

WELFARE REFORM SUCCESS

HEARING

BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
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CONTENTS

Advisory of March 25, 2002, announcing the hearing	Page 2
WITNESSES	
Carter, Darnell, Detroit, Michigan	16
Cascade Engineering, Fred P. Keller	19
Family Independence Agency, Lori Scorsone	23
Hudson, Lisa, Grand Rapids, Michigan	17
Koon, Carol, Ewart, Michigan	15
Michigan, State of, Hon. John Engler, Governor, and National Governors' Association	5

WELFARE REFORM SUCCESS

TUESDAY, APRIL 2, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
University Center, Michigan.

The Subcommittee met, pursuant to notice, at 11:00 a.m., at the Rhea Miller Recital Hall, Saginaw Valley State University, University Center, Michigan, Hon. Dave Camp presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
March 25, 2002
No. HR-13

CONTACT: (202) 225-1025

Herger Announces Field Hearing on Welfare Reform Success

Congressman Wally Herger (R-CA), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a field hearing on welfare reform success stories. **The hearing will take place on Tuesday, April 2, 2002, in the Rhea Miller Recital Hall, Saginaw Valley State University, 7400 Bay Road, University Center, Michigan, beginning at 11:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include Michigan Governor John Engler as well as former welfare recipients, a welfare caseworker, and an employer who has hired welfare recipients. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee 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 The law repealed the former Aid to Families with Dependent Children program, and with it the individual entitlement to cash welfare benefits.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 block grant, which 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.

National figures point to remarkable progress in combating welfare dependence and poverty since State and Federal welfare reforms were enacted in the mid-1990s. The number of children living in poverty has dropped by nearly 3 million and the African-American child poverty rate has fallen to a record low; welfare caseloads have fallen by 60 percent nationwide, as nearly 3 million families and 9 million recipients have left welfare; and record numbers of current and former welfare recipients are working.

In announcing the hearing, Chairman Herger stated: "Welfare reform has been a tremendous success in terms of reducing poverty, ending dependence, and promoting work. But behind all of the remarkable statistics are millions of families working their way off of welfare and into the mainstream of American life. This hearing will allow us to hear some personal accounts of how reform has worked in Michigan, which will help set the stage as we prepare to extend and improve the national 1996 welfare reforms in the coming months."

FOCUS OF THE HEARING:

The Subcommittee will review welfare reform outcomes in Michigan, with a focus on the perspective of former recipients, employers and caseworkers who have been instrumental in the success of the State's program in terms of reducing poverty, ending dependence, and promoting work.

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, April 16, 2002. If those filing written statements, other than invited witnesses, wish to have their statements distributed to the press and interested public at the hearing, they may deliver 150 additional copies for this purpose to the district office of Representative Dave Camp, 135 Ashman Drive, Midland, Michigan 48640, by close of business on Monday, April 1, 2002.

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.

Mr. CAMP. Good morning. First of all, I want to thank everybody for coming. I'm really pleased that this hearing is taking place in Michigan, in Saginaw County, and at Saginaw Valley State University. I want to thank President Eric Gilbertson and Jean Hamilton for making it possible that we're here.

I think it's important for the Congress to get the State perspective on welfare reform, and a local perspective, not just what we hear from witnesses that are able to travel to Washington.

I also want to thank the Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, Wally Herger, for allowing this tremendous opportunity to have the hearing in Michigan. Also, I want to acknowledge the invaluable assistance that Matt Weidinger, the Subcommittee Staff Director, Katie Kitchin, and Ryan Work of the Subcommittee who have all provided, as well as my own staff, Dedra Clancy, help to make this hearing happen.

Today's hearing will provide my Subcommittee Members and other colleagues from Michigan an important background for this year's re-authorization as we consider welfare reform outcomes in Michigan. It will focus on the perspective of former recipients, case-workers and employers who have been instrumental in the success of the State's program in terms of reducing poverty, ending depend-

ence and promoting work. With Governor Engler's lead, Michigan was at the forefront of the National Welfare Reform effort when it began experimenting with welfare reform in the early nineties. It was the innovative State thinking that the Governor and other legislatures—and I know we have a number of them here in attendance—Senator Joel Gougeon is here, Representative Jim Howell, Representative Tony Stamas, and Representative Carl Williams. I also know that Chad Arnold from Senator Dunaskiss's office is here. They have all been influential in Michigan's innovative approach to welfare reform.

Just through the year 2000, the decline in welfare caseloads have resulted in the reduction of State spending on welfare by almost \$775 million. Spending on child day care, employment programs, health care and other social services has climbed by almost \$3 billion.

On the national level, welfare reform has been a success by almost any measure which you can devise; successful in terms of reducing caseloads and moving millions of families out of poverty through work. We know that nearly 3 million children have been lifted from poverty since 1996. Employment by single parents most likely to go on welfare rose by 40 percent between 1995 and 2000. Also, welfare caseloads have declined by 9 million, from 14 million recipients in 1994, to just 5 million today.

Welfare reform has increased work, boosted incomes, improved child poverty, while also reducing dependency. I'm proud of the achievements of the 1996 law and even prouder of the millions of parents who are now working and making better lives for themselves and their children.

We are honored to have some parents with us here today, and we'll be hearing from them later. I look forward to learning about how they took advantage of the improved work support Michigan allows and how they were able to become independent.

In the coming months, we have the opportunity to build on these successes and enhance this vital program. Congress should continue to help more people successfully transition to work, because work is the real and only permanent path out of poverty.

I will say that joining us today will be the Governor of Michigan, John Engler, as well as former welfare recipients Carol Koon, Darnell Carter and Lisa Hudson. We are also joined by Lori Scorsone, a welfare caseworker, and Fred Keller, an employer who has hired welfare recipients. We look forward to hearing from all of our witnesses.

[The opening statement of Mr. Camp follows:]

Opening Statement of the Hon. Dave Camp, a Representative in Congress from the State of Michigan

Good morning. First, I would like to say how pleased I am that this hearing is taking place here in Michigan because it is important for Congress to get the state perspective on welfare reform as well as a local perspective. Second, I would like to thank Chairman Wally Herger for this tremendous opportunity as well as acknowledge the invaluable assistance that Matt Weidinger, Subcommittee Staff Director, Katie Kitchin, and Ryan Work of the Subcommittee have all provided to make this hearing happen.

Today's hearing will provide my Michigan colleagues and me an important background for this year's reauthorization as we consider welfare reform outcomes in Michigan. It will focus on the perspective of former recipients and caseworkers and

employers who have been instrumental in the success of the State's program in terms of reducing poverty, ending dependence, and promoting work.

With Governor Engler taking the lead, Michigan was at the forefront of the national welfare reform effort when it began experimenting with welfare reform in the early 1990s. Michigan's innovative thinking resulted in a dramatic change in spending priorities. For example, through the 2000 fiscal year, the decline in welfare caseloads had resulted in reduction of state spending on poverty relief of almost \$775 million. However, spending on child day care, employment programs, health care and other social services had climbed by almost \$3 billion.

On the national level, welfare reform has been a tremendous success in reducing welfare caseloads and moving millions of families out of poverty through increased work. We know that nearly 3 million children have been lifted from poverty since 1996, employment by mothers most likely to go on welfare rose by 40% between 1995 and 2000; and welfare caseloads have fallen by 9 million—from 14 million recipients in 1994 to just 5 million today.

Welfare reform increased work, boosted incomes, improved child poverty while reducing dependency. I am proud of the achievements of the 1996 law, and even prouder of the millions of parents who are now working and making better lives for themselves and their children. We are honored to have several such parents with us today, and look forward to learning more about how they took advantage of the improved work supports Michigan and now so many other states provide.

In the coming months, we have the opportunity to build on these successes and enhance this vital program. Congress should continue to help more people successfully transition to work, because work is the only real and permanent path out of poverty.

Joining us today will be Governor John Engler as well as several former welfare recipients: Carol Koon, Darnell Carter, Crystal McClain, and Lisa Hudson. We also are joined by Lori Scorsone, a welfare caseworker, and Fred Keller, an employer who has hired welfare recipients. We look forward to hearing from all of our witnesses.

Mr. CAMP. Governor Engler will be our first witness. He was a key architect of Michigan's Welfare Reform, as well as, testifying on numerous occasions and helping craft the 1996 Welfare Law.

It is a great honor to have an opportunity to hear from the Governor of Michigan, John Engler. Welcome.

STATEMENT OF THE HON. JOHN ENGLER, GOVERNOR, STATE OF MICHIGAN, AND CHAIRMAN, NATIONAL GOVERNORS' ASSOCIATION

Mr. ENGLER. Well, thank you very much, Congressman Camp. I am delighted to be here today with you. I certainly want to thank you and express my appreciation to Chairman Herger and to the other Members of the Committee who asked me to testify today.

I recall with great fondness 1995 and 1996 while there was an extraordinary amount of work being done, the leadership that you and then Subcommittee Chairman Congressman Clay Shaw and so many others provided. It was an important bit of work that was done. The results, as you just so eloquently stated, have truly changed America. For me to be able to come here today as not only the Governor of Michigan, but Chairman of the National Governors' Association, to a field hearing that's in the State of Michigan, it's an opportunity for us to talk about a record that we're very proud of. A record of welfare reform success, a record that shows, in our State, tens of thousands of families who successfully transitioned from dependency to independence, taking charge of their own lives, and taking charge of their family. So, it's a wonderful opportunity.

I would also note, and I understand he's on business and out of the State, but Michigan is not only privileged to have you on this

all important Subcommittee, but also Congressman Sander Levin from Oakland County. So, we do feel as though, in the policy debate in 2002, that our views will be heard and hopefully will be part of the consideration. This hearing here today shows that.

I also want to express our appreciation from the Michigan officials, our Family Independence Agency (FIA) for my Washington office to Matt Weidinger and his staff at the Subcommittee level, as well as, the staff in the Minority. They have all been very, very open to us. So, I'm thrilled to be here.

What I'll do this morning is maybe take a few moments and go through some of the prepared remarks.

Mr. CAMP. All of the testimony will be part of the permanent record that will go back and be part of the Subcommittee's official record on this legislation.

Mr. ENGLER. For some of our guests, we have—I just saw on the table outside, actually a chronology of welfare reform changes in Michigan, which is an interesting document. There are, I think, some limited copies of most of the testimony I'm going to present.

Let me begin back in 1995 and 1996, because it was in 1996 after two vetoes that Federal welfare reform was signed into law. The date was August 22. There were skeptics and many of them who had their doubts. They said bad things would happen. We have even had, as I recall, employees resigning in protest from the U.S. Department of Health and Human Services, and the argument was this: The States really weren't concerned or as compassionate about their citizens as people were in Washington. The argument was it would be a race to the bottom. Some advocates for the old system even claimed that some 2 million children would be added to child poverty roles. The evidence is in. They were wrong.

Welfare reform has worked and has exceeded the expectations of many of its staunchest supporters. States took very seriously the authority that was devolved by Congress, and I think earned a claim and trust through their actions and successes.

The Federal legislation that you wrote succeeded because Congress debated, focused on and then sent overarching goals, such as families going to work and making assistance temporary. Then the strategies and the methods were largely left to the States. The key word: Flexibility. Michigan and other States have proven that given flexibility, States can design programs that fit their needs, better programs, deliver better services and bottom line, get better outcomes for families and taxpayers.

Michigan's reform, as you've cited, alone have resulted in over 308,000 Michigan families leaving welfare with earned income. As we move forward now, this year, considering the subject again and re-authorization, I think everyone agrees. It's important to maintain work in unsubsidized private sector employment as a key goal. Employment reduces welfare dependency, strengthens families, and exposes our next generation of children with the all-important work ethic. If we lose work as a central theme, we would risk losing much of the gains that we've made over the last decade.

I'm delighted that President Bush's proposal keeps work as a central focus, and I support his efforts to raise the bar. While some of the details are still emerging, we also believe there is additional opportunity within the President's proposal, as well as proposals

that are coming forward in the Congress. The opportunity is to fine-tune the details so that current successful State programs can continue, and we can achieve even greater gains. I look forward and the Nations Governors look forward to being part of a process where States, leaders in Congress like yourself, the Subcommittee, and the administration work together to write a final product that recognizes the goal of work. At the same time—balances the changing mix of our caseloads. Some of the current State programs, available resources which at the State level and recent budget, really for sort of two budgets as we've dealt with a national recession, have become somewhat strained and at the same time certainly to maximize the all important flexibility for States.

Again, the President's proposals are a tremendous starting point, given where this debate began back in 1995 when the proposals emerged from the new majority in the House and Congress of the United States. I mean, that's really where this debate began in 1995. Now, here we are a few short years later, and the President's coming in with a proposal that would have seemed absolutely radical in 1995 when we first began this conversation.

Welfare reform is about strengthening families. Work strengthens family. However, for some families, work alone cannot be the only strategy to strengthen the families. In Michigan we've done many things we think that are designed to support strong family structures.

Early on, fairer eligibility standards for two-parent families, targeted paternity establishment, priority of reducing out-of-wedlock births, family reunification and preservation initiatives, and a range of other family formation activities. Again, as was with the focus on work, I think it's critical that specific family formation strategies be largely left in the States.

I'm pleased that the President has proposed for the Temporary Assistance for Needy Families (TANF) grants, a level of funding of the block. While at the same time, he's also addressed some other concerns that I think are real, and were in need of being addressed—a meaningful contingency fund for emergency situations. The ability of States to formally obligate unspent funds has been an open question during the 5 years of this welfare reform legislation. The ongoing commitment of a multi-year block grant is, again, something else that's welcomed.

Again, given the State's current physical situations, of course we'll also be looking for any opportunities that may arise to include other modest little economic increases or inflation factors to further supplement base TANF funding, should those materialize.

At the same time, another key opportunity is one that would allow States to align and simplify other programs. Here, the President's proposed "super-waiver" authority could be one of the most exciting, innovative and effective things to come out of Washington in years.

Families who receive cash are often caught in the trap of multiple and conflicting bureaucratic systems and programs, i.e., food stamps, housing, education, training systems, and work force systems. Many of these systems don't work well together because they have different origins, and they have different Federal rules. They

arose from different Federal priorities, and they certainly have many different definitions.

Our take on this is that these differences send some pretty conflicting messages to families. They create ominous hurdles for our staff who try to make them work together. They end up aggravating the public and me, even some of our dedicated workers get a little bit aggravated who are trying to help these families. The families themselves get kind of worked up about this. I get upset, too, because what we all want is a system that works better. I think it can and should work better. This isn't really a question where if we make 1 or 5 or 10 changes in Congress each year, I think we can fix it. It really is broader than that. I think it's giving the States the flexibility, the authority to make real-time changes to align programs in ways that give better services to families and make program administration more manageable. For our taxpayers who are listening today and who follow our activities, give them more bang for their dollar.

I believe the bottom line is this: The more challenging the family problems are, the more flexibility the States need to address the problems. The old adage one-size-fits-all is especially wrong for these most challenging of families that remain trapped in the system. For those who say, "Well, this won't work, it isn't possible," I ask simply are they the same people that said the Aid to Families with Dependent Children (AFDC) entitlement couldn't be eliminated and that the TANF block grant would not work?

I think that we've seen the partnership with Congress, Governors, legislators, and legislatures in those like those that are here today, have a closer relationship to the actual people with the kinds of problems that they have in those families where they need services. I would say the States, again, in this debate, will approach it this way: The States are willing to be held accountable, but the States really need and must have the responsibility and authority that goes with the accountability. To those who do not believe that greater flexibility for States is a deserving worthy goal, I ask this: What on Earth would it take to convince you, given the success of recent years?

I think imposing flexibility for States is the equivalent of saying that better services to families, the more streamlined, efficient programs, somehow aren't worthy and deserving goals.

In 2002, opposing State flexibility means more mandates and rules from Washington. Mr. Chairman, we tried that for 40 years, and it didn't work. I'm proud of our record of reform in Michigan. I'm proud of what Republican and Democrat Governors have done across America. It's truly a remarkable transition that's taken place. Interestingly, it has happened in large States, in small States, with Democrat Governors, with Republican Governors, with legislatures of both parties. It's just been a change that truly was ready to happen. The Congress in 1996 paved the way, stuck with it and prevailed. The rest they say is history.

I think the relationship that we built with Congress, the States and Nation's Governors back in 1995 and 1996 is one that has continued to improve. The debates back then resulted in historic reforms. Again, this year I think there's an opportunity. We ought to seize that opportunity to ensure that the historic reforms 1996

really are the foundation and that we continue them and move to the next level of success. That's why your hearing today is so important, that's why you honor us by—I know it's coming home, but by bringing this hearing here to your district and writing a record then that can go back to the other Members of your Committee. Mr. Chairman, for that we thank you. I'm happy to answer any questions that you might have.

[The prepared statement of Mr. Engler follows:]

**Statement of the Hon. John Engler, Governor, State of Michigan, and
Chairman National Governors' Association**

Congressman Camp, I want to thank you, Chairman Herger, and other members of the committee for asking me to testify today. I also appreciate that this field hearing is happening in the State of Michigan, a state that has a proud record of welfare reform success.

Not only is the state well represented by Congressman Camp, but we are privileged to have Congressman Sander Levin as a member of this subcommittee as well.

I'd also like to acknowledge the hard work of Matt Weidinger and his staff at the subcommittee, as well as the staff of the minority subcommittee.

I am grateful for the opportunity to take a few minutes to testify before this committee and ask that the additional information I am submitting on Michigan's welfare reform success be included in the record.

In 1996, after two vetoes, federal welfare reform was signed into law on August 22. Many skeptics had their doubts, saying bad things would happen, effectively arguing that states weren't as concerned or compassionate about their residents as Washington. They were wrong!

Welfare reform has worked and exceeded the expectations of many of its staunchest supporters. States took seriously the authority that was devolved and deserve trust through their actions and successes. The federal legislation succeeded because Washington focused on overarching goals, such as work and making assistance temporary, and left the strategies and methods to the states. The key word: flexibility. Michigan and other states have proven that given flexibility, states can design a better program, deliver better services, and get better outcomes for families and taxpayers. Michigan's reforms alone have resulted in over 308,000 Michigan families leaving welfare with earned income.

As we move forward, it is important to maintain work in unsubsidized private sector employment as the key goal. Employment reduces welfare dependency, strengthens families, and exposes our next generation of children to the all-important work ethic. If we lose work as the central theme, we risk losing much of the gains we have made over the last decade.

President Bush's proposal keeps work as a central focus, and I support his efforts to raise the bar. While some of the details are still emerging, we believe there is opportunity within the President's proposal, as well as others, to fine-tune the details so that current successful state programs can continue. I look forward to being part of a process of states, Congress, and the Administration in arriving at a final product that recognizes a goal of work, while balancing the changing mix of our caseloads, current state programs, available resources, and maximizing flexibility to the states. The President's proposal is a tremendous starting point, particularly given where we began back in 1995.

Welfare reform is about strengthening families, and work strengthens families. However, work does not have to be nor should it be the only strategy to strengthen families. We have done many things in Michigan to support strong family structures, including fairer eligibility standards for two-parent families, targeted paternity establishment, reducing out-of-wedlock births, family reunification and preservation initiatives, and other family formation activities. However, as with the focus on work, it is critical that family formation strategies be left up to the states.

I am also pleased that the President has proposed keeping the block grant level while also addressing other critical financial issues, such as a meaningful contingency fund, the ability of states to formally obligate unspent funds, and the ongoing commitment of a multi-year block grant.

Nevertheless, given states' current fiscal situations, we will still be looking for any opportunities to include other economic increases or inflation factors to further supplement our base TANF funding.

Another key opportunity is in allowing states to align and simplify other programs. The President's proposed "super-waiver" authority could be one of the most exciting, innovative, and effective things to come out of Washington in years.

Families who receive cash are often caught in the trap of multiple and conflicting bureaucratic systems and programs—like food stamps, housing, education and training systems, and workforce systems. Many of these systems don't work well together because of different federal rules, priorities, and definitions. Different programs send conflicting messages to families; they create ominous hurdles for staff who try to make them work together; and they aggravate the public—and me—because we want a system that works better. I believe it can and should work better.

This is not about making one or five or ten changes in Congress each year. It is about giving states flexibility and authority to make real-time changes to align programs in a way that gets better services to families, makes program administration more manageable, and provides more bang for the taxpayers' dollars. For those who say this will not work and is not possible, I ask them if they are the same people that said the AFDC entitlement could not be eliminated or said a TANF block grant would not work.

Governors and legislatures are closer to the people needing the services. We are willing to be accountable, but we need the responsibility and authority that goes with the accountability. I challenge those who do not believe that greater flexibility for states is a deserving and worthy goal. That is the equivalent of saying that better services to families and more streamlined, efficient programs are not worthy and deserving goals.

I am very proud of our record of reform in Michigan. I am also pleased with the relationship that Congress developed with Governors and states in 1995 and 1996 during the welfare reform debate. Those debates resulted in historic reforms, and we have the opportunity to ensure that those historic reforms continue and rise to the next level of success.

With that, I would be happy to take questions.

Mr. CAMP. Well, thank you very much, Governor, and thank you for taking the time out of what is a very busy schedule to be here.

As you know, we'll be working in Congress, with the Governors and especially with you in your role as Chairman of the National Governors' Association on extending the 1996 law for another 5 years. I hear what you're saying that flexibility is a real key to serving families better.

The President has a proposal to expand the flexibility that's been granted to the States by really developing what former Wisconsin Governor and Health and Human Services Secretary Tommy Thompson calls a "super-waiver" proposal. How do you think that could best be used to helping low-income families better? What can we do to—or what can I do to help make sure that Michigan obtains the flexibility to serve low-income families better?

Mr. ENGLER. I think that there are a multitude of ways in which that can make a big difference. If we look at the number of programs that somebody might be eligible for, in a situation maybe where it's a single parent head of the family, with a couple of children, they may have needs that are in housing, or transportation, or certainly healthcare. We cover that largely through Medicaid, but there could be educational needs, an array of different programs, and maybe that mother also is pregnant with another child or has a very young baby. I used this example at the press conference earlier this morning, but just two obvious examples of programs that could easily fit together: the food stamps and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Both of those help with food and nutrition services. So, in our hypothetical family here, which isn't all that hypothetical when we look at our caseload, there would be an eligibility

there for additional formula and other needs that a mother of a young child might have. It's interesting that the stores that are licensed to participate in these programs, since it's done by two different agencies, actually are—it can be different. In some cases one store is able to provide food stamps, but not the WIC program. It just doesn't make any sense. We've moved to an electronic benefit's card for the food stamp program, much simpler for the family to use. We should be able to put those programs together and help provide that additional help.

I did promise a mother that I talked to a week ago when we were surrounded—and I might comment for our audience. You see all these achievers of the month, these posters here, these represent men and women who are some of the success stories. They're wonderful stories that you see. One of the moms, I don't think she's in one of these pictures, but she came up to me and she said, "It's great to have the help when the kids are little. I've got some teenagers now, and trying to feed these teenagers is a whole different kind of challenge, and you ought to do something that—I could get by pretty good on my food stamp allotment when the kids were little, but these teenagers are eating me out of house and home." She happened to be somebody who moved off welfare. She continued, "If I'd been on public assistance with food stamps, I'm not sure we would have had enough food to eat." So, she was saying for those who are still in that system, we ought to look at that.

I said to her, that's a good point, you know, but with the flexibility that we seek, we could actually even address that kind of a question. It wasn't something I had thought about, but that's one example. There may be situations where somebody is entitled to assistance on housing, and yet their housing is secured. It's the transportation need that's impossible. Or it's even additional—you mentioned some statistics on child care, and that happens to be an area that probably has increased more dramatically in the Michigan State budget than almost anything saved Medicaid expenses, and yet the child care assistance is a great challenge where you're dealing with a family with a single parent. What happens, how do they—how do they work.

Another example of a program, and it's in the U.S. Department of Education where they deal with the Head Start program, and there may be ways in which we can help that coordinate more effectively with a person going to work. We have actually had conflicts of times where the Head Start program said, "No, you must come here and be in this classroom this day of this week." The mother is saying, "Well, I have to also be at my job, how do I do both?" You've got basically people in two different programs, each resolutely pursuing their goals of their program, and we need to be able to bring that—bring that together.

Our workers get very creative in trying to figure all of this out, but it is a lot of effort and I'm just suggesting it could be made much more effective. So it is—that's why that waiver is attractive to Governors. I do have, knowing that there's an aspect of the Congress where the structure of subcommittees and committees, and that is quite traditional. Some of these are scattered through many various subcommittees, and therefore try to get all the subcommittees to deal with the "super-waiver" proposal may be very difficult.

Maybe there's an opportunity, if we can't achieve this on a national basis, for our Congressman from Michigan to write a provision that would allow for a couple of States to pilot this, and certainly I would volunteer to have Michigan be one of those that would pilot this. We would come in with great—we could be quite specific in terms of the things we would like. Maybe then there would be an opportunity to validate what the President's proposed in a couple of States, so that it could in a future Congress be adopted nationally. If we fall short, and I realize that we're in a desire to move the Welfare Reform legislation fairly quickly in the Congress, and that desire to move quickly may be in contrast to the physical requirements, getting through all these subcommittees. So, we're always looking, how do we work with you to try to accomplish the objective. So, it's a very good question, and probably the most important feature of how we can really make things work in the future.

Mr. CAMP. I think it was, the real reason for the success was the flexibility that was given in the past.

I'm glad you pointed out these pictures here, because I understand last week, after 10 years of welfare reform, that you recognized your 100th achiever of the month, and that is a tremendous goal. Obviously, I know there's many more who would also qualify for that.

I wanted to ask a question that related to that, that is discussed in a lot of the meetings we have and hearings, and that is that we have dozens upon dozens of ways of receiving data and information and following people who have left welfare, and I might add that's a stark contrast, and that there was very little done to track people who had left AFDC in the past. I wondered about your thoughts on additional requirements on States to follow every person who has received assistance, and if you have any thoughts on what some of the welfare clients feel about that? What challenges might face you if some of these were mandated? What this might do to the resources? We all know the amount of resources are limited. How does this data reporting or tracking fit into how welfare is implemented in Michigan?

Mr. ENGLER. Well, it—you know, we're not quite to the point of that being that big of brother to everyone where we do track sort of everyone every year and know exactly what's going on. On the other hand, many of these families we continue to work with, because there, even as you're making this transition, there may be retained eligibility of, say, for a Medicaid program, and so—for a year or more, in some cases where we're working with employers. There are ways in which we stay in touch.

We also, because of the requirements of the 1996 legislation on a 5-year lifetime eligibility for benefits, had to do more in terms of tracking families than we had historically done. So we do know, I suspect, or are able to put together more information. We in Michigan probably haven't gotten too worked up on some of the reporting. It seems like we're reporting everything and one of the more frustrating things is how sometimes the same information is required by different agencies to be reported in different ways.

I note that in the recent successful package of the No Child Left Behind Education legislation, we're going to do something that I do

think is very important. We're going to start following children from year to year in schools, so we know how much progress is being made. I—that happens to be something I do strongly believe is important, because I—and wanting to—our goal in terms of the—and I'm pleased to see that emphasis on education and strengthening families, because while we're helping in—these are achievers of the month, and these are people who have been able to change their lives. What you really also want to see is that the children in these families never go onto the system, but they're able to get the kind of education that allows them to compete to be employed, and to go through school, not become pregnant, a whole host of changes.

So, I guess we'll—you tell us the information you need, and we'll try to provide that for you. It isn't—we'd rather—we want to make sure that whatever questions you're asking, we've got some success stories to talk about, so I'd say, if you want more information, then you will give us more flexibility to run the program, we'll give you all the information you want, and you give us all the flexibility we need, and we'll have a bargain.

Mr. CAMP. Okay. Then I just have one last question. A big part of the President's proposal is the work requirement, and I know that you've recently signed a law that moves Michigan to a 40-hour work requirement already, and I wondered your thoughts on the President's proposal there.

Mr. ENGLER. Well, we think that the way the proposal is structured with the requirement of 40 hours, but also allowing for some of that, up to 16 hours, to be met with additional training or skills development, that that could be—that that's something that we can achieve. We appreciate very much the phase-in period because it will—there are very, very few States that could comply today with where that bar would be set.

I said in my testimony, we support raising the bar, we support the focus on work. We will need—as we lose the credit, which we've had, and someone in our audience may not understand how this has all worked, but there's been a—as families are successful and go to work, there's actually a credit that was applied, and so for many States we were able to exceed work requirements in part because we were having success. That made some sense to take the credit away, that's fine, but it—but then make sure that we have—because as we get further and further out there, the cases get harder and harder. There's—you know, where maybe somebody had two major issues, now there may be five issues in a family.

I've got some cases, I don't need to go into them, but, they're pretty remarkable when you just—when you think about it. Here's a—I mean, a two-parent—this happens to be a two-parent household, father is employed, six children, 3 months to 9 years. The mother is Arabic, language barriers, minimum education, multiple barriers, transportation issues, child care, some kids in school, others needing all-day day care, mother has limited skills, education, language barrier.

We've got a husband and a wife, four children. Each parent spent 45 days in a drug rehab program, and then they took turns being with the kids. The father has a nighttime job in a town that's 40 miles east of where they live, actually may well be constituents, I

won't name the counties, but, then the mother got a part-time job days at a—40 miles south, and that's 20 hours per week. Neither one has a driver's license because they were suspended for alcohol abuse. They got to rely on volunteer drivers. In this case, the Michigan Works Agency is helping them to pay for transportation for 30 days. Then after that they're suppose to be on their own. Volunteer drivers are from a local dial-a-ride that charges 43 cents a mile.

So, you've got, just a multitude of problems. Trying to get that family at 40 hours a week and stay there, is difficult. Up north we had families working at ski resorts, at restaurants or motels. When it didn't snow earlier in the winter, people got laid off.

So, those are some of the challenges. So, when we—when I look at what you just asked me in terms of how this all plays out, I think we can get there. You're just going to have to—it's going to have to be—it'll have to be phased in or we're going to have to look hard at what are these other activities, and some of the definitions there will matter very much.

I would also argue that since you can meet the 40-hour test with as much as 16 hours of other education or training, maybe there's a way that on a—if somebody can move beyond taking the 16 hours away from the 40. It's 24 hours at work, maybe if they can move that in terms of being on payrolls up higher, there's a credit that offsets. Maybe it's if you work an extra hour you get credit for 2 hours of that other activity. The average job, according to the U.S. Department of Labor statistics, is really 40 hours, if we look at—now, a lot of the jobs are in the 32-, 33-, 34-hour range, and so, it gets—and if somebody is working—actually let's say they're working 34 hours, maybe we ought to be saying that the rest of that time ought to be there for their family. Maybe there's a way to structure that. Make it 40 hours. At the same time, these are—these are—some of these families are pretty fragile as well. I don't want to have a set of policies which end up somehow being counter-productive to strengthening the family. The family formation is something else that is an initiative in this legislation.

So that's—again, we're willing to work, and I think the way we can really master this among the States is for the Congress to set goals, and they can be very high goals, and then tell the States let's go out and compete, because I'm going to learn something each time somebody tries it.

You mentioned Secretary Thompson, and I don't know if he'll read our testimony or not, but when he was Governor of Wisconsin we used to have quite a competition on both sides of Lake Michigan about who was doing what. I think it worked well for the people in Wisconsin, worked well for the people of Michigan, and it put us in a position where we had, by the time the 1995, 1996 debate rolled around, a lot of real experience that could be relied upon to sort of predict how some of these changes might lay out.

Mr. CAMP. Thank you very much. Thank you for your testimony, and your time here today. I appreciate it very much.

Mr. ENGLER. You're welcome.

Mr. CAMP. Well, the Governor has agreed to join me up here while we hear from our second panel, and I would like to have

Carol Koon, Darnell Carter, Lisa Hudson, Fred Keller, and Lori Scorsone, please.

Why don't I start, Ms. Koon, with you, and each of you take about 5 minutes. We'll let everyone make their statements so that everyone has a chance, then I'll come back, and we'll have hopefully some time for some questions and dialog. So why don't you begin. Thank you.

STATEMENT OF CAROL KOON, EVART, MICHIGAN

Ms. KOON. Well, my name is Carol Koon, and I am a former Osceola County FIA person. I came to FIA in July 1999. My husband lost his job, and we were without any savings. I was working minimum wage in a local grocery store. We had four children, uncertain how long it was going to take before he received unemployment benefits, or how long it would be before he found another job. So, we went there and applied not sure what or how everything would work, if we'd even get any assistance or anything. We were met by some extremely friendly people who did not make us feel that we were bad in any way for coming there, the stigmatism to it.

Anyways, we were referred to the Work First program to look for work through them. While I was there, I saw an ad for a secretary for one of the 911 centers in our area. It said, well, you wouldn't believe what we have available. We have a program right now, where we're training people to become certified dispatchers for one of the local 911 centers. What the problem was, is that Lake County was one of the last counties in Michigan to go to emergency 911. They needed to employ, I believe, up to 12 people at that time, and did not have the funding for all of the training that needed to be done. So, they set up with Work First to offer a program for people. If they passed the test, went through the training, they would be able to become certified and possibly gain employment with them. If not, they would still be totally trained to go to employment anywhere else in the State of Michigan or any State.

So, that's what I did. I signed up for the program, I continued working, I dropped down to 20 hours a week, and took the 40 hours of training each week. Upon completing the test, I was fully certified by the end of September. In December, I was hired full-time with them. I am still currently employed there.

We stopped receiving our benefits in September. It was not long after we had gone there that we stopped because we received his unemployment, which put us over the income levels. Without that training, I am not certain that if my husband was to have lost his job again we wouldn't be in the position to need assistance. Now that I have a career also, we are financially stable.

The training was an extremely remarkable program. I can't say enough for the people that were so extremely dedicated, that were there to make sure that I succeeded, whatever was needed. I remember right before I started the job, my alternator went on my vehicle. I thought, I can't believe this. Sure enough, they said we'll get this taken care of.

That's why I'm here today. I want to say thank you for the assistance that I received, for the compassionate people that were there to help. I think they need to have more of these programs

available for people, not only to receive a job, but maybe to receive a career. So, that they're in a position to make some good choices.

In my area, we're a rural area, there's not a lot of job opportunities. So, if maybe they could set something up for rural areas designed around what is available in the area, that would be a wonderful thing.

That's why I'm here today.

Mr. CAMP. Well, thank you very much.

Ms. KOON. You're welcome.

Mr. CAMP. Mr. Carter?

STATEMENT OF DARNELL CARTER, DETROIT, MICHIGAN

Mr. CARTER. Yes. First of all, good morning, ladies and gentlemen, and thank you for inviting me out.

I would like to first say that I appreciate the opportunity to come before this Committee today to give my personal testimony of the impact of welfare reform, what it's had on my life, and to also be a voice for the people regarding the matter.

Last Thursday I attended a ceremony, achiever of the month ceremony with Governor Engler and Director Howard, and we celebrated the 100th achiever of the month. It was a nice—it was very nice. A reporter came up to me and asked, said, "Mr. Carter, do you believe that Governor Engler's reform is creating working poor?" What I said was, no. I don't think it's creating working poor.

I believe that welfare reform has been successful thus far. In Michigan, I know the caseloads are down tremendously compared to 1996 when the reform law was implemented. As a single parent with sole custody of two children, a 12-year-old daughter, that's Egypt, and an 8-year-old daughter, that's Christian, working is a winner for us, hands down. Even though we still face some of the challenges that plagued us before, such as child support, child care and medical coverage, working makes it a whole lot easier. I'll let you know that right now. I'm not going to worry about the situations that I face now because I have a strong belief in God. I know that he'll pull me through whatever I face, but I know that not everyone will see things the way that I see them.

Now, I offer you a different perspective, and that is as a case manager for our Michigan Works Agency, dealing with the customers, helping them make the transition from welfare to work.

I have been employed, almost 5 years. May 29 will be my fifth year, next month, with the Michigan Works Agency, and over the years I have met thousands of people and helped them make the same transition. It seems that everybody has a general question, where are the programs for low-income fathers? Where are the programs at? I'm not sure if there are even 50 of them here in Michigan statewide, and the few programs that I know are up and running, they serve as a liaison for some services to assist men, versus a training component, to assist low-income fathers and rebuilding their lives and reconnecting them to their families. This has to change. Just like mothers, fathers are unique in their own way, with very different needs, such as more skilled jobs training, educational opportunities and many of them need help with legal matters.

In conclusion, I believe that if we develop, implement and provide more funding for programs for low-income fathers, then we will further meet our goal of strengthening Michigan families, and be an example for the rest of the country. Upon doing this, I believe that welfare reform would truly reach its goal of strengthening families and reducing government dependency. Thank you very much.

[The prepared statement of Mr. Carter follows:]

Statement of Darnell Carter, Detroit, Michigan

Good Morning Everyone,

I appreciate the opportunity to stand before this committee today to give my personal testimony concerning welfare reform and its impact on my life, and also to be a voice for the people regarding the matter.

A reporter at an achiever ceremony I attended with Gov. Engler asked me a question, "Do you think that Gov. Engler's welfare reform initiative was creating the working poor?" I replied by saying, "No".

I believe that welfare reform has been successful thus far. In Michigan welfare caseloads are down tremendously compared to 1996 when the welfare reform law was implemented. As a single parent with sole custody of two children, my 12-year-old daughter Egypt and 8-year-old daughter Christian, working is a winner hands down even though I still deal with some of the challenges that faced me while I was on assistance such as child support and daycare. I'm not going to worry because I have a strong belief in God and the ability to see my goals and make them come true despite what challenges are before me. But not everyone can see their lives that way. Now I will offer to you a different perspective as a case manager assisting recipients in making the transition from welfare to work. I've been employed for almost 5 years and have met thousands of people at the very work first program that I attended. And my question along with countless others is, "Where are the programs to assist low-income fathers?" I don't believe that there are even 25 statewide. And of the few programs I know that are operating they function more as a liaison for some services versus being a training component to assist low income fathers in rebuilding their lives and reconnecting them to their families. This has to change! And just like Mothers, Fathers are unique in their own way with very different needs such as more skilled jobs training, educational opportunities and to many help with legal matters.

In conclusion, I believe that if we design, implement and provide more funding for programs to assist low income fathers that we will further meet our goal of strengthening Michigan families and be an example for the rest of the country. In addition I believe that once we do this we will begin to see even more progress with welfare reform and truly reach our goal of strengthening families and significantly reducing government dependency.

Thank You.

Mr. CAMP. Thank you, Mr. Carter. Ms. Hudson?

STATEMENT OF LISA HUDSON, GRAND RAPIDS, MICHIGAN

Ms. HUDSON. My name is Lisa Hudson, I'm an employee at Cascade Engineering. I have been there for 2½ years now. Before I started at Cascade Engineering, I had all sorts of jobs, 3 months here, 7 months there. As you've heard before, there's always been certain situations, transportation, child care, something always happening to where I had to quit or something like that.

Well, in August 1999 I applied for assistance with the FIA, and I had to report to the Work First program. This is where I came in through the welfare to work program. I met Ron Jimmerson from Cascade Engineering at the Work First office, and I got hired in at second shift. I wasn't sure how long I was going to stay. I was a first shifter and I needed first shift, but it ended working out

fine. They offered me transportation, child care, and the FIA was on site.

I was nervous, of course, because I had never worked in a factory. I figured I would save some money, get a car, go somewhere else or do something. Cascade Engineering's logo, if I can call it that, is a Company of Families. I felt right away that I was a part of this family. The people are not just human resource or supervisors—they are actually friends and family to me. Cascade Engineering offers pay for contribution. This consists of completing different levels, learning more skills and making more money, which I have accomplished.

I started out at \$8.50 per hour. I am now at level B, making \$11.35 per hour. Effective April 5, I will be at level C making \$13.35 per hour. I have met with Joyce Bosscher, my FIA worker out at Cascade Engineering. She's working on advancing my career at Cascade through Human Resource Department.

The FIA caseworkers, Joyce Bosscher and Gary Loew, are on site. Before, I had caseworkers that were down at the office on Franklin, and I didn't feel like they really cared about me at all. I understand they have their job to do, they have a lot of cases, but it just wasn't personal. So, I really do like how the FIA is on site at Cascade Engineering. We can get personal, and we know each other by face. We call each other when we have a problem or things of such.

During my employment at Cascade Engineering, I have faced many serious family issues, as I have before, but now I'm not alone. So, the issues kind of changed because before my kids were younger, and it was mainly child care. Now, I have teenagers, and it's a totally new ball game.

I am a single parent, and Joyce has been there all steps of the way. She's offered—well, referred me to counselors. So, I have in-house counseling now for me and my children. It's getting a lot better.

Oh, I want to also say, she has assisted me with car repairs, money management classes, Section 8, Habitat for Humanity. I could go on and on all day, but I won't.

Also, I would like to say, my supervisors and other Cascade Engineering representatives have been a blessing in my life. Cascade Engineering is truly a Company of Families, and FIA has provided the resources and continued caring for my children and myself.

I truly feel that through all these accomplishments—I have become a good role model for my children, which will help them in the future as they become adults.

[The prepared statement of Ms. Hudson follows:]

Statement of Lisa Hudson, Grand Rapids, Michigan

Before starting at Cascade Engineering I had all sorts of jobs that I worked at for maybe 3 months here and there. I had to quit these jobs due to family problems such as transportation, child care, etc. In 8/99 I applied for assistance with FIA and had to report to the work first program. This is where I came in through the Welfare to Work Program by meeting Ron Jimmerson from Cascade Engineering at the Work First Office. Cascade Engineering hired me at a 2nd shift job although I did need 1st. Second shift ended up working out for me and it was because of the many programs at Cascade Engineering and Family Independence Agency's support. One of the examples was the transportation provided to me to get to work.

I wasn't sure how I felt at first. I was nervous and I have never really worked at a factory job. I figured I would save enough money to purchase a car and try other employment later. Cascade Engineering's logo is a Company of Families. I felt right away that I was a part of this family. The people are not just human resource of supervisors, they are my friends and family. Cascade Engineering offers "Pay for Contribution" which completing different levels, learning more skills and making more money which I have accomplished. I started out at \$8.50 per hour. I am now at Level B making \$11.35 per hour. Effective 4/5/02 I will be at Level C making \$13.35 per hour and have met with Joyce Bosscher my FIA caseworker who has arranged a meeting with my Human Resource representative at Cascade Engineering to work on advancing my career at Cascade Engineering working in the Human Resource Department.

The Family Independence Agency caseworkers, Joyce Bosscher and Gary Loew are onsite at Cascade Engineering. Before I had my caseworker onsite at Cascade Engineering I did not have a caseworker that I really thought cared about me and the issues I was dealing with. During my employment at Cascade Engineering I have faced many serious family issues that I previously had to deal with on my own while trying to maintain a job which I could not do. With the help of the Family Independence Agency on site I have made these accomplishments happen. I have four children. Childcare is not the problem because I do have daycare assistance. It is the two teenagers that I am having difficulties with being a single parent. I don't know where I would be or what I would be doing if it weren't for Joyce directing me in the right direction for counseling for my teenagers and myself which has helped me continue at my job. I have counseling set up once a week that was set up through FIA. I also have had assistance from Joyce with car repairs, money management classes, Section 8 and am presently participating in the Habitat for Humanity Homeownership Program so I may provide a better home and stability for my family. My supervisors and other Cascade Engineering representatives have been blessings in my life. Cascade Engineering is truly a Company of Families and FIA has provided the resources and the continued caring for my children and myself.

I truly feel that through all these accomplishments I have become a good role model for my children which will help them in their future as they become adults.

Mr. CAMP. Well, thank you very much. Mr. Keller?

STATEMENT OF FRED P. KELLER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, CASCADE ENGINEERING, GRAND RAPIDS, MICHIGAN

Mr. KELLER. Well, thank you for this opportunity, Representative Camp and Governor Engler.

Just by way of background, Cascade Engineering is a manufacturer, about \$200 million in sales, about 1,100 employees, and we've got nine plants here in the States and one in Hungary. We've had a long-term interest in being business partners to improve the quality of life in our community. Beyond just the impact of doing business in the traditional way of giving back, rather it's been a matter of how we engage the community, how do we get involved in helping to solve some of the most important problems that are in the communities, and arrive at better solutions; applying, in a sense, the—kind of business skills that you learned in the manufacturing world to some of our most difficult problems in the community.

I do believe that we have got sufficient resources in the existing agencies and the existing streams of revenue. If we can only learn how to leverage them better, we could in fact make a massive improvement specifically in our continuing cycle of poverty that does exist in America today.

I believe the Nation has an opportunity to make significant new progress in reducing poverty. I believe that Cascade Engineering

has demonstrated that moving people from poverty to not only a job, but to a career. That really is our intent, we call it welfare to career, not just welfare to a job, then it's possible. We have learned this is not rocket science.

There is, in fact, application of known principles that can take us from where we are to massive improvement. We have, most of all, learned that all these results are not the work of any one sector. It's not the government sector, it's not the business sector, it's not the folks that are in poverty, it's all of us that have to work together in a systemic problem-solving way for us to be able to significantly reduce the welfare roles and move people out of poverty.

Fully, 22 percent of the people that we added to our rolls last year, in terms of entry level jobs, were people that were formerly receiving welfare benefits. This continues our rate of about 100 people or more that are in that category, that have formerly been on welfare, that are now working at Cascade Engineering. We moved our monthly retention rates from a pretty poor 60 percent or so, but now have been over 90, actually in the mid-nineties, for the last several months.

As a result of this program and calculations by the FIA would show that we've saved the State of Michigan about \$850,000 from our program alone. These savings, I can assure you, will continue year after year, because we are committed to this program.

Our program did gain some attention from the Conference Board. We have been written up in their Corporate Community Development report, which we have copies of, if anybody would be interested in them? Further case study is being written up by Cornell University. So, we are looking at ways in which we can improve what we are doing through these case studies as well.

Mainly we found that there are three main ingredients as to why it works for Cascade Engineering. The first one is the nature of the culture, an accepting culture, one that is open, one that values diversity, values people as individuals.

Second, there's a lot of education. We had to educate ourselves, as much as educating those folks that are coming to us from welfare. Education around the area, and I will speak to that a little bit later, but specifically understanding what it means to be in poverty was very important for us to learn as employers.

Most importantly, a system of support for the people moving out of poverty as they learn new skills and are faced with really a daunting task of living in two worlds. Retaining and even building the dignity of the individual making this move is really essential. Again, this is not rocket science. It's putting known principles into action. The government sector is critical to its success, and yet it cannot do it alone. It is essential that business engage the community and work with the local agencies. Primarily among them is the welfare industry known in this State as the FIA, and there are many critical elements. Having full-time social workers, as you heard from Lisa, in our plants, helping on a daily basis to keep our people working has been essential. By being integrated in our factories, they're making the calls to agencies to keep them on the job and working with them to find solutions to typical barriers, to continue in employment, such as child care, transportation, health care, emotional support.

Placing the agency in the midst of our work force and making it clear that the objective is to have fully productive employees is really wonderfully simple, yet exquisitely effective. Little problems, when caught easily helped to avoid a disaster for the welfare to career employee later.

I would also say encouraging local experimentation and publishing best practices, can only accelerate the rate of positive change. We have found that having these local FIA workers do employment readiness assessments for us has been very helpful. Those who are most likely to succeed are selected for employment now and the balance, have assignments to work on so that they will be ready to be employed in the near future.

A critical part of what we learned is that we needed to teach both our current employees, especially our frontline leaders, and the people who have been on welfare, the hidden rules of the classes as outlined in Ruby Payne's book, *A Framework for Understanding Poverty*. This is our text that we used as understanding. This process helps both sides understand the behaviors and actions of the other.

So, the result has been gratifying, as you can hear the stories. I can tell you, that—but there's much more to it than that, more than just the idea that some people are helped. It really is good business. The organization feels good about itself. It has the ability to know that it's a part of doing something good in the community. There's more energy. I don't know how to measure that necessarily, but you can feel it, it's palpable.

So, the State of Michigan benefits by saving some money, the community benefits, the welfare recipients benefit, the business benefits. There's no losers here. It's an all-win game. There is a traditional thinking that says it's a zero-sum game. That if you're building a social capital, that you're taking away from profits, but in fact it's not the case. I think we're demonstrating that that's not the case.

So, I guess if the question is how can the government sector help, by supporting this kind of experimentation? I think that you heard today about flexibility, and some earlier testimony of the Governor. I couldn't agree more. Flexibility is a key. We were able to have FIA workers on site because of that flexibility, because the State was able to allow us to do that.

Encouraging those local experimentations and then publishing best practices has got to be able to help. I would say by further supporting programs that keep people out of poverty as much as those that are supporting them. So, we recognize that people that are coming out of poverty, it takes a while. There are situations where they fall back and they have difficulties. They need to be supportive in that very critical time when it's one more thing, as the Governor was pointing out, one more thing that comes up that could send them right back. We've got to be able to hold that line, and with that, the kind of flexibility that you're talking about. Thanks very much.

[The prepared statement of Mr. Keller follows:]

**Statement of Fred P. Keller, Chairman and Chief Executive Officer,
Cascade Engineering, Grand Rapids, Michigan**

Cascade Engineering is a manufacturer of products for the automotive, office furniture and waste container markets. We have about 1100 people employed including those in our nine U.S. plants and one in Hungary. Sales are about \$200 million. I founded the company in 1973. We have been working with our community for a long time to solve some of its toughest problems. I believe that we have an opportunity as business partners to improve the quality of life in our community beyond the impact of doing business in the traditional way of “giving back” when we have some available money. In addition I believe we need to engage our communities to apply systems thinking to the problems to arrive at better solutions. I believe that we have plenty of resources in existing agencies, and revenue streams and if we could only learn how to leverage them better, we would be in a position to make massive improvements, specifically in our continuing cycle of poverty that exists in America today.

Summary:

I believe the nation has an opportunity to make significant new progress to reduce poverty!

I believe Cascade Engineering has demonstrated that moving people from poverty to not only a job, but a meaningful career, is possible.

We have learned that it is not rocket science, but the application of known principles that make a meaningful reduction in poverty possible.

We have most of all learned that these results are not the work of the government sector alone, not the work of businesses alone, and not the work of social service agencies or people in poverty or any one segment *alone*. Rather we have demonstrated that by the concerted work of all working together in a systemic problem-solving manner, we can effect a significant reduction in not only the welfare roles, but of the number of people actually in poverty.

What will it take?

Fully 22 percent of the 168 people that we added to our entry-level payroll in our Grand Rapids facilities in 2001 came from generational poverty. This raised our total to over 100 people now working in our factories who were formerly receiving welfare benefits. Our monthly retention rates have gone from 60 percent two years ago to over 90 percent in recent months.

As a result of this program, calculations by the FIA show that we have saved the State of Michigan \$850,000 last year alone in reduced payments for assistance. These savings will continue year after year, because we are committed to this program.

Our program gained the attention of The Conference Board and is the subject of a research report titled “Corporate Community Development”. Reference report R-1310-02-RR

(<http://www.conference-board.org/products/researchreports/dpubs.cfm?pubid=R-1310-02-RR>)

A further case study is being written by Cornell University’s Johnson School of Business to document our efforts and to further study the underlying principles for its effectiveness.

How does it work?

We have found that there are three main ingredients in a successful program of moving people from welfare to a career:

1. An **accepting culture** in the organization. Businesses must simply work very hard at building a culture of trust among all employees and learn to value each human being that is employed simply for who they are, as well as the work they do. We have been working for years on this issue and try very hard to make this a reality.

2. **Education** of not only the incoming employees, but also of our existing employees, about what it means to be in poverty. They learn together why people who have been in generational poverty think and act differently than those who have been in the middle class.

3. Most importantly a **system of support** for the people moving out of poverty as they learn new skills and are faced with the daunting task of living in two worlds. Retaining and even building the dignity of the individual making this move is essential.

This is not rocket science. It is putting known principles into action. The government sector is critical to its success, and yet it cannot do it alone. It is essential that business engage the community and work with the local agencies—primary

among them is the welfare agency known in this state as the Family Independence Agency.

There are many critical elements, but having full-time social workers in our plants helping on a daily basis to KEEP our people working is essential. By being integrated in our factories they are making the calls to agencies to keep them on the job and working with them to find solutions to typical barriers to continued employment such as child care, transportation, health care and emotional support. Placing the agency in the midst of our workforce and making it clear that the objective is to have fully productive employees is wonderfully simple, yet exquisitely effective. Little problems, when caught early, help to avoid a disaster for the welfare-to-career employee.

Encouraging local experimentation and publishing best practices can only accelerate the rate of positive change. We have found for instance that by having our FIA social workers do an employment readiness assessment, those who are most likely to succeed are selected for employment now and the balance have assignments to work on so that they will be ready to be employed in the near future. A critical part of what we learned is that we needed to teach both our current employees, especially our front-line leaders, and the people who have been on welfare, the "hidden rules" of the classes as outlined in Ruby Payne's book *A Framework for Understanding Poverty* (<http://ahaprocess.com/AboutRubyPayne.html>). This educational process helps each group understand the actions and behaviors of the other.

The result?

Well, to hear the stories of people whose lives have been positively affected by this program should be enough, but I can tell you that there is much more to it as well. The organization actually is more energized; people are more focused because they know that the organization values everyone there. We actually get more done and make more progress because people like to work for an organization that they know cares not only about them, but the quality of life in the community.

The State of Michigan benefits, the community benefits, the former welfare recipients benefit, our employees benefit, the company benefits! There are no losers in this equation. The traditional thinking that this must be a zero-sum game is plain wrong! When you build social capital in the workplace and the community you are not taking away from the profitability of the corporation. On the contrary you are building it up.

How can the government sector help? By supporting this kind of experimentation:

- Create additional incentives for corporations to participate in the problem solving process and to not only employ people on welfare but learn about how to retain them.
- Encourage local experimentation of solutions, and publish the best practices.

By further supporting programs that keep people out of poverty as much as programs that simply reduce the cost of maintaining people in poverty.

- We have found that once committed to employment in an accepting environment, people generally want to sustain this positive track.
- Investing in preventive programs similar to what we have done will reduce future costs of maintaining the current system.

Mr. CAMP. Thank you. Thank you very much. Ms. Scorsone?

STATEMENT OF LORI SCORSONE, FAMILY INDEPENDENCE MANAGER, FAMILY INDEPENDENCE AGENCY, SAGINAW, MICHIGAN

Ms. SCORSONE. Yes. Good afternoon, Governor Engler, Chairman Camp. Thank you for the opportunity to provide comments regarding our welfare reform success in Saginaw County.

I'm Lori Scorsone, a Family Independence Manager with Saginaw County FIA. I am honored to be present today to offer testimony on behalf of our agency, and to recommend the re-authorization of the Federal Welfare Reform Law.

In 1990, I was hired as an Assistant Payment Worker for what was then known as the Department of Social Services. At that time, an Assistance Payment Worker's primary goal was to deter-

mine if an applicant was eligible based solely on their eligibility. We were processing applications focusing more on gathering income verifications, processing paperwork and meeting deadlines rather than focusing on the applicant's family's needs. We had little opportunity and fewer resources to focus on the individual, the reason there was a need for assistance, or barriers that prevented an individual from becoming employed. Further, there was not an understanding that assistance was expected to be only temporary, or that the applicant or the Department had a mutual responsibility to see that it was actually temporary.

Since the Welfare Reform Law has been enacted in 1996, we changed our name to the FIA. The title, Assistance Payment Worker, was changed to Family Independence Specialist. The new titles imply the new goals and objectives of the agency and the staff due to the Welfare Reform Law.

Since 1996, the Agency has been able to focus on the individual's need for assistance and what can be done to abolish obstacles to their becoming self-sufficient.

Our staff serve our customers today as individuals and as families. Today, we are able to work together with the customer to not only identify barriers that prevent them from becoming employed, but to help them remove these barriers, move them into the workplace, and help them maintain the employment.

Today, the FIA works together with customers and other community partners to resolve issues such as: lack of day care, transportation, education, substance abuse and domestic violence.

We're all familiar with reports and surveys and statistics that have been published giving us an idea of how the welfare roles have declined since 1996. Reports have illustrated that there are fewer families on assistance and more single mothers are working. Through my duties as a Family Independence Manager, I have been able to witness firsthand the achievements of welfare reform. I have seen and heard former assistance recipients talk about the joy at being able to be role models for their children as they move from welfare to employment. This extremely gratifying experience has proved to me that the new way of doing business has been successful in ways that the statistics and the reports cannot communicate. To continue delivering services as we have since welfare reform was adopted, will allow our agency to make even more positive changes and longer lasting changes. It will allow us to develop other ways to provide the help and support needed by the people we serve. It will allow us to educate and instill a work ethic for our customers, thereby reducing the welfare roles even more.

Welfare reform helped launch Project Zero, a program that focuses on customers who have no earned income. The FIA specialists are now doing assessments of every new customer coming to our agency for help. Assessments allow the specialist to ascertain what barriers a customer may have that prevents them from becoming employed. We look at their family circumstances, their educational background, availability of transportation and child day care. We try to determine any evidence of drug or alcohol discrepancy or if there are signs of domestic violence.

Prior to welfare reform, assessments were not done. Workers were processing paperwork, getting the cases opened and forgetting

about them. It was a system that seemed to help continue a person's and their family's dependence on welfare. Prior to welfare reform, we were not dealing with the cause of the problem.

Today, we determine the cause and work together with the customer to resolve the problem. Our customers know this and are willing partners in this process. Two primary barriers for customers in Saginaw County were transportation and child day care. Saginaw County now employs the services of the Michigan Department of Transportation to supply transportation for customers in need. Customers who need transportation receive help to get to and from work. Their children receive help getting to and from their day care provider. Saginaw Valley Regional 4C, a day care referral service, is currently housed within our agency, making it more easily and readily accessible to the customers.

These services are something we were not able to provide prior to welfare reform. Because of welfare reform, many of our customers are realizing for the first time that they're capable of doing more than they ever dreamed they were capable of doing. Additionally, the specialists are able to give the customers some guidance and direction, something we have not given them in the past. The statistics and the graphs can never demonstrate to the general public the difference in a person's attitude when they bring home their first paycheck, how it completely changes their attitudes and opinions of themselves, and how it empowers them and gives them the encouragement and the desire to continue to do well, to be self-sufficient and no longer depend on the agency for their livelihood.

Welfare reform, in no small way, is responsible for the successes I've witnessed in the last several years. We've made tremendous strides in determining some of the barriers our customers have that have prevented them from becoming self-sufficient. There's still much more that must be done to help families realize their full potential.

For years we have fostered our customers' dependency. To reverse this will not happen overnight. Welfare reform must continue so we are allowed to work with our customers, partner with outside resources, learn the true cause of need, and determine together how to resolve it. Re-authorization of the Federal Welfare Reform Act, along with proper staffing, will allow us that opportunity. I respectfully request that you strongly consider doing so. Thank you.

[The prepared statement of Ms. Scorsone follows:]

Statement of Lori Scorsone, Family Independence Manager, Family Independence Agency, Saginaw, Michigan

Good morning Chairman Camp, and honorable members of the Subcommittee. I am honored to be present today to offer testimony on behalf of the Saginaw County Family Independence Agency and to recommend the reauthorization of the federal welfare reform act known as Temporary Assistance for Needy Families.

In 1990, I was hired as an Assistance Payment Worker for what was then known as the Department of Social Services. At that time an Assistance Payment Worker's primary goal was to determine if an applicant would be approved or denied for assistance based solely on eligibility. We were processing applications focusing more on gathering verifications, processing paperwork, and meeting deadlines, than focusing on the applicant and their need. We had little opportunity and fewer resources to focus on the individual, the reason there was a need for assistance, or barriers that prevented an individual from becoming employed.

Further, there was not an understanding that assistance was expected to be temporary, or that the applicant or the department had a mutual responsibility to see

that it was actually temporary. In 1996, we changed our name to the Family Independence Agency. The title Assistance Payment Worker was changed to Family Independence Specialist. The new titles implied the new goals and objectives of the agency and staff due to Welfare Reform. Since 1996, the agency has been able to focus on the individual's need for assistance and what can be done to abolish obstacles in their way of becoming self-sufficient. Implementation of TANF has allowed staff to serve our customers as individuals and families. Today we are able to work together with the customer to not only identify barriers that prevent them from becoming employed, but to help remove these barriers, and help them maintain employment. TANF has allowed the Family Independence Agency to work together with the customer and other resources within the community to resolve issues such as lack of day care, transportation, education, substance abuse, and domestic violence.

We are all familiar with reports, surveys, and statistics that have been published giving us an idea of how welfare rolls have declined since 1996. Reports have illustrated that there are fewer families on assistance and more single mothers are working. Through my duties as a Family Independence Specialist and Manager, I have been able to witness first hand the achievements of Welfare Reform. I have seen and heard former recipients talk about their joy at being able to be role models for their children as they have moved from assistance to employment.

This extremely gratifying experience has provided personal evidence that the new way of doing business has been successful in ways that statistics and reports cannot communicate. I can only hope that the specialists are allowed to continue to provide the services they've been able to provide since 1996. Doing so will allow the agency to make even more positive changes, and longer lasting changes. It will allow us to develop other ways to provide the help and support that is needed by the people we serve. It will allow us to educate and instill a work ethic for our customers thereby reducing the welfare roll even more. Welfare Reform helped launch Project Zero, a program that focuses on customers who have no earned income. Specialists now do an assessment of a customer in need of the agency's help. Assessments allow the specialist to ascertain what barriers a customer may have that prevents them from becoming employed. We look at their family circumstances, educational background, availability of transportation, and child day care. We try to determine any evidence of drug or alcohol dependency, and if there are any signs of domestic violence. Prior to Welfare Reform, assessments were not done. Workers were just processing paperwork; it was a system that seemed to help continue a person's and their family's dependency on welfare. Prior to Welfare Reform we were not dealing with the cause of the problem. Today, we determine the cause and together work with the customer to resolve the problem. Two primary barriers for customers in Saginaw County are transportation and Child Day Care. Welfare Reform has given Saginaw County the opportunity to employ the services of the Michigan Department of Transportation to supply transportation for customers in need. Customers are taken to and from work. Their children are taken to and from their day care provider. Saginaw Valley Regional 4C, a day care referral agency, is currently housed within our agency making it more easily and readily accessible to our customers. These services are something we were not able to provide prior to Welfare Reform. Because of Welfare Reform, many of our customers are realizing for the first time that they are capable of doing more than they ever dreamed they were capable of doing. Because of Welfare Reform, the specialists are able to give the customers some guidance and direction. Something we have not given them in the past. The statistics and the graphs can never demonstrate to the general population the difference in a person's attitude when they bring home their first paycheck, how it completely changes their attitudes and opinions of themselves, how it empowers them and gives them the encouragement and desire to continue to do well. To be self-sufficient and no longer depend on the agency for their livelihood.

Welfare Reform, in no small way is responsible for the successes I have witnessed in the last several years. We have made tremendous strides in determining some of the barriers our customers have that have prevented them from becoming self-sufficient, but there is still much more that must be done to help families free themselves of the barriers and realize their potential. For years we have fostered our customer's dependency. To reverse this will not happen overnight. Reformation of welfare must continue so we are allowed to utilize our customers, partner with outside resources, learn the true cause of need, and determine how to resolve it. Reauthorization of the Federal Welfare Reform Act along with proper staffing will allow us that opportunity. I respectfully request that you strongly consider doing so.

Thank you.

Mr. CAMP. Thank you very much. Governor, do you have any questions? I have a couple.

Mr. ENGLER. Why don't you go ahead. I've got a couple, but I'll—

Mr. CAMP. I just wanted to ask the three of you what was the biggest help or benefit that you received, I mean obviously it may be different, from the FIA? What thing occurred that helped the most?

Ms. KOON. Well, I would have to say, for me, it would have been the training. That was definitely the key for me, was to give me the opportunity to further myself.

Mr. CAMP. All right. Mr. Carter?

Mr. CARTER. Well, I would say the overall assistance of my caseworker at that time. I mean, she deferred me from Work First temporarily so that I could finish up my schooling, which I received an Associate of Arts degree back in 1997. Upon completing that I went to her, and she referred me to Work First to assist me in becoming employed—giving me some different outlets. So, I would just say the overall assistance that I received, period.

Mr. CAMP. Having a plan?

Mr. CARTER. Excuse me?

Mr. CAMP. Having a plan?

Mr. CARTER. Yes.

Mr. CAMP. Okay. Ms. Hudson?

Ms. HUDSON. I guess mine would be that they're on site at my job, in that they're there constantly for whenever or whatever.

Mr. CAMP. Then I wanted to ask for each of you, what was the biggest challenge that you saw as you were attempting to become employed and get a job, what were your biggest challenges? I want to go back in reverse order. Ms. Hudson, do you—or maybe there wasn't just one.

Ms. HUDSON. Could you explain what you mean?

Mr. CAMP. The biggest challenge that you might have faced as you were dealing with the Agency in trying to get to work and get started—what did you see as the biggest hurdle or barrier that you had?

Ms. HUDSON. The biggest barrier for me was transportation, meaning I had to get to work. At that time I didn't have a car, so I was on the bus. Before I got to work, I had to get on the bus to take them to the day care provider, which sometimes wasn't on the same route. So, I had to be up 3 to 4 hours before it was time to be to work, to get the kids ready and then get off on the bus. That was the hardest part.

Mr. CAMP. Did you get help with that transportation problem through FIA?

Ms. HUDSON. Yes.

Mr. CAMP. Okay. Mr. Carter, what was your biggest barrier or hurdle or challenge, I might say?

Mr. CARTER. Let's see, I know of a barrier, child care. I was able to get assistance through the FIA and—the referrals, because I didn't know personally of any sources. As I mentioned about the fatherhood programs, I had been searching for some that could assist me, but I wasn't able to find anyone. So, I just believe my big-

gest challenge was child care, among some other things. It worked out, setting the plan up, so things worked fine.

Mr. CAMP. Okay.

Ms. KOON. Thankfully enough, I really didn't have a hurdle to overcome. At the time my husband wasn't working while I went through the training, so we didn't have the child care issues. I think that maybe I would have had hurdles if I hadn't had such support, the encouragement. I'm not just saying that if they hadn't been there to be so much of a support system, I could have failed.

Mr. CAMP. Well, I want to really thank all of you for coming here and traveling on this fine spring day, this type of weather. It's not easy to come and talk about yourself, especially in a format like this. This isn't the easiest format to get a conversation going, but this is very good. It is going to be very helpful to the Committee, and I appreciate this very much. There may be some other questions later, but I had a question for Mr. Keller.

I wondered, how is it that a FIA person is located on site at your business, how did that come about?

Mr. KELLER. I couldn't tell you the exact day that that decision was made, but I can tell you it was made in cooperation with the folks that are part of Cascade and the FIA. Actually, Ron Jimmerson, who heads our community group within Cascade and is our H.R. Director for Community Activities, would be able to tell you that better. He's sitting in the audience. The point is that it is a collaboration that resulted in this as an answer. It was a very important decision.

Mr. CAMP. Have other employers in the area kind of followed your example? Have you seen that or are any of them asking you about maybe becoming involved to the same extent Cascade is?

Mr. KELLER. Yeah, we have. I can't say there's a line at the door, but there are certainly others that are looking at it. We have one in particular, Butterball Farms, who has been working very closely with us and is now working with a collaboration of 10 other employers in their area to see if we can have another format of this. Which is maybe why we don't have the FIA worker directly on site because these are smaller organizations, and maybe they can be visiting several or can have regular business hours, if you will, at several different places. So, we're experimenting with some new formats.

Mr. CAMP. Then lastly, I wanted to ask you, do you have in mind any incentives that might be available to employers to help them become involved in transitioning people from welfare to work?

Mr. KELLER. Government is real good at figuring out those, but the concept of—the best thing I could think of would be a tax incentive that would basically take a look, and in very clear terms, at how many people you got employed today that are involved in formally being on the FIA rolls, and that you're keeping them. There's a whole lot of work that has to be done to get there.

The educational piece, the cultural piece, is really—they have to want to do that. Providing some incentive, I think, could be stimulating for this.

Mr. CAMP. Okay. Thank you. Ms. Scorsone, thank you for your testimony, too. As we consider this 5-year extension of welfare,

what's the single most important message I can take back in terms of how the current law has benefited working—low-income families in Michigan?

Ms. SCORSONE. I think the most important message that you can take back is that it is working. We need to be able to continue doing what we've been doing. As I mentioned in my testimony, it took years to get where we are, and it's not going to happen overnight. Allowing the State to use the money as they see fit in different areas of the State, everybody's different, if we're allowed to do that, I think that we'll see more success. I think we're better able to serve the people who are in need, by having that flexibility.

So, if we're able to continue it, that along with the proper amount of staff to do these things that need to be done, I think we can get there.

Mr. CAMP. Thank you very much. Governor Engler?

Mr. ENGLER. Just a couple of questions, perhaps, and I think the Chairman has asked some excellent questions. I'm curious from Ms. Koon, Mr. Carter, and Ms. Hudson. Of people that you may know who are still on public assistance, what advice would you give us to help some of your friends that you know who are sort of still stuck? What is there differently that might be done to help somebody you know who hasn't made the break the way you have been able to do it?

I don't care, if you want, we can start down with Ms. Koon.

Ms. KOON. Sure. I believe that—I know in my situation, that there are a lot of these different programs to help strengthen your work skills, help you with resumes.

I think there needs to be more advertising for that. Until we were in the position that we needed assistance, we didn't know that that was out there. I believe that there are still plenty of people even now that are on assistance who don't realize what all is really available.

Mr. ENGLER. Was this through a Work First agency?

Ms. KOON. That was through a Work First, yes. So, that's something that they need to do, is get the word out more.

Mr. ENGLER. Interesting. Okay.

Mr. CARTER. Just to piggyback off of what Ms. Koon said, I believe the current programs are functioning well. We could tweak them some to include more training as far as basic social skills and communication. People need to know how to communicate with their employers as well as the parent, the mother to the father, the father to the mother. We're dealing with men, more programs to help develop them totally so that we can glue the pieces back and reconnect the family.

Mr. ENGLER. Sure.

Ms. HUDSON. I think one of the main reasons some people haven't transitioned over is because of fear of being dependent—being independent. You know, you got the Medicaid, you got the food stamps, they pay the rent, and the thought of doing that on your own is scary to some people out there having it.

Mr. ENGLER. Okay. We've—in some communities, we have actually worked with outside organizations, faith based organizations in some cases or community based organizations. I know in west Michigan, in Ottawa County, there was a coalition of religious or-

ganizations and some of the areas of Detroit it was the Salvation Army. We tried to get, in effect, somebody to try to deal with just that question because it was pretty clear that that was something where you're talking about generational poverty. This is a very big step. I mean, we had—we literally had some families where there wasn't anybody in the family that hadn't been on public assistance pretty much most of their lives. Trying to break the cycle, we're trying to help the adult who we're dealing with right now, plus change things for the kids, and it's a big change.

Ms. Scorsone, you sort of—you see this from the Agency standpoint. I think the evidence would be that we've got—as we move further out, we get many more difficulties that we arrive with each case. I mean, it's easier if somebody's brand new to poverty or brand new to that situation, trying to get them back into the work force. Ms. Koon's situation might be a good example of that. Where it's generational, at least talking to workers, that's just really much more complex to deal with, and I'm curious if—sort of the same question in terms of some of the people that haven't made the break, what do you see?

Ms. SCORSONE. I would have to agree with Mr. Carter. I would like to see more training programs for them, develop social skills, work skills. It can be something as basic as them needing to understand that they need to call into work when they're not going to show up because they're sick. They don't know to do that, a lot of them, or how to react on the job in a hostile confrontation with a coworker or with an employee or employer. I have seen this over and over again, you just need to shove in the right direction, and if you don't know, you don't know. Once you're able to tell them about it, then they understand. They're able to use it and stay in a job, look for better jobs.

Mr. ENGLER. That is actually in the proposal that Congress has from the Administration, the 16 hours are exactly what's allowed for those kinds of activities, and so that's one of the things we're saying. They will vary slightly from even regions within a State, and so they—we think some of this actually could be done by the employer, but the difficulty is if the employer's doing it, then that's time off of task. So there is a cost to that, but collaborative approaches that we—all of you had connections.

We think the Work First system seems to have some strengths, and that's another area where we're actually saying make that a lot more flexible because so much of the job training stuff is very narrowly targeted. When, in fact, what you're all describing is the need to sort of cut across because any job would require what about three of you have just mentioned as needed and certainly as Mr. Keller has testified to.

Mr. CAMP. Part of what we're trying to do is have the 16 hours be a State definition of the 40 hours. Whereas now under the 30 hours, the 10 hours is a Federal definition of education training. If it's a State definition, it would seem to me there would be more flexibility to offer what I also refer to as sort of social skills, communication part of it, that would help not only in the workplace, but also at home is what I'm hearing. Hopefully, that would be where that would fit in.

Mr. KELLER. I would just chime in a little bit that perhaps the employers should not be left out of that equation unnecessarily. It really—we found that by having education available on the job or in—on the work site, it does save this transportation problem issue. It does save a lot of other issues that the recipients can have trouble with. So, we found that doing education right there and making it a part of our standard curriculum—for instance, we teach Seven Habits of Highly Effective People to all our employees, not whether they're—wherever they come from, and that gives us a language to talk about in terms of how you treat people, conflict resolution, beginning with the end in sight. All of those things are very important for life skills. We found those to be very helpful.

Mr. CAMP. Yeah, that's a very good book. I've given it to everyone in my office as well. It's a good start.

Mr. KELLER. It works.

Mr. ENGLER. I'm curious, in your testimony also there was a mention about the—sort of the education of your frontline leaders on the hidden rules for the classes, and you mentioned that a Ruby Payne book. I'm curious, what are the most important things that you got to teach the—those frontline supervisors and coworkers about work environment?

Mr. KELLER. Well, you know, we have tried doing this for years, and kind of our first approach was—the thinking is just give somebody a job and that's what you need to do. You kind of tell them what the rules are, and if they don't live up to the rules, they're out of there. That's kind of classic business style.

We learned that doesn't work, and that tends to be what our frontline leaders are used to. Let's read them the rules and if they don't live by them, well, we got three ways to write you up and so on, so forth. Eventually you're out.

So, the biggest thing was teaching the fact that people who have been on generation welfare really value a friend, really value having a relationship in the organization. We had to genuinely do that. It's not something you just kind feel like, but it's you know that somebody is your friend. That—working that as a supervisor is different from traditional business, in a sense.

Mr. ENGLER. What do you—any of you have to say about the—there's one system that we spend about \$14.5 billion on annually Federal, State, and local monies, it's the K-12 education system, and I'm curious. What changes would you make there—I don't know how broad this question is, I apologize for that, but I'm specifically kind of interested in education systems where we've got a lot of activity going on there and a lot of money being spent, but to sort of try to deal with maybe children who have had backgrounds in poverty or how do we—there we do have the kids for a long period of time for a lot of years, what is there something that ought to be done there? Maybe that gets at what Mr. Keller just talked about, at the work site there's—some of that is probably equally applicable for how do we break through and get an education, because we've got a lot of young people who transition through the schools. Even if they finish, they don't have any skills that you find applicable or necessary to run a computer—that's probably managing some line.

So, I don't know everybody's—how far anybody has progressed in school or how—if at some point, Ms. Hudson, you were pregnant and left school or how that worked, but what is there that you might say to school leaders from your various perspectives?

Ms. SCORSONE. A common denominator with the customers that I have served is that they really are unaware of their capabilities, for whatever reason. I think in school, if the teachers were able to let them know, they can do what they want to do. I have to assume it didn't come from parents of the people I'm helping. So, if it can come from a different direction, then that would be great. They really don't think that they're capable of having better, and they all are.

Mr. KELLER. I'd love to respond to that. I would love the opportunity. It's a very important step that we now are looking at, as we're talking today, about pulling people out of welfare. Really, the next logical step that we have looked at is how do we keep people from going into that trough in the first place. We have a little experimental program, we like experimenting in our place, and we're doing it. It's called school to career progressions, and we're trying to work. Actually, we've developed a curriculum much like we have in our own organization, we're teaching the Seven Habits, Conflict Resolution, we're teaching what it's like to be at work, we're also exposing these kids, students, to all different kinds of careers, not just manufacturing, but the health care field, and so forth. We're finding that pretty good, interesting response.

The first year we took 23 at-risk kids that everybody thought was going to basically not go on; 18 of them are now either working or in school. We're in our second year, we're expanding it, we're having some fun trying some new things, but I think that—I like to call it a pull system of education where students understand where they are going, what they want to accomplish, and they pull themselves through the educational process as opposed to us pushing them through with a standard curriculum that we think they ought to be interested in.

Mr. ENGLER. Do you have a comment on that, Ms. Hudson?

Ms. HUDSON. Yeah. I'm not sure exactly what you're asking, but, I got pregnant at the age of 14. I never dropped out of school. I had four children—I'm stair-stepping. I never dropped out of school, but I still feel—I'm not sure exactly what it is you can do in the school. I will always feel it starts at home. I feel like now that I am more productive, and my kids see that I'm more productive. They feel that's the way it's supposed to be. You're not supposed to be on assistance. It's not a way of life, it's a stepping stone.

I'm in college now, so my teenagers feel they are supposed to go to college now. You know what I mean? I feel like it's actually at home. I am not really sure what you could do as far as at school, though.

Mr. ENGLER. What would you do to try to help—is there anything we could do—Michigan is actually—again this is something that Chairman Camp is very much involved with. I'll break for him, because he need not say it, but there was a bonus actually put into the Federal legislation in 1996 for States that would work to try to reduce the number of teen pregnancies. Clearly, had you not

been pregnant at 14, and again maybe at 16, things would be different. Try to communicate that to the young women and the young men.

Mr. CARTER's situation, I happen to know a little bit about it from just last week. He's rather remarkable because he didn't know he was a father until later, and then he found out and stepped forward. His child had been placed in foster care, and he didn't know he had a child. He worked hard then to have his child come and be a father to his child. Now he's a remarkable success, but clearly—and we've had some success in Michigan, but it's not where we would like to be. Trying to get a message across and to have a set of policies, it would be one thing that we've looked at, and either—is the number of pregnancies of teens, very young teens, and the case at 14, actually it's against the law, for whatever that means, but I mean for the young man, it's criminal sexual conduct, that's what it's called under the law. At 14, the age is too young, we have said, well, probably aren't going to put this person in the law, somebody should go to prison, but are there ways to send signals or messages or how do you help? How do you change that?

Ms. HUDSON. I am not really sure. I'm happy that my kids' father wasn't put in prison. He went off to the University of Connecticut, he played basketball, and now he's a teacher for the Grand Rapids Public Schools and they need that. I really talked to my daughter, my oldest daughter about everything I went through. I have taken her to the doctor, and I put her on birth control even though she's not—because you can't take any chances these days.

As far as the males, I'm not sure if I'm on the same subject, but I think we need to grab them, get a hold of them and—at a younger age than we are, because like now we have a system where it's mainly you don't do anything. Okay, like I have a teenage son, and he's not doing anything really bad, as far as the law, but he's starting to get, worse. Sooner or later it will eventually be something, and there's no program, for kids before it gets bad. You know what I mean? I don't know, I wanted to say that, but, I think if we have programs where you can grab these kids before something has happened, you wouldn't have so many kids that you have to worry about, now and—

Mr. ENGLER. Yeah. Okay.

Mr. CARTER. I would say more in-school job skills and life skills training programs for our children and after-school preventative programs, also. I would target grades 6 through 12, because as we know, the hours of after school until about 8 p.m. is when, they're probably at risk the most. For those after-school programs to include a component that the parents can come in with the children and get some kind of educational training or whatever is going on in the programs.

Mr. ENGLER. Interestingly enough, one of the things we've talked about in trying to comply with the Federal law is these kinds of—this may well be that 16 hours, some of that could fit right there, and you could actually—again, given the flexibility, that's why I wrote the record on that topic. It is possible to almost have parents sort of being trained to be volunteer supervisors, and taking these kinds of programs that you kind of—could actually sort of fit together, if we got very creative to do this stuff.

Again, it's, something—there are costs involved. So, you not only need the flexibility to be able to design the program, but in some cases access different funding streams which may be in somebody's design they were set up for this purpose, and only this purpose. In reality we need to be able to move it over here. So, there's—that “super-waiver”, we get back to that because that's an extraordinary thing. We didn't explain it very carefully, or I didn't in my testimony, but it's any program operated by the Departments of Health and Human Services, Labor, Education—

Mr. CAMP. Agriculture.

Mr. ENGLER. Agriculture and HUD, the U.S. Housing and Urban Development Department, I believe is the fifth one. So I mean, you could get very, very creative with those kinds of programs. We can do some of the things that all of you are being advocates for, and just it would—and if you let 50 States try this, with in the further experimentation that Saginaw might do it different than Grand Rapids—or Saginaw County might do it different than Kent County, you'll get so many lessons happening. Fred, I mean, the thing we stress, we even changed in the Governor's Association, our research arm, we call it the Center for Best Practices, with the idea being that it is silly to try to reinvent the wheel. Let's just—if we—everybody did the best thing that somebody else is doing, we would all be a whole lot better immediately. So—

Mr. CAMP. Mr. Carter, you see these programs as primarily strengthening families—

Mr. CARTER. Yes.

Mr. CAMP. Program? Obviously would have to be valuable, because you don't want to have a program over-load type thing develop where people are going to too many things.

Mr. CARTER. Right.

Mr. CAMP. I guess that—I actually think something like that would be a very good idea for part of the 16 hours, flexibility that I think hopefully we'll be able to have the State be able to define that.

I wondered, do you think people would be receptive to that, parents would be receptive to—

Mr. CARTER. Yes. Hands down, yes, I know they will. Like I said, I have serviced thousands of customers through Work First over the years, and everybody seems to sing the same song. This is what the people are saying. I know in Detroit, that's what the people are saying.

Mr. CAMP. Okay. Thank you.

Ms. KOON. I would have to agree with him wholeheartedly. I believe they need to keep the career development programs that they have in the schools going, and I believe that there needs to be after-school programs. I do believe that parents would be involved. I would love to see more things available for my children. I work sometimes 12 hours. I am not home in those evenings, if my husband works late we're not home either. I think that there needs to be more available opportunities for them to enjoy some fun and incorporate some learning in there. I think that would be the wonderful solution.

Mr. ENGLER. Did you have to take a drug test at your place of employment?

Ms. KOON. Yes.

Mr. ENGLER. Mr. Carter?

Mr. CARTER. Yes.

Mr. ENGLER. Fred, is that a requirement at the office?

Mr. KELLER. Yes, it's a requirement.

Mr. ENGLER. Would you have—would it be helpful if somebody could be referred to you? I don't know if there's any percentage—what happens? What percentage might not pass a drug test who are referred by the office? Do you have any knowledge or is there—there would be someone, I presume.

Mr. KELLER. Yeah, I don't have the numbers on that, but the— the concept is pre-employment screening and then really is to identify the barriers that each individual has and kind of go on a program of getting them helped in those areas.

Mr. ENGLER. One of the things that we've—I'm just curious, the reaction, if we said one of the parts of an application for assistance was also a drug test so that we can identify that as a barrier earlier, is that—one of the things that we're finding at Work First agencies is we can work with someone. We might put them through the skills development we just talked about, they go off to the first interview, everything is fine, oh, no, you go over here and take the drug test, not so good. We'd like to identify that earlier. We actually tried to do that, we got sued and a Federal judge blocked us, but it strikes me that makes some—there's logic to this. One of the things Congress could do is at least authorize States to require drug tests on the front end because we're finding it too late. If we've made an investment in the training, again, the logic would be invest in those who are ready to go to work first. If somebody's got the drug problem, then let's help deal with that, as best we can. So, we can then go on and make the next investment. I don't know, Ms. Scorsone, are you—I don't know if you want to comment on that or not, but—

Ms. SCORSONE. On whether I think they should have drug testing at application?

Mr. ENGLER. Yeah, could we—what if we required that, or—whether we refer to Work First, maybe just at the time they wrote the application, maybe that's the first step over at Work First. Somewhere it's got to happen, it's going to happen at the employer.

Ms. SCORSONE. I honestly have mixed emotions about whether they should do it at time of application with our agency. I wouldn't be opposed if each employer had mandatory drug testing.

Mr. ENGLER. Well, most do.

Ms. SCORSONE. At that point, if they're turned down, or turned away, maybe something could be implemented where they're turned over to another agency that can help them. I'm—

Mr. ENGLER. My difficulty with that is that we may have invested—maybe we've invested 6 weeks of preparation to get the person ready to go to work—

Ms. SCORSONE. Getting it too late—

Mr. ENGLER. Then they fail the job—then they fail the drug test and that 6 weeks. Had that been given to somebody else who could pass the drug test, they could go to work. So, that's our—

Ms. SCORSONE. I understand your point of it. I'm just torn as to whether it's the right arena for it.

Mr. KELLER. I would just say that I think establishing the barriers at some point in time, and some of them are maybe drug or alcohol abuse, or there may be other barriers which they have, and identifying those barriers early on so that we can have established individual programs for them seems to be the smart thing to do.

Ms. SCORSONE. Another thing, excuse me, with our agency, is being able to do an assessment for them. You may not be doing an actual drug test, but you can determine early on if drug dependency is a problem. It is addressed at that point. They get to know the families pretty intimately during the assessments and their work with them before they go into the work force. I don't think that it's not being caught. There are some probably that are—

Mr. ENGLER. Sure. From an abuse and neglect situation, though, if there's a substance abuse problem in the home, then that cost of dealing with the addiction is coming out of a budget that's pretty meager to begin with already. So, I would argue there's another logic there for—just with kids' perspective, even aside before the work.

Ms. SCORSONE. Right.

Mr. CARTER. I believe that instead of having drug testing done on the State level, that maybe we can incorporate it on the Work First level, the Michigan Works Agency level to when they're referred to orientation. That's part of their orientation. We can catch that early on, because I do see sometimes that you spend time preparing our customers to go to work. They have all the skills and the sharp image, but then they can't pass the drug test.

Mr. ENGLER. We know alcohol is every bit worse a problem than the other drugs and so forth. Thank you, Mr. Chairman.

Mr. CAMP. Okay. Well, thank you. Thank you all for coming, again. I really appreciate it. I think this is invaluable, and I really appreciate the testimony you made.

I wanted to note that any person or organization wishing to submit a written statement for the printed record of the hearing, needs to send that electronically because of a change in the House mail policy, to hearingclerks.waysandmeans@mail.house.gov, and then fax a copy to 202-225-2610 by Tuesday, April 16. So, that's roughly 2 weeks.

Also, anyone may send a written statement to me at my district office, which is at 135 Ashman in Midland, 48640. If I receive that within the next week, I will be able to incorporate that in the record. Again, thank you all for being here.

This hearing is adjourned.

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

