.

Mr. CAPUANO. Just a little footnote. Some people would argue that prisons are a form of housing, and I wouldn't share that.

Ms. EDELMAN. A very expensive and undesirable form of housing.

Mr. CAPUANO. You made a comment earlier on that we have the means—

Ms. EDELMAN. We have the means.

Mr. CAPUANO [continuing]. To do all this. Depending on where we are and based on what I have seen in this Congress thus far and what I read in today's Congress Daily by some eminent leaders of this House and the Senate, I think we may have to amend that statement at the very near future that we had the means, and we made other choices. I don't happen to agree with those choices, but think that is going to be the case at the end of this Congress and—

Mr. CARDIN. As a Nation we have the means. As a Nation, we have the wealth.

Mr. CAPUANO. And as representatives of this Nation, I believe we have made—not me, but I think this Congress has made decisions that will make that statement, that we had the means, and we made different choices. I think it is a shame, but I think it is true, because I just don't think that we are going to be able to meet these ends. We are not willing. I shouldn't say we are not able. We are not willing to do what it takes to accomplish the goals that we all sit here and espouse, yet our voting records don't show that. Thank you.

Chairman NUSSLE. Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman. Let me add my appreciation to the panel, to all of you, for appearing here and for the quality of your testimony.

Ms. Edelman, let me ask you first about the implications for our current appropriations decisions of your testimony. As you know, the Labor-HHS-Education appropriations bill will likely come at the end of the current appropriations cycle. That means it is in great danger of being squeezed by other appropriations bills, by the tax cut that has just been enacted, and by the shrinking surplus. So there are going to be some real pressures on that bill.

In your testimony you focus on that bill. You talk about the need for a billion-dollar increase in Head Start, a billion-dollar increase

in the child care and development block grant, as well as the restoration of funding for the social services block grant.

In your report on your Leave No Child Behind proposal, you advocate full funding for these items. How close would the amounts you advocate in your testimony come to that goal of full funding? What do you regard as full funding? What is the desirable level of funding for these items?

Ms. EDELMAN. Well, I think we lay that out, and I will submit in detail what we mean by full funding, both for Head Start and for child care, and I don't know whether it is 80 percent, which is what we usually talk about in terms of full funding for child care, but we have that worked out as obviously a floating target. But I think when we talk about full funding for child care, we are saying every eligible child, and it varies when we say what we mean. And I think it is about the 80 percent level, but we can provide you very specific figures of what we mean by that in each of the areas, and then you can see how close you are coming.

It is very clear that in terms of the administration's budget proposals, appropriations proposals, we are going to actually end up losing children under Head Start, and we are going to not address, in any way, the significant child care and housing and nutrition needs of our families. But I will be able to answer that by submitting that to you within the next few hours.

Mr. PRICE. Good. That would be helpful, because we are going to need to not only look at the administration's request very critically, but also what our Appropriations Committee can come up with and—

Ms. EDELMAN. We will get that to you by the end of the day, sir. [The information referred to follows:]

MS. EDELMAN'S RESPONSE TO MR. PRICE'S QUESTION REGARDING HEAD START

While Head Start now serves only 3 out of every 5 eligible preschoolers and a fraction of the infants and toddlers who are eligible for and will benefit from Early Head Start, current enrollment would have to be cut by 2,500 young children if the administration's Head Start budget proposal for fiscal year 2002 was enacted. Head Start is the premier early childhood program and it is critically important to make the new investments that will extend the program to all the children who are eligible for and will benefit from its vital and comprehensive services.

Mr. PRICE. And what kind of effort it is going to require to meet these goals, which have a lot of lip service going for them, but the question is can we make the money available to really meet these commitments.

Mr. Haskins, let me turn to you and ask a question drawn from your testimony, the charts you provided. They give a rather hopeful picture. At least they appear to. Welfare reform is working, you say. You give an impressive defense of the policy changes that have been made, both welfare reform and the expansion of the work support system. As you know, skeptics attribute much of the change that has occurred to the thriving economy. How do you separate the effects of the thriving economy from the effects of changed policy? I suppose those competing claims are now about to be put to the test as we absorb the effects of an economic downturn.

But let me ask you, how do you expect the economic downturn that we are experiencing and that we anticipate, to affect the gains that you have identified? What is going to happen to those charts,

do you think, in the next year or two? And depending on what the answer to that question is, what are the implications for Federal spending levels or for Federal policy more generally?

Mr. HASKINS. Right. First I would like to point out to the members of the committee that we also had an extremely hot economy in the 1980's. We had a net increase of 19 million new jobs, and during that time the welfare rolls went up 10 percent. So to say that a hot economy automatically sucks people off welfare so that they can take advantage of a hot economy, it just doesn't work that way. It was only when we changed the welfare system in combination with a hot economy that we got these good results.

Now, if the economy continues to go in the direction that it is going, and we begin to have impacts on unemployment, especially among low-income families, which is a reasonable expectation, then we may have some trouble. The States have had about a 60 percent decline on average in the number of people that they have in their welfare caseload relative to the funding level they have, because the funding level for every State was set at the highest of a combination of years in the early and mid-1990's. So the trick for the States will be to handle this problem to bring that money back so more people can receive welfare. Some of them have saved up some money. Some of them are not using all their money. Some of them have made investments in other places, and they—for example, child care, presumably they have less child care if they have fewer people working, but they will have to bring that money back so they can make sure that people that would have qualified in the past will continue to qualify for benefits if they cannot find a job.

So there are a lot of resources in that block grant, and I would like to point out one more thing to the committee. The unemployment insurance system depends on a trust fund, and when that money is gone, the States are out of luck. They have to borrow money out of Federal law. They are forced to borrow money and pay interest. But under TANF, the States get new funds every single year, so they have a new source of money that comes every single year.

Now, having said those things, I do think that there are things that we should be concerned about. I think probably the first thing that we should do is to make sure that States use the most recent accounting period. When the States decide who gets unemployment insurance, they base it on how much they have earned, and over a period of time to qualify recipients must work in at least two quarters, but many States do not include the most recent quarter.

Well, what quarter is an unemployed person most likely to have worked in? You can't get above 100 percent. They have all worked in the most recent quarter. But as a leftover from the old days when States didn't have computers and couldn't compute it so quickly then states were allowed to ignore the most recent quarter. So that one change would make a big difference in the number of people that would be covered by unemployment insurance.

Secondly, our contingency fund that Mr. Cardin mentioned, is not a very effective device. The trigger is too high. I do think we should make some changes in the contingency fund, and that would undoubtedly be scored as costing some money by the Congressional Budget Office, but I think we should do it.

Mr. PRICE. Well, let me just—my time has expired, but as to your comparison of the 1980's and 1990's as being basically equivalent, except for the policy changes: Am I not correct that unemployment averaged about 7-1/2 percent in the 1980's? That is considerably different, isn't it, than the 1990's? Would that not be an important distinction you would want to mention in terms of people leaving welfare for the workforce?

Mr. HASKINS. Absolutely. And there are other differences between the 1980's and the 1990's, but if the general proposition is that a hot economy with lots of new jobs attracts people off welfare, there is absolutely no evidence in the history of welfare to support that to anything like the degree that we have seen in the 1990's.

I am just making a simple point that there was both a pull and a push; a push that required people to leave welfare and really, I think, fundamentally changed the values and the approach to life of people on welfare that they have to do their part, and the public officials now expect that of them. It has been communicated very clearly, and so they join the economy in jobs where their income increased, and that is a very important part of the solution, along with the work support system that we all agree is a good thing.

Mr. PRICE. You make a convincing case for the importance of policy changes. I am just not sure that your argument using the 1980's as a baseline holds up.

But anyway, my time has expired. I appreciate your elaboration, and of course I will appreciate any further thoughts that you have down the line about the likely implications of the economic downturn for Federal policy. Thank you.

Chairman NUSSLE. Mr. Clement?

Mr. CLEMENT. Thank you, Mr. Chairman. This has been an excellent panel. It has been a very helpful to me.

I wanted to ask you, Dr. Haskins, first, and then I want the others to comment as well.

I had a situation in Nashville. I went to a high school, and they have a nursery school in the high school, and, you know, I am one of those people that feel like, if we don't do more to help our children, we truly will go back into the Dark Ages. As rich and as affluent as the United States is, I can see signs of real deterioration, and that lack of investment in our children not only to provide them services, but also to protect them.

But I noticed at the high school when I was talking to the mothers with the small children in the nursery school, in the public high school and home, and then I started asking them about their—about the father, and none of the fathers were in the high school. All the fathers were older guys, you know, with cars, money, housing, whatever. But they were preying on those young girls, and—but none of those women or young girls in high school were still trying to complete their high school education. None of them were really holding that person accountable for them having a child. The government was still trying to help where they could, but the guy that impregnated them seems to be taking a walk. And I am really concerned about the deterioration of the family, and this is happening all over the country. This is just an example of what I have experienced at home.

Mr. HASKINS. I want you to know that if that is the case, the mothers are in violation of the law. They cannot under Federal statute get welfare payments unless they have fully cooperated with the child support system, and it is specified in the law specifically what they have to do to cooperate.

Not only that, but if you look at recent data, it is truly astounding. In 1996, in the welfare reform bill, we passed the most ferocious set of child care provisions you could possibly imagine. I suppose we could still add the death penalty for nonpayment of child support, but they are ferocious provisions. And in 1999, we actually established more paternities than there were children born outside marriage because of this new law and the cooperation that has been forthcoming from the States.

So the thrust of my answer is that the child support system is very strong and getting stronger. It still has problems, but it is a very unusual high school where all the mothers in a class have not identified the fathers, because we are getting paternity establishment all over the country.

And, by the way, I would like to add one thing. Undoubtedly the single most important measure that States have taken to establish paternity in these cases of births outside marriage is to go into the hospital and to voluntarily ask the father to sign the paternity agreement. What a great opportunity it is now that he is going to be a father and so on, and they do it.

Ms. EDELMAN. Let me say two things. If older men are preying on or dealing with younger children, then they ought to be dealt with, and that should not be permitted under the law. I mean, I think that maybe we need to talk about making sure that young girls are not falling prey to older men, and we need to talk about that.

Secondly, I really do believe that every parent, father and mother, should be able to support their child and believe very strongly in child support enforcement. There are provisions here for that and that fathers should be held accountable.

But third, we have got to establish, again, a new tone. I think that we have got to make sure that young men coming up are raised, like young women, not to have children until they are able to support them, and we make sure that they get the education and are then held accountable for making sure they are good parents. I mean, Benjamin Franklin said a whole long time ago that a key to marriage is young men who can support their families, and so I think that we have got to pay as much attention to boys as well as to girls and to try to set a different climate.

And last, let me just say we are hypocritical in this country in some ways about out-of-wedlock birth. You know, we laud in our culture—just as we laud violence—we laud sex without consequence. We put on the front of People Magazine single, very famous unwed mothers and somehow say that is OK, but we need to come to grips with how we are going to—what the cultural signals are on violence, on sex as bliss without consequence, on the importance of family, but we need to do it in all strata of our society.

But I do support stronger child support enforcement and making sure that we don't have that situation repeating itself.

Mr. CARDIN. I think this is one area that we all can come together on. I think there has been strong bipartisan support about child support enforcement issues, and I think Ron Haskins' point about marriage is something that we all agree with. I think he would not disagree when I tell you that if the father has a job, and he can contribute to the family, it is a much better candidate for marriage than if you have a father who doesn't have a job or is in prison and has no hope. It is much more difficult.

So there are two initiatives, Mr. Chairman, that this House has passed that I think will help the situation. One is the child support pass-through that we have talked about, which says that the arrearages go to the families so that the father feels that he is part of the family with the child support that he is paying. It connects the family together, and it makes sense. We have passed that before.

The other is the fatherhood initiative, which says that, look, if you want to get a family off of welfare and out of poverty, there are two parents here. Don't just deal with the custodial parent, deal with the noncustodial parent. Provide job training and counseling to the noncustodial parent. And we have passed that bill also. It has died in the Senate by inaction, but I think there are two major pieces of legislation that we should make sure this year actually get to President Bush's desk and get signed into law.

Mr. CLEMENT. I wanted to follow up on the faith-based organizations in your testimony. Are you concerned about the fact that the faith-based organizations would take away or divert money from other services that need—

Mr. CARDIN. No. I am not. I am concerned there is not enough money available for faith-based and governmental and nongovernmental, nonfaith-based programs to be able to do their job. So why not use the existing funding sources that have been successful in energizing the faith-based groups, such as social services block grant, put more money into that, and you will be able to deal with the problems that are out there in a much more effective way.

Mr. CLEMENT. Thank you.

Chairman NUSSLE. We have a couple of votes on the floor. We have time for one follow-up question, Mrs. Clayton.

Mrs. CLAYTON. Just a follow-up. I wanted Dr. Haskins and Ms. Edelman to know that there is some reform that you mentioned about food stamps that is in progress. The Agriculture Committee is in the process of writing the farm bill, and the issue you raised about quality control for the States is in place. Also transition from welfare to work is in place. I think at least we are beginning that role and hope that you will continue to encourage it.

Thank you, Mr. Chairman, for having them.

Chairman NUSSLE. I would like to thank Dr. Haskins and Marian Wright Edelman for their testimony today and appreciate all of your thoughts, and particularly to our colleague Ben Cardin. There are many Members who come before our committee to testify and oftentimes, because of scheduling conflicts, have to leave. Up here for the entire hearing. We know of your commitment. We appreciate the fact that you would spend the kind of time that you have with us today.

And what we will do is we will recess the hearing. We have three votes on the floor. I apologize to the second panel that we have to do this, but we need to go vote, and then we will return as soon as we can after the third vote and begin the second panel. Thank you again to our panelists.

[Recess.]

Chairman NUSSLE. The full Budget Committee hearing on what we entitled "Making Ends Meet: The Challenges Facing Working Families in America" will resume with our second panel.

We have with us today a very distinguished panel: Sharon Daly, who is the Vice President for Social Policy for Catholic Charities, United States, USA. We have LaVerne Hewlett, who is a mom and has probably one of the most important jobs that anybody can have, and that is nurturing and preparing her kids for the future. We are so happy that you could join us today to talk about some of the issues that you think are important for us to consider. And we have Robert Rector, who is the Senior Research Fellow for the Heritage Foundation.

We welcome all of you. Your prepared testimony will be made part of the record, and so that in the time that we have, we would like you to summarize and give us your best ideas and recommendations, and we will begin with Sharon Daly from Catholic Charities. Welcome.

**STATEMENTS OF SHARON DALY, VICE PRESIDENT FOR SOCIAL POLICY, CATHOLIC CHARITIES USA; LA VERNE HEWLETT, WORKING MOTHER, EMMITSBURG, MD; AND ROBERT RECTOR, SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION**

**STATEMENT OF SHARON DALY**

Ms. DALY. Thank you very much, Mr. Chairman. I have to begin by telling you I think that was the best hearing on poverty issues I have heard in 22 years of covering these issues on Capitol Hill. I think you and your colleagues are to be commended for the serious attention and strong attendance that you had and very good questions and, of course, the three wonderful witnesses.

My testimony today is based on both a hundred years of Catholic social teaching and a hundred years of practical experience by Catholic Charities agencies throughout the country who together served 10 million of the poorest people in America last year.

The Catholic social teaching, I just want to mention, is based in our Catholic teaching that we have respect for human life and dignity. We foster families and support communities and believe that a preferential option for the poor should be at the heart of both our teaching and public policy. The tenets of Catholic teaching made clear that the poor cannot be helped only through private charity or volunteer efforts, and as important as personal ethics and morality are, we cannot ignore the fundamental questions about the justice of decisions made by businesses, institutions, and government.

Our teaching tells us that as a society, both public and private institutions have the responsibility to ensure that human rights and dignity are protected. Among these rights are the right to participate fully in society and in the economy, the right to fair pay

and just working conditions, the right to adequate wages, and the government supports that are needed to raise children in a wholesome environment.

The Church calls on all in our society to recognize that economic decisions have human consequences and moral content. They help or hurt people. They strengthen or weaken family life. They advance or diminish the quality of justice. Every economic policy, every Federal budget decision, should be judged on its potential for protecting or undermining the common good and the effects on the poor and vulnerable.

The recent experience of Catholic Charities USA's member agencies, whose quarter of a million volunteers and staff are painfully familiar with the hardships of the working poor, underscore the challenges that working families face. Despite the strongest economy and the highest employment rates in our history, for the past 5 years our agencies have reported steady increases of 20 percent or more yearly in the amounts of emergency food and shelter they have had to provide.

In the most recent report, we found an increase in need of 30 percent in emergency food alone. The typical family coming to Catholic Charities for emergency food is a parent who is working at \$6 or \$7 an hour. Each month after paying rent, utilities, and child care costs and paying for transportation to and from work, the parents have no money left to put food on the table. And only half of the eligible families are receiving food stamps because, Mr. Chairman, it is harder in this country to get certified for food stamps than it is to pass the bar exam. Wages at the bottom of the labor market have not kept up with skyrocketing rents for even dilapidated apartments. Rents and day care costs consume parents' earnings, leaving little or nothing for food or clothing or transportation.

In the recent economic boom, landlords raised rents and were able to turn away families with children, especially those who have low incomes and need the help of Section 8 housing vouchers.

Across the country, our agencies report that families are living in shelters and transitional housing, working families, even those with two jobs because there are no affordable apartments.

In today's New York Times, there is a front page story showing record rates of occupancy in the shelters all across the country. What it doesn't point out is that a very large number of these families are working families.

Others can provide you with more statistics about the growing income gap in our Nation and the hardships that working families face. But our agencies witness another kind of evidence: the shame and weariness of parents who work all week and then have to beg for food on weekends; the disrespect of older children for parents who can't provide the essentials, much less the little luxuries. Yesterday's Washington Post and New York Times echo what our agencies tell you of adolescents out of control when the mothers have to move from welfare to work.

We have a number of recommendations, Mr. Chairman. The first is we need policies to increase wages. We need to have a higher minimum wage, and there is nothing that can replace that. We have people who do the hard, back-breaking work of society. Ex-

cuse me for saying this, but they wipe the bottoms of the babies in day care centers and of the old people in nursing homes. They scrub the floors and toilets in this office building when we all leave. They stoop in the hot sun and inhale pesticides so we can have good food. Our society would collapse without the work of these people.

Now, some argue that the answer is more education and training so they can qualify for skilled jobs. And of course that is right, but our society will still need millions of workers to keep the hospitals clean, mind the children, and process the poultry. We will always need these people, and we need to pay them fairly.

It is hard to justify how we can continue to allow a minimum wage that is an insult to working people, and as long as Congress postpones action on this, employers will be transferring their labor costs or part of their labor costs to government programs, because government has to pick up more costs for day care and health care and other things that employers should be paying for.

It is also important to note that many of the lowest paid and hardest working people, agricultural workers, aren't even covered by the National Labor Relations Act or the Fair Labor Standards Act. Simple justice requires extending these protections to this category of workers and stepping up enforcement of the labor laws. But until Congress closes that gap and gives people a chance to earn enough to support themselves without government help, we need to concentrate on wage supports.

There are certain needs that will just not be met by the economy without government intervention. As Mr. McDermott and Mr. Miller pointed out, people with Section 8 vouchers are not able to use them to find affordable apartments. And housing developers are not, on their own, building affordable apartments for families with children; not just because of government regulations, but because they can make more profitable investments in trophy houses and starter castles. Only 1 in 5 of low-income families get any kind of housing assistance. There is an absolute shortage of day care, and only 20 percent of eligible families are getting day care subsidies.

We need also to have government subsidies so that working families can have decent housing, safe child care, and adequate health insurance. You heard all about these issues in the earlier panel, but we have an additional recommendation. And on housing, we support the idea that the Federal Government should fund production of rental housing for families, as it does for senior citizens under the Section 202 program.

As you and the Budget Committee know well, every single year Congress increases funding for this program that funds production and maintenance and rents for our seniors to live in decent housing. It seems to me it would be possible to provide the same kind of program for families with children. The Federal Government could contract, as it does in 202 for the elderly, with community organizations and religious organizations to sponsor and produce that housing.

We also urge you to look at marriage promotion. We certainly have in our faith the belief that marriage is both a sacrament and sacred, and also that government policies should promote it.

We have long supported the fatherhood initiative that passed the House of Representatives last year but got stalled in the Senate. We hope there will be another effort to move that this year. It would provide new money to support and sustain marriage programs, and would encourage noncustodial parents to become more involved in the lives of their children. It would also provide training to help noncustodial parents contribute to the support of their children.

The TANF statute allows States to use welfare money for programs to promote marriage and stable families. However, with so many low-income families struggling to pay for their basic needs, we could not support proposals to require States to devote a specific percentage of their TANF dollars to marriage proposals, especially when those ideas are coupled with calls to reduce TANF funding.

We do have a proposal, though, to promote marriage. For the past 60 years, six decades, State and Federal welfare policies have discriminated against married couples and two-parent families. If we are serious about promoting marriage, Congress should require States to remove all the barriers to TANF eligibility to two-parent families.

By the way, Mr. Clement's example of young mothers who have become pregnant by older men is very common across the country. We would argue against, however, trying to persuade those young mothers to marry the older men who took advantage of them. We think those men should be prosecuted, not become husbands. So there is a big agenda here with respect to marriage.

As Dr. Haskins recommended, we also think it is important to reduce the marriage penalties, the earned income tax credit and increase the credit for families with more than two children. This year's tax bill was a wonderful step forward with respect to the refundable children's tax credit, but we need to do more.

In closing, I would like to remind the committee of the sad story of the social service block grant that Mr. Cardin made reference to. Several years ago, inexplicably the Congress cut that program by a third and transferred the budget authority for services to the poor to the highway bill. To the highway bill! The social service block grant is the primary source of Federal funds for community groups and religious organizations to help the working poor, and we urge you to increase that funding, to work with the Ways and Means Committee, and to make sure that additional authorization is embraced by this Congress.

Thank you very much.

Chairman NUSSLE. Thank you very much for your testimony.

[The prepared statement of Sharon Daly follows:]

PREPARED STATEMENT OF SHARON DALY, VICE PRESIDENT FOR SOCIAL POLICY,  
CATHOLIC CHARITIES USA

Mr. Chairman, Congressman Spratt, and members of the Budget Committee: My name is Sharon Daly, and I serve as Vice President for Social Policy at Catholic Charities USA. I would like to thank you for the opportunity to testify before this Committee on the challenges facing working families in America. Catholic Charities USA is the national association of more than 1,400 independent local Catholic Charities agencies and institutions with more than 250,000 staff members and volunteers. In 1999, Catholic Charities' programs served nearly 10 million people of all religions—or of no religion—and of every racial, ethnic and social background.

## THE WORKING POOR

On a daily basis, our agencies provide services to the struggling families who are the focus of today's hearing. The people coming through our doors are the people whose daily labors make life easier for all of us. They clean our houses and our office buildings. They care for our children in understaffed day care centers, or for our parents in nursing homes and long term care facilities. They stock the shelves in our supermarkets. They harvest our food in the fields, get meat and poultry to market in the slaughterhouses, and prepare food and serve it in restaurants and cafeterias. They have provided the difficult and often back breaking labor that has played a large role in creating and sustaining this nation's recent economic boom.

Every day, Catholic Charities staff provide help to working parents who cannot afford to put food on the table after spending so much of their income on rent and child care. They see parents who are living in our shelters far from their children's schools, because there is no affordable housing available. They see parents who have worked for years at low wages with no benefits, who have been unable to afford regular check-ups and are now suffering from untreated diabetes, high blood pressure and heart disease. And our experience with these working families has led us to conclude that the Federal Government can and must do more to ensure that parents can provide for their children without having to come to Catholic Charities for a handout.

Consider, for example, that in the past year, requests for emergency food assistance nationwide, including at Catholic Charities agencies, were up 30 percent, mostly from the working poor. Indeed, according to our front line caseworkers, the typical family coming to us for emergency food assistance is a parent working at or even \$1 or \$2 above the minimum wage. Each month, after paying rent, utilities and child care costs, and arranging transportation to and from her job (often far from where she lives), she has no money left to put food on the table. And that's a good month. If she gets sick, for example, and has unpaid medical bills, or loses time off work, she will get behind in the rent.

The experience of our local agencies may seem difficult to reconcile with the generally positive economic news. How can it be that working families have to come to churches and charities for food when we are in the midst of the strongest economy that this country has ever seen? How can so many families be living so close to the edge when, as the Census Bureau figures tell us, in 1999 the nation's poverty rate fell to 11.8 percent, its lowest level since 1979, and poverty among African Americans fell to 23.6 percent, its lowest level ever?

This phenomenon is easier to understand if you look closely at the official definition of poverty, and compare that with what it really takes a family to live, factoring in the actual costs of the basic expenses: rent, utilities, child care, transportation to work, and of course, food. The fact is, parents aren't earning enough to cover these basic expenses and make ends meet without government assistance. And, unfortunately, government assistance has often been missing or inadequate. I would like to talk today about what the Federal Government can do to help these struggling families.

Before I get to my recommendations, I would ask that you enter into the record a story recently published in the Ford Foundation Report titled: "The Real Cost of Living: Self-Sufficiency May be the Next Frontier for U.S. Welfare Reform." Unlike the Federal poverty guidelines, the Self-Sufficiency Standard is a precise measurement of how much income a family needs to manage without government assistance or private help, taking into account actual, local costs for basic needs like adequate housing, food that meets minimum nutrition levels, child care and transportation to work.

The article features the story of a low-wage mother of two young children, working 50 hours per week at \$8.50 per hour—or \$18,000 a year—yet struggling to make ends meet. Under the standard Federal poverty measurement, this young mother is well over the threshold of \$14,630 for a family of three. Yet she walked into her local Catholic Charities agency in Allentown, Pennsylvania, for emergency food assistance. She would need to earn \$14.98/hour—almost double her current wage—to meet her family's basic needs without assistance. This example illustrates precisely the reason there is such a disconnect between the glowing accounts about reductions in child poverty and unemployment in the past 5 years, and the actual struggles of working parents who are truly living on the edge.

Addressing this growing disparity must be of primary concern to the Federal Government because, without government action, the situation will only get worse. Throughout the 1980's and 1990's, the richest 1 percent of Americans saw their wealth grow by an average of \$414,000—an increase of 157 percent—while the poorest 20 percent of Americans saw their average wealth decrease by \$100.<sup>1</sup> While

those at the top of the economic ladder are thriving, working parents are finding it impossible to provide for their families. As the U.S. Conference of Catholic Bishops stated in its Pastoral Letter, *Economic Justice for All*:

The obligation to provide justice for all means that the poor have the single most urgent economic claim on the conscience of the nation \* \* \* to see a loved one sick is bad enough, but to have no possibility of obtaining health care is worse. To face family problems \* \* \* can be devastating, but to have these lead to the loss of one's home and end with living on the streets is something no one should have to endure in a country as rich as ours.

The poor cannot be helped only through private charitable giving or private volunteer efforts, though these are important components in any just society. Our Catholic teaching tells us that it is the also the responsibility of society, acting through government, to assist and empower the poor, the disadvantaged, the disabled, and the unemployed. The principle of subsidiarity is an important component of Catholic social teaching, but it does not mean that the Federal Government should cede responsibility for the poor. Rather, the principle of subsidiarity acknowledges that many challenges facing the poor are national in scope, will be beyond the capabilities of private charities, or even local and state governments, to address, and that can best be remedied by Federal legislation. The factors that make it so difficult for working parents to provide for their families—working for less than a living wage, a shortage of affordable housing and quality child care, and a lack of access to health care—are national problems that require a national solution.

#### RECOMMENDATIONS FOR REFORM

##### *I. Congress should Increase the Minimum Wage*

The most important change that the Federal Government should make to support working families is to substantially increase the minimum wage, and index it for inflation so that its buying power would not erode over time. Catholic social teaching tells us that raising the hourly minimum wage is not just an economic issue—it's a moral issue. In our Catholic teaching, all economic institutions have a responsibility to support the bonds of community and solidarity that are essential to human dignity. In other words, paying a decent living wage provides more than buying power; it recognizes the worth and humanity of our brothers and sisters, and when private employers fail to meet this standard, government must step in.

Current proposals would raise the minimum wage \$1.50 over 2 years. When implemented, this increase would give full-time workers an additional \$3,120 per year to help provide for their families. We would certainly welcome such a move, although even that increase is too little for families to exist solely on what they earn. As a result, the Federal Government and the states have an obligation to provide a variety of work supports that can bridge the gap between what working parents can earn and what it really costs to live in dignity. Over the long term, Congress should work steadily toward making the minimum wage a living wage.

##### *II. Congress Should Enact Additional Work Supports for Low-Income Families*

###### *A. Affordable Housing for Low-Income Families*

According to our member agencies, the number one problem of low-income families is the shortage of affordable housing. There is an affordable housing crisis in this country. HUD reports that the number of families who pay more than half their incomes for rent, live in severely substandard housing, or both, is at an all-time high. In March 1999, HUD released a report titled *Waiting in Vain: An Update on America's Rental Housing Crisis*, which reported on families who endure waiting lists for years before finding affordable housing. And the situation is not improving. A report released last month by the National Housing Conference found that one out of every seven American families—13 million in all—had a critical housing need in 1999.

In October 1999, Catholic Charities of the Archdiocese of Chicago issued its own statement on the lack of affordable housing for low-income families. The conclusions in that paper are no different than what is being reported throughout the country: a shortage of 153,300 low-income rental units in the Chicago area; average rents of \$736 per month, a difficult figure for a minimum wage family to afford; and rents rising at nearly twice the rate of inflation. Out of that paper has developed a proposal that gets at the very heart of the housing crisis: the need for the Federal Government to do more to spur production of affordable housing stock. We have proposed a pilot project, building on the successful Section 202 program for the elderly, to create new housing stock for low-income families. Under our proposal, the Federal Government would provide funding to faith-based organizations to produce and maintain housing for low-income families. The housing would include supportive

services for residents, ranging from job training to child care to parenting education. This program is a model that can be replicated throughout the country to fill the void left by private developers, who can make far more money building luxury and vacation homes for high-income families than affordable housing for working families. Simply put, without proactive measures by the Federal Government, our housing crisis will never be solved.

#### *B. Increase Resources for Child Care*

Next to the lack of affordable housing, our local agencies report that that lack of affordable, quality child care is a critical obstacle to success in retaining a job and advancing in the workplace. While Congress recently increased the FY 2001 Child Care and Development Block Grant (CCDBG) by a welcome \$817 million, there are still less than 20 percent of eligible children now receiving help. This is an increase up from 10 percent, so we are moving in the right direction, but there is still a long way to go.

There are a number of factors that make it difficult for low-income families to find or afford quality child care. Parents lacking job experience or skills frequently have to accept jobs on weekends or the night shifts, when office buildings need to be cleaned or fast food positions need to be staffed. Child care during these non-traditional hours is woefully scarce, and parents often must turn to substandard substitutes. In addition, state subsidy rates are below the local fair market rates. Inadequate subsidies deprive parents of genuine options in choosing day care providers, keep poor children out of existing quality child care programs, and limit providers' ability to attract qualified staff with fairer salaries or improved benefits. Finally, child care workers are seriously underpaid; the average salary is \$14,000. These low salaries, which often don't include benefits, contribute to a high rate of staff turnover, which is difficult on the children in care. The inability to attract and retain quality workers to care for our nation's children is a problem that must be addressed. And, finally, there are not enough child care dollars to serve all who are eligible for assistance.

We urge Congress to increase the FY 2002 CCDBG budget by \$1 billion. This increase should be part of an annual Congressional commitment to narrowing the gap between the children who receive CCDBG aid and the number who need it. And CCDBG funds must be used to address the urgent need for more child care facilities to provide non-traditional hours of service.

In addition, Congress should pass the "Child Care Quality Incentive Act" (H.R. 2097/S. 1000). This legislation, introduced in the House by Representative Sanford Bishop and in the Senate by Senator Jack Reed, provides incentives for states to increase quality, including tools to allow states to attract and retain qualified staff; provide salary increases and benefits to child care workers; maintain healthy environments in child care centers; and purchase basic supplies and educational materials.<sup>2</sup>

I would add one additional note on this subject. Catholic Charities USA, along with numerous other organizations, has long urged Congress to restore funding for the social services block grant (SSBG), which provides a wide range of services to the poorest and most vulnerable Americans. Programs funded under SSBG have had to be scaled back in recent years, since Congress transferred part of the budget authority for SSBG to Federal highway programs. The just-published SSBG Annual Report on Expenditures and Recipients for 1999, reports that:

Twelve and a half million individuals in the country received services that were funded at least partially by the SSBG \* \* \* Child day care, with the support of SSBG, served the largest number of recipients. Forty three states reported SSBG expenditures for child day care; 2.62 million children received day care services supported at least partially by the SSBG. In other words, nearly half of all child recipients (6.8 million [54 percent] of all recipients of the 1999 SSBG) received child day care services. Expenditures of \$397 million for child day care, the largest category of SSBG expenditures, accounted for 13 percent of all SSBG expenditures.

In light of this report, Congress should take steps to restore SSBG funding, in addition to the reforms mentioned above, as a means of increasing access to affordable child care.

#### *C. Increase Access to Health Care*

Catholic Charities USA has long advocated for the adoption of universal health coverage, which would allow all individuals to receive on-going, preventive care when they are healthy, and necessary corrective care when they are ill. While we realize that Congress is unlikely to consider proposals for universal coverage in the 107th Congress, we have been encouraged by statements made during discussions

on a Patient's Bill of Rights indicating that Congress should do more to help the nearly 43 million individuals who currently lack health insurance.

In fact, Congress can take a significant step toward greater access to insurance this year by expanding Medicaid and SCHIP to cover working parents and children with disabilities. Many people mistakenly believe that families living at or below the poverty level receive health care coverage through Medicaid. While that is true for low-income children, the same can not be said for low-income parents. Indeed, a study just released by Families USA found that 81 percent of low-income, uninsured adults do not qualify for Medicaid or other public health coverage in their states. The vast majority of the uninsured are in working families.<sup>3</sup>

The budget resolution recently approved by both houses of Congress provides \$28 billion to spend on health care for the uninsured. This provision will be meaningless, however, if Congress does not pass authorizing legislation and appropriate the funds. We hope that Congress will act soon to use this money to provide coverage under Medicaid and SCHIP to working parents and pregnant women. This is particularly important in light of recent studies demonstrating that providing public health coverage to parents leads to increased enrollment in public health programs by their children. When parents are included in state health programs, their kids benefit—often dramatically. As a study by the Center on Budget and Policy Priorities showed, states that expanded their public health programs to parents saw children's participation rates increase significantly, from 51 percent to 67 percent, compared to an increase of 51 percent to 54 percent in states without similar expansions.<sup>4</sup>

We know that there is a clear correlation between lack of insurance and access to health care. The uninsured have more difficulty obtaining primary care and access to essential medication, and have a higher rate of hospitalization for treatable conditions such as hypertension, asthma or diabetes. It is simply unacceptable that so many hard working Americans, whose daily labors make life easier for all of us, must suffer the consequences that result from being uninsured.

While we are on the subject of health care, I would like to mention two areas of health care that our agencies deal with quite frequently: substance abuse and mental health. According to the Office of National Drug Control Policy's 2001 Annual Report, more than five million individuals are in need of immediate treatment for drug abuse, yet less than half of those individuals will receive it. Our agencies report the same sad story, frequently having clients for whom no treatment is available. This "gap" in treatment resources has significant negative consequences for society, including decreased family stability, lower worker productivity and higher crime rates. We know that effective substance abuse treatment works. By devoting additional resources to fund substance abuse treatment programs—and particularly integrated treatment for individuals who suffer from both substance abuse and mental health disorders—Congress could help reduce the gap in unmet substance abuse treatment needs.

Two bills pending before Congress would do just that. Representatives Charles Rangel and Ben Cardin, and Senators Olympia J. Snowe and John D. Rockefeller, have introduced H.R. 1909, the "Child Protection/Alcohol and Drug Partnership Act of 2001" (H.R. 1909/S. 484). This legislation would provide funding to promote joint activities among federal, state and local child welfare and alcohol and drug abuse prevention and treatment agencies.<sup>5</sup> Senators Orrin Hatch, Patrick J. Leahy, and Joseph R. Biden have introduced S. 304, the "Drug Abuse Education, Prevention, and Treatment Act of 2001," which would provide additional Federal funds for programs ranging from jail-based substance abuse treatment to residential treatment centers for women with children to treatment for persons living in rural states and economically depressed communities.<sup>6</sup>

Similarly, we urge Congress to pass S. 543, the "Mental Health Equitable Treatment Act of 2001," introduced by Senators Pete Domenici and Paul Wellstone.<sup>7</sup> S. 543 will prevent group health plans from imposing different treatment limitations and financial requirements on individuals suffering from mental illnesses than those imposed on individuals suffering from physical illnesses. According to the Department of Health and Human Services, each year 56 million Americans experience a diagnosable mental disorder, but only one in four adults and one in five children receive necessary treatment. We know that when properly designed and administered, treatment for mental illness is every bit as effective as treatment for physical illnesses. Yet, as a General Accounting Office report found last year, many insurers continue to impose limits on mental health benefits that are more restrictive than those for medical or surgical benefits.

Left untreated, mental illness can take a remarkable toll. The economic burden of mental illness in the United States is \$170 billion per year, yet the human cost born by individuals suffering from such conditions, and on their families, cannot be

estimated. Passage of S. 543 can help to ensure that individuals suffering from mental illness can receive the treatment necessary for them to live in dignity and lead healthy, productive lives.

#### *D. Strengthen Working Families*

There are a number of other initiatives that would greatly contribute to the living standards of the working poor. I would like to highlight three in particular, all of which are included in S. 685, the “Strengthening Working Families Act,” introduced in the Senate by Senators Evan Bayh and Olympia J. Snowe.<sup>8</sup>

First, S. 685 would promote responsible fatherhood by funding programs designed to support and sustain marriage, encourage non-custodial parents to become more involved in the lives of their children, and provide job training and other services to help non-custodial parents contribute to the support of their children. As a general matter, children raised with the involvement of both parents develop fewer behavioral problems, perform better in school, and experience higher levels of sociability. In addition, children raised in two parent families are less likely to be raised in poverty. For those reasons, we strongly support programs that seek to increase the number of fathers who are involved in their children’s lives.

Second, the bill would allow states to “pass through” child support payments directly to custodial parents and their children. Under current law, a family receiving cash assistance under the Temporary Assistance to Needy Families (TANF) program is required to assign to the state its right to child support payments during the assistance period. This can be discouraging for non-custodial parents who pay support for their children, only to see the money retained by the state instead. For families that are struggling to become self-sufficient, child support payments can provide a critical boost. Indeed, studies have shown that when households headed by single mothers receive child support payments, their poverty rate drops from 33 percent to 22 percent.<sup>9</sup> By allowing for a child support pass through, Congress can ensure that child support paid by non-custodial parents, primarily fathers, reaches the children who need it, and can give low-income families the help they need to succeed without welfare.

And third, the bill would increase the Earned Income Tax Credit (EITC) for low-income families with three or more children and simplify the EITC rules, thus improving taxpayer compliance and reducing error rates. The EITC is the only individual tax credit that provides a Federal payment when a filer’s tax credit exceeds income tax liability, lifting 2.6 million children out of poverty while encouraging work. While middle income and affluent families get the full benefit of the personal exemption for all of their children, low-income working parents receive the EITC for only a maximum of two children. Child poverty rates are significantly higher among families with three or more children (28.6 percent) than families with two children (12.4 percent).<sup>10</sup> Given the EITC’s proven role in lifting families out of poverty, expanding the credit for families with more than two children is an important step in addressing this problem. (The bill also restores the social services block grant, an issue discussed in Section II.B. above.)

#### *III. Congress Should Make TANF Work Better for Low-Income Families*

Most low-income families are not receiving, and have never received, welfare benefits. Yet we cannot adequately address the problems of all low-income families if we don’t consider the needs of parents who are struggling to make the transition from welfare to work. In less than 1 month, we will observe the 5-year anniversary of the creation of the Temporary Assistance to Needy Families Program (TANF). As this anniversary approaches, pundits and policymakers will be debating whether welfare reform has been a success or a failure. The answer to this question depends, in large part, on what we define as success.

If the goal of welfare reform was to reduce welfare caseloads, it is difficult to argue that TANF has not succeeded. Between 1994 and 1999, welfare caseloads were cut in half. For many, that is all the proof they need that welfare reform has worked.

If, however, the goal of welfare reform was to lift people out of poverty, and to help them live their lives in dignity, the conclusion is not so simple. In 1994, Catholic Charities USA issued a position paper on welfare reform, titled *Transforming the Welfare System*. In that paper, we made the point that there is a difference between making people work, and making work pay. The reports we receive from our local agencies underscore this point. They tell us that, while parents are leaving TANF for work, the jobs they secure often keep them at or near the Federal poverty level. And the longer they are off cash assistance, the more likely they are to lose the link to a number of important income support programs, like food stamps or Medicaid,

that can help them provide for their families. It is then that they turn to churches and charities for help in making ends meet.

A recent editorial from the Chicago Tribune underscores the need for TANF to provide more support to working families. The editorial references a recent audit conducted by the state of Wisconsin—a state that has done more than many others to support individuals leaving the welfare rolls for work—which found that less than half of those who left the welfare for work in early 1998 earned enough to lift them above the official Federal poverty threshold 3 years later.<sup>11</sup> If that is what is happening to welfare leavers in one of the states doing the most to support work, it is clear that more must be done. The upcoming reauthorization of TANF provides us with a prime opportunity to make the program more supportive of working parents. Among our recommendations for the upcoming reauthorization are the following:

A. Poverty Reduction: First, actual poverty reduction should be made an official purpose of the TANF program, and states should be given bonuses tied to poverty reduction. We know from past experience that states respond to fiscal incentives when they are written into Federal welfare law.

It is important that poverty reduction under TANF be calculated according to a meaningful measure. We cannot evaluate poverty reduction using the Federal poverty guidelines. These guidelines are outdated, and no longer provide a useful measurement of what a family requires to live without assistance from government agencies or private charities. Federal poverty guidelines are based on the premise that a family's primary expense is food. Today's families spend the bulk of their income on housing and child care. Using the Federal poverty guidelines to measure poverty reduction would allow states to collect rewards for reducing poverty without guaranteeing that more families can survive on what they earn. Poverty reduction measures should be based on progress toward a living wage, one that represents what families need in their own communities to make ends meet.

B. Education and Training: Congress must find a way to ensure that families on TANF have an opportunity to move up the wage ladder. Too often, parents leave TANF for low-skill, low-paying positions that may never lead to a living wage. This can be addressed by providing TANF parents with better access to continuing education—particularly post-secondary education—and job training programs. Numerous studies have shown that, for women leaving welfare, education beyond high school is a key factor in moving up the economic ladder. Yet as a general rule, TANF policies have not allowed recipients to pursue post-secondary educational activities. In light of the evidence demonstrating that better education leads to better outcomes, it is counterproductive to put in place policies that discourage or fail to support higher learning. Congress should take steps to encourage programs like Maine's "Parents as Scholars," which stops the TANF clock while recipients pursue post-secondary education. Wyoming also has a similar program in place.

C. Wage Supports: States should be provided with strong incentives to use TANF funds to provide workers with wage supplements. These stipend payments can help families meet work expenses or other needs that their minimum wage earnings are insufficient to handle. Texas recently initiated a program to provide families with stipends of at least \$1200 per year to meet work expenses.

D. Transitional Benefits: While many families remain eligible for health care, food and child care assistance, they have been losing these vital supports upon leaving TANF, due to widespread confusion and the existence of numerous administrative barriers. States should be required to automatically enroll families leaving TANF for work for one full year in the Food Stamps Program, Medicaid, and child care assistance programs.

Almost two-thirds of families leaving TANF do not receive food stamps in the 6 months after leaving welfare, although numerous studies show that most continue to live below the poverty line and even more fall within the Food Stamp Program's income limit (130 percent of the poverty level). Many don't realize they are still eligible, and the states don't do a good job of telling them. Many can't afford to take a day off from their new jobs to go down to the welfare office and apply in person. States should automatically provide the family with the same level of food stamp benefits that it was receiving while on TANF for a period of 12 months. States should not make it difficult for the family by imposing additional administrative requirements. The TANF computer should simply tell the Food Stamp computer that this family is eligible, and the family should be issued an electronic benefit card or food stamps.

Similarly, families leaving welfare for work are currently eligible for up to 1 year of transitional Medicaid coverage, but they often aren't getting it, for the same reasons they aren't getting Food Stamps—they aren't aware they are eligible, or they aren't able to satisfy burdensome requirements. Again, the TANF computer should

simply see to it that the family leaving for work is issued a Medicaid card covering all members of the family for a full year.

Finally, a parent's ability to secure child care is a crucial factor in determining whether the family will succeed in the transition from TANF; yet only 30 percent of families leaving TANF receive child care assistance. As a condition of receiving the Federal funds available each year through the Child Care Development Fund block grant, Congress should require states to guarantee child care assistance to families making the transition from TANF (and to make that guarantee known). Of course, any Federal child care requirement would need to be accompanied by an increase in funding of the Child Care and Development Fund, and contain appropriate safeguards to ensure that the guarantee of assistance to families leaving TANF does not crowd out child care and other assistance to families currently on TANF.

E. Food Stamp Reform: In addition to providing transitional food stamp benefits, states should be required to encourage working families to apply for food stamp benefits, and to simplify their application procedures so families can access the benefits to which they are entitled. Working adults cannot afford to spend a full day at the welfare office every few months, filling out a 26 page application, supplying 14 kinds of verification, and enduring the condescension of the eligibility worker. To do so is to risk not only a day's wages, but also quite possibly a job. When you consider that current rules in many states require working parents on food stamps to reapply in person every 3 months, it is no wonder that less than half of eligible households are participating in the program.

Families should be able to apply for food stamps by mail with income verified by employers, if necessary, to avoid the necessity of losing time from work for an interview. States should also make efforts to develop and implement a comprehensive communications strategy informing families that their food stamp eligibility is not affected by the TANF time limits.

F. Restoration of Benefits For Legal Immigrants: Congress should also act to ameliorate some of the harshest provisions of the 1996 welfare law: those provisions barring legal immigrants who entered the country after August 22, 1996, from receiving public benefits. At a minimum, Congress should restore eligibility for Medicaid, SCHIP and food stamp benefits to legal immigrant children and pregnant women.

Under current law, pregnant women and children who are legal residents and arrived in the United States after August 22, 1996, are barred for 5 years from receiving Medicaid and SCHIP benefits. Pregnant women and sick children cannot wait 5 years to get the medical attention they need. The important goals of Medicaid and SCHIP are undermined when states are not permitted to use Federal funds to provide preventive and other basic health care services to lawfully present immigrants. Representatives Lincoln Diaz-Balart and Henry Waxman, and Senators Bob Graham, Lincoln Chafee and John McCain have introduced the "Legal Immigrant Children's Health Improvement Act" (H.R. 1143/S. 582),<sup>12</sup> which gives states the option to extend Medicaid and SCHIP benefits to these women and children. Congress can lessen the chance that these children will develop long-term and chronic health problems, and instead help guarantee that they can become productive members of our society.

Similarly, a growing child's need for adequate nutrition is not lessened merely because the child is a legal immigrant. The Food Stamp Program, by supplementing the limited purchasing power of low-income households, helps to alleviate hunger and malnutrition for poor individuals and their families. While our nation as a whole is enjoying great prosperity, too many working families, including legal immigrant working families, have not shared in that prosperity. Their daily labors make life easier for all of us, but their take-home pay is often insufficient to cover rent, child care, clothing and transportation costs, and still have enough left to pay for their food. Representative James T. Walsh, and Senators Edward M. Kennedy and James M. Jeffords have introduced the "Nutrition Assistance for Working Families and Seniors Act" (H.R. 2142/S. 583)<sup>13</sup>, which would restore Food Stamp benefits for legal immigrants, among other provisions. Passage of the bill will ensure that these working families can provide their children with the nutrition they need for healthy development.

Efforts to restore Medicaid, SCHIP and Food Stamp benefits have broad bipartisan support and further basic notions of fairness and common sense. According to the National Academy of Sciences, the average immigrant contributes \$1,800 each year more in taxes than he or she costs federal, state and local governments. Immigrants pay taxes to support services to others; they too should have access to assistance when they fall ill. In addition, the babies born to legal immigrant mothers will automatically be U.S. citizens upon their birth and will immediately be eligible for federally supported health care. As has been repeatedly demonstrated, the costs of prenatal care and adequate nutrition for legal immigrant mothers will be offset by

reduced Medicaid costs for their babies. Indeed, the U.S. saves \$3 for every \$1 it spends on prenatal care. Even more important, these newest little citizens should get a healthy start in life.

*IV. Congress Should Address the Needs of Undocumented Workers, and Enforce Fair Labor Standards for all Workers*

Before I conclude, I would like to say a few words about segment of low-income working families that is all too often overlooked: undocumented workers. According to a study conducted by the Urban Institute, more immigrants entered the United States in the 1990's (roughly eleven million people) than in any decade ever. These newcomers have helped to fuel and sustain an unprecedented growing American economy. However, according to this same study, in 1999, 21.3 percent of foreign-born non-citizens lived below the Federal poverty level, compared to 11.2 percent of those of us who are native-born Americans.

The millions of workers who come to this country without documents have not done so on a lark. They have risked paying the ultimate penalty to come to America and work for sub-minimum wages, in inhumane conditions, just so that their children and their families can have a chance at survival. They are often openly welcomed by businesses, as they are willing to perform tasks that you or I would turn our noses up at. Indeed, everyone in this room has a better quality of life because of their presence.

Despite their contributions to our society, non-citizen immigrants are allowed to live in poverty and are exploited at every possible opportunity. Along with subsistence-level wages, our local Charities agencies all across the country tell us that the non-citizen immigrant families they serve are subjected to poor housing conditions, a high level of hazardous working conditions, and a lack of affordable health care. Most of these injustices can be effectively dealt with if these non-citizen immigrants were allowed to become legal permanent residents and work legally in this country. Such a move would allow them to be covered by wage and hour laws.

CONCLUSION

In conclusion, I want to thank this Committee for focusing attention on the growing problem of working families who simply aren't able to make ends meet. It does not seem right that families who work hard and play by the rules remain unable to save money for their children's college education, to buy their own home, or to otherwise pursue the American dream, because they are too busy trying to keep the wolf from the door. For these families, the daily dilemmas they face are ones that are foreign to most on this Committee: Will I pay the heating bill, or buy clothes for my children? Will I pay the rent, or fix the car I need to get to work? Do I go to see a doctor for my nagging illness, when I know I will need that money to buy food? But as workers at Catholic Charities agencies throughout the country can tell you, these dilemmas are all too real.

It is our hope that today's hearing will lead to enactment of proposals that will address the growing disparity between rich and poor, and give low-income workers the help they need to not only survive, but to thrive.

FOOTNOTES

<sup>1</sup>“Pathbreaking CBO Study Shows Dramatic Increases in Income Disparities in 1980's and 1990's: An Analysis of CBO Data,” Isaac Shapiro, Robert Greenstein, and Wendell Primus, Center on Budget and Policy Priorities, Revised May 31, 2001.

<sup>2</sup>H.R. 2097 currently has 60 cosponsors, while S. 1000 has 5 cosponsors.

<sup>3</sup>“The Health Care Safety Net: Millions of People Left Uninsured,” a report of Families USA, July 2001

<sup>4</sup>“The Importance of Family-Based Insurance Expansions: New Research Findings about State Health Reforms,” Leighton Ku and Matthew Broaddus, Center on Budget and Policy Priorities, September 4, 2000.

<sup>5</sup>Representatives William J. Coyne, Sander M. Levin, Robert T. Matsui, Michael R. McNulty, Pete Stark and Karen L. Thurman have cosponsored H.R. 1909; Senators John B. Breaux, Susan M. Collins, Michael DeWine, Christopher J. Dodd, Bob Graham, James M. Jeffords, John F. Kerry, Mary L. Landrieu and Blanche L. Lincoln have cosponsored S. 484.

<sup>6</sup>Senators Mike DeWine, Dianne Feinstein, Bob Graham and Strom Thurmond are cosponsors of S. 304. There is not yet a companion bill in the House of Representatives.

<sup>7</sup>There are 48 additional cosponsors of S. 543. There is not yet a companion bill in the House of Representatives.

<sup>8</sup>Senators John B. Breaux, Thomas R. Carper, Hillary Rodham Clinton, Christopher J. Dodd, Bob Graham, Tim Johnson, Herb Kohl, Mary L. Landrieu, Joseph I. Lieberman, Blanche L. Lincoln and John D. Rockefeller IV are cosponsors of S. 685

<sup>9</sup>Testimony of Vicki Turetsky, Senior Staff Attorney, Center for Law and Social Policy, before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, May 18, 2000.

<sup>10</sup>“Should EITC Benefits be Enlarged for Families with Three or More Children,” Center on Budget and Policy Priorities, July 10, 2000.

<sup>11</sup>“The Future of Welfare Reform,” The Chicago Tribune, July 30, 2001

<sup>12</sup>H.R. 1143 has 89 additional cosponsors, while S. 582 has 20 additional cosponsors.

<sup>13</sup>H.R. 2142 has 32 cosponsors, while S. 583 has 14 additional cosponsors.

Chairman NUSSLE. Now we will turn to LaVerne Hewlett. The reason I introduced you as “Mom” is because you may not know this, but 7 months ago I got a fancy new title here around Congress called Chairman, and while I am very honored to be the Chairman of this committee, the most important title I carry around is Dad, and I will keep that one for a lifetime. In fact, Mrs. Clayton has designs to maybe not let me be Chairman much more in the next session, so I may not be able to keep that title much longer—

Mrs. CLAYTON. You found that out.

Chairman NUSSLE. I found that out, yes. But I will keep that title for quite a while, and it is the reason that I am proud of my kids and that title, and that is why I introduced you that way. And you have a lot to tell us. I think this is your first time to testify before Congress. Please don’t worry about that. We are very anxious to hear what you have to say, and as I said, your whole testimony will be part of the record, but you can tell us what is on your mind in the time that you have. So welcome, and we are very interested in hearing from you.

Ms. HEWLETT. Thank you.

Chairman NUSSLE. If you could pull the microphone up closer to you, that way we can hear you.

#### STATEMENT OF LA VERNE HEWLETT

Ms. HEWLETT. Good afternoon, my name is LaVerne Hewlett. I appreciate the chance to speak with you. I live in Emmitsburg, Maryland, which is in Frederick County, the northwestern part of the State. I am a single parent of a 1-year-old son, Kahlil. I also have two older children, 18 and 21, who are working and living on their own in Virginia.

Since September of 2000, I have worked in the kitchen and dining room of Mount St. Mary’s College in Emmitsburg. I work Sunday through Thursday, 11 a.m. to 8:30 p.m., and earn \$7 an hour. I received cash assistance benefits from Maryland between May and September of last year while I was pregnant, and shortly after the birth of my son. So far, I haven’t gotten any child support from my son’s father.

In order to work, I have to pay for child care. The cost of child care for my son is my largest monthly expense. Approximately 40 percent of my income goes to child care. I pay \$500 per month for child care: \$400 for the sitter who watches Kahlil Monday through Thursday, and \$100 for the sitter who watches him on Sunday.

It is very hard to find a babysitter to watch Kahlil on Sunday. Most sitters are only available Monday through Friday. I do not get a child care subsidy, because neither of my child’s day care providers is licensed by the State. There are no providers available in my area, and licensed day care providers who work out of their home have a 6- to 12-month waiting period. And the only child care center in the community has a 2-year waiting list. I was getting a \$100 a month subsidy from the State to cover Sunday costs with

a licensed sitter, but because she is no longer working weekends, I have lost that subsidy.

I appreciated the subsidy I got for weekend care because it really helped. When people leave government assistance and get jobs, a child care subsidy can really make a big difference. There are too few licensed providers, and many parents like myself will have to go without the subsidy; hence, returning to government assistance.

Something needs to be done to increase the number of licensed providers, including possibly providing more support and training to people like myself who would possibly be interested in becoming providers, helping other mothers and themselves.

I have been a bit more fortunate with my rent. I live in a low-income housing building and only pay \$223 per month. Without that assistance my rent would be \$528. With the child care expenses that I have, I would not be able to pay rent. I know of other parents in my area who are not as fortunate, and I feel real bad for them. This waiting list with Section 8 is very long. It can be anywhere from 1 year to 10. I know some areas where it is as high as 5.

Many landlords are very reluctant to rent to low-income parents who don't have a voucher because they are worried their rent won't get paid. Then there are others who refuse to rent to voucher holders. Hopefully when my son is 2 or 3 years older, I could like to move to the city of Frederick where child care facilities and public transportation is more available.

I would like to also continue my education, preferably in geriatric care. The cost of housing would be a big barrier, but I am hoping with this committee's assistance, that wouldn't be too much of a barrier for me. I hope that the programs that provide child care subsidies, housing assistance, and other programs to support working families not only continue but expand to help the many working parents out there like myself. Thank you.

Chairman NUSSLE. Thank you.

[The prepared statement of LaVerne Hewlett follows:]

PREPARED STATEMENT OF LAVERNE HEWLETT, A SINGLE MOTHER FROM  
EMMITSBURG, MD

Good morning. My name is LaVerne Hewlett. I appreciate this chance to speak with you today. I live in Emmitsburg, Maryland, which is in Frederick County in the northwest part of the state. I am a single parent of a 1-year old son, Kahlil. I also have two older children, 18 and 21, who are working and living on their own in Virginia.

Since September of 2000, I have worked in the kitchen and dining room of Mt. St. Mary's College in Emmitsburg. I work Sunday through Thursday, 11 a.m. to 8:30 p.m. and earn \$7 an hour. I received cash assistance benefits from Maryland between May and September of last year while I was pregnant and shortly after the birth of my son. So far, I haven't gotten any child support from my son's father.

In order to work, I have to pay for child care. The cost of child care for my son is my largest monthly expense. I pay \$500 per month for child care; \$400 for the sitter who watches Kahlil Monday through Thursday and \$100 for the sitter who watches him on Sunday. It is very hard to find a babysitter to watch Kahlil on Sunday—most babysitters are only available Monday through Friday.

I do not receive a child care subsidy because neither of my child care providers is licensed by the state. There are no licensed providers available in my area. Licensed day care providers who work out of their home have a six to twelve month waiting list, and the only child care center in my community has a 2-year waiting list. I used to get a \$100 per month subsidy from the State to cover the costs of child care on Sundays because I used to have a weekend babysitter who was li-

censed. She stopped offering weekend care and the new sitter is not licensed, so I lost that subsidy.

I appreciated the subsidy that I got for my weekend care—it really helped. When people leave government assistance and get a job, a child care subsidy can make a big difference, but when there are too few licensed providers, many parents like myself have to go without the subsidy. Something needs to be done to increase the number of licensed providers, including providing more financial support and training to people who want to be family day care providers.

I have been more fortunate with my rent. I am in public housing through the Section 8 housing program and pay \$223 per month for rent. Without the Section 8 program, my apartment would cost \$528 per month. With the child care expenses I have, I could not make ends meet on my earnings if I had to pay that full rent. I feel badly for other parents I know in this community who are paying much higher rents because the waiting list for Section 8 is also very long. Many landlords are reluctant to rent to lower-income parents who don't have a Section 8 voucher because they are worried the rent won't be paid. Other landlords refuse to accept the vouchers.

When my son is two or 3 years older, I would like to move to the city of Frederick, where child care facilities and public transportation are more available. I think I could get a job there and I would like to continue my education in the area of geriatric care. But the cost of housing could be a big barrier in my being able to make that move. I hope that the programs that provide child care subsidies, housing assistance and other programs to support working families not only continue, but expand to help the many working parents out there like myself. Thank you for the opportunity to share this with you today.

Chairman NUSSLE. Our final witness is Robert Rector, who is a senior research fellow from the Heritage Foundation. Welcome.

#### **STATEMENT OF ROBERT RECTOR**

Mr. RECTOR. Thank you for having me here today and giving me the opportunity to testify. I would like to talk today about welfare in the budget and its relationship to poverty. In talking about welfare, I will be talking about all means-tested or income-tested programs run by the Federal Government.

The simple fact of the matter, that you would not gather by this hearing, is that means-tested welfare spending in the United States is now at a record high. Last year we spent \$434 billion on programs to aid the poor. That is roughly 4 percent of the gross domestic product, and it amounts to around \$5,600 for each tax-paying family in the United States. Of that aggregate expenditure, about half of that goes to the elderly and the disabled and about half of it goes to families with children.

When we look at the part that goes to families with children, which is around \$200 billion last year, we find that overwhelmingly this goes to subsidies to single-parent families where there is only one mother in the home and there is no married father in the home.

Overall, the welfare system as it affects children in the United States is predominantly or almost exclusively a subsidy system to support single parenthood. The welfare system as it affects children exists predominately or almost totally because of the collapse of marriage which has occurred since the mid-1960's. If this collapse had not occurred, the welfare state as we currently understand it, as well as most of the social problems we have talked about today, simply would not exist.

It is important to look at growth of this welfare spending. Since Lyndon Johnson launched the war on poverty in 1965, the total amount that we have spent each year aiding the poor, after adjusting for inflation, has increased tenfold. We are spending 10 times

as much now each year as we did when the war on poverty began. And that rapid growth in spending has gone on right through the 1990's. Today, in the year 2000 or 2001, we are spending 60 percent more after adjusting for inflation than we were back in 1990 at the beginning of the decade.

One of the most remarkable things about this continuing growth of spending is how rarely this huge increase in expenditure and commitment is acknowledged in any of the public debate. Moreover, welfare spending, according to the President's submitted and proposed budget, will continue to grow at a very rapid rate for the next 5 to 6 years. Under the President's budget, aggregate spending will rise from some \$430 billion this year to \$626 billion in the year 2006. That is a 40 percent increase, an increase of roughly 6 percent per annum, well above the rate of inflation.

According to the President's budget, our Nation will spend \$3.6 trillion on means-tested aid to assist the poor over the next 5 years. Let me repeat that. According to the President's proposed budget, we are going to spend \$3.6 trillion, a record amount of expenditure, aiding the poor over the next 5 years. This amounts to some \$47,000 per taxpaying household in the United States.

I often think when I listen to witnesses before this committee and other committees, exactly how much is enough? If \$47,000 per taxpaying household in the United States is not enough to assist the poor, how much do we require? \$50,000 per tax paying household, \$60,000 or \$70,000?

The fact of the matter is that the problem in welfare is not a lack of spending. The problem is the way that we spend this money and the fact that this spending encourages dysfunction rather than productive behavior.

Another important way to look at our spending is to compare the welfare budget in the United States compared to the defense budget. This year, today, we are spending \$1.45 on welfare for every single dollar we spend on defense. According to the President's budget, by the year 2006 that ratio will rise to \$1.78 for means-tested aid for every \$1 spent on defense.

Part of this hearing is a concern for poverty and the effects of welfare reform, and I would briefly like to just run down those facts before you today. Since the enactment of welfare reform, welfare dependence, which is shown on this chart nearest to me on the red line, has declined some 50 percent. Employment of never-married mothers who are the core of the welfare-dependent population has increased 40 percent. I would recommend to this committee to look at the research by Dr. June O'Neil, former CBO director, who shows that the bulk of that increase in employment is the result of welfare reform and not the economy.

Most importantly, poverty has dropped dramatically. The black child poverty rate in the United States is now at the lowest point in our Nation's history. The poverty rate of children living with single mothers is now at the lowest rate in our Nation's history, and the percentage of births that are outside of marriage after rising steadily for 40 years, has tapered off and now is actually fairly level. In fact, among black households, the out-of-wedlock birth rate is actually falling slightly.

Child poverty in the United States is caused by two main factors: a lack of work and a lack of marriage. Although you hear about the working poor family, in fact poverty among families where there is a full-time, full-year worker is very, very rare.

Although there is work among families with children that are poor, in general it averages about 1,000 hours per year. They are either working about half time, or they are not working half of the year. If you want to decrease poverty in this group, it is very important that you have to increase the amount of work being performed.

Therefore, I think that the policies that we look at in the future must recognize that the traditional war on poverty which focused on one-way handouts, predominately to nonworking single mothers, has been a huge failure. It has increased poverty, increased dependents, and it has crippled the lives of millions of children. We need to end one-way handouts and increase the work requirements in the TANF program as well as in food stamps and in public housing.

Secondly and most importantly, we need to dramatically increase marriage in the United States, and I would simply commend to this committee the example of one of the excellent programs that exist in this. It is a little program called PREP. PREP is a very inexpensive program. In over seven different scientific evaluations, PREP, which requires about 10 hours of training of couples in relationship skills, has been shown to improve the quality of those relationships and reduce the divorce rate among those individuals by 50 percent.

I have talked to the originator of this program, and he said that the program would also be applicable to cohabiting couples or couples who are not yet married, to enable them to improve the relationships between men and women and enter marriage and sustain strong marriages. There is nothing that we could do to have a greater impact on poverty in the United States than to take some tiny fraction of our current welfare spending and allocate it to programs like that, with the intention of raising the marriage rate, bringing down this huge out-of-wedlock childbearing rate which affects 1 child in 3 in our country. There is nothing better we could do to reduce poverty, and there is nothing better we could do for the well-being of the American children, and I hope we will take that step in the future.

Chairman NUSSLE. Thank you very much.

[The prepared statement of Robert Rector follows:]

PREPARED STATEMENT OF ROBERT RECTOR, SENIOR RESEARCH FELLOW, THE  
HERITAGE FOUNDATION

INTRODUCTION

The U.S. welfare system may be defined as the total set of government programs—Federal and state—that are designed explicitly to assist poor and low-income Americans. Nearly all welfare programs are individually means-tested.<sup>1</sup> Means-tested programs restrict eligibility for benefits to persons with non-welfare income below a certain level. Individuals with non-welfare income above a specified cutoff level may not receive aid. Thus, Food Stamp and Temporary Assistance to Needy Families (TANF) benefits are means-tested and constitute welfare, but Social Security benefits are not.

The current welfare system is highly complex, involving six departments: HHS, Agriculture, HUD, Labor, Treasury, and Education. It is not unusual for a single poor family to receive benefits from four different departments through as many as

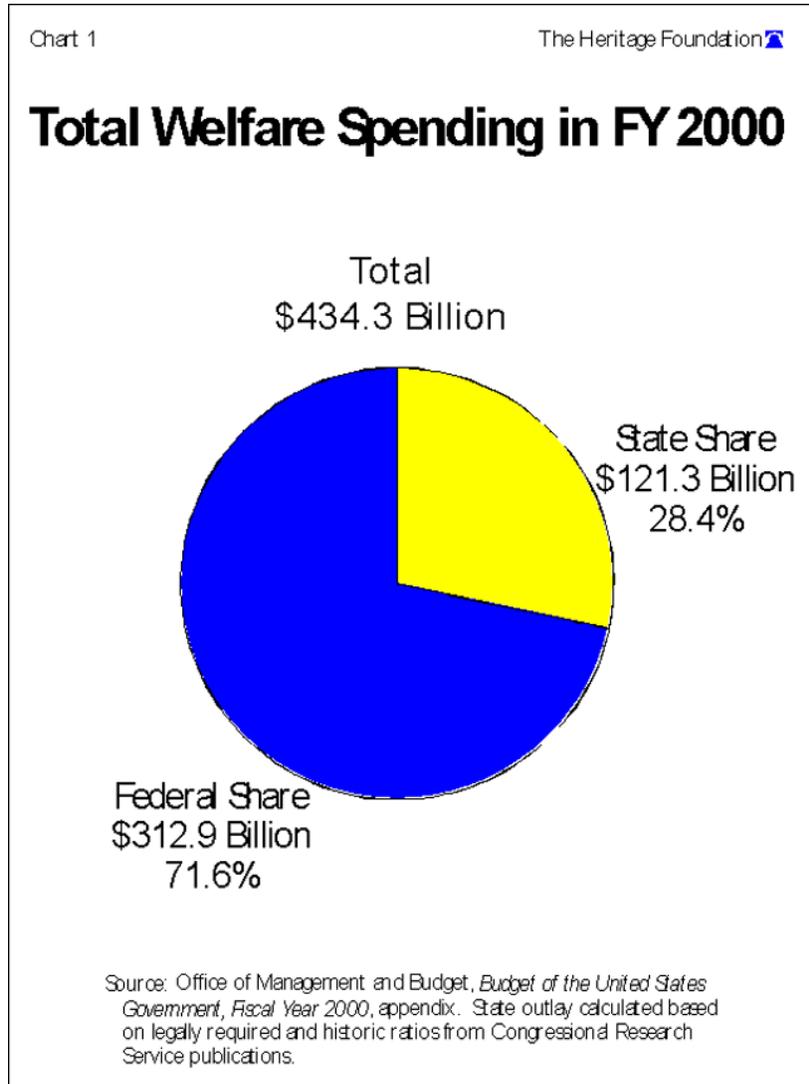
six or seven overlapping programs. For example, a family might simultaneously receive benefits from: TANF, Medicaid, Food Stamps, Public Housing, WIC, Head Start, and the social service block grant. It is therefore important to examine welfare holistically. Examination of a single program or department in isolation is invariably misleading. The views that I express in this testimony are my own, and should not be construed as representing any official position of the Heritage Foundation. In addition, the Heritage Foundation does not endorse or oppose any legislation.

#### THE COST OF THE WELFARE SYSTEM

The Federal Government currently runs over 70 major interrelated, means-tested welfare programs, through the six departments mentioned above. State governments contribute to many Federal programs, and some states operate small independent programs as well. Most state welfare spending is actually required by the Federal Government and thus should be considered as an adjunct to the Federal system. Therefore, to understand the size of the welfare state, Federal and state spending must be considered together. (A list of individual welfare programs is provided in Appendix B.)

Total Federal and state spending on welfare programs was \$434 billion in FY 2000. Of that total, \$313 billion (72 percent) came from Federal funding and \$121 billion (28 percent) came from state or local funds. (See Chart 1.)

Welfare spending is so large it is difficult to comprehend. On average, the annual cost of the welfare system amounts to around \$5,600 in taxes from each household that paid Federal income tax in 2000. Adjusting for inflation, the amount taxpayers now spend on welfare each year is greater than the value of the entire U.S. Gross National Product at the beginning of the 20th century.



The combined Federal and state welfare system now includes cash aid, food, medical aid, housing aid, energy aid, jobs and training, targeted and means-tested education, social services, and urban and community development programs.<sup>2</sup> As Table One shows, in FY2000:

- Medical assistance to low income persons cost \$222 billion or 51 percent of total welfare spending.
- Cash, food and housing aid together cost \$167 billion or 38 percent of the total.
- Social Services, training, targeted education, and community development aid cost around \$47 billion or 11 percent of the total.

Table 1

The Heritage Foundation

## Total Welfare Spending FY 2000

(In Billions of Dollars)

	Federal Spending	State Spending	Total Spending	Percent of Total Spending
Cash	\$77.80	\$22.78	\$100.58	23.2%
Food	34.71	1.34	36.05	8.3
Housing and Energy	28.26	2.12	30.38	7.0
Medical	130.81	90.79	221.60	51.0
Education	22.46	1.34	23.80	5.5
Training	5.79	0.07	5.85	1.3
Services	7.74	2.93	10.67	2.5
Community Aid	5.41	0.00	5.41	1.2
<b>Total</b>	<b>312.95</b>	<b>121.38</b>	<b>434.34</b>	<b>100%</b>

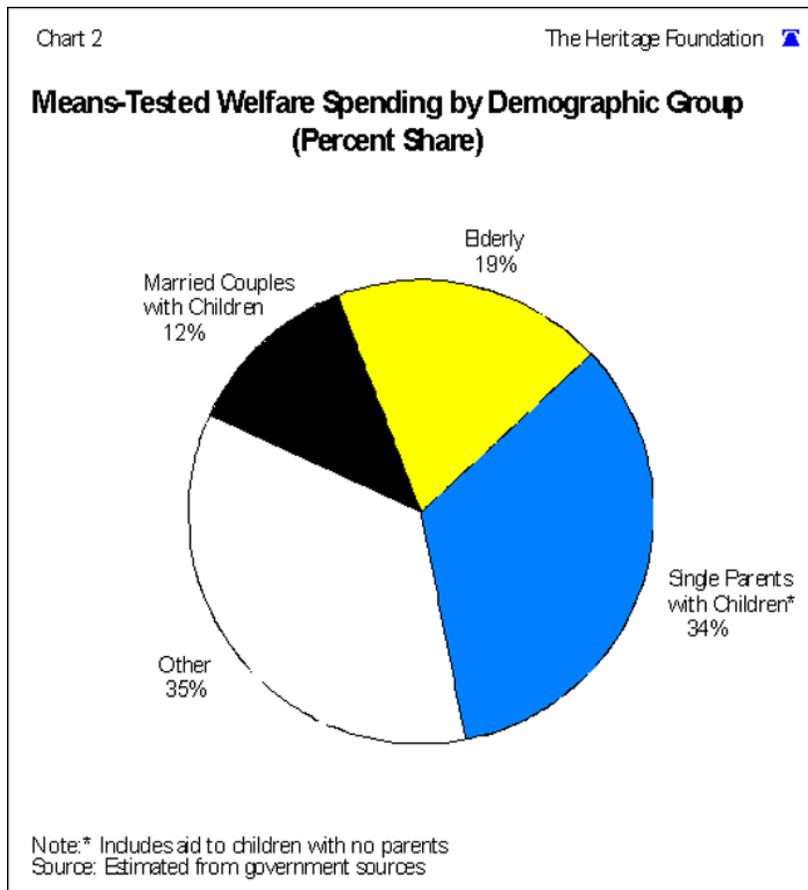
Note: Some numbers may not add due to rounding.

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2000*, appendix. State outlay calculated based on legally required and historic ratios from Congressional Research Service publications.

### RECIPIENTS OF WELFARE SPENDING

As Chart 2 shows, nearly half (46 percent) of total means-tested welfare spending goes to families with children. Of the welfare spending going to families with children, roughly one quarter goes to married couples with children, while three quarters go to single parents and other broken families. Thus single parent and other broken families with children receive some 34 percent of aggregate means-tested aid. Overall families with children received some \$200 billion in welfare aid in FY2000 of which roughly \$148 billion went to single parent or other broken families.

The other half (54 percent) of means-tested aid goes mainly to the elderly and the disabled. Some 19 percent of total welfare spending goes to the elderly, while another 35 percent goes to non-elderly adults; the bulk of these individuals are disabled.



#### THE GROWTH OF WELFARE SPENDING

As Chart 3 shows, throughout most of U.S. history welfare spending remained low. In 1965 when Lyndon Johnson launched the War on Poverty, aggregate welfare spending was only \$8.9 billion. (This would amount to around \$42 billion if adjusted for inflation into today's dollars.)

Since the beginning of the War on Poverty in 1965, welfare spending has exploded. The rapid growth in welfare costs has continued to the present.

- In constant dollars, welfare spending has risen every year but four since the beginning of the War on Poverty in 1965;
- As a Nation, we now spend ten times as much on welfare, after adjusting for inflation, as was spent when Lyndon Johnson launched the War on Poverty. We spend twice as much as when Ronald Reagan was first elected.
- Cash, food, housing, and energy aid alone are nearly seven times greater today than in 1965, after adjusting for inflation;
- As a percentage of Gross Domestic Product, welfare spending has grown from 1.2 percent in 1965 to 4.4 percent today.

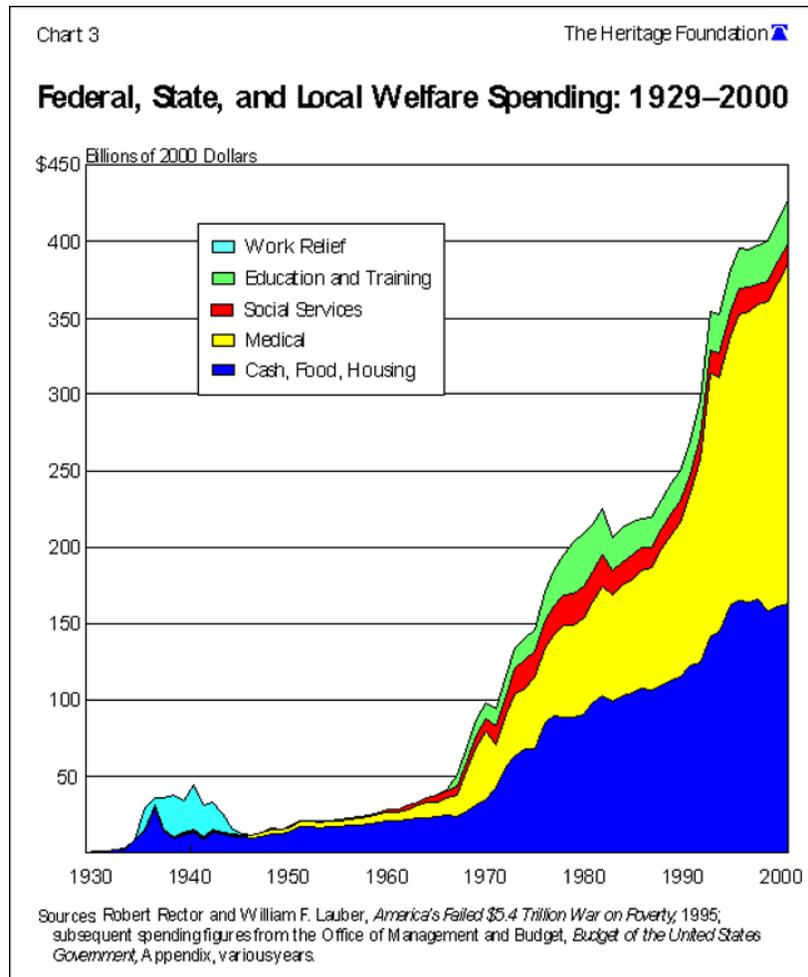
Some might think that this spending growth merely reflects an increase in the U.S. population. But, adjusting for inflation, welfare spending per person is now at the highest level in U.S. history. In constant dollars, it is seven times higher than at the start of the War on Poverty in the 1960's.

## TOTAL COST OF THE WAR ON POVERTY

The financial cost of the War on Poverty has been enormous. Between 1965 and 2000 welfare spending cost taxpayers \$8.29 trillion (in constant 2000 dollars). By contrast, the cost to the United States of fighting World War II was \$3.3 trillion (expressed in 2000 dollars). Thus, the cost of the War on Poverty has been more than twice the price tag for defeating Germany and Japan in World War II, after adjusting for inflation.

## WELFARE SPENDING IN THE NINETIES

Welfare spending has continued its rapid growth during the last decade. In nominal dollars (unadjusted for inflation), combined Federal and state welfare spending doubled over the last 10 years. It rose from \$215 billion in 1990 to \$434 billion in 2000. The average rate of increase was 7.5 percent per year. Part of this spending increase was due to inflation. But, even after adjusting for inflation, total welfare spending grew by 61 percent over the decade.



As Chart 3 showed, medical spending (mainly in the Medicaid program) grew most rapidly during the 1990's, but welfare cash, food, and housing spending grew as well. Adjusting for inflation, cash, food and housing assistance is 37 percent higher today than in 1990. However, the growth in these programs has slowed since

1995, increasing no faster than the rate of inflation. This recent slowdown in spending is, in part, the effect of welfare reforms enacted in mid-nineties.

#### FUTURE WELFARE SPENDING GROWTH

Under President George W. Bush's proposed budget, means-tested spending will grow at a rapid rate. Indeed, the rate of welfare spending growth in the Bush budget is virtually identical to that projected in the last Clinton budget. Projected welfare spending figures from the President's FY2002 budget are provided in Appendix A.<sup>3</sup> The rapid of growth in welfare spending is illustrated in Chart 4.<sup>4</sup>

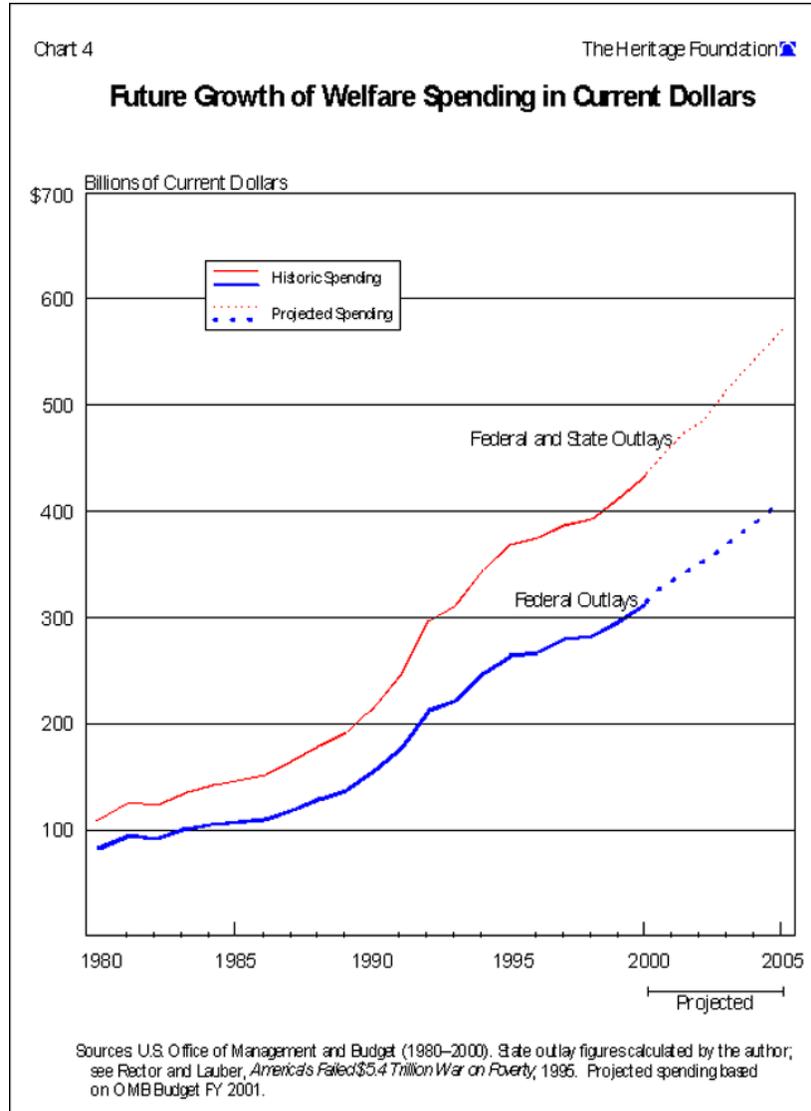
Clearly, President Bush's budget plan does not require cuts in welfare spending or even a slowdown in the rate of spending growth. According to the current spending proposals:

- Total Federal welfare spending is projected to grow from \$316 billion in 2000 to \$450 billion in 2006: an increase of 42 percent. The rate of spending increase is projected at 6 percent per year.

- Federal spending on cash, food, and housing aid is projected to grow from \$142 billion to \$174 billion: an increase of 23 percent. The annual rate of spending increase would be 3.6 percent, nearly 50 percent greater than the anticipated rate of inflation.

- Together, Federal and state welfare spending would rise from around \$438 billion in 2000 to \$626 billion in 2006.

- Altogether, the United States will spend \$3.6 trillion on means-tested welfare assistance over the next 5 years. This amounts to around \$47,000 for each tax-paying household in the U.S.



#### WELFARE AND DEFENSE

The rapid projected rate of growth of future welfare spending can be illustrated by comparing welfare to defense. The President has promised to make defense spending a priority. Under his budget plan, nominal defense outlays would increase for the first time in a half decade. Defense spending would rise by 20 percent over 5 years from \$301 billion in FY2000 to \$362 billion in FY2006.

During the same period, however, welfare spending is scheduled to rise by 42 percent. As Chart 5 shows, the gap between welfare and defense spending will actually broaden during this period. Currently, the U.S. spends \$1.45 on welfare for every \$1.00 spent on national defense; by 2006, we will spend \$1.78 on welfare for every \$1.00 on defense.

## EXAGGERATED VIEWS OF POVERTY

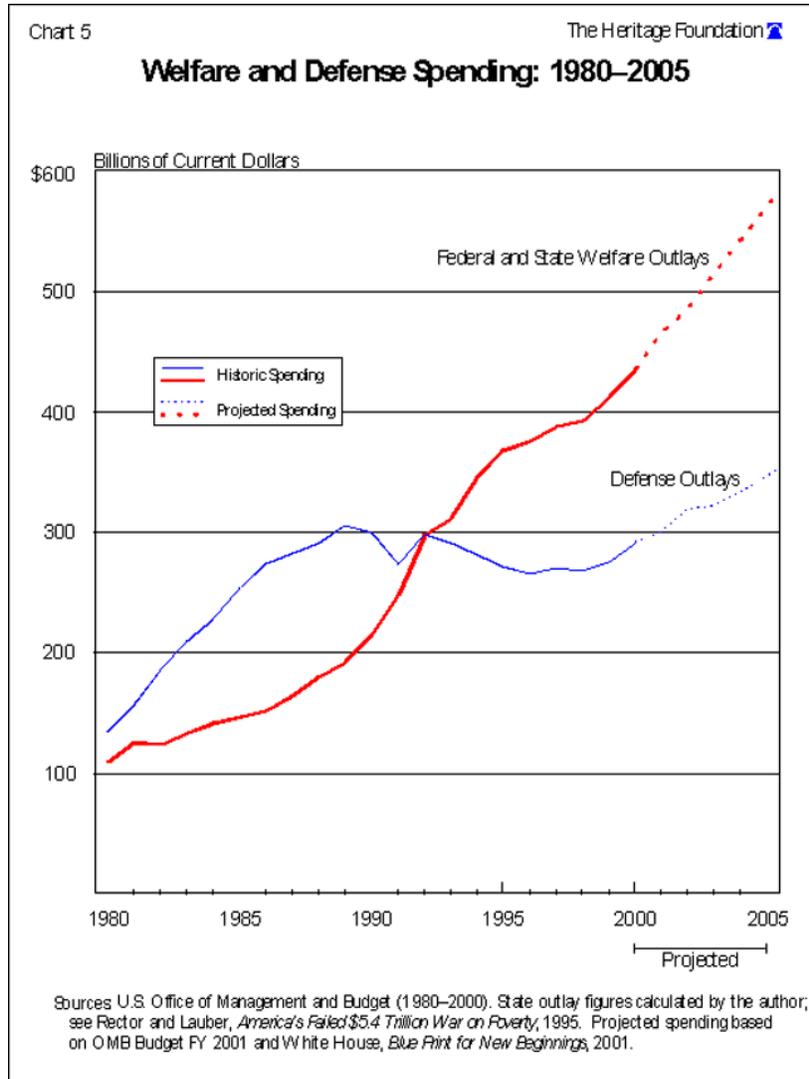
Welfare spending advocates often paint very alarming pictures of poverty in the United States in order to promote even more rapid increases in welfare spending. To the average voter and the average politician, the term poverty provokes images of destitution. In reality the typical "poor" person in the U.S. has standard of living far higher than our normal images and expectations for poverty.

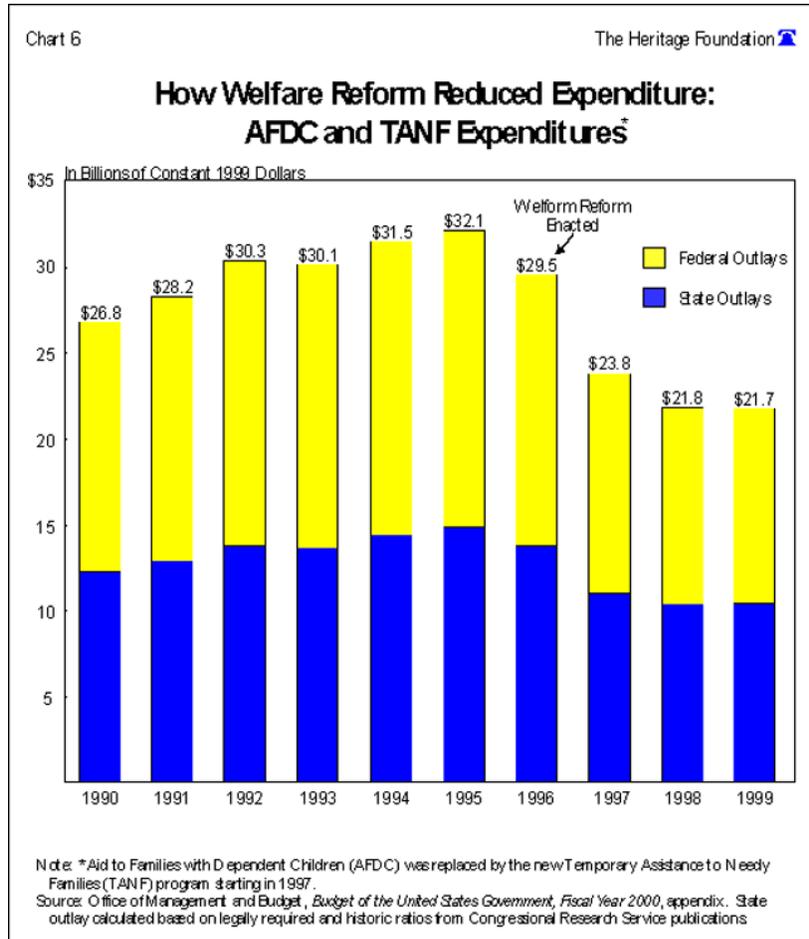
According to the government's own data, the typical American, defined as poor by the government, has a refrigerator, a stove, a clothes washer, a car, air conditioning, a VCR, a microwave, a stereo and a color TV. (Half of the poor own two color TV's; a third have telephone answering machines.) By his own report, the typical poor individual is able to obtain medical care for himself and his family; he lives in a home that is in good repair and is not over-crowded. By his own report, his family is not hungry and in the last year he had sufficient funds to meet his essential needs. While this poor individual's life is certainly far from opulent, it is equally far from the popular images of poverty conveyed by activists and the press.

## WELFARE REFORM AND THE POOR

In 1996, Congress enacted a limited welfare reform; The Aid to Families with Dependent Children (AFDC) program was replaced by the Temporary Assistance to Needy Families (TANF) program. Critically, a certain portion of AFDC/TANF recipients were required to engage in job search, on the job training, community service work, or other constructive behaviors as a condition for receiving aid. The effects of this reform have been dramatic.

- AFDC/TANF caseloads have been cut nearly in half.
- TANF outlays have fallen substantially. (See chart 6.)
- The decline in the TANF caseload has led to a concomitant decline in Food Stamp enrollments and spending.





While critics predicted the reform would increase child poverty, the exact opposite has occurred. Once mothers were required to work or undertake constructive activities as a condition of receiving aid they left welfare rapidly.

- Employment of never-married single mothers has increased nearly 50 percent;
- The child poverty rate fell sharply from 20.8 percent in 1995 to 16.3 percent in 2000.
- The black child poverty rate and the poverty rate for children living with single mothers are both at the lowest points in U.S. history.
- When non-cash welfare aid such as the Earned Income Tax Credit, Food Stamps, and public housing are properly counted as income, the child poverty rate stands at 11 to 12 percent.

In the welfare reform of 1996 all sides came out as winners: taxpayers, society and children. By requiring welfare mothers to work as a condition of receiving aid, welfare costs and dependence were reduced. Employment increased and poverty fell. Moreover, research shows that prolonged welfare dependence itself is harmful to children; reducing welfare use and having working adults in the home to serve as role models for children will improve those children's prospects for success later in life.

The workfare principles of the 1996 reform should be intensified and expanded. Work requirements in TANF should be strengthened. Similar work requirements should be established in the Food Stamp and public housing programs. Finally, be-

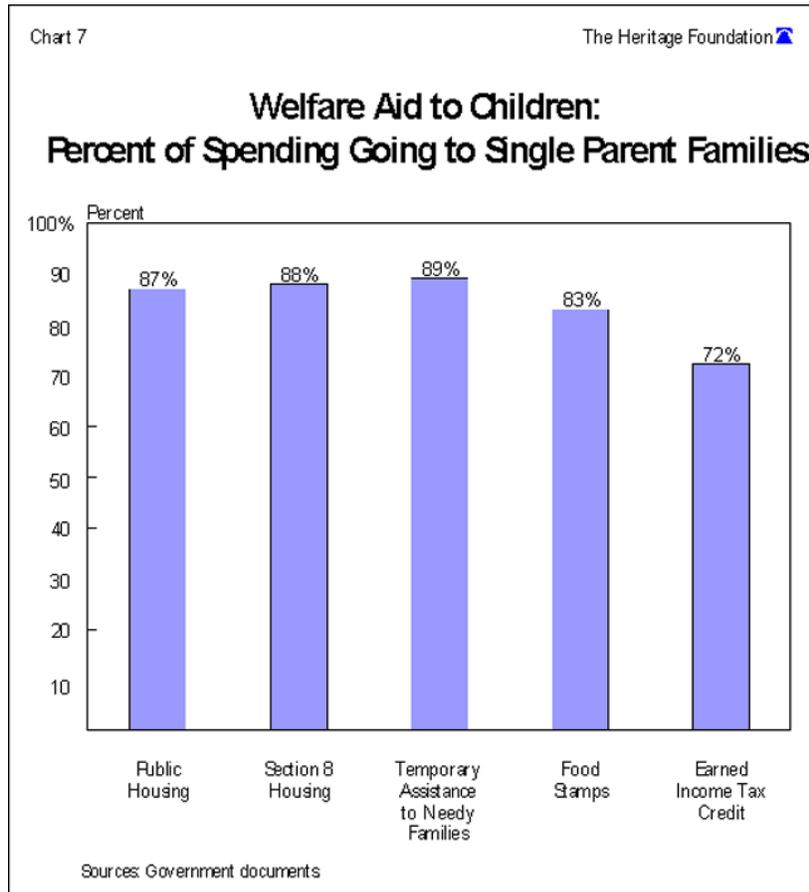
cause the reform has clearly succeeded in cutting welfare use, TANF outlays should be reduced by 10 percent in future years.

#### WELFARE SPENDING AND THE COLLAPSE OF MARRIAGE

As noted previously, about half of all means-tested welfare spending is devoted to families with children. Of this spending on children, around three quarters goes to single parent families. For example, Chart 7 shows the percent of aid to children in major welfare programs which flows to single parent families. The single parent share is generally well above 80 percent.

Clearly, the modern welfare state, as it relates to children is largely a support system for single parenthood. Indeed, without the collapse of marriage which began in the mid-1960's, the part of the welfare state serving children would be almost non-existent.

The growth of single parent families, fostered by welfare, has had a devastating effect on our society. Today nearly one third of all American children are born outside marriage. That's one out-of-wedlock birth every 35 seconds. Of those born inside marriage, a great many will experience their parents' divorce before they reach age 18. Over half of children will spend all or part of their childhood in never-formed or broken families.



This collapse of marriage is the principal cause of child poverty and a host of other social ills. A child raised by a never-married mother is seven times more likely to live in poverty than a child raised by his biological parents in an intact marriage. Overall, some 80 percent of child poverty in the U.S. occurs to children from broken or never-formed families. In addition, children in these families are more likely to

become involved in crime, to have emotional and behavioral problems, to be physically abused, to fail in school, to abuse drugs, and to end up on welfare as adults.

Since the collapse of marriage is the predominant cause of child-related welfare spending, it follows that it will be very difficult to shrink the future welfare state unless marriage is revitalized. Policies to reduce illegitimacy, reduce divorce and expand and strengthen marriage will prove to be by far the most effective means to:

- reduce dependence;
- cut future welfare costs;
- eradicate child poverty; and,
- improve child well-being.

Tragically, current government policy deliberately ignores or neglects marriage. For every \$1,000 which government currently spends subsidizing single parents, only one dollar is spent attempting to reduce illegitimacy and strengthen marriage.

Fortunately, President's Bush's budget plan does propose a new program to "promote responsible fatherhood." This proposed program could become the seedbed for a broad array of new initiatives to strengthen marriage. Still, the money requested is pitifully small: only \$64 million per year. This amounts to roughly one penny for each one hundred dollars in projected welfare spending. The budget allocation to the new fatherhood program in FY 2002 should be increased fivefold with the funds diverted from TANF outlays. Beyond FY 2000 some 5 to 10 percent of Federal TANF funding should be devoted to pro-marriage activities.

#### CONCLUSION

When Lyndon Johnson launched the War on Poverty he did not envision an endless growth of welfare spending and dependence. If Johnson returned today to see the size of the current welfare state he would be deeply shocked.

President Johnson's focus was on giving the poor a "hand up" not a "hand out." In his first speech announcing the War on Poverty, Johnson stated, "the war on poverty is not a struggle simply to support people, to make them dependent on the generosity of others." Instead, the plan was to give the poor the behavioral skills and values necessary to escape from both poverty and dependence. Johnson sought to address the "the causes, not just the consequences of poverty."

Today, President Johnson's original vision has been all but abandoned. We now have a clear expectation that the number of persons receiving welfare aid should be enlarged each year, and that the benefits they receive should be expanded. This expectation is clearly reflected in the future spending projections in Appendix A. Any failure to increase the numbers of individuals dependent on government and the benefits they get is regarded as mean spirited.

Yet the expansion of the conventional welfare system is destructive. More than twenty years ago, then President Jimmy Carter stated, "the welfare system is anti-work, anti-family, inequitable in its treatment of the poor and wasteful of the taxpayers' dollars." President Carter was correct, yet today little has changed except that the welfare system has become vastly larger and more expensive.

This expansion of welfare spending has harmed rather than helped the poor. Instead of serving as a short-term ladder to help individuals climb out of the culture of poverty, welfare has broadened and deepened the culture of self-destruction and trapped untold millions in it.

Rather than increasing conventional welfare spending year after year, we should change the foundations of the welfare system. Policy makers should embrace three basic goals.

1. We should seek to limit the future growth of aggregate means-tested welfare spending to the rate of inflation or slower.
2. We should require all able-bodied welfare recipients to perform community service work as a condition of receiving aid along the lines of the TANF program operating in Wisconsin.
3. We should support programs which foster and sustain marriage rather than subsidizing single parenthood. In addition, we should reduce the anti-marriage penalties implicit in the welfare system.

These three goals are synergistic. They will operate in harmony and reinforce each other. In the long run, it will be difficult to control welfare spending merely by cutting funding. Rather, if we change the behaviors of potential recipients we will reduce the need for future aid. As the need for aid diminishes, spending growth will slow and then decline, and the well being of the poor and society as a whole will rise.

## FOOTNOTES

<sup>1</sup>A very small number of the programs listed in Appendix B are targeted to low income communities rather than low income individuals. While such programs are not formally means-tested, they should be considered part of the overall welfare system. Only a small fraction of aggregate welfare spending is provided through such programs.

<sup>2</sup>Appendix B provides a list of the major Federal and state welfare programs covered in this testimony.

<sup>3</sup>Projected outlay figures taken from Office of Management and Budget, Budget of the United States Government: Fiscal Year 2002, (Washington, D.C.: U.S. Government Printing Office, 2002). Table 22-2, pp.180-190.

<sup>4</sup>The outlay figures in Appendix A are less detailed than the past spending figures used in Table 1. This accounts for small discrepancies between the FY2000 figures in Table 1 and Appendix A. These minor differences do not appreciably affect the overall analysis.

Chairman NUSSLE. Ms. Clayton.

Mrs. CLAYTON. I want to thank the witnesses, all of them, for their testimony and the supplemental information that they gave.

Ms. DALY, in your report, "Welfare: How Do We Define Success?" you have an interesting chapter, stating welfare successes ended up in your soup kitchens. From what I gather, it refers to the increased number of people who have to beg for food over the week-end.

Are there other recommendations that would encourage work and still encourage people to move from welfare to work, but not have them end up other than what you have indicated. You indicated an increase in minimum wage, and an increase in public housing. We support that, but I think there are some issues on food stamps that I didn't hear, that I would like for the record.

Ms. DALY. Thank you very much, Mrs. Clayton. Those recommendations are in our written report. The report that you are referring to and that you have held up was published by Network, a Catholic social justice lobby with which we are associated, and my name is on the back of it. That is why you may have thought—because I was praising to the skies that wonderful report.

We certainly share with Network our concerns, and, yes, we are seeing the welfare reform success stories in our soup kitchens and shelters and food programs, because people can't earn enough to pay the babysitter and the rent and buy food. And what always is last is food, because if you don't pay the rent, you get evicted; and if you don't pay the babysitter, you can't go to work. So people come and ask for emergency food.

We don't think that is a solution. We are not asking the government to give us more funding for emergency food for the poor. We are asking for the poor to have enough resources to go to the super-market like the rest of us.

Our first recommendation would be to require the States to do something which is now only an option, which would be to allow people when they are leaving welfare to automatically get their food stamps benefits for a full year. When a mother goes to work, she can't take a day off every 3 months to sit in the welfare department and reapply for food stamp benefits. She can't take another day off from work, to go sit in the Medicaid office and reapply for Medicaid every 3 months.

That is how the system works in most States, because the Federal Government wants to make sure that the States don't give \$1 in food stamps or pay for one immunization for a child that they don't have the paperwork for in the records. It is really not a ques-

tion of establishing eligibility. It is more making sure all the paperwork records are there.

So if the Federal Government would allow the States to just let people have their benefits for a full year when they go from welfare to work, we would see a lot fewer people showing up in our soup kitchens who are working every day.

Mrs. CLAYTON. I also want to thank Ms. LaVerne Hewlett for her statement describing how she is hopeful in the future to be more independent and to improve her education. Also detailing how the system is supporting her to work, and noting the whole issue of having trained licensed day care being a critical issue. It is almost like the housing piece. If you don't have people licensed and providing services for contract, having State dollars or Federal dollars to enable one to purchase it, won't matter.

So, Mr. Chairman, I think that is something we need to work on to find out how we encourage more institutions to support licensing for daycare and also encourage community colleges to train individuals who are interested in going into that area. So I appreciate you highlighting the struggle. Even when there are dollars, you cannot utilize those dollars, if there is a lack infrastructure particularly in rural areas. I come from rural America and I know the difference between having available institutions and services for health or day care and not having them in rural areas, so I appreciate that.

I did not hear you say that you received any food assistance. Was that an oversight on your part? Do you receive food stamps?

Ms. HEWLETT. Yes, I do receive food stamps.

Mrs. CLAYTON. So you are eligible for food stamps and you are receiving food stamps?

Ms. HEWLETT. Yeah. Unfortunately it is not enough to carry over. I only receive \$10 per month.

Mrs. CLAYTON. Ten dollars per month?

Ms. HEWLETT. Correct. And when you look at the grand scale of things, \$10 can't buy anything.

Mrs. CLAYTON. I agree. We have to do something. There is an amendment to a bill that says it should be at least \$25. We think it is insulting that you have to pass the bar before you can do—I saw these lawyers smiling at each other. Either that says something about us or it says something about food stamps.

I do know the application process is very difficult. Ms. Daly, I think lawyers saying nothing is as difficult as passing the bar. But \$10, whatever it is for a struggle for \$10 is difficult. I agree that \$10 doesn't pay very much, and we are trying to work on that in another bill. The agriculture bill did not attempt to raise the minimum benefit. The independent bill from Representative Walsh and myself says it at least ought to be 25. And usually what you are eligible for is based on your income. And it is my understanding that you made \$7 an hour; right?

Ms. HEWLETT. Right.

Mrs. CLAYTON. There are some deductions out there that allow eligibility, and part of that deduction is child care and health care. So I am not suggesting that you are not receiving what you should, but it does seem a little puzzling that if there is full recognition of your situation, you should be getting more than \$10. I am not

caseworker, but it seems as though all of your deductions haven't been accounted for if that is the case.

Again, I thank all the panelists, and my time has expired. Thank you, Mr. Chairman.

Chairman NUSSLE. Of course, in order for her to find out if she is eligible for more, we have got a whole ream of paperwork we have to have her fill out in order to find that out.

Mrs. CLAYTON. Whether she is eligible for \$5 more or not; that is the problem.

Chairman NUSSLE. Just to get another 5 bucks. Mr. Moran.

Mr. MORAN. Do you want to—

Chairman NUSSLE. Sure. The first thing I want to ask or suggest is that—particularly this is true of the testimony by Mr. Rector. It is clear from your testimony, the historical perspective that you give—and as I stated at the outset of the hearing, because the Budget Committee is in the unfortunate—fortunate but unfortunate at times to have to deal with the big numbers and the big picture and the priorities of how this is all balanced, it is clear from your testimony that we spend a lot of money on these programs.

In fact, I have a statistic in front of me that says—and again statistics aren't giving you the help you need at this moment, but the statistics are \$8.5 trillion since the war on poverty started in 1965. So we are putting money into it, as you said.

The Bush budget, even though there are many who suggest it doesn't go as far as maybe it could, or should, or whatever, to suggest that \$3.6 trillion isn't a chunk of change is missing the point. I think the perspective you are adding to this is important to this. If the question then becomes if that is not enough, A, how much is; and then, B, if we are spending that much, why is it we still have people who are still locked into programs and don't seem to be escaping?

So I guess it is both. A, what is enough, if that is not enough? And more importantly, B, if that is enough, why then does it seem not to be working as well as it could? I just throw that out.

Mr. RECTOR. That is a very good point, Congressman, and I think the committee is in a very fortunate position, in the sense that you are almost the only committee that would look at the aggregate amount of money we are spending to aid poor people.

The Federal Government has over 70 major programs, means-tested programs, targeted toward poor and low-income people. And each committee has a few of these programs and they often will operate with visors, as if those programs were the only ones going on. We can also play games where in any 1 year, one of those programs, for example, the social service block grant program—which we heard a lot about today—for a short period of time, may be cut. Then we will talk a lot about that cut, we won't talk about other programs, earned income tax credit or Medicaid, that have been expanding at astronomical rates during the same period. The reality is that all of these programs are basically addressing the same population, most of whom will be getting benefits from four or five or six, seven programs at one time, coming out of different congressional committees. It is very important to understand the system, to look at all those programs altogether.

Now, the question how could we spend \$8-1/2 trillion on the war on poverty, for which you could buy almost the entire industrial and business infrastructure of the United States for that amount of money, and still have all of the problems that we hear about today?

I believe the answer to that is that the conventional war on poverty programs basically rewarded two things. They rewarded non-work and they rewarded nonmarriage. They achieved tremendous increases in both of those things, thereby resulting in huge amounts of poverty and much larger populations in need of aid that then generated additional spending. So you were essentially digging your own hole. The more money you put into those programs, the less marriage you had, the less work you had, the more children in need of aid that were created, and therefore you spent more money.

Now, with welfare reform and the creation of TANF in 1996, we partially turned the corner on that. We need to recognize that half of the women on TANF today are not being required to do anything to become self-sufficient. There are no meaningful work requirements in the food stamp program, no meaningful work requirements in the public housing programs. One-way handouts that we have had in the past don't work.

I have been in this field for a long time. I have really been doing this now for about 20 years, and I have sat before this committee and other committees dozens and dozens of times over that time period, and in every one of those hearings there will always be someone that I respect from the other side of political spectrum who would say, if we could just spend this amount more, just this amount more, then everything is going to get better, the light at the end of the tunnel will come.

Well, the reality is that when you look at this over the historical perspective, we did spend that amount more. Every single year the spending goes up, and over a period of a decade, the last decade, we are now spending 60 percent more than when Bill Clinton came into office in the early nineties. We always do spend that extra amount. Yet somehow the social problems that are supposed to be solved actually get worse, not better. And the reason for that is that we are spending this money in a wrong way. We need to spend the money in such a way as to promote marriage and promote work, and in that task we have just barely begun. We have just barely scratched the surface.

Ms. DALY. Mr. Nussle, could I comment? As Mr. Rector pointed out at the beginning of his testimony, you have to take all of these numbers on spending on the poor and divide by half, because half of the spending, as he points out, is for elderly and disabled people. Most of those people are in nursing homes and are not going to be able to work ever again. Most of them were not poor until they got very old and very sick and used up all of their income and assets to pay for nursing home care. So first of all, divide the big \$8 billion number in half.

Secondly, the war on poverty. Robert Rector's spending total starts with the war on poverty. The war on poverty began in 1965, 35 years ago. The children who were in Head Start in the late 1960's are now teachers and nurses and bus drivers, legislative as-

sistants here on Capitol Hill, and members of State legislatures around the country. I have met Head Start graduates all over the place.

We have invested in similar programs for people for 35 years. It is like the defense budget. You know, when Secretary Rumsfeld comes in and says we have to spend money this year, that will not mean we won't have to spend on defense in later years. There is always going to be a need to defend the United States. There is always going to be a need to take care of the people who are poor at that point.

The people that we spent money on for the last 35 years, most of them are no longer poor and are now productive, but there are new people who need help. There is the baby born yesterday that we can't turn our backs on, even if we wish parents were married. We can't turn our backs on them.

When you just look at the families with children, at the half of the poverty spending that is on them, a very high percentage of that is on health care, and the reason is, as Ms. Edelman pointed out, that we are the only industrialized country in the world that doesn't have a universal health care system. So we have to have a separate health care system for low-income people, especially for children.

So most of the kind of spending we spend on the poor is not really to raise incomes above poverty or to help them get jobs. Most of the spending is survival spending. Survival spending in hospitals, in nursing homes, in long-term care facilities and in programs like the Head Start program and day care, which are very good investments.

Chairman NUSSLE. Mr. Moran?

Mr. MORAN. Thank you, Chairman Nussle.

First of all, I appreciate the fact that Mr. Rector has been involved in the social welfare area for as long as you have, but I don't appreciate the fact that much of your analysis is, I think, deliberately misleading. And the most obvious example of that is Medicaid.

You know, from the tone of your testimony, you are suggesting—you keep using handouts and so on. In fact, the fastest-growing area of the Medicaid program is actually the elderly in long-term care facilities, and the fastest component of that is middle-class families who have found a way to spend down to get their parent, the grandparent or the family into long-term care facilities. No one is arguing that the reality is that.

The money that we have spent on very low-income families has reduced in its annual rate of growth, and, in fact, with the—as a result of the budget resolution that we just passed, is going to be reduced much more substantially. It is the entitlement programs of Social Security and Medicare, the vast majority of which actually goes to the middle class that comprises the—most of the social spending for the next 10 years.

The other problem I have with it is just the mean-spiritedness of the context in which your testimony was given. The principal recipients of the programs that you take to task are children who are suffering for the accident of their birth. They are not the single mothers. Most of the medical assistance, Medicaid, when it does go

to the very poor, other than the elderly, is going to children. And likewise with food stamps. Most of the food stamp expenditures are actually for the children, although you can obviously find abuses in every program. The most abused program is actually tax collections on the part of the very wealthy. Although I know that would not be consistent with your ultimate objective of the Heritage Foundation, I bring that up.

I am going to—since I obviously have somewhat dismissed your testimony, Mr. Rector, because of the mindset in which it is given or the mean-spiritedness. I just find it really unsavory and unfortunate.

I want to give Ms. Daly both some credit for your testimony and your commitment to improving things, but also some criticism, substantial criticism, as far as I am concerned, and that is in your outline of what needs to be done to address this problem. Nowhere is there reference to family planning, and much of the problem that we have in terms of families on welfare, single mothers—because I think there is a legitimate point to be made that if you have only got one adult in the household, that adult has to be primarily occupied with raising the children. So most families don't work very well. It is an extraordinary effort to make a family work if you don't have at least one adult in the work force and one adult to focus primarily on the children. When one adult has to do it all, you are asking for an enormous effort.

The Catholic Church—and I would only say this because I am a Catholic—is part of the problem, and it is in not supporting family planning. The principal reason why young mothers are not married is because the father of the child is not an appropriate husband or real father. I should say the biological father of the child is not appropriate for fatherhood or to—to be a responsible spouse. We have got to empower more women, more consistently, to make even more of a dent in these charts by much greater emphasis upon family planning, and I would like you to address that, if you would, Ms. Daly.

MS. DALY. Well, Mr. Moran, as you know, there has not been any difficulty for the advocates of family planning to get steady increases for those programs through the Congress, but what there has been a problem with is getting steady increases in programs for housing production and day care and other kinds of health care issues.

The subject of this hearing is the problems of the working poor, so my testimony focused not on people who are still on welfare, which is mainly what Mr. Rector talked about, but on the vast majority of low-income families in this country who are not on welfare now. Many have never been on welfare, but can't make ends meet, as the title of the hearing states.

I could tell you about some programs that Catholic Charities runs that are helping biological fathers to be real fathers. In Chicago, in New Jersey, in Virginia, all over the country we have programs that help young mothers be reconciled with their own families so that they can get emotional and psychological and practical support from them; and also to get to know and work with the parents of the biological father where that is appropriate—when the man has not been abusive or taken advantage of a young woman—

so that the young baby growing up has two parents and two sets of grandparents. And that helps financially, but it also wraps a family around that child for its whole life, and nothing is more important, as Mr. Rector pointed out.

Now, we might wish that the couple had married before they had a child, but people who come to our agencies are not coming to us for family planning, so we can't tell you much about that. They come to us for help with day care, with jobs, with getting better jobs, and with being able to take care of the children that they already have. So I can only come here and testify from my own knowledge and the experience of my agencies about the major problems of low-income people who work.

Mr. MORAN. That was a very good response, incidentally. Nice job.

May I ask another question? Jim, apparently I am not holding up a lot of people here. But President Clinton signed an executive order—it must have been 1998, I think, maybe early 1999—with regard to housing. Basically, it changed the eligibility that had existed up until then for dependent girls in a public housing household to be able to achieve eligibility for public housing or Section 8 by virtue of having a child. I understand his reasoning that you didn't want to encourage, you know, the cycle of poverty and so on and forth, but unfortunately one of the statistics that is most compelling and upsetting is that the age of the biological father increases almost in direct proportion to the youth of the mother. In other words, the older the father, the younger the mother, up to a point, and then it stands merged about 18, 19.

The biological fathers, in many cases, were the stepfathers or boyfriends of the mothers. That was what too often happens. So it becomes untenable for the mother to stay in the house—for the teenage mother to stay in the house. Even though that executive order was signed, there was really no alternative, and so we have been pushing for things like second-chance homes, which have worked, and which—the Borromeo Housing I know Arlington is doing. We have got a little grant for them, but it is tough. And of course in the Arlington diocese, we have no support from the Catholic Church. Even though they have tremendous resources, they are doing virtually nothing.

Ms. DALY. You might want to check out Christ House.

Mr. MORAN. Oh, Christ House is wonderful.

Ms. DALY. Christ House is funded almost entirely by the Diocese of Arlington, by the Catholic Church.

Mr. MORAN. I understand. I am very familiar with Christ House, Ms. Daly, and they are doing wonderful things, but those are volunteers in the larger community. In terms of the Archdiocese support, it is minimal, particularly for helping young women. And what I am getting at is I wonder if in light of that executive order, if it is isn't time to look again at the maternity homes that are not dissimilar from the second-chance home concept, where young girls can go into a cooperative living facility, have adult supervisors, but share babysitting, get some education, some training and live in a more secure and much more nurturing environment. The Catholic Church used to provide a number of those. It does virtually nothing

now, I don't think, in that area, and I am wondering whether you think that might be something we should look further at?

Ms. DALY. Well, I have to agree with you that that would be a good thing to have more second-chance homes and more maternity homes. I have to disagree with you that we don't do it anymore. Catholic Charities agencies all over the country run second-chance homes and maternity homes and group apartment living that is supervised so that when the 16-year-old mother is 17 or 18, and she doesn't have to live in a congregate setting anymore, she can have a little apartment, she is still getting some supervision and help.

I could not agree with you more that government needs to do more to fund those second-chance homes. It is very clear that they are effective in reducing the second pregnancies if the girl only has one baby so far; that girls who live in those homes are more likely to finish high school, get training, get jobs and do well as mothers. I think they are often more likely also to reconcile with their own families and the father and the father's family and create a family around the baby.

I have to tell you that the major source of money for programs like that in this country is the social service block grant, and I have to keep up with my novena here and hope that you all will work to restore funding for the social service block grant. If this committee wants to see more second-chance homes for mothers, that would be one way to make sure it happens.

On the executive order, I think the President did the right thing. I think girls under 18 have no business living by themselves in public housing projects or anyplace else with little babies; that they are going to be preyed upon by unscrupulous people, they will not have the help they need, they are emotionally isolated. It just makes no sense for that to be the solution.

Mr. MORAN. Ms. Daly, I agree with you on virtually everything that you said in response except, while it doesn't make any sense, there are some households where neither does it make any sense to leave a young child in the same household where the boyfriend or the stepfather is still living there who was responsible for the impregnation, and I think there needs to be someplace where girls end up in that situation can go, not in their own living unit, I agree, but a more nurturing, secure environment.

And with regard to the Federal Government needing to do more, I agree, but it is not going to do any more than it is doing now. In fact, it will do less, unless there is sufficient advocacy on the part of groups like Catholic Charities, those who have political influence, as your organization does. And the direction and the gap-filling and the capacity-building is also going to have to take place, I think, in the nonprofit sectors before you see major programs implemented at the Federal level.

Ms. DALY. Mr. Moran, before you came in, I was pointing out that certainly I would agree with you that we shouldn't leave the young pregnant girl in the household where she has been abused by the stepfather or the boyfriend of her mother. On the other hand, we shouldn't leave him there to abuse anybody else either. He should be arrested and prosecuted, and I think, all around the country we are beginning to see a lot more district attorneys being willing to take that avenue; that it is not just a question that wel-

fare programs deal with this. The legal system has to protect young women and young men.

Mr. MORAN. I agree.

Mr. RECTOR. If I could make a couple of points that relate to this. Although we do need to be concerned about these young teenage moms, I think it is important for us to understand that when we look at the one-third of all births that occur outside marriage, very few of those occur to women under age 18. Only about 14 percent of total out-of-wedlock child-bearing is occurring to girls that are under 18 and are in high schools. The overwhelming bulk of those out-of-wedlock births are occurring to young adult women age 19 to, say, 23. When you look at the data there, it doesn't really suggest that a lack of family planning or a lack of understanding of contraception is the real issue. In fact, in about half of these cases of these young adult women, she is actually cohabiting with the father at the time of birth, but the relationship will fall apart in about a year and a half after the birth.

What is really happening here is not a lack of contraception. It is a crisis in the relationships between young adult men and women, and that is why the marriages are not forming. That is why that man is going to leave that house. There is going to be yet another boyfriend who comes in in a few years. There is going to be a fracture in that relationship. There is going to be another boyfriend who comes in and this situation of sequential cohabitation, it the main breeding grounds for poverty. Moreover, virtually all of the serious child abuse in the country is occurring in this type of situation where you have got a boyfriend with several young kids in the household who are not his biological children.

We ought to look very carefully at this young girl and her boyfriend, who by the time she is in her 20's, is not a lot older than she is. They are cohabiting together, but they are not married. The government the supporting them, is paying for the birth through Medicaid, yet in virtually no State in the United States do we hand that couple even a single brochure to tell them about the value of marriage, let alone offering them counseling and support that might help them to improve the quality of their relationship.

Also, I would say in all respect that even if you throw the medical growth out—and my testimony did indicate very clearly that the medical component of the welfare state is growing the most rapidly, but even if you throw Medical care out, cash, food and housing, after adjusting for inflation, increased by 37 percent in the last decade. We are spending a lot of money. The question is, are we spending it in the right way, in a way that truly helps, or in a way that hurts?

I am—and I am sorry that you felt that my remarks were mean-spirited, but I would also remind you that many people in Congress called the welfare reform of 1996 mean-spirited. I spent my entire adult career trying to assist poor people, and I think the true judge of mean-spiritedness is in the consequences of the policies. I worked a lot on welfare reform. I worked on promarriage and prowork policies for several decades, and I would put those policies in the terms of their consequences up against any traditional welfare program from the past, and I think we would win in that debate hands down every day of the week.

Mr. MORAN. Well, you are going to have to—you have elicited a response, Mr. Rector, and, first of all, I won't argue with the 37 percent increase over a decade, although I know some points could be made to clarify the meaning of that, but that averages out to 3.7 percent on an annual basis. That is one-third of the average medical cost increase for the last approximately—well, for many of those years in the last decade. In no year did medical costs not go up substantially more than 3.7 percent. Housing costs went up considerably more than 3.7 percent, and in many of those last 10 years. They certainly did in the last 2 years. Rental costs have escalated dramatically, particularly in the urban areas where much of the Section 8 is taking place. I don't know about food. I don't have any figures on food, but I think when you put the 3.7 percent on an annual basis in context, it is not as dramatic as it might appear to be.

I don't want to find even more opportunities for you and Ms. Daly to reach agreement in opposing what I am suggesting, but the——

Mr. RECTOR. It is not too frequent, so——

Mr. MORAN. The only point that you wanted to emphasize was that principal recipients of these programs that we are talking about are the children who are suffering for the accident of their birth, and when you talk about the family situations not working consistently, among affluent, well-educated spouses the principal reason for divorce is financial difficulties, and when you are living in poverty, it oftentimes becomes an untenable situation.

Now, I don't think the government can come in and undo that, but I do think much of the family breakup is a function of not having sufficient resources to become in any way self-sufficient, blaming it on one spouse or the other, the constant frustration, the constant hurt in not being able to provide for your family. Those families that I do know who do live in poverty, I think that is the one single problem that makes it awfully difficult to stay together, the lack of capability to provide adequately for your family.

I think we are talking about some issues that go far beyond the scope of the Budget Committee, but I am glad the Budget Committee hazarded them today, and I thank you, Mr. Chairman, for the hearing.

Chairman NUSSLE. Thank you, Mr. Moran.

With that, we have come to a conclusion. Where is Khalil today? Is he here? All right. Well, I was wondering if maybe—what your child care situation was for today. I was going to say, we are going to have to worry about your babysitter if this goes much longer. You are fine back there? OK. Well, I am glad you were able to come today.

I thank all of our witnesses for a very interesting hearing. I know that this subject will be discussed many different ways, many different times in the future. It needs to be. I appreciate all of you coming and spending time with us today, and with that, the hearing is adjourned.

[Whereupon, at 1:43 p.m., the committee was adjourned.]