

**PRESIDENT'S PLAN TO BUILD ON THE SUCCESSES
OF WELFARE REFORM FEATURING HHS SEC-
RETARY THOMPSON**

HEARING

BEFORE THE

**COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES**

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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MARCH 12, 2002
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**PRESIDENT'S PLAN TO BUILD ON THE SUCCESSES OF WELFARE REFORM FEATURING
HHS SECRETARY THOMPSON**

Tuesday, March 12, 2002

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

The Committee met, pursuant to notice, at 2:33 p.m., in room 1100 Longworth House Office Building, Hon. Bill Thomas (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
March 5, 2002
No. FC-17

CONTACT: (202) 225-1721

Thomas Announces a Hearing with HHS Secretary Thompson on the President's Plan to Build on the Successes of Welfare Reform

Congressman Bill Thomas (R-CA), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing on the President's plan to strengthen welfare reform. **The hearing will take place on Tuesday, March 12, 2002, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 2:30 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the Honorable Tommy G. Thompson, Secretary, U.S. Department of Health and Human Services. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), commonly referred to as the 1996 welfare reform law, made dramatic changes in the Federal-State welfare system designed to aid low-income American families. The law repealed the former Aid to Families with Dependent Children program, and with it the individual entitlement to cash welfare benefits. In its place, the 1996 legislation created a new Temporary Assistance for Needy Families (TANF) block grant. It provides fixed funding to States to operate programs designed to achieve several purposes: (1) provide assistance to needy families, (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage, (3) prevent and reduce the incidence of out-of-wedlock pregnancies, and (4) encourage the formation and maintenance of two-parent families. In exchange for the broad flexibility and fixed funding granted States, the 1996 law imposed certain key program requirements, notably work requirements and time limits on Federal benefits.

The achievements of welfare reform have been dramatic. Caseloads have been reduced by 9 million individuals in 3 million families. Nearly 3 million children have been lifted from poverty, and work among current and former welfare recipients has risen to record highs. Yet despite these outstanding results, far too many individuals receiving assistance are not making progress toward self-sufficiency. Troubling social trends such as out-of-wedlock birthrates, teen pregnancy, and divorce remain at or near record levels, exacerbating challenges faced by low-income families to achieve self-sufficiency.

To ensure that the Committee and the Congress review the effects of the fundamental changes made in the 1996 law, the authors of the 1996 law extended the authorization of the TANF program only through fiscal year 2002. In early February, the President laid out a framework of his proposal to reauthorize TANF and strengthen welfare reform in his fiscal year 2003 budget. On February 26, he provided further details of his plan. This hearing will provide the Secretary with an opportunity to discuss the President's detailed proposals.

“The welfare reform law has been a great success,” said Chairman Thomas. “Expecting and supporting work has made a huge difference in the lives of millions of families. Caseloads have plummeted, work and incomes are up, and poverty has fallen dramatically. We welcome Secretary Thompson, the leader of the welfare reform revolution as Governor of Wisconsin in the 1980s and 1990s, to discuss with the Committee the President’s proposals for strengthening welfare reform and helping even more low-income families enjoy the dignity and rewards of work and self-support.”

FOCUS OF THE HEARING:

The hearing will review the President’s welfare reform reauthorization proposal.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610 by the close of business, Tuesday, March 26, 2002. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the full Committee in room 1102 Longworth House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse unopened and unsearchable deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

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

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, in Word Perfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

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

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

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

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

Chairman THOMAS. Today, we will examine President Bush’s proposal to build on the success of welfare reform. Before 1996, our welfare system measured compassion by how many people were on the welfare rolls. Changes to our welfare system were fiercely resisted because there were some who rejected the notion that hand-outs were better than a hand up. Some in 1966 still could not conceive of a world where compassion’s new measure would be how many people left welfare for work and independence.

Immediately prior to the passage of welfare reform, for example, the Urban Institute forecasted that a million new children would enter poverty if welfare reform prevailed. Others were a bit more apocalyptic. The Children's Defense Fund predicted the welfare reform law, "will hurt and impoverish millions of children." Of course, these dire predictions never materialized. What we have seen instead is a record of tremendous success in lifting children from poverty, promoting work, and ending dependence.

Prior to 1996, the average lifetime stay on welfare for families receiving benefits was 13 years. Since their peak in 1994 as reforms got underway in many States, caseloads have fallen by 9 million from a record high of 14 million recipients in 1994 to just 5 million people today. That is a 60 percent drop.

Welfare reform has lifted nearly 3 million people out of poverty. The African American child poverty rate and the poverty rate for children living with single mothers are both at the lowest points in U.S. history. Between 1995 and 1999, the poorest 40 percent of single-mother families increased their earnings by about \$2,300, on average.

Welfare reform increased work, boosted income, it has improved child poverty, and reduced dependency. It has been a success, but we need to build on that success. Our priority is to help more people successfully transition to work because work is the only real and permanent path out of poverty.

Observers should note that the grounds have shifted. Virtually no one today is suggesting that we go back to the old ways of providing checks and expecting little of recipients. We largely agree that the new structure of welfare with its emphasis on work and self-sufficiency has provided opportunity and dignity to people who were once trapped in a failed system.

Our debate to reauthorize welfare, as heated as it may become at times, is truly on the margin. Some of these margins are important, such as increasing meaningful education to enhance work, such as opportunities for better child care assistance.

Joining us today to review the President's proposal for the next round of welfare reform is Secretary Tommy Thompson of the U.S. Department of Health and Human Services (HHS). Secretary Thompson was a national leader in the welfare reform movement as Governor in Wisconsin. Many of our Members worked closely with him, in fact, to craft the 1996 law. We look forward to working closely with him in his current role to ensure that welfare reforms continue to help poor families go to work and to achieve self-sufficiency.

Prior to my recognizing the Chairman of the Human Resources Subcommittee, Mr. Herger, the Chair would like to acknowledge the loss of a friend of all of us, Dr. John Eisenberg, who had helped establish the Physician Payment Review Commission and then went on to make sure that, as Director for the Agency for Health Care Research and Quality, in fact, turning that institution around to make it a success. He passed away this last week with very, very short notice. He was a very young, bright, energetic, talented individual, and I know that we have all worked with him and he will be missed.

Mr. Herger?

[The opening statement of Chairman Thomas follows:]

Opening Statement of the Hon. Bill Thomas, a Representative in Congress from the State of California, and Chairman, Committee on Ways and Means

Today, we will examine the President's proposal to build on the success of welfare reform.

Before 1996, our welfare system measured compassion by how many people were on the welfare rolls. Changes to our welfare system were fiercely resisted because there were some who rejected the notion that handouts were better than hand ups.

Some in 1996 still couldn't conceive of a world where compassion's new measure would be how many people left welfare for work and independence. Immediately prior to the passage of welfare reform, for example, the Urban Institute forecasted that a million more children would enter poverty if welfare reform prevailed.

Others were more apocalyptic. The Children's Defense Fund predicted the welfare reform law "will hurt and impoverish millions of children."

Fortunately, these dire predictions never materialized.

What we have seen instead is a record of tremendous success in lifting children from poverty, promoting work, and ending dependence.

Prior to 1996, the average lifetime stay on welfare for families receiving benefits was 13 years. Since the peak in 1994 as reforms got underway in many states, case-loads have fallen by nine million, from a record high of 14 million recipients in 1994 to just five million people today—that's a 60 percent drop.

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Between 1995 and 1999, the poorest 40 percent of single mother families increased their earnings by about \$2,300 on average.

Welfare reform increased work, boosted incomes, improved child poverty and reduced dependency. It has been a success. But we need to build that success.

Our priority is to help more people successfully transition to work, because work is the only real and permanent path out of poverty.

Observers should note that the ground has shifted. Virtually no one today is suggesting that we go back to the old ways of providing checks and expecting little of recipients. We largely agree that the new structure of welfare, with its emphasis on work and self-sufficiency, has provided opportunity and dignity to people who were once trapped in a failed system.

Our debate to reauthorize welfare, as heated as it may become at times, is truly on the margins. Some of these margins as important. Such as: increasing meaningful education to enhance work. Such as: opportunities for better child care assistance.

Joining us today to review the President's proposal for the next round of welfare reform is Secretary Tommy Thompson of the Department of Health and Human Services. Secretary Thompson was a national leader in the welfare reform movement as Governor of Wisconsin. Many of our Members worked closely with him to craft the 1996 law. We look forward to working closely with him in his current role to ensure that welfare reforms continue to help poor families go to work and achieve self-sufficiency.

Prior to my recognizing the Chairman of the Human Resources Subcommittee, Mr Herger, the Chair would like to acknowledge the loss of a friend of all of us, Dr. John Isenberg, who had helped establish the physician payment review commission and then went on to make sure that as director for the agency for Healthcare Research and Equality—in fact turning that institution around to make it a success, passed away this last week with very, very short notice. He was a very young, bright, energetic, and talented individual and I know we have all worked with him and he will be missed.

Mr. HERGER. Thank you, Chairman Thomas. I will make my remarks short this afternoon and submit my entire statement for the record.

We welcome Secretary Thompson, a longtime expert on welfare reform. As Governor of Wisconsin, he acted based on what he knew, what we always knew about welfare, that dependence on benefits, on receiving a check without working for it, was a destruc-

tive path. We knew this because we were warned. In a 1935 message to Congress, President Franklin Roosevelt, the author of the former welfare program told us, “The lessons of history show conclusively that continued dependence upon relief induces a spiritual and moral disintegration, fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is in violation of the traditions of America.”

Yet, by the early 1990s, that is what welfare had become, a destroyer of the human spirit. So Wisconsin first, and then other States, set about making common sense changes that benefited those once trapped on welfare by showing them the path off welfare, the path of work. This became the standard for the Nation’s welfare reform program in 1996. By any measure, that program has been a tremendous success.

The reason is clear. Work replaced welfare as the 1996 law intended. Some said it could not be done. Fortunately, they were wrong. But this story is still far from over and we cannot stop here. Today, Secretary Thompson will present the President’s proposal to strengthen welfare reform in the future. As we will hear, he is offering a strong foundation for us to build on.

Once again, we welcome Secretary Thompson and look forward to working with him to get this critical job done. Thank you, Mr. Chairman.

[The opening statement of Mr. Herger follows:]

Opening Statement of the Hon. Wally Herger, a Representative in Congress from the State of California

We welcome Secretary Thompson, a long-time expert on welfare reform dating to his many years as Governor of Wisconsin.

Then-Governor Thompson acted based on what he knew—what we always knew—about welfare. That dependence on benefits, on receiving a check without working for it, was a destructive path.

We knew this because we were warned. President Franklin Roosevelt, the author of the former welfare program, told us:

*“The lessons of history . . . show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. . . . It is in violation of the traditions of America.”*¹

Yet by the early 1990s that is what welfare had become—a destroyer of the human spirit. So Wisconsin first and then other states set about making common-sense changes that benefited those once trapped on welfare by showing them the path off welfare—the path of work. This became the standard for the nation’s welfare reform program in 1996.

By any measure, that program has been a tremendous success.

As Chairman Thomas mentioned, the number of children in poverty is down by nearly 3 million, and the poverty rate is at record lows for families most likely to fall into long-term dependence.

The reason is clear. Work replaced welfare, as the 1996 law intended. Work by mothers most likely to go on welfare has risen by 40 percent. And caseloads plummeted by 60 percent. These are unprecedented changes we all can be proud of.

But we should be even prouder of the millions of low-income parents—mostly single mothers—whose hard work made a better life for their families.

Some said it couldn’t be done. One group called the bill “reckless and wrong” and predicted it “will create a social catastrophe by cutting off critically needed assistance to millions of our poorest children.”² The New York Times said “the effect on

¹ Annual message to Congress, January 4, 1935.

² Catholic Charities USA, press release, August 1, 1996.

some cities will be devastating” and charged it was “simply wrong” that the bill would replace welfare checks with paychecks.³ One Member of this House said “The real world will teach everyone in this Congress that you are hurting children.”⁴

Fortunately, they were wrong. But this story is still far from over, and we can’t stop here.

Today we welcome Secretary Thompson to present the President’s proposals to strengthen welfare reform in the future.

We learned last week in a Human Resources Subcommittee hearing that 58 percent of current welfare recipients are not working or even participating in training. That’s not acceptable.

The President’s plan expects more recipients to work and move up the economic ladder, not two years after going on welfare but right away. He provides funding to make that work. And he expands state flexibility to provide drug abuse and mental health services as well as education and training to help parents get better jobs.

His legislation also includes more funds for additional services to strengthen families and promote healthy marriage, which we know is the best way to raise children.

This is a strong foundation for us to build on as we renew welfare reform. We welcome Secretary Thompson, and look forward to working with him to get this critical job done.

Chairman THOMAS. I thank the gentleman. Does the gentleman from New York, the Ranking Member, wish to make an opening statement?

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. Secretary, you and I debated the question many times before you took office as Governor. I did not think that the Federal Government should sever its responsibility to the poor through entitlements then and I still think that we should not have done that. I did not think that the Governors would perform as well as they have, and you were right in stating, as a Governor, and now, I hope, as Secretary, that they have the responsibility and the less the Federal Government could get involved, the better these serious and complex problems could be handled.

I would want you to know that it is my belief, especially after listening to the Chair and Ranking Member, that the Administration might do better in reaching a bipartisan accord on this issue by working with us and seeing what we can come up with because I am afraid my Republican friends are looking for some rhetoric for the campaign and we are just looking for a solution to the problem.

So the main things that I am certain Mr. Cardin would direct himself to the Administration, since it is impossible to deal with the Members of the other part on this Committee, would be the failure to include education as a factor to be considered as something in addition to work; the failure to allow the States, our Governors, to provide for legal immigrants in the spirit of welcoming people to this great republic; the fact that there are no funds for additional day care costs, which is considered to be an unfunded mandate; and, of course, there is no provision for inflation.

But there is something for us to work with. We look forward to working with you and we are not going to allow our Republican friends from stopping us to come up with a bill that we all can agree on.

³NYT Editorial August 1, 1996.

⁴Carrie Meek, floor of U.S. House, July 31, 1996.

I would like to yield to Mr. Cardin, who has worked so hard on this with the support of the Administration.

Mr. CARDIN. Let me thank Mr. Rangel for yielding and thank the Chairman for his patience.

Mr. Secretary, I know you want to work out a bipartisan agreement. You have met with us. You have been very open in your exchanges. You have worked with our staffs and we look forward to continuing to work with you so that we can reach a common goal of reauthorizing Temporary Assistance for Needy Families (TANF), and I think we can do that in a bipartisan way.

I would ask, though, that you look very carefully, as I know you will, on four recommendations that were made by the National Governors' Association (Governors') that are not included in the proposed legislation that you have talked about. As a former Governor, I think you will appreciate each of these issues and these are the ones I hope that—I am concentrating where I think we have differences rather than a lot that we have in common, because there is an awful lot that we go into this debate on the same level.

The Governors' are asking for more flexibility, particularly as it relates to determining the mix of training services and work and what will best fit the needs of the individual recipient. I am afraid that, in some cases, the Administration's suggestion actually moves in the opposite direction in regards to the flexibility of the States to make that judgment.

Secondly, the Governors' are asking for inflationary increase in the basic TANF funds, and I know this is a tough year for funds, but if we make no adjustments, then over a 10-year period, we will actually see a reduction of about 22 percent in the buying power of the money that the Federal Government is making available, and as you know, the States are currently spending \$2 billion more a year on TANF than they are receiving because they squirreled away some of the money from the early years.

Third, the Governors' have suggested repealing the ban on the use of Federal funds to deal with legal immigrants within the TANF system. This is not really a dollar issue as it relates to Federal funds because we make it available in block form to the States. It is how the States choose to use their money, and if they choose to cover legal immigrants under the restrictions that are imposed under general use of funds, why should they not be allowed to do that?

And the fourth issue deals with a program which I know that you support and that is wage supplements, getting people who are working income that they need in order to survive and thrive in our economy, and we should remove the penalties in the current law as it relates to wage supplements and our Governors' have asked us to do that.

Let me just ask one additional issue in regards to resources and that is child care. You have heard that mentioned by many of us, that we are not providing enough help today for the necessary child care, and as we put more and more requirements on work, the pressure for affordable child care will only become greater.

Finally, I want to make it very clear that there is no disagreement that work must be the central goal of welfare reform. How-

ever, there is a clear difference between short-term unpaid work experiences and long-term wage-paying jobs. So as we move forward, I know your goal is to make sure that the next step of welfare reform is to get people not only off of cash assistance, but out of poverty, because you want to add the welfare of the child as the principal goal. You know that I feel we should add reducing poverty. So we share a common vision as to where we want to see us move in the next 5 years.

Thank you, Mr. Chairman.

[The opening statement of Messrs. Rangel and Cardin follows:]

Opening Statement of the Hon. Charles B. Rangel, a Representative in Congress from the State of New York, and the Hon. Benjamin L. Cardin, a Representative in Congress from the State of Maryland

Mr. Secretary, you and I have debated the question many times before you took office, when you were a governor. I did not think that the Federal Government should sever its responsibility to the poor—the entitlement—then. And I still think that we should have not done that. I didn't think the governors would perform as well as they have. And you were right in stating, as a governor and now I hope as Secretary, that they have the responsibility and the less that the Federal Government can get involved the better these serious and complex problems can be handled.

I would want you to know that it is my belief, especially after listening to the Chairman and Subcommittee Chairman that the Administration might do better in reaching a bipartisan accord on this issue by working with us and seeing what we can come up with. Because I am afraid my Republican friends are looking for some rhetoric for the campaign and we are just looking for a solution to the problem.

And so, there are many things that I am certain Mr. Cardin will direct himself to if the Administration senses it is impossible to deal with the Members of the other party on this Committee. These include the failure to include education as a factor to be considered as something in addition to work; the failure to allow the states—our governors—to provide for legal immigrants in the spirit of welcoming people to this great republic; the fact that there are no funds for additional daycare costs, which is considered to be an unfunded mandate; and, of course, there are no provisions for inflation.

But there is something for us to work with. We look forward to working with you and we are not going to allow our Republican friends to stop us from coming up with a bill that we can all agree on.

I would like to yield to Mr. Cardin, who has worked so hard on this with the support of the Administration.

Mr. Cardin. Let me thank Mr. Rangel for yielding and thank the Chairman for his patience.

Mr. Secretary, I know you want to work out a bipartisan agreement. You have met with us. You have been very open in your exchanges and you have worked with our staffs and we look forward to continuing to work with you so that we can reach a common goal of reauthorizing TANF. And I think that we can do that in a bipartisan way.

I would ask, though, that you look very carefully as I know you will at four recommendations that were made by the National Governors' Association that are not included in the proposed legislation that you have talked about. As a former governor, you will appreciate each of these issues.

I'm concentrating on where we have differences rather than the lots we have in common. Because there is an awful lot that with which we go into this debate on the same level.

The governors are asking for more flexibility, particularly as it relates to determining the mix of training services and work which will best fit the needs of the individual recipient. I am afraid that, in some cases, the Administration's suggestion actually moves in the opposite direction in regards to the flexibility of the states to make that judgement.

Secondly, the governors are asking for inflationary increases in the basic TANF funds. And I know it is a tough year for funds, but if we make no adjustment then over a ten year period, we will actually see a reduction of about 22% in the buying power of the money that the Federal Government is making available. And, as you know, the states are currently spending \$2 billion dollars more a year on TANF

than they are receiving because they squirreled away some of the money from the earlier years.

Third, the governors have suggested repealing the ban on the use of Federal funds that deal with legal immigrants within the TANF system. This is not really a dollar issue as it relates to Federal funds because we make it available in block form to the states—it is how the states choose to use their money. And if they choose to cover legal immigrants under the restrictions that are imposed under general use funds, why shouldn't they be allowed to do that?

And the fourth issue deals with a program which I know that you support and that is wage supplements—getting people who are working the income that they need in order to survive and strive in our economy. And we should remove the penalties in the current law as it relates to wage supplements and our governors have asked us to do that.

Let me just add one additional issue in regards to resources, and that is childcare. You have heard that mentioned by many of us, that we are not providing enough help today for the necessary childcare. And, as we put more and more requirements on work, the pressure for affordable childcare will only become greater.

Finally, I want to make it very clear that there is no disagreement that work must be the central goal of welfare reform. However, there is a clear difference between short-term unpaid work experiences and long-term wage paying jobs. So as we move forward, I know that your goal is to make sure that the next step of welfare reform is to get people not only off of TANF assistance, but out of poverty. Because you know that you want to add the welfare of the child as a principal goal. You know that I feel you should add reducing poverty. So we share a common vision as to where we want to see us move in the next five years. Thank you, Mr. Chairman.

Chairman THOMAS. I thank the gentleman.

Apparently, some folks are more interested in coming in and making sure that their vitriolic comments were well memorized rather than listening to what other people were saying. In the Chair's opening remark, when he said that our debate to reauthorize welfare, as heated as it may become, it will be truly on the margins, what I said those margins were were meaningful education to enhance work, which is an area that I think all of us can agree we need to work on, and the second one was better child care assistance. That is where we are going to work, on the margins of improving the program.

But, of course, the predetermined disposition of Members of this Committee in terms of unwillingness to admit that what began has become modestly successful, but that needs improvement and that we will work on improvement in those areas that need improvement rather than the rejection outright of any of the positions is one of the primary reasons it has become relatively difficult to work in a bipartisan way. If we are simply going to have blanket condemnation without even listening to what people are having to say, then the desire to try to draw people in to participate becomes less so.

This is a program we will reauthorize. I hope the minority will work with us to have meaningful work experiences tied to education, as the Administration has already suggested, and to enhance the ability to provide child care for those who need it. We will be working on those areas. We look forward to you joining us in improving this program.

With that—

Mr. LEVIN. Will the Chairman yield?

Chairman THOMAS. Mr. Secretary, it is a real pleasure to have you with us. You are one of the reasons this program worked, because we took you at your word and we gave you the authority and you ran with it. Thank you very much for your willingness to serve in the Bush Administration in your capacity. We look forward to your remarks. Your written remarks will be made a part of the record and you may address us in any way you see fit.

**STATEMENT OF THE HON. TOMMY G. THOMPSON, SECRETARY,
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Mr. THOMPSON. Thank you very much, Mr. Chairman. First, let me thank you for mentioning Dr. John Eisenberg. That was very nice and I appreciate it, as his family will, as well. He was a great man.

I thank you, Congressman Rangel and Congressman Herger and Congressman Cardin, all of you for working so closely with my Department in trying to come up with a bipartisan bill. I applaud all of you for that.

I am honored to appear before you today to discuss the next phase of welfare reform. Chairman Thomas, your leadership in this historic effort to reform welfare has been tremendous and our country truly is in your debt for it. Congressman Rangel, we differ on some of the issues before us, but we are united in our concern for families and I look forward to working with you on this very important subject.

Over the past 5 years, welfare reform has exceeded our most optimistic expectations. The 1996 law dramatically shifted national welfare policy by promoting work, encouraging personal responsibility, discouraging out-of-wedlock pregnancies and supporting marriages. States were given unprecedented flexibility in the design as well as the implementation of their welfare programs. Families were given the help they need to transition from welfare to work. And underlying all of these changes, we restored an essential principle that had long been lost, that welfare assistance was designed to be temporary, to help families in crisis, and that dependence and poverty were not permanent conditions.

Welfare was fundamentally reformed. As a result, nearly 7 million fewer individuals are on welfare today than in 1996. Two-point-eight million fewer children are in poverty. Poverty rates for minority children have decreased dramatically. These things have occurred in large part because welfare has been transformed and is transforming.

But even with these profound and positive changes, there are still too many of our fellow citizens who have not begun to realize a future of hope, too many children who lack essential opportunities for growth and a good life, too many men and women who remain trapped in a web of dependency and despair. So now it is time for us to take the next bold step in reforming welfare, and the President's proposals show us the way.

The President's priorities include strengthening work requirements, promoting strong families, and giving States more flexibility in showing compassion to those in need. These goals have been central to the Administration's proposals for TANF, child care, and child support.

Before outlining how we are addressing these issues, let me make clear that the news reports last week about a plan to change the minimum wage law were absolutely incorrect. President Bush and I will insist that welfare recipients receive at least the minimum wage for the hours that they work, including community service jobs. This is an important principle that I have fought for as Governor of Wisconsin and one that the President and I remain committed to today as we continue to reform welfare.

Now let me move on to discuss the TANF program. TANF has moved millions of individuals from welfare to work. Employment among single mothers has grown to unprecedented levels. Child poverty rates are at their lowest level since 1979. Overall child poverty rates declined from 20.5 percent in 1996 to 16.2 percent in 2000. Yet, much remains to be done and States still face many challenges.

Our proposals seek \$16.5 billion for block grants to States and tribes, and an additional \$319 million each year for supplemental grants to States that have experienced high population growth and had historically low funding levels. At the same time, we will continue the current maintenance of effort requirement to retain State contributions to assistance for children and families. We will reauthorize and improve the \$2 billion contingency fund, and we will restore over 5 years the policy permitting the transfer of up to 10 percent of the TANF funds to the Social Services Block Grant.

We will also seek to maximize self-sufficiency through work. First and foremost, States will be required to engage all TANF families headed by an adult in activities leading to self-sufficiency.

In addition to the requirement for universal engagement, we will increase the direct work requirement. Our proposal requires welfare recipients to engage in a 40-hour work week, at least 24 hours of which must be in direct work, including employment, on-the-job training, and/or supervised work experience. We will allow substance abuse treatment, rehabilitation, or work-related training for up to 3 months within any 24-month period, and we will also gradually increase the minimum participation rate requirements by 5 percentage points each year.

Also recognizing the significant barriers to self-sufficiency that tribes face, HHS will undertake a major new technical assistance effort for tribal organizations to help them build and administer effective tribal TANF programs.

Our proposal embraces the needs of families by promoting child well-being and healthy marriages. To this end, we establish improving the well-being of children as the overarching purpose of TANF.

We will target \$100 million from the discontinued out-of-wedlock birth reduction bonus for broad research, evaluation, demonstration, and technical assistance focused primarily on healthy marriages and family formation activities. Our new marriage initiative implies no criticism of single parents, who deserve high praise for their dedication to their children. But the data clearly demonstrates better outcomes for children whose parents enjoy a healthy marriage. The negative consequences of out-of-wedlock birth on the mother, the child, the family, and society are well documented.

Children living in single-parent households are, on average, five times more likely to be poor and two to three times more likely to use drugs, experience educational, health, and emotional problems, and be victims of abuse. Thus, it is simply good sense to redirect our policies to encourage the formation and the maintenance of healthy marriages, especially when children are involved.

We will also redirect \$100 million from the current law's high-performance bonus to establish a competitive matching grant program for the States and tribes to develop innovative approaches to promoting healthy marriages and reducing out-of-wedlock births. Funds will be matched dollar for dollar and TANF funds may be used to meet this matching requirement.

Child support is an equally critical component of the Federal and State effort to promote family self-sufficiency. For the low-income families who receive child support, it makes up more than a quarter of the family budget. Welfare reform has made a dramatic difference in child support collections, as well. The number of paternities that have been established or acknowledged has reached almost 1.6 million. In fiscal year 2001, a record of nearly \$19 billion in child support was collected, serving an estimated 17.5 million child support cases.

But as with other areas of welfare reform, more can and more must be done. Our proposals are targeted to increase collection to families by nearly \$810 million over 5 years, beginning in fiscal year 2005. And under a similar proposal to increase support reaching families, States would be given the option to adopt simplified distribution rules under which all support collected would be sent to families that have transitioned from welfare.

We will also seek to increase the amount of support collected by adding to our existing cadre of enforcement tools. We would expand our successful program for denying passports to parents who owe \$2,500 in past-due support, and we would ensure that child support orders are fair to both the custodial parent and family as well as the noncustodial parent by requiring the States to review and adjust child support orders in TANF cases every 3 years, reinstating a pre-welfare reform policy.

I can tell you from my experience as Governor of Wisconsin, access to child care assistance can make a critical difference in helping low-income families to find and be able to retain jobs. Our proposal includes a total of \$4.8 billion for the Child Care and Development Fund. When combined with TANF and other Federal funding sources, over \$9 billion is available for child care and related services for children.

Under the President's plan, States have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving access to care and the quality of care. Along with State flexibility, parental choice is a key element of a successful child care program. Families must be allowed to choose the care that best meets their needs, whether with a relative, a neighbor, child care center, faith-based program, or after-school program.

Mr. Chairman, the proposals that I bring before you today contain several essential principles and proposals that flow from them.

What binds them together is a desire to improve the lives of the families protected by America's social service net.

I look forward to working with you, Mr. Chairman, and the Members of this Committee to that end. I would be happy to answer any questions you have.

[The prepared statement of Secretary Thompson follows:]

Statement of the Hon. Tommy G. Thompson, Secretary, U.S. Department of Health and Human Services

Mr. Chairman, Mr. Rangel, and Members of the Committee, I am honored to appear before you today to discuss the next phase of welfare reform. Together our work has had a profound impact on our nation's most vulnerable families. We have exceeded the most optimistic expectations by assisting millions of families in moving from dependence on welfare to the independence of work; we have provided a strong commitment to child care to ensure parents can go to work without worrying about the safety and well-being of their children; and we have succeeded in collecting record amounts of child support on behalf of children with a parent absent from the home. I am confident that together our work in reauthorizing the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Block Grant and Child Care Entitlement Programs, coupled with several critical changes to Child Support Enforcement, will lead to even greater achievements in the future.

President Bush has laid out a clear path for reviewing all of the programs impacted by the historic, comprehensive Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The President made a commitment to pursue four important goals to continue transforming welfare in the lives of those that it helped: strengthen work, promote strong families, give States more flexibility and show compassion to those in need. These goals formed the guideposts in shaping the Administration's proposals for TANF, child care and child support.

When I appeared before this Committee last month to discuss the Department's FY 2003 budget, I presented the Administration's framework for building on our past successes for our nation's families. I would like to spend my time today sharing more information with you on the important progress we have made in strengthening families under these three critical programs and highlighting the specific areas the President has targeted for improvement. I will begin with TANF, the cornerstone of our welfare reform efforts.

Temporary Assistance for Needy Families

As a former governor, I can tell you that the Temporary Assistance for Needy Families program—or TANF—has been a remarkable example of a successful Federal-State partnership. States were given tremendous flexibility to reform their welfare programs and as a result, millions of families have been able to end their dependency on welfare and achieve self-sufficiency.

Since 1996, welfare dependence has plummeted. As of September 2001, the number of families receiving assistance, which represents the welfare caseload, was 2,103,000 and the number of individuals receiving assistance was 5,343,000. This means the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF. Between January and September of last year national caseloads actually declined about two percent, and while the July to September statistics indicate a slight increase, the figures are still well below the previous year's caseload levels. The general trend suggests the national caseloads are not rising but, instead, have stabilized.

In New York City, where we are understandably most concerned about job opportunities, the city achieved more than 53,000 job placements for welfare recipients from September through December 2001. While the number of TANF recipients increased briefly as a direct result of the tragedy of September 11, by January there were about 18,000 fewer TANF recipients on the rolls than there were in August. Indeed, in December New York City had its lowest number of persons on welfare since 1965.

Some other positive outcomes we have seen since the law's passage include:

- Employment among single mothers has grown to unprecedented levels.
- Child poverty rates are at their lowest level since 1979. Overall child poverty rates declined from 20.5 percent in 1996 to 16.2 percent in 2000. The poverty rate among African American children declined from 39.9 percent to 30.9 per-

cent—the lowest level on record. The poverty rate among Hispanic children declined from 40.3 percent to 28.0 percent—the largest four-year drop on record.

- The rate of births to unwed mothers has stabilized.

But even with this notable progress, much remains to be done, and States still face many challenges. Last year, my Department held eight listening sessions throughout the country to discuss the TANF program and understand the new challenges ahead. The States overwhelmingly support this program. States, administrators, recipients, employers, and advocates have provided valuable insight into how we could make the program even more responsive to the needs of families, while keeping the basic structure and purpose of the program.

The Administration's proposal to reauthorize TANF would build upon our stunning success by:

- strengthening the Federal-State partnership;
- asking States to help every family they serve achieve the greatest degree of self-sufficiency possible through a creative mix of work and additional constructive activities;
- helping States find effective ways to promote healthy marriages and reduce out-of-wedlock childbearing;
- improving the management and, therefore, the quality of programs and services made available to families; and
- allowing States to integrate the various welfare and workforce assistance programs operating in their States.

I would like to offer some detail on each of these elements.

Strengthen the Federal-State Partnership

Our proposal seeks to strengthen the Federal-State partnership by maintaining the Federal financial commitment to the program and by making some key policy changes to increase State flexibility. We provide \$16.5 billion each year for block grants to States and Tribes and an additional \$319 million for annual Supplemental Grants to States that have experienced high population growth and had historically low funding levels. We will also reauthorize and improve the \$2 billion Contingency Fund. Authorization for both the Supplemental Grant program and the Contingency Fund expired in 2001, but one year extensions for both were recently enacted into law as part of the economic stimulus package signed by President Bush this past Saturday. We continue the current maintenance of effort (MOE) requirement to retain States' contribution to assistance for children and families. Finally, we will restore over five years the policy permitting the transfer of up to 10 percent of TANF funds to the Social Services Block Grant.

In addition to these basic funding provisions, we propose a number of policy changes on the use of funds that will provide States increased flexibility in managing their programs.

- We ease limitations on services for the unemployed by clarifying the definition of "assistance" so that rules tied to such spending would not apply to child care and other non-cash support services.
- We allow States to designate "rainy day funds" and clarify that such funds would be reserved by States for future TANF use.
- Further, we revise current restrictions on carried-over funds by allowing such funds to be spent on any service or benefit that achieves a TANF purpose.

Maximize Self-Sufficiency Through Work

The second element of our reauthorization proposal is to maximize self-sufficiency through work. First and foremost, States would be required to engage all TANF families with an adult in self-sufficiency activities. States must approve activities as part of self-sufficiency plans and regularly review case progress.

And in addition to the requirement for universal engagement, we will increase the direct work requirement. In order for a case to be counted as participating, our proposal requires a full 40 hours per week participation in monitored, simulated work activities by welfare recipients. Cases counted as participating would be required to average at least 24 hours per week (of their total required 40 hours) in direct work, including employment, on the job training, and/or supervised work experience. States will have the flexibility to decide which activities should make up the remaining 16 hours. These could include a variety of services the States determine are needed by the family.

On a temporary basis, certain cases could be counted as participating even if they did not average 24 hours per week in direct work. These cases would still be fully

participating—defined as 40 hours per week—but could be in work-related training, short term substance abuse treatment, or rehabilitation for up to three months within any 24-month period. When calculating participation rates States will be allowed to exclude parents with children under 12 months of age. As in current law, teen parents who are heads of households and maintain satisfactory school attendance will be deemed as meeting all participation requirements.

We will also gradually increase minimum participation rate requirements. In FY 2003, at least 50 percent of all TANF cases headed by a parent will be required to participate in combined work and other activities designed to help them achieve self-sufficiency. This percentage will increase five percent each year until reaching 70 percent in 2007. Calculation methods will be improved to recognize practical challenges States face in keeping recipients involved and participating in the program. There will be no separate standard for work participation for two-parent cases.

The current penalty structure will apply when a State fails to meet either, or both, of the universal engagement or participation rate requirements. Potential penalties will be limited to a maximum of five percent of a State's TANF grant, as under current law. States subject to a penalty will have the opportunity to develop a corrective compliance plan and no penalty will be assessed as long as they are making progress toward meeting the requirements. The current caseload reduction credit will be phased out so that States still receive full credit against participation targets in the first year, 50 percent of credit in the second year and no credit thereafter. The five-year cumulative lifetime limit for TANF cash assistance will be retained. States may also continue to exempt up to 20 percent of their cases from this limit.

Finally, understanding the significant barriers that tribes face to self-sufficiency, HHS will undertake a major new technical assistance effort for tribal organizations to help them build and administer effective Tribal TANF programs.

Promote Child Well-Being and Healthy Marriages

Our proposal embraces the needs of families by promoting child well-being and healthy marriages. To this end, we establish improving the well-being of children as the overarching purpose of TANF. This meaningful change recognizes that the four current goals of TANF are important strategies for achieving this purpose. Similarly, we clarify and underscore that the fourth goal of TANF is to encourage the formation and maintenance of healthy, two-parent, married families and responsible fatherhood.

In addition, we will target \$100 million from the discontinued Illegitimacy Reduction Bonus for broad research, evaluation, demonstration and technical assistance, focused primarily on healthy marriage and family formation activities. Funds previously used for the Illegitimacy Reduction Bonus could be spent far more effectively on developing innovative approaches to support family formation and healthy marriages. Strong and stable families are good for children and must be a central goal of our next steps in welfare reform.

Research shows that both adults and children are better off in two-parent families. It is no criticism of single parents to acknowledge the better outcomes for children of married-couple families. Rather it supports the underlying principles to redirect our policies to encourage healthy marriage especially when children are involved. Our approach to promoting healthy marriage is to provide financial incentives for States, often working together with private and faith-based organizations, to develop and implement innovative programs to support family formation and healthy marriages. Those demonstration programs will be carefully evaluated and information about successful programs will be broadly disseminated.

Along those lines, we also redirect \$100 million from the current-law High Performance Bonus to establish a competitive matching grant program for States and Tribes to develop innovative approaches to promoting healthy marriages and reducing out-of-wedlock births. State expenditures will be matched dollar for dollar and TANF funds may be used by States to meet their matching requirement.

We require States to discuss in their State plans the efforts they will make to accomplish the family formation goals of the TANF program, including the promotion of healthy marriages, and their efforts to provide equitable treatment for two-parent married families.

And finally within the context of our goals to strengthen family formation and reduce illegitimacy, we will reauthorize the Abstinence Education grant program to States and territories at \$50 million per year.

Improve Program Performance

Our fourth reauthorization element focuses on improving program performance. We will replace the current High Performance Bonus with a \$100 million Bonus to Reward Employment Achievement for meeting the employment goals of TANF. We also will require States to establish and report on performance goals related to each of the four major goals of TANF and to describe in their State plans how they are addressing each. Likewise, States will be required to describe particular strategies and programs they are employing to address critical TANF challenges. We will research the best ways to construct performance measures that relate to the TANF goals, collaborate with States to identify key performance measures, and build uniform data support and reporting methodologies.

Program Integration

For any organization to succeed, it must never stop asking how it can do things better. Using the flexibility under programs such as TANF and the One-Stop Career Center system, States have made great strides towards transforming and integrating their public assistance programs into innovative and comprehensive workforce assistance programs. But, with greater flexibility even more can be accomplished. The final key element of our TANF proposal seeks to enable far broader State welfare and workforce program integration.

In our proposal, we establish new State program integration waivers to permit States to further integrate welfare and workforce development programs in order to improve the effectiveness of these programs. Broad flexibility to design new strategies and approaches will be provided. The proposed waivers could apply to all aspects of selected Federal programs, including funding and program eligibility and reporting rules, enabling States to design fully integrated welfare and workforce development systems that could revolutionize service delivery.

I would like to turn now to another program that offers a vital connection to a family's ability to achieve self-sufficiency: child support enforcement.

Child Support Enforcement

Child support is a critical component of Federal and State efforts to promote family self-sufficiency. For the low-income families who receive child support, it makes up a significant portion of the family budget (26 percent).

PRWORA instituted a number of important child support enforcement measures. Tools such as increased automation, the National Directory of New Hires and Federal Case Registry, the passport denial program, the financial institution data match, and license revocation have made a tremendous difference in improving State performance and strengthening child support collection efforts. Equally important, PRWORA streamlined paternity establishment, particularly voluntary paternity establishment, to encourage fathers to take the first step toward providing their children with financial and emotional support. The impact of these changes has been dramatic. The number of paternities established or acknowledged has reached almost 1.6 million. Of these, nearly 700,000 paternities were established through in-hospital acknowledgement programs. In FY 2001, with a caseload of 17.4 million cases, a record of nearly \$19 billion in child support was collected.

Like TANF, our proposals for child support enforcement build on our success under PRWORA. These proposals will increase child support collections and direct more of the support collected to families, moving the child support program toward a focus on families and away from the historic purpose of recoupment of Federal and State outlays.

Directing More Support to Families

Under current law, States and the Federal Government can keep some of the child support collected on behalf of current or former TANF recipients to defray costs of welfare. We are proposing to change that law and give States an incentive to give more of the child support directly to the family. Families and children will benefit financially and, equally important, the children will see that their parents support and care for them.

Today, more families receiving assistance are working and the assistance they receive is more temporary. The Wisconsin W-2 waiver demonstration has shown that when TANF families receive the child support paid on their behalf, fathers are more likely to pay child support and to pay *more* child support.

Currently, half the States pass through a portion of child support collections to TANF families, entirely out of State funds. Under our proposal, the Federal Government would share in the cost of amounts above a State's current passthrough up

to the greater of \$100 per month or \$50 over current State efforts. Federal contributions to passthrough of collections to TANF families will provide a strong incentive to States to begin to pass through additional support to these families, or increase the amount of the current passthrough. Effective October 1, 2004, this proposal would increase collections going to families by \$280 million over five years.

Under a similar proposal to increase support reaching families, States would be given the option to adopt simplified distribution rules under which all support collected would be sent to families that have transitioned from welfare. This proposal would increase collections going to families by \$810 million over five years and eliminate the need for States to explain and support complex distribution decisions. This provision would also be effective October 1, 2004.

Increasing the Amount of Child Support Collected

The second prong of our strategy for child support enforcement is to increase the amount of support collected by adding to our existing cadre of enforcement tools.

First, we would expand our successful program for denying passports to parents owing \$2,500 in past-due support. The passport denial program, run jointly by HHS and the Department of State, currently works to deny passports to delinquent parents owing more than \$5,000 in past due support. In FY 2000 alone, individuals with child support arrearages paid \$3.6 million in lump sum child support payments to avoid losing their passports. An additional number of these individuals have entered into payment agreements under which support payments are made regularly to children. Currently, passports are being denied to 60 delinquent parents per day.

We know of many examples of payments by parents who could pay but don't until threatened with the loss of their passport. One parent who had never made a voluntary payment paid \$67,000 in order to travel for work. Another parent paid over \$10,000 to obtain his passport to go to a family reunion. And a parent in New York paid his account in full—\$27,328—in order to go on a vacation. Under our proposal, approximately one million cases could be added to the passport denial program.

We also are proposing to expand the Federal administrative offset program by allowing certain Social Security benefits to be offset to collect unpaid child support in appropriate cases selected by the States. Currently under the Federal Debt Collection Act, Old Age, Survivors and Disability (Social Security) benefits can only be offset for Federal debt recovery. Our proposal would provide a limited expansion to include child support debts and would be subject to the same offset thresholds, or safeguards, as current law.

Our final enforcement proposal would ensure that child support orders are fair to both custodial parents and children as well as the noncustodial parents by requiring States to review and adjust child support orders in TANF cases every three years, reinstating a pre-PRWORA policy.

Typically, the ability of obligors to pay child support increases over time. Periodically reviewing and adjusting child support awards to reflect current income can result in increases in the amount of the support provided and the economic security of single parent families. The five-year limit on receipt of TANF creates a substantially different environment than that which existed prior to PRWORA. At least one review of a support order during a family's receipt of TANF will help ensure that families leave the welfare rolls knowing that they will continue to receive child support at an appropriate level.

There also are legitimate reasons to reduce an existing award, for instance, if the obligor has lost his job or suffered a major decline in income. In those cases, periodic review and adjustment means that the award amount is fair and that the child support agency is assisting a low-income father who does not have the current ability to pay support, by helping the father avoid building up a large and unmanageable arrearage.

Processing Fee

In addition to our proposals for increasing support and directing more of the support collected to families, we will require States to impose a \$25 annual processing fee on families that have never used public assistance in cases where the State has been successful in collecting support on their behalf. Because the fee is collected only when the State is successful in collecting support and represents a fraction of the cost of the services families receive, we are confident it will not pose a barrier to families seeking child support enforcement services.

As States and the Federal Government struggle to serve all the needs of its citizens, it is imperative that we find innovative ways to finance the program. This minimal step toward contributing to the costs of the program is reasonable and represents a firm step toward changing the perception that the purpose of the child

support program is to recoup welfare benefits, building on the positive message of our child support distribution proposals. While it will raise expectations of customer service, I am confident that these expectations will be met.

I would like to turn now to child care, a key support service.

Child Care

In 1999, 20 million families in the United States had one or more children under the age of 13 with an employed mother. Thirty-two percent of these families were low-income. For a number of reasons, including the high cost of child care, many of these families have difficulty finding care arrangements that they can afford. I can tell you from my experience as Governor of Wisconsin, access to child care assistance can make a critical difference in helping low income families find and retain jobs.

Further, studies measuring the impact of child care subsidies on employment in several communities and States across the country show that receipt of subsidies substantially increases the likelihood of employment. Eighty-three percent of all families who received child care subsidies in 1999 did so because the parents were employed (with most of the other parents receiving subsidies while in training or education).

As we approach reauthorization of our child care authorities, the Administration is committed to preserving the key aspects of the program: parental choice; administrative flexibility for States and Tribes; support for work and job training; inclusion of faith-based and community-based organizations; and healthy development and literacy skills for children in care. The major restructuring of the federally funded child care programs under PRWORA remains an effective and efficient method for distributing child care funds to States. States were given flexibility to determine the best use of those funds to meet the varying needs of their low-income populations. Therefore, our proposed reauthorization of the discretionary Child Care and Development Block Grant (CCDBG) and mandatory Child Care Entitlement programs, does not seek any changes to the underlying structure and financing of these essential programs. Rather, we enthusiastically support maintaining the historically high level of funding for child care.

Our proposal includes \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for Child Care Entitlement—a total of \$4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. When combined with TANF and other Federal funding sources, over \$17 billion is available for child care and related services for children.

Under our proposal, States continue to have flexibility to use Temporary Assistance for Needy Families (TANF) funds for child care both by transferring up to 30 percent of TANF funds to CCDF and by spending additional TANF money directly for child care. In recent years, States have used significant amounts of TANF funds for child care, including \$2.3 billion for transfers to CCDF and \$1.4 billion in direct spending in FY 2000. In addition to CCDF and TANF, other programs in my Department also fund early childhood care and education, including the Social Services Block Grant and Head Start. And the Administration's education bill, recently passed by the Congress and signed by President Bush, includes additional flexibility and funding for school age care and literacy programs. Taken together, all of these funding opportunities have substantially increased the amount of resources available for quality child care and related programs.

Funding available through our child care programs and TANF transfers alone will provide child care assistance to an estimated 2.2 million children in FY 2003. This is a significant increase over the number served just a few years ago; in 1998 about 1.5 million children received subsidized care.

The overall goal of TANF reauthorization is child well-being. Child care supports this goal as well as being a vital work support. Our child care reauthorization proposals complement our expectation that all families will be fully engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary.

Promoting Child Development and Literacy through Child Care

In addition to supporting working parents, quality child care promotes early childhood development and literacy skills. To improve quality and support the child development component of child care, States support a range of strategies and the Department manages a broad portfolio of training and technical assistance activities to support their efforts. According to the latest plans submitted by States, the most common approaches include grants and loans to providers for specific quality improvements, training and technical assistance for providers and staff, monitoring of

compliance with regulatory requirements, strategies to improve retention and compensation of child care providers, and a special focus on improving the quality of care for infants and toddlers.

The President's budget maintains funding for quality child care. A minimum of four percent of the CCDF must be spent on activities to promote quality. In addition, the budget proposes to retain set-asides for infant and toddler care, school-age care and resource and referral services, additional quality expenditures, and ongoing research to identify and promote effective child care practices. My Department is providing technical assistance to equip States to make the best use of their quality funds, including activities that promote literacy. At the same time, we are promoting systemic partnerships between child care, Head Start, family literacy, and other school readiness and reading programs.

State Flexibility

States have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving access to care and the quality of care. For example, within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates.

The Department convenes State child care officials and other experts to assess needs within the child care system and to plan remedies where they are needed and improvements where they are possible. Further, to add to this dialog, this year we are funding the first federally sponsored child care policy demonstrations that will be rigorously evaluated.

Promoting Parental Choice

Along with State flexibility, parental choice is a key element of a successful child care program. Families must be allowed to choose the care that best meets their needs, whether with a relative, neighbor, child care center, faith-based program, or after-school program. In FY 2000, over 78 percent of CCDF subsidy payments were made using certificates or vouchers. Using these vouchers and other child care payments, 56 percent of children were cared for in a child care center, while 31 percent were in family child care homes, four percent were in group homes, and nine percent were in the child's home.

To help parents make these critical child care decisions, CCDF funds parent education and outreach. Nationally, my Department funds the Child Care Aware website and toll-free hotline to link parents to information about child care in their local communities.

We are on the right track with CCDF and we must maintain a high level of Federal funding commitment to ensure our child care resources continue to meet the needs of working families.

Conclusion

Mr. Chairman, the proposal I bring before you today contains many different elements. What binds these fundamental elements together is the desire to improve the lives of the people and families protected by America's social safety net. As noted by the President, "We've made progress, there's no question the doors of opportunity that were shut and sealed have now been opened. . . . Yet there is no acceptable level of despair and hopelessness in America. We will not leave people in need to their own struggle, and we will not leave them to their own fate." The President has publicly stated his commitment to the next phase of welfare reform; and this committee demonstrated its desire to succeed when you made the hard choices on the original precedent-setting PRWORA legislation and in your on-going interest in the impact of these changes. It is time to take the next steps in welfare reform and the President and I stand ready to work with you to achieve even greater successes for America's neediest families.

I would be happy to answer any questions you have.

Mr. HERGER. [Presiding.] Thank you very much, Mr. Secretary. Now we will turn to questions, and first, the gentleman from Illinois, Mr. Crane, to inquire.

Mr. CRANE. Thank you, Mr. Chairman.

Mr. Secretary, thank you for coming to testify before us today. It is appropriate that you are here on behalf of the Administration since many of the tremendously successful TANF programs and reforms that we enacted in 1996 are directly attributable to you and your hard work and vision. You are truly a pioneer in this field and I would like to thank you for that.

Mr. THOMPSON. Thank you.

Mr. CRANE. My question to you is this. Do you envision a time in the future when we will be able to begin reducing the amount of money we send to the States? In other words, do you anticipate that we will reach a point in time when, given our successes in reforming the program, we will be able to keep the program strong and yet reduce the block grant by a substantial amount instead of level-funding it?

Mr. THOMPSON. Congressman, I believe it is very necessary for us to continue the level funding for the next 5 years. I am hopeful that at the end of this 5 years we will be able to use this money for increased child care, education programs, job training programs, and the like. I do not know if you will ever see a reduction in the amount of money. I do not think it will be going into cash assistance. It will be going to help low-income parents with children improve their quality of life, Congressman.

Mr. CRANE. Thank you.

Mr. HERGER. Thank you. Now, the gentleman from New York, the Ranking Member, Mr. Rangel, to inquire.

Mr. RANGEL. Thank you, Mr. Chairman. First, let me apologize. I am sorry that my Chairman had something more important to do than to listen to your testimony this morning, but he is a very busy man.

Two questions I had and referred to earlier. As a Governor, you always promoted giving maximum flexibility to the Governors'. It seemed like this time, you are increasing the requirements for work and not increasing the funds for child care. It seemed like if we are satisfied that the program has worked, why would you want to mandate that Governors' do what you had always thought that Governors, that one size does not fit all?

Mr. THOMPSON. Congressman, when I was debating with you many times on this subject and when I was debating Congress on this particular subject, I said, set the standards high, set the principles high, but allow us, as Governors, the flexibility to work out the details. I believe that is what this program is all about. We are saying, develop a case file on each individual. Be able to monitor that individual or individuals and see how that person is doing.

You can have all the flexibility in how you set that program up at the State level. We also are doing another thing to give States tremendous flexibility and that is the caseload reduction credit that was in 1996 TANF law that would be carried over for the first year at 100 percent and in the second year at 50 percent. So a lot of States will not have very much heavy lifting to do in order to meet the requirements of this particular law. Most States, like New York and Wisconsin, will not have any requirements, because they have reduced their caseloads by at least 50 percent. Therefore, they will have complete flexibility to set up the program and will not have any further requirements under this particular proposal.

Mr. RANGEL. Why is it that you believe that the States should not give assistance to people who come into this country legally and are pursuing their dreams here? As a former Governor, why would you think that we would—it is not a question of additional money—that we would restrict Governors from doing what they would think is in the best interests of the people in their State?

Mr. THOMPSON. Because under the immigration law, as you fully know, there was a decision made by this Congress that any legal immigrant coming into this country had to have a sponsor that would take care of that individual for 5 years. The Administration felt that that principle should be upheld in TANF, and, therefore, for 5 years, that individual should not be eligible for TANF. If that person needs assistance, he or she should have his or her sponsor take care of the person, because that was the contractual relationship under which the individual came into this country.

Mr. RANGEL. With your permission, Mr. Chairman, I yield the balance of my time to Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Rangel.

Let me follow through in the time that remains on the flexibility issue. I very much appreciate your leadership in Wisconsin and your leadership in the Administration to get the States the power and the discretion they need in order to get the job done.

Let me talk about education for a moment.

Mr. THOMPSON. Sure.

Mr. CARDIN. I agree with you, we have got to strengthen the work requirement from the 1996 Act because the credit for caseload reduction really makes the work requirement nonexistent, and as you know, the legislation that I filed on behalf of the Democrats includes a change there.

But if a State determines that an individual needs 40 hours or 30 hours of vocational education for 5 weeks or 8 weeks or 26 weeks, if I understand the Administration's proposal, that would not count under the work participation rules because of the requirement to work 24 hours before you can get into the 16 hours of vocational education. That might be all right for many of the people in the program, but maybe others, it does not work. Is that not just reducing the discretion of a State to try to get people off of welfare?

Mr. THOMPSON. I think you are reading the Administration policy wrong, Congressman. First off, I want to thank you for your bipartisan support and your willingness to work with me and willingness to discuss this, as we have on several occasions already.

But the Administration's proposal, allow under that case that you just enunciated, allows an individual to have 3 months before he or she started working to make sure that he or she got the necessary extra training or education. That person would qualify under the job training requirements set forth in the Administration's policy.

And then after that, he or she would have to go to work for at least 24 hours each week. He could work Monday, Wednesday, and Friday, and then on Tuesday and Thursday go to school, or work Monday, Tuesday, and Wednesday, and could go to school on Thursday and Friday.

Mr. CARDIN. But that is more restrictive than the current rule.

Mr. THOMPSON. It is more restrictive in this regard. Under the current law, it is 20/10. This one goes to 24 and 16, and it is more restrictive in that we require every State to monitor each case. But we give the States complete flexibility in how they meet those requirements. They have complete flexibility in how to set up that monitoring. They have complete flexibility on how they can set up the work and the education and the training set forth in the proposal if it is passed.

Mr. CARDIN. So under current law, vocational education can count toward the first 20 hours, and under your proposal, it cannot?

Mr. THOMPSON. That is correct.

Mr. CARDIN. Thank you.

Mr. HERGER. The gentleman's time is expired. Next, the gentleman from Florida, Mr. Shaw, to inquire.

Mr. SHAW. I thank the Chairman for yielding to me. I cannot help but notice, Mr. Secretary, behind you are sitting a couple of great heroes of welfare reform, Wade Horn, who is just absolutely incredible on recognizing and assisting in putting into legislation the importance of a family and particularly of the father being a member of that family; Andy Bush, who you stole from my staff when we were struggling to put together a welfare reform bill—of course, I understand New York stole him from you, so that is the way it happens when you hire good people; Matt Weidinger, who is behind me and who was working under Ron Haskins, who is now at the White House.

I want to congratulate you. I was just sitting here listening to you testify as to the success of this bill and where we are going to go as to the next stage of welfare reform. It is interesting to note that we turned this from Aid to Families with Dependent Children into TANF, which says Temporary Aid to Needy Families, which is a very important distinction which has taken millions and millions of people out of welfare and let them take control of their families.

Mrs. Thurman and I were down in Tallahassee yesterday and the two of us were part of a panel which was reviewing welfare reform and how it affected in Florida. Florida has had some tremendous success, as has Wisconsin, having reduced their caseload by 83 percent, an incredible, incredible feat, and I know that your story in Wisconsin is over 80 percent and also you have told me about various counties in Wisconsin where there is no welfare anymore as there is no need for it. I think this is just a remarkable transformation that we have brought this country through.

But it is important, as you realize and as the President realizes in the legislation that you were reviewing with us, it is tremendously important that we recognize that now we are down to the hardcore unemployed and we cannot give up on them and we have to maintain these programs.

But what it has done to the children of this country and what it has done in giving the mothers, particularly, self-respect and becoming role models for their kids is just an incredible transformation and it shows that if you have high expectations and you believe in the human spirit, you can work people out of welfare. Welfare was a barrier to the family. Now, it is encouraging people to get together and make something of themselves, and it is just a wonderful, wonderful program.

I congratulate you. I reviewed the bill that we are going to be determining. I imagine Mr. Herger will be filing shortly, if he has not already filed it. I have also taken a close look at Mr. Cardin's bill, and I think that unlike the confrontation that we had years ago, that we will be working together this time and I think that really shows the success of this Congress when we do things right, and also when we quit micro-managing things and do give the States flexibility.

I think that is tremendously important because they can work wonders. They sit there and they work with the people who are actually making the day-to-day decisions, the people that we have, such as Judge Carney, which is one down in Tallahassee who has testified before several of our committees of Congress in showing the success that we have and the quality of people that we have at the State level as well as the Federal level to administer their programs.

My hat is off to you. I know when we were writing this thing, in the final days, I would be running in the back room answering telephone calls from you, continuing to put your input in right until the very last moment. Those are great memories and I think that was a great moment for this Congress.

Mr. THOMPSON. Thank you so very much, Congressman, and I would just like to return the compliments to you. It would not have happened without you. You took a chance and I salute you for taking that chance and for leading the effort. I remember those days well and I look back on those days as some of the fondest memories I have of public policy and what we are able to accomplish together and I thank you for it.

I did recognize that you had some great staff. That is why I tried to hire them away from you, and I am glad you recognized both Dr. Horn and Andy Bush, and I thank you so very much for your support, friend.

Mr. SHAW. Thank you, Mr. Secretary.

Mr. HERGER. Thank you. I thank the gentleman from Florida, again, the former Chairman of the Human Resources Committee during the time that this historic welfare reform, TANF, was written back in 1996. Thank you very much for all your work and continued work, Mr. Shaw.

Now to inquire, the gentleman from California, Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman.

Mr. Secretary, I just cannot thank you enough for the walleye pike, but that is a little inside Wisconsin story, but I hope it presages the idea. I was told by friends who have not heard this that these walleye pike really did not come from Wisconsin, where both the Governor and I come from, but they came from Canada. Now, Governor—

Mr. THOMPSON. You are not supposed to say that.

Mr. STARK. We can make a deal. If we could bring our health care plan down from Canada along with those walleye pike, we would really make some progress around here.

[Laughter.]

Mr. STARK. I think maybe there is something to be said for that, Governor.

I wanted to talk just for a minute, and you can help me, there are two issues. I tried to get a poverty bonus in this bill, and I thus far have not been successful, not money for poverty reduction but some kind of a reward to States that not only put people to work, but then we would begin to measure how much they advance. I will recall a little bit of your testimony when you were confirmed that you said, we have a duty to those families who have successfully moved into the workforce. We must do everything in our power to help them to continue to move up the ladder of economic success.

Having said that, then I introduced you to some students here from Minnesota who were here with Senator Durenberger, with whom many of us on this Committee used to work on issues of health and welfare, and he brought his graduate students here. It is interesting to note that, and my notes say "academic research." Governor, do not ask me where it came from. But tell me if it makes sense to you. It says, "academic research clearly indicates"—that even makes it more questionable—

[Laughter.]

Mr. STARK. That poverty is the strongest cause of problems with our children, including both school performance, child abuse, juvenile crime, teenage smoking, this research points at poverty. I note Wade Horn nodding his head. It does not say anything about marriage in there, Wade, but it does say poverty. But it also says that the higher out of the poverty level you are, the better marriage candidate it makes you, so maybe there is something in here for everybody.

In Minnesota, they call it the Family Investment Program and it allows, under their program, recipients to keep more of their TANF check while earning income through work. They have shown that raising the income of their caseload leads to better child well-being outcomes, increased employment and increased earnings and an increased marriage rate among the welfare recipients.

Now, I guess, and there is only \$532 for a family of three welfare benefit in Minnesota, so they are not laying a lot of money extra, but on the margins, as our Chairman spoke, a couple hundred dollars a month in a family of three can make a lot of difference, whether it is extra books for kids or whether it is a babysitter occasionally so the other child can take in a cultural event.

I just wonder if we could work together—I will let Mr. Cardin beat up on you for more money in the aggregate—

Mr. THOMPSON. Okay.

Mr. STARK. But you are going to increase \$200 million to promote marriage. Could we take half of that and promote poverty reduction? It is not much, but if we offered some prizes and allowed some flexibility, I just want to see if it works. I mean, if it does not, we have got a couple years here to find out, see what the States come up with. They may not all do as well as Minnesota did or as Wisconsin would do, I know, but I think it would be a noble experiment.

The evidence, and I get the same evidence you do. I do not think the researchers are cooking the books here. This was not done by Arthur Andersen.

[Laughter.]

Mr. STARK. I would like to see if we could try, because to me, in many cases what I am hearing, moving off welfare into a minimum wage job really decreases the aggregate resources of the family unit because they maybe will not get health care or they will not get child care, and if we could find ways to offset that, I think we would be doing a service.

Mr. THOMPSON. Congressman, first of all, let me tell you that those walleyes were raised in Wisconsin. They just swam up to Canada where they would be packaged. I just want you to know that.

[Laughter.]

Mr. THOMPSON. I also want to point out that I want to work with you, and I love new ideas, as you do. I think that there may be something besides just poverty we should be addressing. I am working with Senators Carper and Bayh on some ideas in regards to employment and how we might be able to develop a credit for hiring individuals at a higher rate and giving them a credit. We are working on that.

But I would like to work with you, Congressman, in regards to the poverty question, but I think it should be broader than just poverty. It should be education, it should be absenteeism, and so on and so forth, and I think we—

Mr. STARK. Day care.

Mr. THOMPSON. I think we could develop something. We will have to find some way in which we will be able to fund it. I do not want to take it out of the \$200 million, but I am sure that there are some ways that we might be able to come up with a demonstration program that you would like and that I would like.

Mr. HERGER. The gentleman's time has expired. Thank you very much. Next, the gentleman from New York, Mr. Houghton, to inquire.

Mr. HOUGHTON. Thank you very much, Mr. Chairman. Before I inquire, I would like to yield to Mr. Shaw.

Mr. SHAW. I thank the gentleman for yielding to me. When I was noticing the people sitting behind you, Mr. Secretary, I failed to notice one of my own from Florida, Don Winstead, who served as the Secretary of Welfare under two Governors, Governor Chiles and Governor Bush, and did a good job and was a great resource also. Thank you. I thank the gentleman for yielding.

Mr. THOMPSON. He is great. I have got a great team, Congressman.

Mr. HOUGHTON. Thanks very much, Mr. Secretary, for being here and for the great work you have done. I also thank you, Mr. Shaw, for your leadership here.

I would just like to ask you a specific question that is related to my State of New York. Under the current law, States are required to have 50 percent of their TANF families engaged in work-related activities. However, the current law also provides States with a caseload reduction credit that can be used to meet this participation requirement. The Administration is proposing to gradually increase the work requirement from 50 to 70 percent, as you mentioned.

In the case of my State, New York, it exceeds its "all family" Federal work participation rate requirement by almost six times, but

its participation rate is not at 50 percent because of the caseload reduction.

Mr. THOMPSON. That is correct.

Mr. HOUGHTON. And that is a problem, and maybe you could walk me through that arithmetic a little bit.

Mr. THOMPSON. That is why we are changing it, Congressman, because under TANF 1, we wrote into the law a provision that for every percent of reduction in the number of cases, the work participation would go down by a like amount. Most States have reduced their caseloads to such a degree that most States are in the 5 to 10 percent level instead of the 50 percent which Congress set out. So we are going back to the 50 percent, and increasing the participation from 50 percent by 5 percentage points each year up to 70 percent.

But in order to allow the States extreme flexibility, we are carrying over that work participation credit, that caseload reduction credit—100 percent the first year and 50 percent the second year. So New York, which has reduced its caseload by over 50 percent, will have a full year in which to phase in to the 55 percent. So New York will still have to develop a case file on each case, but they have already met the work participation for the first year.

Mr. HOUGHTON. Good. Thanks. That helps very much. I yield.

Mr. HERGER. I thank the gentleman from New York. Now, the gentleman from Michigan, Mr. Levin, to inquire.

Mr. LEVIN. Welcome. I just wanted to probe what Mr. Houghton has raised, but I want to say something first about the spirit here. I hope we can work together.

The fight in 1995 and 1996 was not mainly over work as the core of welfare reform. That had a clear majority going in and had been proposed by the President. We argued over mainly day care and health care and the major reductions for legal immigrants, much of the money coming from Supplemental Security Income and food stamps. Eventually, day care and child care and health care were adequately funded and the clear majority of us voted for it. Those were the arguments within the Conference Committee and they became rather intense, but it was always within the ambit of work as the core of welfare reform.

So within that spirit, and by the way, Mr. Herger, I want to say to you—Mr. Rangel was not here when the Chairman spoke—you were said today to have said this. He hoped that a bill would get bipartisan support, but Republicans would not sit down with Democrats to write the legislation. If the Administration is working—

Mr. HERGER. Excuse me. I do not recall making that comment. Certainly, we are trying to work with the Democrats.

Mr. LEVIN. Well, I think—

Mr. HERGER. Sometimes we are not understood when we are quoted, but certainly it is my desire to work with everyone on the Committee, as I have been with Mr. Cardin, the Ranking Member, and with anyone who wants to work on this.

Mr. LEVIN. I hope that does not take from my time, because that is what was said here, and I am glad it was a misquote.

I want to talk to you about the work participation because I do not understand what you are aiming for. Let us say there are 10,000 people on TANF in a State. One State moves 7,000 of the

people off of welfare into work and another State—that is into the private sector—moves 70 percent into a workfare program where people do not receive cash assistance. Now, under what you have written here, the State that moves 70 percent off of welfare into work, they get a very partial credit for that, while the State that moves 70 percent, they are still on TANF in a way but they are in a workfare program, and because of that, they get full credit.

I do not understand that. Why should a State that moves 70 percent of people off of welfare into work get a very partial credit toward work participation while the State that has 70 percent on a workfare program meets the work participation requirement?

Mr. THOMPSON. Congressman, there is also a provision in there that when a person goes off of TANF, they still count toward the work participation rate for up to 3 months after that individual has left TANF.

Mr. LEVIN. But that is for 3 months.

Mr. THOMPSON. Yes.

Mr. LEVIN. We are talking about a multi-year program.

Mr. THOMPSON. That is correct.

Mr. LEVIN. I do not understand that. I thought—and this is a friendly question, I want you to think about this, because I think our aim is not to keep people on TANF—

Mr. THOMPSON. That is true.

Mr. LEVIN. Working, but to get them off of TANF working and ultimately into a job that is productive enough so they are out of poverty. Is not the latter what our aim is?

Mr. THOMPSON. Absolutely, Congressman.

Mr. LEVIN. Then I think you need to take another look at the work participation. I will give you another example. If people are working in a lot of States 30 hours and then doing something else for the 10 hours so they meet 40, in a lot of States, they are, as a result, not eligible for cash assistance, so they are off of TANF. They would give that State only a partial credit for the people who are working 30 hours plus 10. What sense does that make?

You said you were talking to the Senate about an employment credit. In the bill that Mr. Cardin and a number of us have put together with enough care so I think the Chairman should sit down and talk with us, we have an employment credit there. There is no employment credit in this bill. So what sense does it make to say in a lot of these States where people are no longer eligible for cash assistance if they get a minimum wage job that 30 plus 10 and the State gets essentially a quarter of a credit for that person? Tell me what sense that makes.

Mr. THOMPSON. Congressman, it makes a lot of sense trying to move people, as you said in the beginning, off of TANF into work, and we think any kind of work experience is good. We think even the 30 hours is very good and they still are going to get partial credit.

Mr. LEVIN. Why not full credit?

Mr. THOMPSON. We are striving to get every State to set up a program for each individual so that they can have a case file and every individual would have 40 hours outlined on how they are going to achieve that requirement, 24 hours of work and 16 hours of other TANF-related activities.

Mr. LEVIN. I will finish, because the red light is long. You took 30 seconds, let me take—

Mr. HERGER. It is a minute and 30 over now.

Mr. LEVIN. Look, every State—there should be a case file. You can have that requirement without the 24/16 or giving a quarter of a credit if they are in the private sector while you give a full credit if they are in workfare. The individual file requirement has nothing to do, if I might say so, with that dilemma.

Mr. THOMPSON. I will—

Mr. LEVIN. And also, if they work 20 hours, and I tried to figure this out under your plan, and 20 hours of something else, which is true in a lot of States, you essentially say to that State, they get zero credit for participation. You say—

Mr. HERGER. If the gentleman—

Mr. LEVIN. You want flexibility, but what is flexible about saying to a State, if it is 20 hours of work and 20 hours of vocational education after 3 months, you get zero credit for work participation? How is that flexible?

Mr. THOMPSON. We think there is plenty of flexibility in there for the States to set it up, Congressman, and I will be more than happy to sit down with you and go into it in depth and also to work with you on your employment credit.

Mr. LEVIN. Okay.

Mr. THOMPSON. I think that is what you are asking for, and I am offering to help.

Mr. HERGER. Thank you very much. Time has expired, and the gentleman has 2 minutes and 53 seconds, so we did go a little extra, but it was a good question, and I appreciate the response.

Now, the gentleman from Louisiana, a Member of the Subcommittee, Mr. McCreery, to inquire.

Mr. MCCREERY. Thank you, Mr. Chairman, and welcome, Mr. Secretary.

Mr. Secretary, your having been the Governor of a State which was a leader in welfare reform in the country makes you particularly well suited to lead the Administration's effort to reauthorize welfare reform.

Mr. THOMPSON. Thank you.

Mr. MCCREERY. It is because of that experience that I am going to ask you this question, and I apologize ahead of time for throwing you a curve here. It may not be a question which you have thought much about but which could come into play in the legislative process.

My question is, as a former Governor of a State that dealt with welfare, kind of on the vanguard of welfare reform, how important do you think it is that Congress have this year a long-term reauthorization of this program as opposed to maybe a 6-month or 1-year reauthorization?

Mr. THOMPSON. I think it is very important, and I will tell you why. When we adopted TANF 1 for 5 years, we also had a provision in there that each year, the money could be sent back to the Treasury. So it sort of forced the States to make some bad decisions because the money was appropriated out on a year-by-year basis and it was not obligated to the States, and if the States did not use it, then the Federal Government had a right to come back and re-

claim that money or not send the money out. So as a result of that, some States that were aggressive, including Wisconsin, had to make some very aggressive decisions on how the money was going to be spent, so the money could be used.

If you have a long-term commitment, you are able to plan for 5 years. You are able to develop that flexibility and that plan that is going to be able to be much more positive, visionary, and get people from dependence to independence, and that is why it is so important to have a long-range reauthorization rather than just 6 months to 12 months. You are going to have the Governors' out there and the welfare people very nervous about whether or not it is going to be reauthorized, whether or not the money is going to be there. Therefore, they are not willing to go the necessary step to put in State dollars and State resources to make the plan work, and that is the problem you have by a short-term fix.

Mr. MCCRERY. Thank you. Let us explore the question of child care a little bit more because that is a legitimate concern of all of us who are wanting to move people from welfare to work. We understand in many cases we are talking about single mothers and they are going to have difficulties moving to work if they cannot get child care for their children. So it is a question that we ought to talk about.

We are hearing from some that we need more funding, direct funding for child care. Can you recall what the level of funding for child care was before the 1996 law and how that compares to the funding after the 1996 law?

Mr. THOMPSON. I am not exactly certain. I know it was a lot less. I know that we are getting more since then. The exact dollar amount, I do not know.

But in regards to what level of funding we have right now, it is \$4.8 billion, but we also built in flexibility. Thirty percent of the TANF funds can be used for child care, and an additional amount of money from the Social Services Block Grant. So instead of \$4.8 billion, when you look at all of the potential sources of funds, it is well over \$9 billion annually.

Mr. MCCRERY. Actually, I believe States can transfer up to 30 percent of their TANF block grant—

Mr. THOMPSON. That is correct.

Mr. MCCRERY. Into the child care block grant. They can actually use all of their TANF moneys for child care if they want to. In addition to that—and you are correct, by the way, the level of funding was substantially more following the enactment of the 1996 law for the child care block grant than it was before.

Mr. THOMPSON. I just got the figures. It went from \$2.1 billion to \$4.8 billion.

Mr. MCCRERY. Yes. That is a huge—

Mr. THOMPSON. I knew it was a lot, but I did not know how much.

Mr. MCCRERY. A huge increase for child care. And as you pointed out, under TANF, they can transfer 30 percent of their TANF block grant into the child care block grant, or they can simply utilize their TANF funds for child care as part of their welfare program. And, in fact, Mr. Secretary, are not a lot of States using their

TANF funds now to supplement welfare through providing child care resources?

Mr. THOMPSON. Yes. I think all are, but I am not sure about that. I would suspect they all are. I know we did. I know we used a maximum amount in Wisconsin to do that.

Mr. MCCRERY. And also, can States not spend their own money for child care if they want to and does that spending not count against their maintenance of effort requirement?

Mr. THOMPSON. Yes, it does.

Mr. MCCRERY. And are States doing that?

Mr. THOMPSON. I know Wisconsin did. I do not know how many others. I know Michigan is, and I know other States are, but I do not know how many.

Mr. MCCRERY. My time is expired. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. THOMPSON. Thank you, Congressman.

Mr. HERGER. I thank the gentleman from Louisiana. Now, the gentleman from Maryland, the Ranking Member of the Subcommittee on Human Resources, Mr. Cardin, to inquire.

Mr. CARDIN. Thank you, Mr. Chairman.

Mr. Secretary, let me continue on some concerns I have on some of the new requirements that you are suggesting. We have already gone over the fact that under current law, a State can use as a legitimate work participation requirement an individual being involved in vocational education or training for currently 20 hours, changed to 24 hours under your proposal for the basic work requirement, but no longer does vocational education and training count in the initial 24 hours.

You have made it clear—so, therefore, the States have the option of basically getting these people employed for the 24 hours or finding some form of subsidized or workfare for the individuals in the first 24-hour requirement.

You have made it clear, and I applaud you for this, that these individuals will be protected under the minimum wage principles, including community service, which I fully support and I thank you for clarifying that up front so that we do not have to reopen that battle from 5 years ago.

We just got yesterday, and I will give you a copy of this, from the Congressional Research Service (CRS) indicating that if you calculate the minimum wage based upon the welfare benefits and the food stamp benefits, that in a significant number of States, they would not be able to do workfare up to 24 hours, that that would be below the minimum wage and, therefore, could not be done. So this CRS report indicates that we would be treating States differently in this requirement.

Your State of Wisconsin could impose a 24-hour workfare. The State of Illinois could only do 21 hours of workfare. The State of Alabama could only do 17 hours of workfare. I point that out because I think that is an inequity. It is something we have to deal with as we try to refine the proposals that are being suggested, and I just really wanted to put that on the record, and I will make sure you get a copy of the CRS report.

Mr. THOMPSON. Congressman, if I could—I do not want to interrupt you—

Mr. CARDIN. Sure.

Mr. THOMPSON. I think you are reading the proposal wrong, because our proposal also says that if you only meet the 17 hours and that is all you can do to meet the minimum wage, that is satisfactory.

Mr. CARDIN. Right. But my point is, you are saying, therefore, for the people—you are obviously encouraging lower grant levels. You are saying for the people of Alabama that there will be a 17-hour requirement but for the people of Wisconsin, it is 24 hours, set by Federal standard, even though the State may wish to have a comparable—Alabama may want to do what is being done in Wisconsin, and we are not allowing them under this restriction. I understand what the underlying statute provides, but I do not know if that is fair, for us to impose different standards for different States.

Mr. THOMPSON. I am willing to look at it again. I am willing to work with you. I also want to point out that, with regard to the vocational education aspect that you talked about at the beginning, Congressman, if the vocational education is in the field while the person is working, it does count. It is only the vocational education in the classroom that does not.

Mr. CARDIN. I appreciate that clarification. I was not aware of that, but we are getting closer. That is good. Now just deal with the classroom and we will be there.

The second point I want to bring up in the time that remains is that my State of Maryland wants to supplement wages for those who are working. They were prepared last year to use State-only money because, quite frankly, they did not want it to count toward the 5-year clock. They thought that was wrong. So they were prepared to use State-only money. Well, in the last year, I think most States have run out of a lot of their flexible funds. It is a tough budget year. They would like to use TANF funds to supplement the wages, which they can do, but if they do under current law, it would count toward the 5-year clock.

My understanding of the 5-year clock is that we want people to work. That was the whole concept. So I guess I would ask you to, and the Governors' have weighed in on this, why should we not allow some flexibility here? If the individual is working and if the State wishes to supplement the wages, they could do it through the Tax Code and it would not count toward the 5 years. Why can they not do it directly without it impacting on the 5-year clock?

Mr. THOMPSON. Well, no State has come close to the 5-year clock with the 20 percent exceptions that are built into it. You are allowed to exempt 20 percent of the population from the 5-year limit. No State, to my knowledge, is anywhere close to that record, so I do not think Maryland has to worry about that.

The second thing is, I do not know if Maryland has a State earned income tax credit.

Mr. CARDIN. We do.

Mr. THOMPSON. I know that is what I did in Wisconsin, with a State earned income tax credit. It works extremely well and that also does not—

Mr. CARDIN. They have that, and I think they want to do both. The problem, of course, is the 5-year clock is lifetime, so we are

only 5 years into the program. I just urge you to try to bring some of the Governors in, some of your colleagues in from the States because they are concerned about this issue.

Mr. THOMPSON. Thank you very much. I will be more than happy to work with the Governors. In fact, several of them have already been in to see me about it on both sides of the aisle—on all three sides of the aisle.

Mr. HERGER. The time is expired. I thank the gentleman from Maryland. Now, the gentlelady from Washington, Ms. Dunn, to inquire.

Ms. DUNN. Thank you very much, Mr. Chairman.

It is delightful, Mr. Secretary, to see you once again on the other side of the table from us, but yet in a position that is even more powerful, I think, to do good for folks who want to move from welfare to work than you were doing even 5, 6 years ago.

I have seen all kinds of numbers on why promoting healthy marriages improves the well-being of children. A child born and raised outside marriage is seven times more likely to live in poverty than a child born and raised by two parents. A child born and raised outside marriage will spend 51 percent of childhood in poverty. By contrast, a child born inside marriage and raised by both parents in an intact marriage will spend over 7 percent of childhood in poverty. A child born and raised inside marriage is five times less likely to be dependent on welfare than a child born and raised outside marriage.

You get the point, and you established some of these statistics in the State of Wisconsin. We did it in the State of Washington as we moved 40,000 families off welfare and, I hope, encouraged good unions among many of them.

What I would like you to do for us, if you would, please, is discuss the new account that is being set up in the Administration's bill that will encourage marriage.

Mr. THOMPSON. Thank you very much, Congresswoman Dunn. There are two proposals. The first one is the illegitimacy bonus, which I think most people have indicated has not worked out very well. So we are taking \$100 million, which is the total amount of that bonus, and we are putting it into a new demonstration program to allow communities, regions, whatever, to apply for it. We think there will probably be five to seven that will apply for it that get it to set up programs, and this program will be set up at the local level to try and assist individuals, individuals that are already married, to find out if they have problems, to be able to counsel them, whether it be over alcohol, drugs, anger, gambling, whatever the case may be.

In the cases of individuals who want to get married, give them some counseling in order to have a healthy marriage. Also to make sure that if individuals are contemplating marriage, see if they have some problems and set up programs to assist them, such as taking care of the children, such as making sure that they know how to handle their finances, which is a big problem in new marriages, and be able to assist them to develop a healthy marriage. The reason for that is to make sure that the children are taken care of. That is one program.

The second program is a program set up for the States, and that is taking \$100 million out of the performance bonus and that has to be matched dollar-for-dollar by the States. So it is actually a \$200 million program, \$100 million from the States, \$100 million from the Federal Government, and the States would set up their own programs. Nothing is being forced upon them.

The States would, I think, aggressively seek these dollars and set up their own programs, but there is nothing to tell the State of Washington, the State of Wisconsin, the State of Michigan, or whatever the case may be that they have to apply. If they want to set up the program, the money will be available and they will set up the program in order to try and help individuals maintain and strengthen their marriages, or assist them in forming healthy marriages if they so desire.

Nothing in these programs will do anything to encourage people to get into an abusive situation or force marriages. This is completely voluntary, Congresswoman.

Ms. DUNN. Thank you very much, Mr. Secretary.

I wanted to ask you another question, also, related to my own State's high unemployment rate. It is number two in the Nation at 7.5 percent last month and we are fearful that it might be going in the wrong direction.

Can you let us know, is there any reason to believe that the state of the economy is reflected in the number of people who are on TANF, on welfare, or are there other factors that influence the welfare caseload?

Mr. THOMPSON. We think that welfare reform has worked even in the downturn. I mentioned the City of New York previously. The City of New York had an uptick, an increase in welfare cases after September 11 in New York City, in October and November, but it has leveled off. Now I believe the latest statistics show that the City of New York is actually lower than what it was pre-September 11. So it indicates to us that welfare reform does work.

The second thing is that we also allow for flexibility in case of a downturn so that States have a contingency fund of \$2 billion if they want to apply for it.

And the third thing is they have the caseload reduction credit that they can apply to the first 2 years, 100 percent the first year. The State of Washington, which has done an excellent job of reducing its caseload, really does not have any extra requirements because with the caseload reduction credit that they are receiving, they would not have—I believe Washington is one of those States that has reduced by over 50 percent—would not have any extra requirements whatsoever.

Ms. DUNN. And just to finish up, Mr. Chairman, you think that we are in good shape to reauthorize this legislation for 5 years with the flexibility that we have built into it?

Mr. THOMPSON. I think it is absolutely necessary to do so. I think that with what we are proposing here, and with something that Congressman Herger has worked on and is developing, along with Congressman Cardin, we can come up with a bipartisan proposal that is going to be absolutely excellent for the second step in TANF. That will get people moving up the economic ladder and

getting more people from poverty into a workable job that is going to be able to allow them to have the American dream.

Mr. HERGER. The gentlelady's time has expired, and I thank the gentlelady from Washington. Now, the gentleman from Washington, Mr. McDermott, to inquire.

Mr. MCDERMOTT. Thank you, Mr. Chairman. It is good to see you again, sir.

Mr. THOMPSON. It is always a pleasure, Congressman.

Mr. MCDERMOTT. Since the time on the Budget Committee, somebody told me a joke, or a story about a guy up in Fond du Lac who went to the county fair and bought a mule and they asked how much—

Mr. THOMPSON. Fond du Lac, Washington, or Fond du Lac, Wisconsin?

Mr. MCDERMOTT. No, that is Fond du Lac, Wisconsin.

Mr. THOMPSON. Okay.

[Laughter.]

Mr. MCDERMOTT. They said, it takes one bucket of oats every day to feed this mule. So the farmer took him home, worked him a while, said he wondered if he could get by with three-quarters of a bucket. He tried that for a while and things seemed pretty good. Then he tried a half a bucket. One day, the mule died.

Now, it looks to me like what we are doing here without thinking about it is exactly that. The State of Washington, I have here what they are going to pass in the next couple of days as the budget for Work First in Washington State, which you say is a good program. It has taken us down. It has reduced our caseload by 47 percent. They are now cutting \$54 million out of it. They are taking \$7.5 million out of the training. They are wiping out the work experience contracts, so saving \$3 million, because it did not work. They did a study at the School of Public Affairs at the University of Washington, and they followed 3,000 families and the work experience contracts, it was a good idea, but it just simply did not raise anybody's income.

What I am concerned about is the fact that in a time when States have less money—Mr. Cardin already referred to Maryland, and we are not alone, the two of us—you have now 15 million kids eligible for child care. I understand all this moving money around. The Child Care Development Block Grant program covers about 12 percent, and people in the States are shifting enough to cover another 5 percent, but most kids do not have—there is not money sufficient for the child care. And yet in this bill, we are going to extend the work period from 30 hours to 40 hours. So we have not got enough money to cover the kids now. How can you extend the work requirement and say 10 more hours out there without child care?

I understand I am talking not to the guy who wrote this budget but the guy who is sent up here to defend it, and for that, it is a terrible job you have got, but the fact is, you cannot flat-line that money if you are serious about not leaving kids out there unprotected.

Mr. THOMPSON. I am very serious about it, Congressman.

Mr. MCDERMOTT. I know you are.

Mr. THOMPSON. I am very serious about it. I understand that there are four things in order to make a successful welfare program. The first one is health care. The second one is child care. The third one is job training. And the fourth one is transportation.

We think that this proposal, considering the fact that we have a war going on, homeland security infusions of new dollars are necessary, that this is the amount of money that we have available. We sincerely believe that it is adequate to do the job to continue to move individuals out of poverty into independent work and we believe that sincerely.

Now, we also are allowing for a lot of flexibility at the State level, and that, is providing 100 percent caseload reduction credit in the first year, as well as 50 percent in the second year. We believe then, maybe at that time, the economy is going to increase. Maybe at that time, the war is over. Maybe at that time, we will have some extra money to go the next step as far as child care. But right now, we think it is adequate, and it is—

Mr. McDERMOTT. But the State of Washington, you just heard, has 7.5 percent unemployed—

Mr. THOMPSON. I understand that.

Mr. McDERMOTT. And no sign it is going up. Boeing just lost all its contracts with South African Airlines. They switched to Airbus. You have got every indication that things are getting worse, at least in our State. Now, Mr. Greenspan has convinced everybody in the Congress except me, I guess, that the recession is over, but this State is not going to have the money or the flexibility when they cut \$53 million out of this program alone. They just cut \$1.5 billion out of the budget.

So the question really is, how do you do that without raising the amount of money? If you think it is successful to get people off welfare and onto—is it that you think the money that was going into the welfare grant is suddenly going into the child care grant? Is that it?

Mr. THOMPSON. It is 30 percent. You have got the flexibility to move 30 percent there, Congressman, if you so desire. There is actually, if you want to move all that money, there is over \$9 billion that could be put into child care. But you have got to also realize that the caseload is one-half of what it was 5 years ago, and even with inflation, with a 50-percent reduction in caseload, you still have an increase in child care money this year at level funding.

Mr. McDERMOTT. But do you disagree with my figures—

Mr. THOMPSON. No, I do not.

Mr. McDERMOTT. That 2 million are covered out of the 15 million? You do not disagree with that?

Mr. THOMPSON. I do not disagree with your numbers.

Mr. McDERMOTT. But you just think it is Governors are not managing well? I mean, is that the bottom line?

Mr. THOMPSON. No, I am not going to get into a fight. I just think that we have this flexibility, we have this amount of money, and we think that as far as TANF is concerned, this is an adequate amount of money at this point in time in order to do the job, Congressman.

Mr. HERGER. The gentleman's time has expired.

Mr. McDERMOTT. Thank you.

Mr. HERGER. Mr. Secretary, the way the current law has worked out, there really seems to be no effective work participation requirement in most States today and States generally have full flexibility in designing their work programs using Federal dollars. The most recent data we have on work by the current welfare caseload shows what that has meant.

An amazing 58 percent of adults on welfare in 2000 were doing nothing at any given moment to work or prepare for life after welfare. That is a shocking statistic given what we know about how successful welfare reform has been in reducing caseload and poverty and otherwise encouraging work.

Do you have any insight into why so many adults on TANF are not participating in any work activities, and what would you propose to change this?

Mr. THOMPSON. We have been somewhat guilty of our successes, because when the Congress set the 50 percent level they also put in the provision that for every 1-percent reduction in the caseload there would be a 1-percent reduction in the work requirement. So when you have a reduction of 50 percent, you are able then to satisfy the requirements of the law without having anybody work. That is why we are putting back in the 50 percent level and phasing out the caseload reduction credit. That is how we are satisfying it, and we are raising that by 5 percent a year. Over 5 years, it will get up to 70 percent.

Mr. HERGER. So then this is something that is being recognized—

Mr. THOMPSON. It is.

Mr. HERGER. And something that we are working in the proposal, the President's proposal, to correct?

Mr. THOMPSON. That is correct.

Mr. HERGER. Thank you very much. With that, I recognize the gentleman from California, Mr. Becerra, to inquire.

Mr. BECERRA. Thank you, Mr. Chairman.

First, Mr. Secretary, let me thank you. Again, you are always more than open and always very accessible to all of us, whether here in Committee or in other venues when we have an opportunity to speak to you, so I want to thank you very much for doing that and I hope we continue to see that, not just in the Department of Health and Human Services but throughout. I think it is a great model to follow, and I applaud you for that.

Mr. THOMPSON. Thank you.

Mr. BECERRA. I also want to echo what you said earlier and the Chairman said earlier about Dr. John Eisenberg. My wife used to work with Dr. Eisenberg at the Agency for Healthcare Research and Quality, and she felt his passing, as all who worked with him did, because he was just such a brilliant man.

Mr. THOMPSON. Fantastic.

Mr. BECERRA. He went far before his time. So I want to also acknowledge that and pay my respects to him and, of course, my condolences to his family, as well.

Mr. THOMPSON. Thank you for saying that, Congressman. I appreciate that.

Mr. BECERRA. Absolutely. Sometimes we lose the best too quickly, and Dr. Eisenberg—

Mr. THOMPSON. I will pass that on to his wife, if you do not mind.

Mr. BECERRA. Of course. Thank you. Thank you.

I wanted to touch on a few issues. On the child care issue, I think you have responded to some degree on that. I hope that you will consider looking at that a little closer because I think what Mr. McDermott is pointing out is so very true, that we are not doing enough. More than a third—

Mr. THOMPSON. Everything that Congressman McDermott asks me to do, I always do because he is Irish.

[Laughter.]

Mr. BECERRA. As you are probably aware, more than a third of the States in this country have either frozen their intake or have a growing wait list of parents who are waiting to receive some form of child care assistance. When you talk about the numbers, I know that there was a study done in the State of California up in the Santa Clara County area that showed that over a third of their intake and those waiting for child care assistance were people earning \$10,000 or less, so clearly, without that assistance, there is no way that they will be able to afford that child care that they desperately need for their kids, so I hope that we will continue to work on that.

Mr. THOMPSON. Thank you.

Mr. BECERRA. On the issue—

Mr. THOMPSON. I want to work with you on that, too, as well, Congressman.

Mr. BECERRA. Thank you. On the issue of work activity, I want to take some issue with what the Chairman just said about 58 percent of individuals—again, we are talking mostly about women with children—doing nothing. It is not that they are not doing nothing, it is just that some of what they are doing is not recognized as work activity.

Mr. THOMPSON. That is true.

Mr. BECERRA. Some of them are going to college. Some of them are trying to find other ways to train themselves, and they are not getting credit for it. And beyond that, they are also, hopefully, taking good care of their children and trying to make do with the little they have. So I hope that we do not disrespect any woman who is out there trying to get herself away from poverty and get herself to self-sufficiency, and we should be doing a great deal to help them.

In that regard, on education and training, I hope that we are able to work with the Administration and do a little bit more. I, too, am concerned about the restrictions on what could be classified as work activity and I would urge you, Mr. Secretary, and I know you are sensitive to this already, to consider including English as a Second Language (ESL) as a work-related activity because you have got scores of individuals—let me give you a statistic that I think is very telling.

You have got 42 percent of immigrant adults in this country working at about minimum wage or below, a little bit over minimum wage, about \$7.50 and below an hour. That compares to about 28 percent of the rest of the working population. They are truly, as we say, those that are perhaps a paycheck away from dis-

aster, hard times, and yet they have a higher percentage of involvement in the work force. Their work participation rates are higher for immigrant adults than they are for U.S.-born adults.

So they try harder to find jobs, they usually hold more jobs because they are earning less, yet once the economy turns down, as it has, they are the most susceptible to the hard times because they have not had a lot of money, so it is tough to save a lot, and so when it is a bad time economically, they have probably lost not just their jobs, but probably did not have any benefits, and they are trying to make ends meet.

So I would hope that in the process, we consider that a lot of these folks are trying to do exactly as we say. Learn English. English is the language of commerce. If we do not help them move forward in what they are already trying to do, we just make it more difficult for them to ever leave that world where they are always a paycheck away. So I would hope that maybe you will consider looking at English as a Second Language as something that we should consider as classifying as work activity.

I have been approached by several people in my State of California. There are two individuals, one is Phyllis Mahoney, another is Kerri Medina. Both are in college. One is in a 4-year State university in California. They are telling me that because of the way the law is written, both federally and at the State level, they are about to lose their opportunity to continue their college education and get those college degrees, in some cases a 4-year baccalaureate, which means that they will probably never have to be on welfare again.

The more we do to help women who are taking that initiative, even though the hard times that they have suffered through in the past and the fact that they have to deal with raising a family has not precluded them from moving forward, I hope we will consider that education should be an option, especially postsecondary education and ESL.

Mr. Chairman, I will stop with one last comment because I was hoping to get some responses from the Secretary, but I used up my time. Immigrants, you found fit, and I am pleased that you found fit to try to do more for legal immigrants with food stamps, which I think was the right thing to do. Over the last several years, the previous Administration was trying to undo some of the harsh actions taken in 1996 against immigrants.

Please consider the fact that the ban that you right now have in place in your legislation on legal immigrants does a disservice to folks who are trying to get themselves further along. The fact that they do not earn a lot does not mean they should be penalized in hard times, and I hope that we can work with you on that, as well.

Mr. THOMPSON. Thank you very much, Congressman. You have asked several questions, and there is no question that I want to work with you on the subjects you have raised.

With regard to education, I am a big proponent of education, but you also have to realize this is a work program and you have to have work as the essential element. There are plenty of college kids that are on welfare that are working and still going on to college with child care and so on. There is no question that we have to work on this child care, and I want to work with you. I want to

work with Mr. McDermott, Mr. Levin, Mr. Rangel, Mr. Herger, and all the other individuals. But you have a limited amount of money and you have to make things do.

Mr. BECERRA. By the way—

Mr. HERGER. The gentleman's time is expired.

Mr. BECERRA. I would mention, Mr. Secretary, as Governor, you yourself provided the food stamp and—

Mr. THOMPSON. Yes, I did.

Mr. BECERRA. AFDC-like, Aid to Families with Dependent Children, benefits to legal immigrants even though the Federal Government did not provide the funding, so I want to congratulate you on doing that. I hope now as Secretary, you can move forward at a Federal level so we can provide that latitude.

Mr. HERGER. The gentleman's time is expired.

Mr. THOMPSON. On legal immigrants, you know that there is a provision in the immigration law that says that a person has a sponsor that is supposed to take care of him or her for 5 years. The Administration feels that that is sacrosanct and should be taken into consideration.

Mr. BECERRA. Thank you, Mr. Chairman.

Mr. HERGER. I thank the gentleman from California and the Secretary. Now, the gentleman from Pennsylvania, a Member of the Human Resources Subcommittee, Mr. English, to inquire.

Mr. ENGLISH. I thank the Chairman, and like the others on the Committee, I would like to thank you, Mr. Secretary, for taking the time to testify.

I have a couple of questions. As you know, from your own expertise, poverty can have a number of different sources. Some of them are economic. Some of them are also, unfortunately, behavioral, and in some of those cases, we need to pay particular sensitivity and recognize a particular need for intervention.

I wonder if the Administration has considered, although it is not part of your proposal, embracing some full or partial requirement for drug testing recipients of welfare benefits, and as someone whom I am sure has contemplated this issue in the past, I wonder if you would share with us your view of the pros and cons of putting in place a policy like that.

Mr. THOMPSON. We discussed it, Congressman. We did not put it in. We thought that it should be left up pretty much to the States to do that at the State level rather than have a national policy on it, I know the State of Michigan is attempting to do something in this regard.

Mr. ENGLISH. On the issue of marriage, the Administration has had the courage to make this a central theme in its proposal, but one of the reasons why marriages break up among the working class, to the extent that there is an economic incentive, I fear that a lot of it may be tied to some of the marriage penalties that are built into the programs—

Mr. THOMPSON. You are absolutely correct.

Mr. ENGLISH. But also marriage penalties built into the Tax Code through the earned income tax credit. I wonder to what extent the Administration would welcome a further initiative in this area, and do you feel this would be useful?

Mr. THOMPSON. I do not know what the Administration policy is on that. I can tell you my personal policy is I think it is absolutely necessary and important. I would welcome it. I would like to work with you on it. I think that we could achieve a great deal of equity in it. I think it is really sad that you have some marriage penalties in the Tax Code that actually prevent individuals from getting married.

Mr. ENGLISH. I am grateful for your offer, and I would certainly like to take you up on it, not only through this reauthorization but for the long haul.

Mr. Secretary, as a former Governor, undoubtedly, you share the concern of many for the financial health of our States, particularly as they take on the burden of providing these services. Can you describe for us the provisions that the Administration has put in its proposal for the continuation of rainy day funds and also the maintenance of effort requirement that exists under current law for continuing paid contributions to—

Mr. THOMPSON. We thought it was necessary to continue the maintenance of effort requirement, although we have loosened it and allowed for more flexibility in some cases. But overall, it is basically the same as they were in TANF 1.

As far as the contingency fund, we put back in the \$2 billion. We changed it so that a State's share of the \$2 billion could be used up fully in 1 year, whereas in TANF 1, it had to be used up over 5 years, and we think that there is more flexibility. If there is a real downturn, the States would need that money and, therefore, the flexibility was put in so that it could be used all up in 1 year if so needed.

Mr. ENGLISH. Thank you. Mr. Secretary, I guess my final question has to do with the child support enforcement component of what you put forward. I noticed that you include in it a \$25 processing fee.

Mr. THOMPSON. That is correct.

Mr. ENGLISH. Some people might be concerned that that could be onerous. Could you speak to that?

Mr. THOMPSON. That \$25 fee is not for anybody that is currently on TANF or has ever been on TANF. The \$25 fee is only for those individuals that are using the system in order to collect their money, and we feel that is a small amount. But I want to make it crystal clear that anybody that is on TANF or has ever been on TANF will not have to pay the \$25 fee. Only those individuals outside of the system of TANF that want to use the child enforcement mechanism would pay a one-time administrative fee of \$25.

Mr. ENGLISH. Thank you, Mr. Secretary, and thank you, Mr. Chairman.

Mr. HERGER. I thank the gentleman from Pennsylvania. Now, the gentlelady from Florida, Mrs. Thurman, to inquire.

Mrs. THURMAN. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. I would say that I think all of us are pleasantly surprised with the numbers that we have heard over the last couple of years of what is happening with welfare and how we have reduced and put people back to work. Certainly as Mr. Shaw said, we did hear some tremendous numbers in Florida, and we are very pleased with that. I think all of us that

worked on the changes in 1996, we are very pleased that we are able to come back and have this kind of a story.

But what I do have, and I think some of my colleagues have probably brought these issues out, but since it is really something that we just talked about with the State yesterday and to the two appropriations chairmen of those committees that were going to be making some determination and are very concerned, first, let me say this.

I want to thank you and others for making sure that the supplemental grants were passed in the stimulus package. I cannot begin to tell you how excited Florida was that they got their \$60 million, and that is a big issue for them because for the first time, they are in a deficit in their TANF moneys of over \$11 million. So this will make a tremendous difference to them, but it is something they are going to have to work through.

The second thing, though, I would say, and they made this comment over and over again. Judge Kierney made it, and I would like to say to you that we invited them up to meet with us on this issue and some disproportionate share issues and some other things, that you will make your team available to those folks in Florida as we start to see the language be put into a bill because I think they would like to have an opportunity to kind of look at this.

They have asked that, first of all, we know that the \$16.5 billion level for many was a tough sell. We understand that there were a lot of people that would have liked to have seen those dollars cut. We thank you very much for keeping that, although in saying that, we would hope that some of us can make the case to our colleagues that maybe there are some areas that we need to adjust, child care or another area that Florida talked about was in transportation.

The other issue that I would talk about is the area of flexibility. In Florida, as you may know, some of those moneys were actually given to the State community colleges for people to attend education classes for a year. Now, if our numbers are right, then what we have actually done is we have put ourselves in a situation where we have said to folks, okay, you are going to pull yourself up by the bootstraps. We are going to give you this education.

But some of those that may not have had that opportunity, if this piece of legislation should go into place with the requirement now or what the requirement would be, would not have that same opportunity, and I think we need to think about that. If we move people from one place, from welfare to work, the next obvious is to have them move up in that workplace, and we all recognize, the President and all of us, that the one area we do this is in education. So I think we need to keep that in the back of our mind, that education ought to be a key component to this to keep people moving in the right direction.

The other thing that they asked, and some of this you have already talked to, is they are asking to maintain the authority to transfer the 30 percent of the TANF funds into child care development and they are also asking that the—and that the Social Services Block Grant, we would eliminate the 4.25 percent restriction that has been placed on the Social Services Block Grant program as they see that as something that would be helpful.

They would like to provide better program alignment and simplification for integrating the funding and program rules across the public assistance and workforce development. And then they also would like to make sure that we establish improving the well-being of children as the purpose of TANF.

Those are some of the criteria that they set out for us, and as I said, I hope that we will have the opportunity to keep this dialog open with Florida.

Mr. THOMPSON. You asked several things. Let me try and go down them.

Mrs. THURMAN. Okay.

Mr. THOMPSON. First off, the staff, everybody in the Department of Health and Human Services, from my immediate staff, has been told many times, when anybody from Congress wants something, that they are up here.

Mrs. THURMAN. Perfect. Thank you.

Mr. THOMPSON. Democrat, Independent, Republican alike, we want to work with you. The second thing is, I think I made a mistake by hiring somebody from Florida.

Mrs. THURMAN. We actually do not think that is a mistake, by the way.

[Laughter.]

Mr. THOMPSON. He is absolutely a pain. He is always saying, "How does this affect Florida?" So you have somebody in the inner circle that is looking out for you on a daily basis. And maybe the supplemental fund we were discussing should be reduced. There was one person here who was talking very strongly and said, "That would hurt Florida." So I want you to know you are well represented in the inner circle, Congresswoman.

And the third thing, in regards to this, I want to work with you. I certainly appreciate the offer, and you have got these issues. On education, we may have some difficulties because I do not want to turn this into a college tuition program. I want to make sure that this maintains its emphasis on work, because I think that is so important.

Mrs. THURMAN. But I think it does. I mean, I think we are at that same goal, that it should be about work, but what we do not want to see happen is—

Mr. THOMPSON. I agree with you.

Mrs. THURMAN. To the young woman who goes from a \$7 an hour job to a \$10 an hour job, loses her child care, but can never get to the \$20 an hour so she can pay for her child care.

Mr. THOMPSON. Thank you so very much, Congresswoman.

Mr. HERGER. The gentlelady's time is expired. Now, the gentleman from Arizona, Mr. Hayworth, to inquire.

Mr. HAYWORTH. Thank you, Mr. Chairman, and Mr. Secretary, we welcome you even as my home State welcomes so many Wisconsin citizens down for spring training.

[Laughter.]

We hope you will have a chance to come enjoy the Cactus League, and we know you are hard at work here in so many different endeavors.

Mr. THOMPSON. You have not invited me down yet, Congressman, but I will be more than happy to come if you do.

Mr. HAYWORTH. Well, good. I am glad to know that, and I am glad it is part of the record.

[Laughter.]

We will take care of that, perhaps in another venue, Governor.

We looked at your innovation in Wisconsin and Arizona tried to follow suit, as in the year 2000, my home State received a Federal award when it was one of five States to receive \$20 million in TANF funds for reducing the rate of out-of-wedlock births. I am happy to see the Administration's proposal adds a new component to offer incentives and technical assistance to help identify and foster strategies that will promote healthy marriages and improved child well-being.

It has been talked about before. My colleague from Washington State, Ms. Dunn, touched on this. My friend from Pennsylvania touched on a couple of other aspects of proactive steps we can take to deal with this important situation. And, of course, research has demonstrated a clear link between child well-being and being raised by two parents in a healthy marriage.

Now, as is often the case here in the beltway, what Drew Pearson and Jack Anderson called the Washington merry-go-round, I am concerned that opponents are creating confusion around the fine points of this new component. So once again, for the record, can you clarify that the purpose of this measure is not to force anybody to get married or to stay in a marriage that could be dangerous.

Mr. THOMPSON. Absolutely, we do not want to force marriages. We do not want people to stay in abusive situations. What we want to do is we want to counsel individuals so that they can develop a healthy marriage, a healthy marriage that is going to be able to help their children achieve whatever those children want to achieve and be able to help those children develop the best that they possibly can. That counseling is going to require counseling on finances, counseling on communication skills, counseling on whatever the States or communities want to set up. But in no way do we want to force marriages or keep individuals in abusive situations.

Mr. HAYWORTH. Mr. Secretary, I appreciate you stating that for the record. You would be—well, maybe you would not be surprised. I have actually been on some television shows where it seemed that the direct opposite was being suggested, but then again, that is what transpires in political discourse these days.

Thank you. We look forward to having you in Arizona, and Mr. Chairman, I thank you for the time.

Mr. THOMPSON. Thank you, Congressman. You are wonderful.

Mr. HERGER. I thank the gentleman from Arizona. Now, the gentleman from Texas, Mr. Doggett, to inquire.

Mr. DOGGETT. Thank you very much, Mr. Secretary, and you are going to need, what, about a couple hundred million dollars to provide that counseling on marriage?

Mr. THOMPSON. Pardon?

Mr. DOGGETT. It is about \$200 million worth of counseling that you are seeking on marriage?

Mr. THOMPSON. Yes. There are two programs. One program is taking the \$100 million out of the illegitimacy bonus program and

putting about \$75 million of it into a program for communities and regions to apply for demonstration programs. The other \$25 million is for technical assistance to States and \$5 million of that amount is for technical assistance to Native American tribes. And then the other \$100 million out of performance bonus is for the States and the States have got to match that dollar-for-dollar.

Mr. DOGGETT. They can essentially do whatever they want to with those monies—

Mr. THOMPSON. That is correct.

Mr. DOGGETT. As long as they can make—the type of programs you talk about or some other if they can make the case that it encourages marriage?

Mr. THOMPSON. I would not say encourages marriage. I would say in order to develop healthy marriages.

Mr. DOGGETT. Okay. My concern is with the child care issue that you have been raising, and you have been asked about it before. I am pleased that Chairman Thomas has indicated that he feels this is one of the areas we need to do some more work on, because in the capital city of Texas that I represent, we have about 1,800 children, going up and down a little bit, each month that are on a waiting list for child care. We have about 39,000 or 40,000 in the State of Texas on waiting lists for child care.

Your proposal that adds this \$200 million for marriage counseling or the like does not add any additional money to take care of those child care needs as I read the proposal, and I think it is the same way that the National Governors' Association that you were once so active in and the National Council of State Legislatures and the American Public Health Association read that. I believe that the effect of this level of funding, though you could shift monies from elsewhere, you would be depriving resources from elsewhere to do that, and the effect of the level funding is to reduce the actual purchasing power for child care.

Beyond the waiting list and the people that get frustrated and are no longer on the list, the other big concern in the child care area I have is that we end up in competition between funds that are designed to enhance quality and funds that are designed to meet the needs of the people who are waiting there for services. In one area of Texas, the quality improvement reimbursement rate is only about a 70-cent increase over the non-quality improvement. I am concerned that child care, as I know you are, be more than just babysitting with minimum wage workers.

Do you feel that we need to do more to increase child care quality, and how is that reflected in your proposal?

Mr. THOMPSON. You have asked several questions in leading up to that, Congressman. First off, I do not think it is a cut, because you have reduced the caseload by over 50 percent, and the level of funding with a reduction of caseload by 50 percent is still an increase. If you extrapolate it out 5 years and you still have the child support proposal, and the child care block grant remains the same, with the caseload going down, you still are increasing the number of dollars on a per capita basis for individuals. That is point number one.

Point number two, we believe strongly in quality day care centers, but we also believe that the individual mother of those chil-

dren should have the choice as to what is the best for those children, and that is in this proposal.

Mr. DOGGETT. What do you do in your proposal to increase quality at child care centers for those working mothers, and fathers, for that matter, who need to have child care?

Mr. THOMPSON. We believe that the States are the ones that are responsible for improving the child care quality—

Mr. DOGGETT. And that there is no Federal responsibility?

Mr. THOMPSON. Well, there is Federal responsibility for making sure that States maintain the requirements. We put that in the block grant, but the States set up the child care provisions.

Mr. DOGGETT. Mr. Levin, did you want me to yield to you for a moment?

Mr. LEVIN. There are just a few seconds. Mr. Secretary, this chart that comes from the Committee on Ways and Means, it says the source is the U.S. Department of Health and Human Services. Does this come from your Department or is it from the Committee on Ways and Means? You do not know?

Mr. THOMPSON. I do not know, Congressman. I cannot answer that.

Mr. LEVIN. All right, because it does not include—

Mr. THOMPSON. If it has got the Department on there, I am sure it came from my Department.

Mr. LEVIN. All right. Well, we may—

Mr. THOMPSON. But I have not seen that until today.

Mr. LEVIN. Okay. We would like to chat with your Department about the data. It does not include a number of activities—

Mr. THOMPSON. Okay.

Mr. LEVIN. In the zero, like substance abuse and mental health services and—

Mr. THOMPSON. Is there an individual's name on there?

Mr. LEVIN. No. We will be in touch with you.

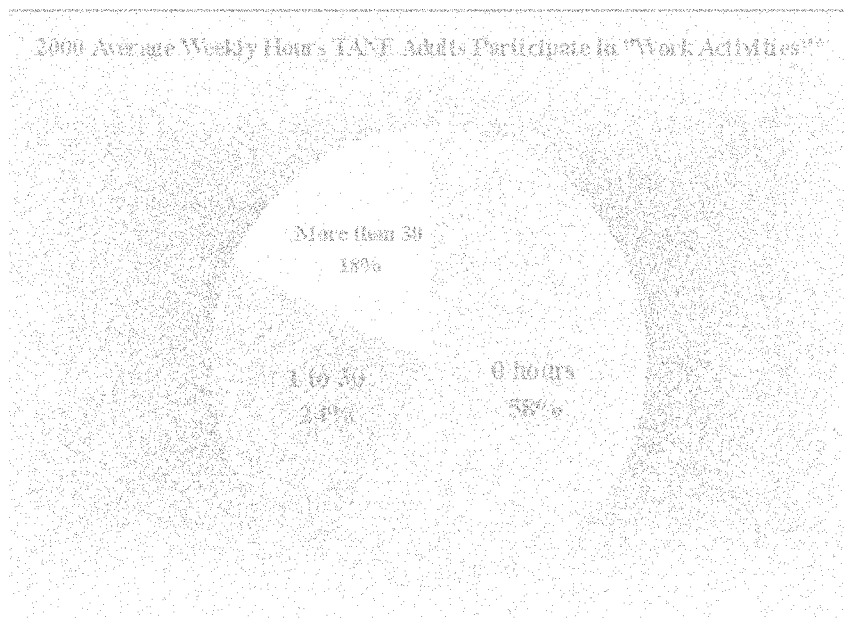
Mr. THOMPSON. Okay, fine.

Mr. LEVIN. Thank you.

Mr. HERGER. Just in answer to that, we in the majority took some HHS data and made a chart on that, so Mr. Levin, we will certainly pass on to you what information we have.

[The chart follows:]

**MAJORITY OF TANF RECIPIENTS ARE NOT
WORKING FOR THEIR BENEFITS**



SOURCE: U.S. Department of Health and Human Services.

*Work Activities as defined in Federal law which includes work and various other job training and education activities.

Mr. LEVIN. Will you give us the data that you based the chart on?

Mr. HERGER. Yes, we certainly will.

Mr. LEVIN. Okay. Thank you.

Mr. HERGER. With that, the gentleman from Texas, Mr. Brady, to inquire.

Mr. BRADY. Thank you, Mr. Chairman. I appreciate your leadership on this issue.

As the Committee and the Congress goes forward in reauthorizing welfare and continuing its progress, there is some debate about what has contributed to the progress we have, the economy is sort of the sole reason we have done well, or the reforms, the work first approach that has been so much a part of welfare reform. Can you sort of enlighten the Committee on which has contributed the most toward reducing our roll?

Mr. THOMPSON. I do not think there is any question at all. I think it is the law and the opportunity for States to innovate at the State level that have been able to reduce the welfare case levels. The economy certainly helps, but even though we went into a recessionary period in the last year, we have seen the cases, they have ticked up somewhat, but it has been pretty level. It has been the augmentation of the economy that has been helpful, but it has

been basically the reform package that has required States and individuals to work that has really made the difference, Congressman.

Mr. BRADY. And so for us as we continue, it is important not to just rely on the economy to help reduce these rolls further but that we continue that work first education toward a good job, child care toward a good job, transportation toward a good job, so that we keep reducing those. We know a lot of the cases we have now are a little tougher situations. They do not have the family infrastructure you might have had in those circumstances so that we provide flexibility but we do not back off from work first and just rely on the economy or something else to make this progress continue.

Mr. THOMPSON. I think that would be a terrible mistake. We have seen a program that is working. It has probably been one of the most successful programs to change social habits in the last 50 to 60 years in America, and it is based upon the component that people have to work in order to get out of poverty.

Mr. BRADY. You bet.

Mr. THOMPSON. And I think it would be a terrible mistake to turn this into an education bill, and I hope that that does not happen. I think the work requirement is the key element that is going to make this a continuation of a successful program.

Mr. BRADY. Thank you, Mr. Secretary. I yield—

Mr. CARDIN. Would the gentleman from Texas yield for a moment?

Mr. BRADY. Sure.

Mr. CARDIN. I appreciate the exchange, and I happen to agree that the law change 5 years ago was a very major factor in the success that we have had. I think the economy also was a factor, and I think everyone would agree that if there are jobs out there, it helps. But also, the earned income tax credit was also a factor of Congress in a bipartisan way trying to make work pay.

There always will be multiple factors, but I think Congress can be pleased that the law that we passed 5 years ago played a significant role in accomplishing the results we see today.

I thank the gentleman for yielding.

Mr. BRADY. You bet.

Mr. THOMPSON. Congressman Cardin, you are absolutely correct, and I would like to echo one thing. You know when you put the earned income tax credit in conjunction with a State income tax credit, you have a viable program there that is very helpful to individuals who work and that is very important.

Mr. LEVIN. Will the gentleman from Texas yield for another 30 seconds?

Mr. BRADY. Just reclaiming my time for a moment, I was not here in 1996. I came to Congress the year after. But I knew something was done right when last year or the year before during all the Presidential elections, we had the conventions of both parties on prime time TV every night and every speaker talked about the success and progress of welfare reform, whether they were Republicans or Democrats. You know when everyone is taking credit for something that we must have been on the right track.

Mr. THOMPSON. It made me feel very good.

Mr. LEVIN. Will the gentleman yield?

Mr. BRADY. Not at this time. Mr. Chairman, I would yield back my time.

Mr. HERGER. I thank you. This concludes our hearing.

Mr. THOMPSON. Thank you.

Mr. HERGER. What, I think, an outstanding way to conclude is with this, when you have both parties taking credit for something, you know it must be working well.

Mr. Secretary, I certainly want to thank you for, again, the leadership you gave back even prior to the 1996 law back in Wisconsin of really leading the way in this and all your work working with the Congress, even as Governor of Wisconsin then, and now serving as we work to fine tune and improve on what is already an outstanding program. I thank you very much for your very outstanding and helpful testimony today.

With that, the full Committee of Ways and Means hearing stands adjourned.

Mr. THOMPSON. Thank you very much, Mr. Chairman, for your leadership and thank you all, all the Members on a bipartisan basis, for your cooperation on this issue, and good luck.

Chairman THOMAS. Thank you. The hearing is adjourned.

[Whereupon, at 4:27 p.m., the hearing was adjourned.]

[A submission for the record follows:]

Statement of the Hon. Rob Portman, a Representative in Congress from the State of Ohio

Mr. Chairman, thank you for holding this important hearing on welfare reform. Mr. Secretary, welcome, and thank you for coming to share the President's proposal for building on the success of the landmark 1996 welfare reform law.

Governor Bob Taft, from my home State of Ohio, supports the general framework of the President's reauthorization plan. Governor Taft appreciates the flexibility that the 1996 law has given Governors. Governor Taft does have a concern that I am told other governors share. The Administration's proposal increases the transferability of TANF funds to Social Service Block Grants (SSBGs) to 10% over time, rather than ensuring the current 10% transferability as authorized in the 1996 welfare reform law.

The 1996 welfare reform law authorized \$2.38 billion for SSBGs, and authorized States to transfer up to 10% of TANF funds into the SSBGs. The transferred funds are able to be used for work support programs and services that are tailored to the State's particular needs, such as adult day care, mental health services, and substance abuse programs, and in Ohio, are delivered at the county level.

We encourage the Administration to consider maintaining the current 10% transferability of TANF funds to SSBGs throughout the course of the reauthorization. I look forward to working with the Chairman and Secretary Thompson on this issue.

