

# WELFARE REFORM: REAUTHOR- IZATION OF WORK AND CHILD CARE

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## HEARING

BEFORE THE

SUBCOMMITTEE ON 21ST CENTURY  
COMPETITIVENESS

OF THE

COMMITTEE ON EDUCATION  
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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## **WELFARE REFORM: REAUTHORIZATION OF WORK AND CHILD CARE**

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**Tuesday, March 15, 2005**

**U.S. House of Representatives**

**Subcommittee on 21st Century Competitiveness**

**Committee on Education and the Workforce**

**Washington, DC**

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The Subcommittee met, pursuant to notice, at 10:04 a.m., in room 2175, Rayburn House Office Building, Hon. Howard P. “Buck” McKeon [Chairman of the Subcommittee] presiding.

Present: Representatives McKeon, Petri, Tiberi, Osborne, Inglis, Price, Foxx, Drake, Kuhl, Kildee, Payne, McCarthy, Tierney, Kind, Wu, Holt, McCollum, Scott, Davis, and Bishop.

Staff present: Kevin Frank, Professional Staff Member; Kate Houston, Professional Staff Member. Melanie Looney, Professional Staff Member; Sally Lovejoy, Director of Education and Human Resources Policy; Donald McIntosh, Legislative Assistant; Stephanie Milburn, Professional Staff Member; Deborah L. Emerson Samantar, Committee Clerk/Intern Coordinator; Kevin Smith, Senior Communications Advisor; Rich Stombres, Assistant Director of Education and Human Resources Policy; Ruth Friedman, Minority Legislative Associate/Education; Ricardo Martinez, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate, Education; Joe Novotny, Minority Staff Assistant/Education; and Mark Zuckerman, Minority General Counsel.

Chairman MCKEON. A quorum being present, the Subcommittee on 21st Century Competitiveness will come to order.

We’re meeting here today to hear testimony on “Welfare Reform: Reauthorization of Work and Child Care.”

Under Committee Rule 12 (b), opening statements are limited to the Chairman and the Ranking Minority Member of the Subcommittee. Therefore, if other Members have statements, they’ll be included in the hearing record.

With that, I’ll ask unanimous consent for the hearing record to remain open 14 days to allow Members’ statements and other extraneous material referenced during the hearing to be submitted in the official hearing record.

Without objection, so ordered.

**STATEMENT OF HON. HOWARD P. "BUCK" McKEON, CHAIRMAN, SUBCOMMITTEE ON 21st CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE**

Good morning. Thank you for joining us for this important hearing.

The Subcommittee is meeting today to hear testimony on the effects of welfare reform and the Temporary Assistance for Needy Families block grant.

In addition, we're examining one of the most important work supports available to low-income families, Federal child care assistance.

Many of us on this Committee remember the heated debates Congress had over welfare reform in 1996. After President Clinton signed the bill into law, some predicted it would have disastrous results.

Instead, we now know that welfare reform has been an unqualified success. The poverty rate has dropped 9 percent, despite the 2001 recession.

In addition, poverty rates have decreased throughout society. Since 1996, 1.4 million children have left poverty. Welfare caseloads have dropped over 60 percent from their all-time high of 5.1 million families in March 1994 to approximately 2 million today, their lowest level since 1970, according to the U.S. Department of Health and Human Services.

Census figures also show that employment by mothers most likely to go on welfare rose by 28 percent between 1996 and 2003.

Welfare reform opponents suggest that the decreases in welfare caseloads and child poverty during the late 1990's were the result of a healthy economy, not the welfare reform law. But history shows that this argument simply is not true. During the long economic boom in the 1980's, welfare caseloads actually rose, and during the recent recession of 2001, welfare caseloads held steady or continued to decline in many areas.

The fact is that the 1996 welfare law's work requirements made the crucial difference in maximizing opportunities for welfare recipients to participate in the workforce.

The focus on work requirements has changed the whole culture of the program for those involved, recipients, state staff, and even the general public. States now have the flexibility to create incentive for families to go to work.

The success of the 1996 welfare reform law is beyond dispute. The challenge for Congress this year is to build on that success by putting even more Americans on the path to self-reliance.

When the law is reauthorized this year, while it is true that the 1996 reforms significantly reduced welfare caseloads, we still have work to do. A majority of TANF recipients today are still not working for their benefits.

According to the Health and Human Services Department's Sixth Annual Report to Congress, 58 percent of TANF adult recipients are not participating in work activities as defined by Federal law, which includes work in various job training and education activities.

While we move families into work, one of the key supports available is child care assistance. We know that affordable, desirable,

reliable, quality child care is critical to allow mothers to obtain and retain employment.

Through the Child Care and Development Block Grant, the Federal Government has made a significant financial commitment to providing access to affordable child care to low-income families. Current funding totals \$4.8 billion annually and states also used TANF funds to provide child care.

Our bill would enhance this commitment by providing \$1 billion in additional mandatory funds for child care, and increasing the discretionary authorization by \$1 billion over the next 5 years.

The Child Care and Development block grant provides states maximum flexibility in addressing the child care needs of low-income families and children.

Importantly, the program ensures parents are free to choose the child care setting they prefer for their children. Parents may use their certificates for center-based care, a family child care home, relative care, or in-home care.

In addition, the quality of care children receive is critical. Research indicates that the experiences of a young child greatly affect a child's success in school. For that reason, the House bill requires states to spend at least 6 percent of their child care funds on certain activities to improve the quality of care.

Today we will hear from the administration regarding their plans for the second phase of welfare reform, and Assistant Secretary Horn is here to testify about that proposal. Thank you for joining us.

In addition, we will welcome a second panel of witnesses consisting of both researchers and those overseeing the implementation of welfare reform and child care, to gather their insights on the next best steps in welfare reform and child care.

I know all will offer us insight into the strides that have been made as well as thoughts on further steps that need to be taken.

The Subcommittee welcomes your participation.

With that, I yield to my good friend and Ranking Member, Congressman Dale Kildee, for his opening statement.

[The prepared statement of Chairman McKeon follows:]

**Statement of Hon. Howard P. "Buck" McKeon, Chairman, Subcommittee on 21st Century Competitiveness, Committee on Education and the Workforce**

Good morning. Thank you for joining us for this important hearing. The subcommittee is meeting today to hear testimony on the effects of welfare reform and the Temporary Assistance for Needy Families block grant. In addition, we are examining one of the most important work supports available to low income families—federal child care assistance.

Many of us on this Committee remember the heated debates Congress had over welfare reform in 1996. After President Clinton signed the bill into law, some predicted it would have disastrous results.

Instead, we now know that welfare reform has been an unqualified success. The poverty rate has dropped nine percent, despite the 2001 recession.

In addition, poverty rates have decreased throughout society. Since 1996, 1.4 million children have left poverty.

Welfare caseloads have dropped over 60 percent from their all-time high of 5.1 million families in March 1994 to approximately 2 million today—their lowest level since 1970, according to the U.S. Department of Health & Human Services. Census figures also show that employment by mothers most likely to go on welfare rose by 28 percent between 1996 and 2003.

Welfare reform opponents suggest that the decreases in welfare caseloads and child poverty during the late 1990s were the result of a healthy economy, not the

welfare reform law. But history shows that this argument simply is not true. During the long economic boom in the 1980s, welfare caseloads actually rose. And, during the recent recession of 2001, welfare caseloads held steady or continued to decline in many areas.

The fact is that the 1996 reform law's work requirements made the crucial difference in maximizing opportunities for welfare recipients to participate in the workforce. The focus on work requirements has changed the whole culture of the program for those involved—recipients, state staff, and even the general public. States now have the flexibility to create incentives for families to go to work.

The success of the 1996 welfare reform law is beyond dispute. The challenge for Congress this year is to build on that success—by putting even more Americans on the path to self-reliance—when the law is reauthorized this year. While it is true that the '96 reforms significantly reduced welfare caseloads, we still have work to do: a majority of TANF recipients today are still not working for their benefits.

According to the Health & Human Services Department's Sixth Annual Report to Congress, 58 percent of TANF adult recipients are not participating in work activities as defined by Federal law, which includes work and various other job training and education activities.

While we move families into work, one of the key supports available is child care assistance. We know that affordable, reliable, quality child care is critical to allow mothers to obtain and retain employment. Through the Child Care and Development Block Grant, the federal government has made a significant financial commitment to providing access to affordable child care to low-income families. Current funding totals \$4.8 billion annually, and states also use TANF funds to provide child care. Our bill would enhance this commitment by providing \$1 billion in additional mandatory funds for child care and increasing the discretionary authorization by \$1 billion over the next five years.

The Child Care and Development Block Grant provides states maximum flexibility in addressing the child care needs of low-income families and children. Importantly, the program ensures parents are free to choose the child care setting they prefer for their children. Parents may use their certificates for center-based care, a family child care home, relative care, or in-home care.

In addition, the quality of care children receive is critical. Research indicates that the experiences of a young child greatly affect a child's success in school. For that reason, the House bill requires states to spend at least six percent of their child care funds on certain activities to improve the quality of care.

Today, we will hear from the Administration regarding their plans for the second phase of welfare reform, and Assistant Secretary Horn is here to testify about that proposal. Thank you for joining us. In addition, we will welcome a second panel of witnesses, consisting of both researchers and those overseeing the implementation of welfare reform and child care, to gather their insights on the next best steps in welfare reform and child care. I know all will offer us insight into the strides that have been made, as well as thoughts on further steps that need to be taken. The subcommittee welcomes your participation.

With that, I yield to my friend and Ranking Member, Congressman Dale Kildee for any statement he may have.

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**STATEMENT OF HON. DALE E. KILDEE, RANKING MEMBER,  
SUBCOMMITTEE ON 21st CENTURY COMPETITIVENESS, COM-  
MITTEE ON EDUCATION AND THE WORKFORCE**

Mr. KILDEE. Thank you, Mr. Chairman.

I'm pleased to join my Chairman and my friend, Buck McKeon, at today's hearing on the aspects of welfare reform related to child care and work requirements.

I agree with my colleague that reform of the welfare system in 1996 was much needed. We went through various steps, and Congress and the President finally agreed resulting in the 1996 bill being signed into law.

The system in existence before 1996 was not properly focused on giving recipients the tools to gain high-paying employment and therefore pull themselves out of poverty. Families were not receiving the support they needed to ensure their future or the future of their children.

Unfortunately, reductions in welfare caseload, employment of current and former welfare recipients, and reductions in childhood poverty have stalled or worsened since 2001.

While child poverty dropped from 14 million children in 1995 to 11 million children in 2000, this trend has reversed in recent years. As of 2003, 12.3 million children are living in families with incomes below the poverty line. Of that 12.3 million, 4.6 million children are under age six.

Additionally, many families who leave the welfare rolls remain poor.

While welfare rolls since 1995 have dropped, children are still more likely to be poor than the elderly and non-elderly adults.

The facts here are clear.

Unfortunately, current efforts on welfare reform fail to address these problems adequately.

While the legislation passed in 1996 set standards for work, we should be responding to meet these requirements in achievable reality.

We support work. Americans want to work for a living. They're not looking for a handout. Instead, they need a hand up. The welfare bill instead rips the already meager support out from under our families on public assistance. H.R. 240, the welfare bill, increases work requirements without sufficient child care funding or much-needed flexibility and resources for education and training.

The welfare bill provides for a \$1 billion increase in child care funding over the next 5 years. The Congressional Budget Office has stated that over 4 billion in new child care resources are needed to meet work requirements of the bill.

What are these parents who go to work going to do with their children?

Problems children from low-income families face later in life can be traced back to poor quality early education and child care experiences. We need to break this cycle, not further exacerbate it.

Getting off welfare reform should be about obtaining employment that pays a sustainable wage. Leaving the welfare rolls should be about leaving poverty behind. The welfare bill doesn't help these families accomplish this goal, which we all support.

I hope today's hearing is a stepping-stone for us to continue to educate our colleagues on the importance of helping and not placing more barriers in the path of self-sufficiency.

And again, Mr. Chairman, I thank you for this hearing.

Chairman MCKEON. Thank you, Mr. Kildee.

Today, we have two panels of witnesses, and I'll begin by introducing the distinguished witness on the first panel.

The Honorable Wade Horn is the assistant secretary for Children and Families at the U.S. Department of Health and Human Services.

Since 2001, Assistant Secretary Horn has played a key role in implementing several of President Bush's initiatives to strengthen children and families.

Dr. Horn oversees programs that promote the social and economic wellbeing of America's children, youth, and families, including TANF, foster care, Head Start, and child care.

Prior to his appointment at the administration for Children and Families, Dr. Horn was president of the National Fatherhood Initiative and also was commissioner for children, youth, and families with the U.S. Department of Health and Human Services from 1989 to 1993.

Dr. Horn received his Ph.D. in clinical child psychology from Southern Illinois University.

Before the assistant secretary begins his testimony, I'd like to remind Members that we will impose the 5-minute limit on all questions.

Dr. Horn, the floor is yours.

**STATEMENT OF HON. WADE F. HORN, ASSISTANT SECRETARY,  
ADMINISTRATION FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC**

Mr. HORN. Thank you, Mr. Chairman. It's a pleasure to be here today.

Mr. Chairman, Mr. Kildee, and Members of the Committee, I'm pleased to appear before you today to discuss the next phase of welfare reform.

I'd like to take this opportunity to express my heartfelt thanks to you for your leadership and to the Committee for its unceasing efforts to further improve the lives of low-income Americans.

The initial work in enacting PRWORA has had a profound and positive impact on our nation's vulnerable families. Building on this success, President Bush laid out a clear path for the next phase of welfare reform.

I would like to briefly highlight key provisions of the President's welfare reform package of most interest to this Committee, and update you on the important progress we have made in strengthening families since the President's proposal was unveiled.

I'll begin with TANF, the cornerstone of our welfare reform efforts.

TANF is a remarkable example of a successful Federal-state partnership. States effectively emphasized work while providing families with needed training, job opportunities, and work supports.

As a result the caseload has declined by 55 percent. Employment among never-married mothers has grown to unprecedented levels. Child poverty rates have declined, and birthrates for teenagers continue to decline.

But even with this notable progress, states still face many challenges.

The majority of adult TANF recipients are not engaged in employment-related activities. States have been less effective in placing clients with multiple barriers, and more effective of post-employment supports that lead to career development and wage progression are needed.

Consequently, our efforts to reauthorize TANF build on our past success and address current challenges by:

Strengthening the Federal-state partnership through key policy changes to increase state flexibility and by maintaining the current level of financial support;

By requiring states to help every family they serve achieve the greatest degree of self-sufficiency possible;

By improving program performance; and

By permitting states to integrate the various welfare and workforce investment programs.

I would like to turn briefly to child care, a key support service for low-income families.

Access to child care assistance can make a critical difference in helping low-income families retain employment. Therefore, our proposal maintains the underlying structure and financing of these essential child care programs at the historically high level of funding.

Specifically, \$2.1 billion is proposed for the Child Care and Development Block Grant and \$2.7 billion for the Child Care Entitlement, for a total of \$4.8 billion.

In addition, states continue to have the flexibility to use TANF funds for child care, both by transferring up to 30 percent of TANF funds to child care programs and by spending additional TANF money directly for child care.

When TANF funds are considered, as well as Head Start and other state and Federal funding sources, over \$18 billion currently is available for child care and related services for children.

Although I've focused on the areas of primary interest to your Committee, I'd like to acknowledge other key areas of our proposal that also play a critical role in improving the wellbeing of children and families.

First, our proposal seeks to improve child wellbeing through programs aimed at encouraging responsible fatherhood and healthy marriages.

Further, we build on the success of the child support program by increasing the amount of support collected and directing more of this support to families.

Finally, the third piece of our welfare reform strategy supports reauthorization of the State Abstinence Education Program contained within PRWORA.

Mr. Chairman, the proposal I bring to you today contains many different elements designed to improve the lives of the families who otherwise would become dependent on welfare.

In his second inaugural address, the President stated that in America's ideal of freedom, citizens find the dignity and security of economic independence. These ideals certainly fit the President's concept of welfare reform as well as those embodied in H.R. 420.

The Secretary and I stand ready to work with you on the next steps to making economic independence within the reach of America's most needy families.

And I'd be very happy to answer any questions that you may have.

[The prepared statement of Mr. Horn follows:]

**Statement of Hon. Wade F. Horn, Ph.D., Assistant Secretary for Children and Families, U.S. Department of Health and Human Services, Washington, DC**

Mr. Chairman, Mr. Kildee, and members of the Committee, I am pleased to appear before you today to discuss the next phase of welfare reform. Shortly after the President outlined his reauthorization proposal "Working Toward Independence" in February of 2002, and again early in 2003, the House passed bills that would

achieve the necessary next steps outlined by the President. Mr. Chairman, I note that you are one of the original cosponsors of H.R. 240, which was introduced the very first day that this Congress convened. I would like to take this opportunity to express my heartfelt thanks to you for your leadership and to the Committee for its unceasing efforts to enact the next phase of welfare reform to further improve the lives of low-income Americans.

It has been three years since President Bush first proposed his strategy for reauthorizing TANF and the other critical programs included in welfare reform. During this time, the issues have been debated thoroughly but the work has not been completed and States have been left to wonder how they should proceed. We believe it is extremely important to finish this work as soon as possible and set a strong, positive course for helping America's families. Secretary Leavitt and I are convinced that working together with you, we will be successful.

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 has had a profound, positive impact on our nation's vulnerable families. With our State partners, our accomplishments have far surpassed even the most optimistic goals. With heightened expectations of personal responsibility and greater opportunities, millions of families have moved from dependence on welfare to the independence of work. We have provided the necessary work supports, child care, and transportation to ensure that parents can get to work and stay there without worrying about the safety and well-being of their children.

Building on these successes, President Bush laid out a clear path for the next phase of welfare reform. The proposal is guided by four critical goals that will transform the lives of low-income families: strengthen work, promote healthy families, give States greater flexibility, and demonstrate compassion to those in need. These are the guideposts that shaped the Administration's proposal for TANF, and child care. This framework has not changed.

As we prepare jointly to move forward on making the President's welfare reform proposals a reality, I would like to use my time today to highlight the key provisions of the President's welfare reform package of most interest to this Committee and update you on the important progress we have made in strengthening families since the President's proposal was unveiled. I will begin with TANF, the cornerstone of our welfare reform efforts.

#### *Temporary Assistance for Needy Families*

As the Assistant Secretary for Children and Families, I have heard one consistent theme about the Temporary Assistance for Needy Families program—TANF is a remarkable example of a successful Federal-State partnership. This Committee and Congress granted States tremendous flexibility to reform, design, and operate their welfare programs. Initially, some questioned the wisdom of this course of action and expressed concern about a potential "race-to-the-bottom." Instead, States effectively emphasized work, while providing families with needed training, job opportunities, and work supports. In recent years after enactment of welfare reform, States have reported an average of 843,000 new job entries each year. As a result, millions of families have been able to end their dependency on welfare and achieve self-sufficiency. The welfare caseload has declined by 55 percent and the total number of families receiving assistance is now lower than at any time since 1970.

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

- Employment among never-married mothers has grown to unprecedented levels. For example, between 1996 and 2003, the employment rate for never-married mothers increased 28 percent, from 49.3 percent to 63.2 percent.
- Contrary to critics who claimed that welfare reform would impoverish one million children, the child poverty rate declined, with 1.6 million fewer children in poverty. Overall child poverty rates declined from 20.5 percent in 1996 to 17.6 percent in 2003. The poverty rate among African American children declined from 39.9 percent to 33.6 percent—lower than at any time before welfare reform was enacted, when child poverty rates for African American children were 40 percent or higher. Similarly, the poverty rate among Hispanic children declined from 40.3 percent to 29.7 percent. Although the poverty rate has increased some since 2000 as a result of the recent recession, the surge in job creation over the past 20 months portends favorably for renewed improvement in poverty rates.
- The birth rate for teenagers continues to decline, as does the number of births to unmarried teens.

But even with this notable progress, much remains to be done, and States still face many challenges. While the basic structure and goals of TANF remain strong, we are concerned about some unfavorable trends. Despite the success in moving families from welfare to work, a majority of adult TANF recipients are not engaged in employment-related activities. In fiscal year 2003, States reported that only 31

percent of families with an adult recipient participated in the required 30 hours of TANF work activities. We need to reverse this trend so that all TANF recipients are given the opportunity to become self-sufficient.

States also have been less effective in placing clients with multiple barriers (such as mental health issues, addiction, learning disabilities, and limited English proficiency) in work. We need to ensure that these barriers are addressed and that every family is given work opportunities leading to self-sufficiency. But our efforts cannot stop there. We also need to develop more effective models of post-employment supports that lead to career development and wage progression, programs that sustain and keep families together, and programs that enable low-income, non-custodial fathers to help their families both financially and in non-financial ways.

Consequently, our efforts to reauthorize TANF build on our past success and address current challenges by:

- strengthening the Federal–State partnership;
- requiring States to help every family they serve achieve the greatest degree of self-sufficiency possible through a creative mix of work and additional constructive activities;
- improving program performance and, therefore, the quality of programs and services made available to families; and
- permitting States to integrate the various welfare and workforce investment programs operating in their States.

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

#### *Strengthen the Federal–State Partnership*

Although national caseloads are now less than half of what they were when the TANF block grant was first established, we propose to maintain the current level of support for TANF of \$16.5 billion each year for block grants to States and Tribes and an additional \$319 million for annual Supplemental Grants to States that have experienced high population growth and have historically low funding levels. This will allow States to maintain investments they have made in supporting families' transition from welfare to work, strengthening families, and providing other benefits and services that support the goals of the TANF program. It also will permit them to develop innovative programs to address remaining challenges.

Other key policy changes that will increase State flexibility include: eliminating limitations on services for the unemployed by defining “assistance” so that rules tied to such spending will not apply to child care, transportation, and other support services; allowing States to designate and obligate “rainy day funds”; and revising current restrictions on funds carried-over from one year to the next by allowing such funds to be spent on any service or benefit that achieves a TANF purpose.

#### *Maximize Self–Sufficiency Through Work*

A key component of our reauthorization proposal is to maximize self-sufficiency through work. States will be required over time to make certain that the percentage of TANF recipients engaged in work and productive activities grows and that the primary focus is on participation in work—subsidized or unsubsidized employment, on-the-job training, and supervised work experience or community service. States also will be required to engage all TANF families with an adult in self-sufficiency activities and they must develop, and regularly monitor progress on, individual plans for each family that include appropriate activities leading to self-sufficiency.

The current caseload reduction credit, the effect of which has been the elimination of the participation rate requirement in most States, will be phased out and replaced by an employment credit. The result of these policy changes will be to reinstitute a meaningful work participation rate requirement while increasing flexibility in how States can achieve that standard.

#### *Improve Program Performance*

Under TANF, States have become great innovators. But, the shift in focus to a work, and family support program has presented management challenges. Therefore, our fourth reauthorization component highlights improving program performance and accountability. For example, we replace the current High Performance Bonus with a \$100 million Bonus to Reward Employment Achievement. Targeted on meeting the employment goals of TANF, it will reward States for successful job placements, sustained work, and wage growth.

#### *Program Integration*

For any organization to succeed, it must never stop asking how it can do things better. Using the flexibility under programs such as TANF and the One–Stop Career Center service delivery system under the Workforce Investment Act (WIA), States have made great strides towards transforming and integrating their public

assistance programs into innovative and comprehensive workforce investment programs. But, with greater flexibility even more can be accomplished. The final key element of our TANF proposal, therefore, seeks to enable far broader State welfare and workforce program integration through the establishment of new State program integration demonstrations. The proposed demonstrations could modify all aspects of selected Federal programs, including funding and program eligibility and reporting rules, enabling States to design fully integrated welfare and workforce development systems that could revolutionize service delivery.

I would like to turn now to child care, a key support service for low-income families.

#### *Child Care*

Access to child care assistance can make a critical difference in helping low-income families retain employment. Therefore, the Administration remains committed to preserving the key aspects of the child care program: parental choice, administrative flexibility for States and Tribes, inclusion of faith-based and community-based organizations, and development of literacy and other early learning skills for children in care; while maintaining the underlying structure and financing of these essential child care programs.

Our proposal supports maintaining the historically high level of funding for child care, including \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for Child Care Entitlement—a total of \$4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. In addition, States continue to have the flexibility to use TANF funds for child care both by transferring up to 30 percent of TANF funds to CCDF, and by spending additional TANF money directly for child care. When TANF funds are considered, as well as Head Start and other State and Federal funding sources, over \$18 billion currently is available for child care and related services for children.

Funding available through CCDF, TANF, and the Social Services Block Grant will provide child care assistance to an estimated 2.2 million children this year. This is a significant increase over the number served just a few years ago; in 1998, about 1.8 million children received subsidized care.

These substantial child care resources support our expectation that all families will be fully engaged in work and other meaningful activities by ensuring that safe, affordable child care is available when necessary.

#### *Other Elements of Welfare Reform*

Although I have focused on the areas of primary interest to your committee, I would be remiss if I did not briefly highlight other key areas of our proposal that play a critical role in the well-being of children, teenagers, and families. Indeed, we establish improving the well-being of children as the overarching purpose of TANF.

In support of that overarching purpose, our proposal seeks to improve child well-being through programs aimed at encouraging responsible fatherhood and healthy marriages. By discontinuing the Out of Wedlock Birth Reduction Bonus and redirecting part of the High Performance Bonus Funding, we provide \$200 million for programs aimed at promoting family formation and healthy marriages. We also provide \$40 million in funding for the support of responsible fatherhood and healthy marriage programs to reverse the rise in father absence and its subsequent impact on children.

Further, because child support is a critical component of Federal and State efforts to promote family self-sufficiency and child well-being, we build on the success of the program to direct more support to families, increase the amount of support collected, and increase funding for the access and visitation program. If enacted, our child support proposals will result in almost \$3.4 billion in additional financial support to families with a federal cost of only \$52 million.

The third piece of our welfare reform strategy supports reauthorization of the State Abstinence Education Program contained in PRWORA. In 2000, there were almost 19 million new cases of sexually transmitted diseases in the U.S. and, historically, about one-quarter of these cases have been teenagers. We know that those teens who choose to abstain from sex will not contract such diseases and will not become pregnant. The State Abstinence Education Program helps people develop inner strength, take charge of their lives, and direct their energies to healthy and productive choices. The goal of abstinence education is to encourage our Nation's youth to make the healthiest decisions for themselves, and our approach links these programs to positive youth development programs operated by community-based and faith-based groups.

*Conclusion*

Mr. Chairman, the proposal I bring before you today contains many different elements. What binds these fundamental elements together is the desire to improve the lives of the families who otherwise would become dependent on welfare. In his second inaugural address, the President stated that in America's ideal of freedom, citizens find the dignity and security of economic independence. He expressed the vision of an ownership society, making every citizen an agent of his or her own destiny. These ideals certainly fit the President's concept of welfare reform as well as those embodied in HR 240. The Secretary and I stand ready to work with you on the next steps to making economic independence within the reach of America's neediest families. I would be happy to answer any questions you have.

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Chairman MCKEON. Thank you, Mr. Secretary.

You know, in working on this welfare reform now for several years, it seems in some of the debates like some people have the idea that asking people to work is kind of a punishment, but I have a different feeling. I think that giving people an opportunity to work enhances their self-esteem, it does a lot to build their character.

We had—in one of the visits in my district, I was visiting a self-help center that helped mostly single women, single mothers, find employment and find ways to enhance their living conditions.

On the day I was visiting, they had a mother that had been through the program come back and was talking to, it was about eight or ten women in the room. She had been on welfare for years.

She told of the problems. She couldn't afford shoes for her children. She couldn't—she didn't get up and go to work. She would send the kids off to school, but they would look at her like, you know, "What are you going to do all day, Mom?"

And she said after she had gone through this program and gotten a job, she was doing quite well, and the testimony that she gave to these other women of how now she could buy shoes for her children, she could provide for her children, and the looks that they gave her as she went off to work, you know, was—they just all felt better about themselves. And she said, "I will never, ever go back on welfare again."

Well, hopefully, she won't have to, because I think the program is there for people that need help in their lives when they hit a bump in the road, but it's not ever—it was never intended, I don't think, to be a lifelong standard of living. It was to be a help.

She took advantage of that, and now is doing much, much better, and hopefully those other women that were in that program are now in that same situation.

I think welfare reform as we've worked on it has been a big success in moving people from welfare to work, but some critics commonly examine what kind of work and whether welfare reform recipients are stuck in low-paying jobs. Do you see the job advancement not just as job placement, but also as helping people move from a job to a better job to a career? And do you see that as an element of the TANF program? And how do you think the bonus to reward employment achievement, how will that assist in these efforts?

Mr. HORN. Well, first of all, I agree with you. I think some of the best salespersons for welfare reform are recipients themselves, or more precisely, former recipients.

One of the things we did before we developed the outlines of the administration's welfare reform reauthorization proposal is we did a series of listening sessions throughout the country, and we were always impressed, both then Secretary Thompson and myself, in hearing the stories of former recipients, and the dignity that they found through the work and employment that they achieved as a consequence of welfare reform.

So those are stories that we heard again and again.

In order for someone to get a good job, basically they need two things. They need a positive work history, and they need skills. The problem with a lot of people who are trapped on welfare is that they lack both of those things. They lack skills and they lack a positive work history.

So what's central to the President's proposal is that we ought to help people who are trapped on welfare acquire both a positive work history and the skills they need to get a good job.

Now, there's been a good deal of research that has looked at the difference between education-first strategies and work-first strategies, and what they have found is that work-first strategies are more effective in getting people placed into employment and long-term earnings growth than education-first strategies, but the most effective strategy is a mixed strategy, a strategy that both emphasizes going to work quickly, but also wrapping around additional education and training experiences.

And this is what's at the core of the President's proposal, the idea that we would not take away from the work-first approach, but we would encourage agencies to wrap around those core work experiences additional education and training experiences so they can develop the skills they need along with the positive work history to get a good job.

And that's why the President says, "Look, let's have 24 hours of core work, get people into jobs, have them build a positive work history, but then don't ignore the rest of those hours in that week, but rather, challenge the agency to put that person in additional education and training experiences so they can develop the skills to go along with their positive work history so they can get even a better job in the future.

Now, you asked about the employment credit.

It's our feeling that what we ought to do is we ought to provide an incentive to states not just to reduce caseloads, but also to place people into jobs, and particularly jobs that have the potential for wage growth.

And so the President's employment credit proposal is designed to provide incentive for states to actually place people into jobs as opposed to one that just simply provides an incentive to reduce caseloads.

Chairman MCKEON. Thank you very much.

Mr. KILDEE.

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. Horn, thank you for your testimony this morning.

The President's budget did not propose cutting TANF or CCDBG, but according to last week's budget action in Congress, Republicans are planning to do just that.

How can we expect states to meet H.R. 240's new requirements when they're going to have less money for the work supports that have allowed families to get off welfare? Should we follow the President's mark on TANF or the Budget Committee's mark on TANF?

Mr. HORN. I am here representing the President's budget.

We think that it is important to maintain the commitment to both the TANF program and the Child Care Development Fund.

Mr. KILDEE. I'm encouraged by your response, and I would certainly hope that the White House and yourself and the President would encourage the Budget Committee to reconsider their action on that, because I think it would be very, very harmful to the program.

You know, we came together in 1996 in a bipartisan way, and some of us had some great reluctance, but we did come together. We wrote a bill that has the structural parts that can make the system work, but there has to be appropriate funding and adjustments must be made from time to time.

Let me ask you this. The administration's proposal suggests that there will be more money for child care because states will be allowed to transfer 50 percent, not 30 percent, from TANF to CCDBG.

But Mark Greenberg, who will be testifying on the second panel, says that this just isn't the case because the reserves for most states are likely to be depleted within a few years unless states make significant cuts in current level of services. So isn't the administration's explanation more hope than fact?

Mr. HORN. Well, first, one of the things that we would like to do is to provide states with increased flexibility to spend money in the areas that they feel there's a priority for them, and that's one of the reasons we proposed raising the transferability from the TANF program to the Child Care Development Fund and also the Social Service Block Grant.

But one of the things I think it's important to keep in mind is that if we pass a TANF reauthorization bill today that incorporates a provision in both the President's plan and in H.R. 240, if we pass that bill today, tomorrow states will have nearly \$2 billion in additional funds that become freed up to spend for things like child care.

Why is that? Because right now, there's almost \$2 billion that is put in what are called carryover funds. Under the TANF programs, as you know, if you don't spend all the money in 1 year, you get to carry it over from 1 year to the next.

Almost \$2 billion nationally is in an unobligated balance carried over from prior years in the TANF program.

The problem is that under current law that \$2 billion can only be spent for cash assistance, but the TANF program is no longer primarily a cash assistance program. It's a work support program.

So why is it that we have a law that says that if you put money aside, the only way you can use that money in the future is for cash assistance as opposed to other kinds of work supports?

Well, under the President's proposal and H.R. 240, those funds would be freed up to be used for a variety of purposes, including child care.

So one of the consequences of not passing this bill is that \$2 billion stays locked up, unavailable for states to use for child care.

So we do believe that there would be an immediate influx of \$2 billion nationally in additional funds which today cannot be used for child care, but could be used for child care if we pass this bill.

Mr. KILDEE. The administration's own budget tables show that 300,000 fewer children will have child care assistance by 2009. Where do you expect those children to get the assistance, never mind that other children who are on waiting lists won't get assistance?

Mr. HORN. I think it's important to keep in mind that the budget tables presume that there is no increased spending in discretionary budgets in the out years. That's just the way the budget tables are presented.

But what we're proposing is the 2006 budget table of our budget regarding how much money to spend in discretionary child care. Decisions about how much money in discretionary child care to spend in 2007 or 2008 or 2009 or 2010 have not been made yet. Those will be made at those appropriate times, and the President would then release his budget.

So when you say that there's a decrease of 300,000 children in the budget tables, that's presuming no additional increase in discretionary child care spending over the course of the next 4 years, when those decisions have not yet been made.

Mr. KILDEE. I see my time has expired. Thank you very much, Mr. Horn.

Chairman MCKEON. Thank you.

The Chair yields 5 minutes to the gentlelady from North Carolina, Ms. Foxx.

Mrs. FOXX. Mr. Chairman, I was not expecting you to recognize me at this point. Could I pass and come back?

Chairman MCKEON. You bet.

Mrs. FOXX. Thank you.

Chairman MCKEON. Next is Mr. Kuhl.

No questions.

Next is who? Mrs. Drake.

Mrs. DRAKE. Thank you, Mr. Chairman.

I'd just like to comment to you, Dr. Horn, that I know in Virginia we really worked on the welfare to work, but in our area, we really went to work with our social services and our business community to bring everybody together to make sure that there were jobs, that our business community understood, our faith community, our social services, and our business community, and those meetings still take place today, not quite as frequently as they did in the early days.

But the biggest concern that I have deals with the work component of it, because I do know people who participate in that, and their biggest concern is they either can't find the people who want to work or they don't come back.

And these businesses would give just about anything to have people that they know would show up for work every day, and I'm not talking about minimum-wage jobs, either.

So what I'm extremely concerned about is how we make sure we support those people, get them back to work, and I never under-

stood why so many people seemed more concerned about keeping a \$300-a-month payment to a single mother on welfare than to have her out in the job force earning \$800 or \$1,000 a month.

So thank you for what you've done.

It's not really a question, but I really would like us to focus on how we get more people into those roles so when I see my friends back home, they aren't telling me that they can't get people to fill these spots.

Chairman MCKEON. Thank you.

The gentleman from Virginia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Dr. Horn, does a minimum-wage job plus the EITC get you out of poverty?

Mr. HORN. No, it doesn't, but that is not the average wage that someone leaving welfare gets.

The average wage, studies of welfare leavers suggests that the initial wage that most people earn is between \$7 and \$8 an hour, and that there is in fact significant wage progression the longer that they stay in their jobs.

So—and with a \$7 to \$8-an-hour job working full-time, full-year, combined with the earned income tax credit, you do in fact lift most family configurations out of poverty.

Mr. SCOTT. Does the EITC plus a minimum-wage job plus child support get you out of poverty?

Mr. HORN. Well, I suppose that would depend on how much money you get from child support, but again, the critical thing is, the assumption in your question seems to be that most of those who leave welfare go to minimum-wage jobs, and that's not the case.

Most people who leave welfare go to jobs where they're being paid \$7 to \$8 an hour with significant wage progression the longer they stay in those jobs.

Mr. SCOTT. Do you count food stamps as part of that? Are food stamps part of that equation? I mean, if you get a minimum-wage job—some people end up on a minimum-wage job, whether it's almost or whatever, some do end up on a minimum-wage job.

Do those in minimum wages get food stamps?

Mr. HORN. I'm sorry, say that again?

Mr. SCOTT. Do they get food stamps?

Mr. HORN. If you're on a minimum-wage job?

Mr. SCOTT. Right.

Mr. HORN. So long as you satisfy the income test and the asset test, then you're eligible for food stamps.

Mr. SCOTT. One of the barriers to employment obviously is child care, particularly if you have two children. The arithmetic is real tight with one child, but with two children the expenses just make the arithmetic very difficult. If we go to a 40-hour week, that's going to make the situation even worse than it is now.

What can we do to ensure that there's enough child care for people that want to work?

It seems to me that if we provide that child care, not only will the person be able to work, but you've created some jobs, they're all domestic—I mean, it's not like, you know, some of the money is floating out—that if you provide a lot of child care, you'll be pro-

viding an opportunity for that person and creating a lot of jobs in the child care industry.

What are we doing to make sure that there's adequate child care, particularly if we're talking about going to 40 hours a week?

Mr. HORN. Well, first of all, we share your view that the goal of welfare reform ought not to be just to reduce the caseloads, but to move families toward self-sufficiency, and particularly to move them out of poverty.

The difficulty with the current system is that the emphasis is on part-time work. The problem with part-time work is, at relatively modest wages, it doesn't move you out of poverty. It may earn you enough to get you out of a cash benefit in TANF, but doesn't get you out of poverty. And so the question is, how do we then move more people out of not just the welfare rolls, but out of poverty?

The only way to do that is to have a strategy for helping them get into full-time employment, because full-time employment, as I've said, even at relatively low wages, combined with the EITC, does move most family configurations out of poverty.

Now, of course, child care is a very important service to help support people in that endeavor, and as I said earlier, one of the things, one of the consequences of passing this bill now, is that we would immediately free up an additional \$2 billion in unobligated carryover balances nationally that states could then use for child care.

The longer we delay, the longer that \$2 billion stays locked up and not available for use for child care.

So if a state needs more money for child care to help people get jobs and stay in jobs, then one of the ways that we can do that is to pass this bill and unlock those unobligated carryover balances.

Mr. SCOTT. The budget projects possible cuts—long-term projections—possible cuts in Medicaid. What would that do to someone's self-sufficiency getting off of welfare? Because a lot of these jobs do not have health benefits.

Mr. HORN. Clearly, that—you know, health insurance and health care is an important piece of helping families reach self-sufficiency.

Now, I do not oversee the Medicaid program, and so I would leave it to—

Mr. SCOTT. It would be your recommendation, I'd assume, that we increase Medicaid for coverage for those that are on the margin, near the minimum wage, or those that are getting jobs without benefits, to help them stay self-sufficient, because if we cut back—I know in Virginia, if you make more than about six or \$7,000 a year, you can't get on the Medicaid, and it's kind of hard to be self-sufficient without some kind of health insurance.

Mr. HORN. Well, under current law, and contained within the President's proposal, there continues to be 12-month transitional Medicaid benefits for those who earn enough when they leave welfare—earn so much that they're no longer eligible for Medicaid—and we do not propose to change that.

Mr. SCOTT. Have you done any study to see what happens to people after the 12 months?

Mr. HORN. I'm not aware of a study that's looked at that.

Chairman MCKEON. Thank you.

The gentleman from Nebraska, Mr. Osborne.

Mr. OSBORNE. Thank you, Mr. Chairman.  
Dr. Horn, thank you for being here today.  
Just a couple quick questions.

One is, what would you envision states could accomplish with the state and local flexibility waiver you've outlined? Do you see specific things that they might accomplish with that procedure?

Mr. HORN. I'm very glad you asked that question, because I think one of the overlooked pieces of the President's proposal is the program integration waivers, and I happen to believe that that is one of the most ambitious and revolutionary pieces of the President's proposal, because when you get down to the local level, whether you're talking about a service provider or a client, the thing that drives them crazy is the fact that they have to negotiate a maze of Federal programs that often have conflicting eligibility and reporting requirements.

And so what a state could do under the President's proposal for program integration waivers is, they could submit a proposal to combine, to better align a number of Federal programs at the local level so that people could—so that you could create a seamless system of services for low-income families, so they wouldn't have to negotiate this maze of various different programs, so you could better align eligibility criteria.

For example, you could better align work requirements. You could develop, for the first time, an integrated information technology system, so that you wouldn't have to have different information systems for these various different programs.

So I think that is one of the most ambitious and revolutionary aspects of the President's plan, and we hope that it will be part of whatever bill is finally passed.

Mr. OSBORNE. And the second question. I understand that marriage and family formation were included as pieces of the reforming welfare in the 1996 legislation, yet we have seen very little state activity in this area.

And I wondered if you could comment on this and speculate as to why we haven't seen more progress; because it seems like strengthening families is a critical issue.

Mr. HORN. And no one disagrees that strengthening families is an important piece of welfare reform. No one disagrees that a family starts off very disadvantaged if they have a child out of wedlock when they're very young and before they've finished their education.

The problem is that back in 1997, when faced with the transition from an open-ended entitlement to a block grant, states could rely upon a decade or so of experiments about how to develop and implement welfare-to-work programs, but there wasn't the corresponding research base as to how to go about strengthening in the same way.

And so what states tended to do is they tended to focus on the work aspects of the law and less so on the family formation aspects of the law.

That's why the President has suggested that we ought to take this opportunity to create two new funds, one a competitive state grant program and the other a broad-based research, demonstration, and evaluation and technical assistance funding stream, that

would provide funds to states to innovate in the area of family formation, and to evaluate those efforts so we could build that research base so that states could then implement what we learn.

Because that's what we hear again and again from states. It's not that they don't want to do something in this area. They're just not sure exactly what to do in this area.

Now, that is changing. We over the last 3 years have been doing some demonstration programs. We're learning things that we didn't know just 3 years ago.

But there still is a need for, we believe, some separate funding streams that would support the development of new learning in this area.

Mr. OSBORNE. Thank you, Dr. Horn.

Mr. Chairman, I yield back.

Chairman MCKEON. Thank you.

The gentleman from New York, Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

And thank you, Dr. Horn, for your testimony.

You've said a great deal this morning that I think most reasonable people would not only agree with but applaud. You've said that we need—I believe I'm paraphrasing you—we need to find policies that encourage career development and wage progression. You've said that the goal of TANF ought to be to move families toward self-sufficiency. You've said that we need to develop strategies that will help people get skills to get a good job and keep a good job.

I don't see how any reasonable person could disagree with any of that.

But I find that at least it seems that one of the core elements of the bill before us would take us in the opposite direction of all of that, and that is the de-emphasis, if you will, on vocational education. Current law allows up to a year of vocational education to count toward the work requirement. The bill before us eliminates that.

And I'm a firm believer in the transforming power of higher education. Certainly the Federal Government has given its support of higher education. And I find that incongruous, that we would espouse all those goals, yet take away the means that is now available to people to achieve those goals.

I'd be interested in how you reconcile that apparent contradiction.

Mr. HORN. First, it's not correct to say that either the President's proposal or H.R. 240 eliminates the ability to enroll people in vocational education. What it does is, it limits, in the case of the President's proposal, the use of vocational education counting as work from twelve months to 3 months, and under H.R. 240, I believe it limits it to 4 months.

But in terms of the additional hours that you wrap around the core work experience under both the President's proposal and H.R. 240, you could continue to enroll people in vocational education.

Mr. BISHOP. If I may interrupt.

Is it your belief, then, that there are vocational education programs that would provide people with sufficient skills to get and

hold a modest-paying job, I believe you put it, that can be completed in 3 months, or four?

Mr. HORN. I believe that the important thing is to move people quickly into work, while wrapping around that core work experience additional education and training experiences.

We heard from Congresswoman Drake the concern that—from employers—that it's hard for some employees—well, some employees lack what employers call soft skills.

Mr. BISHOP. But isn't it now the case that large numbers of people leaving welfare have difficulty maintaining stable employment and particularly have difficulty maintaining employment that pays them above the poverty level? And if that is the case, would not increased education be a vehicle to get them beyond that status?

Mr. HORN. We're not against additional education and training experiences. We just believe it should be wrapped around core work experience.

Mr. BISHOP. And I guess my question is, to you, is why do you believe that if, in fact, the experience is that people are leaving welfare and not having the capacity to hold onto jobs that pay them a modest wage?

Mr. HORN. I don't think that the research would suggest that that you say is necessarily so. The research that I've seen suggests when you survey former welfare recipients themselves, the majority say that they are better off after having left welfare than when they were on welfare.

And again, we agree on the goal. We have no disagreement. It's important for us to focus on not just reducing caseloads, but moving people out of poverty and toward self-sufficiency.

In order to do that, you need two things.

Mr. BISHOP. Let's stay on that for a second.

Mr. HORN. Yeah.

Mr. BISHOP. Because I agree with you.

So is it the contention of either H.R. 240 or the President that the current policy that allows for up to a year of vocational ed to count, is it your contention that that policy takes us away from that goal, and minimizing the vocational ed requirement gets us close to that goal?

So in other words, the less vocational education we have, the closer we are to the goal of providing a job that would pay someone a modest wage?

Mr. HORN. I wouldn't put it exactly the way you just put it.

Mr. BISHOP. I'm sure you wouldn't.

Mr. HORN. I think that what has worked in welfare reform is the focus on work, and that when you look at the research that looks at education-first strategies versus work-first strategies, work-first strategies out-perform education-first strategies, but the most successful are those that have mixed strategies, that may have some short-term, intensive training up front, but then quickly moves people into jobs, and then wraps around additional education and training experiences, including vocational education.

Mr. BISHOP. OK, thank you. I see my time has expired.

Thank you, Mr. Chairman.

Chairman MCKEON. Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

I appreciate the opportunity to see Dr. Horn once again. I'm sorry I arrived late, and I hope that my questions are not redundant.

I'm so pleased to have you before this Committee and providing your expertise. I know your heart and your passion for families and children, your history in working with the National Fatherhood Initiative, and I commend you and appreciate you being here today.

I'm somewhat confused, or amused, I guess, by folks who will in essence say "The sky is falling" once again.

When we look back, and I was looking through your written testimony, we've heard that leaving welfare and not holding jobs is what is the order of the day.

In fact, if you look at the facts from our previous welfare reform, the child poverty rates declined, 1.6 million fewer children in poverty, overall the child poverty rates have declined; poverty rates for African Americans have declined; poverty rates for Hispanic children have declined.

What we have here is a success story upon which we need to build, and I commend you for bringing forward your initiative.

I have a couple of specific questions that I'd like to ask.

The first relates to work requirements, and I apologize again if this was covered.

But it's my understanding that the states have been allowed to offset their work participation requirements through reductions in their caseloads, and one of the unintended consequences of that I believe to be diluting work participation.

And so I would ask you about your stance, or the administration's stance on the strengthening of work requirements and how that's addressed in 240.

Mr. HORN. I don't think anyone in 1996 imagined that 5 years later we would see a nearly 60 percent decline in the caseloads. Even the most wildly optimistic supporters of welfare reform back in 1996 would never have predicted that dramatic decline in the caseloads.

One of the consequences of that is, as you point out, the caseload reduction credit has essentially eviscerated the work participation requirement for most states.

The difficulty with that is when there's no longer any pressure on the states to satisfy an ambitious work participation rate, less people go to work, and that's what we've been seeing the last 3 years, a declining percentage of the caseload are fulfilling enough work to satisfy the work participation rate, or work participation requirement.

And so one of the things that we feel very strongly about is that we ought to re-emphasize work as the core reason why welfare reform has been successful, and one way to get there is to re-implement a meaningful work participation requirement on the part of the states.

Mr. PRICE. And you believe that 240 addresses that satisfactorily?

Mr. HORN. Absolutely. You know, what it does is, it moves us toward a more ambitious work participation rate requirement on the part of the states, because the longer that states aren't challenged to meet an ambitious work participation rate, the easier they fall

back on the old ways of thinking of AFDC, that somehow those who are on the rolls, despite all the evidence to the contrary, are somehow more challenged, are somehow more difficult to work with, and therefore are not capable of going to work.

Mr. PRICE. Or want to be there?

Mr. HORN. Yes.

Mr. PRICE. Yeah. Absolutely. And I appreciate that.

The other point is the mandatory funding, which is set at \$1 billion over 5 years in 240. And my question relates to the relationship between mandatory funding and the quality of the program itself, and whether there's any virtue—do you see any virtue or do you have any opinion about moving this program to the discretionary side?

Mr. HORN. Well, I know there are many who would say that they have more comfort when the dollars are on the mandatory side than the discretionary side.

On the other hand, if you're a program manager at the local level and you get a dollar for child care, it buys the same amount of child care whether it came from a discretionary pocket or a mandatory pocket.

Mr. PRICE. Do you believe there's any relationship between quality and mandatory money?

Mr. HORN. I don't see how that would be the case.

Mr. PRICE. Thank you. Once again, I commend you for your work.

I yield back.

Chairman MCKEON. Thank you.

The gentlelady from California, Mrs. Davis.

Mrs. DAVIS. Thank you. Thank you, Mr. Chairman.

Thank you, Dr. Horn, for being here.

You mentioned how important it is to re-emphasize work, and I agree with that, but we know that people can't go to work if they don't have child care.

And you mentioned that \$2 billion that's been accumulating. Could you tell me a little more about that? How long has that been accumulating? Why haven't those dollars been tapped before?

Mr. HORN. One of the provisions of the original TANF bill, as you know, is that if a state didn't spend all the money—

Mrs. DAVIS. Right.

Mr. HORN [continuing]. They could carry over into subsequent years. One of the ideas was that if you needed less money this year, you could put some money aside for when you might need additional money because of an economic downturn.

The difficulty is that the current law does not allow states to designate—

Mrs. DAVIS. Right.

Mr. HORN [continuing]. The so-called rainy day funds as obligated, so they're in there as, and they are, technically, unobligated funds. Once they're in a carryover status, whether obligated or unobligated, they can only be used for—well, I'm sorry. If they're unobligated funds in carryover status, they can only be used for cash assistance. They can't be used for work support, such as transportation, child care, and so forth.

And these funds have been accumulating over the last 7 years, and what we'd like to do is say let's give more—states greater flexibility in the use of those funds, and if they feel the need to use those funds for child care, great; if they feel they need to use those funds—

Mrs. DAVIS. Would this be ongoing, then?

Mr. HORN. Would it be ongoing?

Mrs. DAVIS. So the \$2 billion that's been accumulating is available, but from that—once that \$2 billion is used, if it perhaps could be used for child care or whatever states would want, are we going—are you suggesting that we basically eliminate that and no longer have those funds accumulating in that way, specifically targeted?

Mr. HORN. No, obviously, once those funds are depleted, then they aren't there anymore.

However, the \$2 billion is an understatement of what's actually available. For example, in your state of California, all of your carryover funds in the state of California, it's my understanding, are designated as obligated. Why? Because you're a county administered system.

Now, at the county level, they may not in fact be obligated. At the county level, they may in fact not, they may be unobligated carryover funds.

Mrs. DAVIS. I think my concern is, I'm happy to see that there are some dollars that may be available to the states, but whether this is more one-time funding or rather, it's ongoing funding, because if it's more one-time funding, my guess—and I want to ask you, too, about the unmet need that we have in child care—is that it could be used quite quickly, and then we perhaps have not built into the new, our new reauthorization additional funds for child care.

Is that—would you say that's correct, or—

Mr. HORN. It's certainly correct that, once carryover funds are depleted, then there are no more carryover funds.

Mrs. DAVIS. Right, right. So that we're talking about one-time funds as opposed to ongoing dollars, and that's a concern that I would have.

Mr. HORN. Although states would still have the ability to put additional carryover funds, if they don't spend current year dollars, back into their account.

One of the problems with not being able to designate so-called rainy day funds as obligated is that several years ago, Congress took a look at those large carryover balances and made the assumption that states didn't need that money because, gee, if they didn't spend it, they must not need it, and there were some, some who wanted to go after those carryover funds and cut those funds in order to achieve some deficit budget relief.

In fact, there were letters that were sent by Members of Congress to states saying, "Spend the money, don't leave it there, spend the money."

Mrs. DAVIS. Right.

Mr. HORN. And so what we're saying is that states ought to have the ability to carry these funds over from year to year, and then utilize them as they see fit in subsequent years.

Mrs. DAVIS. OK. And what would you suggest is the unmet need in child care?

Mr. HORN. I'm not quite sure what the question is.

Mrs. DAVIS. In—whether it's in numbers, perhaps not numbers, but percentages, if we—if states were to pass along a lot of those dollars for child care, what then?

Do we have a sense of what that unmet need would be, and—

Mr. HORN. Well, it's a very—it's actually a very complicated question to answer, because the way that we tend to think about unmet need is we start with a single funding source, and we ask how many people are eligible, how many people get that benefit.

And we assume that people who aren't getting a benefit from that funding source are not getting a benefit from any funding source, and that's not true.

There's 900,000 kids, for example, who are in the Head Start program, but we don't count them in the calculation of "unmet need" when it comes to child care.

Now, we also have to define the population. If we're talking about TANF, there's no evidence that lack of child care subsidies is a significant barrier to work for people who are on TANF.

In fact, there's a provision in the law—no one suggests we change it—that prohibits a state or local agency from sanctioning a family who doesn't take a job, who's on TANF, if child care is not available to them, and we're saying we don't want to change that.

So we believe that there's, yes, that there is plenty of money available to provide child care subsidies for those who are TANF as they move off TANF and into employment.

Mrs. DAVIS. OK. My time has run out, but perhaps we can follow up with that, because I think that we certainly have a number of people that suggest to us that that's not the case.

Thank you.

Chairman MCKEON. The gentelady's time has expired.

The gentelady from North Carolina, Ms. Foxx, has a question.

Mrs. FOXX. Thank you, Dr. Horn, for your comments.

I have a question I'd like to ask you, and then I'd like to make some comments about some of the things that have been said.

If we took a hypothetical family of four, making \$24,000, that's never been on welfare, and compare that to a hypothetical family of four that's been on welfare, that now gets food stamps, that gets subsidized housing, that gets Medicaid, that gets EITC, I'd like to compare the benefits that that family that's never been on welfare gets to the family that's been on welfare for many years and now is getting—they get cash benefits through TANF for a period of time, they have gotten free education for a period of time.

I'd really like to see a list of all of those benefits that are given to the family that's been on welfare compared to the family that's never been on welfare.

I think it would be an astounding thing for the American people to see the difference in how we treat people who have been on welfare compared with those who aren't, because there's no end to the benefits that they get in terms of food stamps, housing, Medicaid.

Is that correct? Those benefits will go on and on. Is that correct?

Mr. HORN. Well, they don't go on and on. At some point, if they earn enough money, then they lose eligibility for those benefits.

Mrs. FOXX. Thanks.

Well, I'd like to see a little chart that shows where those benefits begin and where they drop off, and compare that to a family, again, making \$24,000, showing what they pay in taxes.

And I just think that would be a very interesting piece to see, because I think that the idea that somehow or another people who have been on welfare never benefit anymore after they stop drawing TANF funds is a very distorted picture.

The other thing, I guess, a couple of comments I'd want to make.

I was a community college president before I was in the legislature, and so I know a little bit about a lot of these programs. And one of the concerns that I had as a community college president was that there were so many programs out there that were preparing to prepare to prepare to commence to begin people getting into vocational education.

People could stay—and that's another chart I'd like to see. How long can you get benefits that—from programs where you're never in a vocational education program, but you're preparing to get into a vocational education—I saw people sometimes spend 2 years before they actually got into a program that could benefit them in terms of real skills that they got, and I'd love to see a chart that shows that. That may have changed some over the time that I have not been directly in education, but I would like to see that.

You mentioned a little bit about research, and I know a little bit about that area, too, probably not enough. But one of the things that I know most about research is that you can put a teacher in with a class of children that are below average, but tell that teacher that those people are above average, and they will perform at the above average level. That research, as I recall, is some of the best and most valid research that we have.

Would you say that there is analogous research, or would we think that adults might do the same kind—might exhibit the same kind of behavior? If we tell people they're not going to get a government handout any longer, but they have to go to work, does that not produce different behavior?

Mr. HORN. Well, I think expectations have enormous effects on behavior. As a child psychologist, I know that to be true.

I also think that was one of the most damaging things about the old welfare system, is that we didn't believe that those on welfare had the same human capacity to get and keep a job as the rest of us, and we told them that, and we told them that so frequently, they started to believe it.

And then one of the great successes about welfare reform is that we changed that dynamic, and now we were challenging welfare recipients to go get a job, and many of them will tell you, they will say, "You know, I was scared at first. I didn't think I could do it. I've never actually had a job, or the jobs I've had have always been very episodic and very spotty, but my caseworker kept encouraging me and encouraging me, challenging me to do it, and you know what? I got enormous satisfaction from realizing I could do it."

We changed the dynamic with welfare reform in 1996, and we now think it's time for us to go to the next phase of welfare reform that challenges people not just to get part-time jobs, but to get full-time jobs, because if you have a part-time job at relatively low

wages, even with the earned income tax credit, you may no longer qualify for a cash benefit, but you're going to be poor.

The only way to escape poverty is to get a full-time job, full-year, and when you do that, combined with the earned income tax credit, you're not only not going to be on TANF cash benefits anymore, you're also not going to be in poverty.

So for everybody who says, because we all agree that we want to reduce poverty, we want to get people out of poverty—and in fact, TANF has had some success in doing that; 1.6 million less kids in poverty than back in 1996. But for those who say that the President's plan is the wrong plan, I say give us another idea, then. I mean, give us another idea.

How is that we can get people out of poverty by continuing to emphasize full-time work—I mean part-time work? We need to move to full-time work emphasis and assume that welfare recipients are able to move eventually into full-time work and not assume that they are only capable of part-time work.

Chairman MCKEON. The gentlelady's time has expired.

Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair.

I had the job as a state legislator serving on the Health and Human Services Committee in Minnesota, implementing welfare reform, and I think Minnesota had a program in place which was nationally recognized, and we had identified, and I can get the documentation, that access to education made a difference for women in particular for not just being barely self-sufficient but being self-sufficient, and weathering economic downturns.

We also were very fortunate, I think as a country, as we move forward with this great experiment of making our communities stronger, our country stronger by more people being productive, of also having a really good economy kick in at the same time.

And so I'm here to tell you that in Minnesota right now, we're seeing the effects of the way our economy has stagnated, because we have gone from 2001 to 2004, we have gone, with the number of Minnesotans living in poverty now, from 6 percent to almost 9 percent, and part of that has to do with the economic downturn.

So some of these jobs are very sensitive to what is going on in the economy.

One of the jobs in which women who had no education were by and large placed in was retail, and I'll say I know quite a bit about retail, because I did it for years, and I was a manager there, and I know the starting salary for even someone working full-time, if they're fortunate enough to get it in the retail industry, is going to be \$8 an hour, and it's not likely going to come with very good health care benefits.

So I think we need to be careful when we talk about stories that we've heard and that, without having hard evidence in front of us and realizing each state is different in the way that they've used funds and that.

In Minnesota, we decided that if a mother was going to go to vocational school to learn how to become—work one of the ladders up in the health care industry, that that was work, that if she had two children to take care of and she went to school and she did her homework and she worked part-time, quite often at the hospital,

that that was work, because that child still needed to have with their homework and other things like that, so we did count it in.

And I'm a little alarmed at the way everything is getting all lumped together again, because I think you did point out that some states really took the initiative.

Wisconsin, former Governor Tommy Thompson's state, took the initiative and really had some success stories.

So what is a little disheartening to me here with what I see the proposal is, here we go again with one-size-fits-all from the Federal Government, and for those states who have been the laboratories and have moved forward, and can document hard, good, successes of people transitioning off, being able to survive economic downturns, that we might start undoing the very thing that has made successful families.

I'm a little concerned that I'm not seeing where—I want to see these states that didn't heed the alarm, the warning, the opportunity that was given to them by this Congress as some states did, because when you start changing the work qualifications and the way it counts, I wonder if then Minnesota will have more people going into the retail industry waiting at a counter, rather than going into the health care industry, maybe starting out being a nursing assistant, and then on their own time later on, after they're done going through the TANF process, maybe two or 3 years later, after they're self-sufficient and the children are a little older, taking that LPN, then becoming an R.N.

We were developing a ladder, and education being a foundation of that.

So the question that I have is, how are we going to make sure that we don't undo some of the very successes that you were talking about, in taking away some of the states' flexibility in determining what they needed to provide in order for their citizens to be successful families and successful taxpayers?

Mr. HORN. Well, I think there's a great deal in both the President's proposal and H.R. 240 that provides additional flexibility to the states to determine how they're going to run their programs.

There's—this is a complex piece of legislation, to be sure, but there is a lot within the legislation that actually increases the flexibility of the states. I've mentioned some already.

The use of carryover funds for something other than just cash assistance; I've mentioned the program integration waivers that would provide enormous flexibility for states to structure new, seamless systems of supports for low-income families.

Also, for the first time, states would be able to get credit against the work participation rate under both the President's proposal and H.R. 240 if the family met the core work requirement but didn't get to the total number of hours.

Right now, if you are working 29 hours, under the current law, 29 hours, the state gets zero credit for that individual against their work participation rate.

Under the President's proposal and H.R. 240, you would get a pro-rated amount of credit against your work participation rate.

So I think there's a lot of flexibility that's provided in the bill.

Ms. MCCOLLUM. Mr. Chair, I would—I put forth and I ask for hard statistical information as to how—and you don't have to pro-

vide it for all 50 states, but I would like to know how the President's plan, how you see how it's going to impact the success, the success that we've had in Minnesota.

And Mr. Chair, as the bill goes forward, I think we also need to watch what's going on the bankruptcy bill, because one of the goals of the President's plan here is collecting more child support, and in the bankruptcy bill, child support comes after debtor collection, is my understanding.

Chairman MCKEON. The gentlelady's time has expired.

The gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Thank you, sir, for your testimony today.

You asked a moment ago for somebody to give you and the President another idea, so I want to share with you, the Mass Taxpayers' Foundation, which is basically a business-oriented group in my state, together with the United Way, did a report, "Background 2001/2002," and the idea they had was that the work requirement should be filled with more education and training, the problem being in Massachusetts, and I think a number of other states, in order to have somebody who can really come to work for you, their skill level and education level has to be higher than it is, what is seen for most people that are leaving welfare and getting ready to work on a work-first type of basis.

So their recommendation clearly was that you could increase the number of hours per week required, but that they supported, in fact, the bill that Ms. Roukema from New Jersey and I had put out, that would allow for education and training opportunities to count for the first 24 months, and then in the second 24 months, up to 16 hours, to count on that, and they thought that that really would make a difference.

Part of that was based on their finding in the Census Bureau's report that 39 percent of women without a high-school education live in poverty. Only 17.6 percent of women with a high-school diploma live in poverty, 8.5 percent of women with some college live below the poverty line, but only 4 percent of women with a 4-year college degree live in poverty at all.

So the contention, the conclusion was that obviously education pays, it ought to count, and work on that.

So I think that was their idea, and I've heard all that you've said about wrapping it around and whatever, but clearly, they have their own experiences. They have their own needs in the workforce, and their idea is quite different.

Do you have any rebuttal that you want to put out to the numbers from the Census Bureau that show the significant rise out of poverty from that? Is there some statistical basis that you have?

Mr. HORN. We have at least a decade of experience using randomized controlled experimental designs comparing education-first strategies to work-first strategies. That's hard evidence.

Mr. TIERNEY. I wish you'd share those with the Committee.

Mr. HORN. Absolutely.

Mr. TIERNEY. Because, you know, I don't think that, you know, that they meet with the reality of what these studies show, and I'd like to see them, just—

Mr. HORN. I'd be very happy to provide you with those studies.

Mr. TIERNEY [continuing]. To see what they do on that.

You know, the Educational Testing Service says that at least 70 percent of the jobs that are created are going to require people with elevated skills and education levels, and I just don't see throwing them into work-first, because I think one of the things we all agree is that people can learn, and that they will work, and they can get their skills up there.

So it sort of baffles me that we're not trying to make that happen so that we serve two things—one, getting those people on a sustainable course so they can really earn a decent living, not just scrape by, and two, we've got a competitive strategy that we need in this country while China and India and other countries are eating our lunch.

And all the employers in New England and all in my area are saying to me, you know, "Work-first doesn't work for me because they're not ready to go to work for my business. Go down and tell the President and the people that ain't going to work in our area, to get our types of products up to where we're going to be able to sell back to China."

You know, we got a situation where every six ships that come in from China, five of them leave empty, because we're just not making the kind of sophisticated product and new lines or whatever that we can sell back.

So I'd appreciate it if you'd get me that information, because I think we're going to see some disparities there.

Let me ask you a little bit about the waiver authority, the state waiver authority on that. When Secretary Thompson was here and testifying, we had a discussion, and he indicated that the state waiver elimination that was in the bill was not an important aspect of the President's plan and that he and the President were negotiable on that. Both he and the President, he said, support state flexibility.

In fact, we know, and I was just reading an editorial that one of the Boston papers had on there about Secretary Thompson.

When he was Governor back in 1987, he got a waiver from the Reagan administration and he experimented with a job training program for teenage mothers on welfare. He had a number of other experiments on that.

Do you still share, does the President still share the comment of Secretary Thompson that they're not inclined to do the waiver, that they agree with flexibility, that that's an issue that they would talk about?

Mr. HORN. In terms of the program integration demonstrations?

Mr. TIERNEY. No, they were basically for a flat-out state waiver. You know, they were eliminating it in their bill, but he was telling me when he was talking here that neither he nor the President agreed to the elimination of the state waiver, and that they would not be opposed to having the state waivers be put back into the bill.

Mr. HORN. I misunderstood. So you're talking about the AFDC waivers?

Mr. TIERNEY. Exactly.

Mr. HORN. And we do not believe that is necessary, to extend, continue to extend AFDC waivers.

Mr. TIERNEY. The Secretary's position no longer is the position, then? Because he sat in the chair where you're sitting right now and said that as far as he was concerned, he favored the waivers, he believed the President did support state flexibility, and that they were not glued to, and indeed were negotiable on that aspect.

Mr. HORN. Well, we believe that the program integration waivers are far more helpful to states than continuing the AFDC waivers.

Mr. TIERNEY. Obviously he didn't, so the position has changed. In other words, you're no longer honed to Secretary Thompson's position on that, there's a new game in town, and that's changed?

Mr. HORN. As far as I'm aware, the administration's position has been, and the proposal continues to not support the extension of AFDC waivers.

Mr. TIERNEY. Well, I mean, he said what he said, and it's on record. So that was the position then and now is now.

So thank you.

Chairman MCKEON. The gentleman's time has expired.

The gentlelady from New York, Ms. McCarthy.

Mrs. MCCARTHY. Thank you, Mr. Chairman.

And I thank you for your testimony.

There are a couple things I want to kind of go over, because I'm still a little bit fuzzy about it.

When you talk about jobs and moving up in the line, what kind of jobs are you talking about? What are these, especially the young women, single parents, what kind of jobs are they moving into?

Mr. HORN. Well, what often happens is that the first job that someone who has very little work history gets is in an industry in which the standard is not full-time work, but part-time work.

Mrs. MCCARTHY. Right.

Mr. HORN. And it is not impossible under the current law for someone to earn enough in a part-time job to no longer qualify for the TANF cash benefit.

Now, we don't think that that ought to be an occasion for throwing a wild party.

Mrs. MCCARTHY. That's actually not what I'm talking about. Are they getting a job as a secretary, or like in New York, are they picking up garbage on the front lawn?

Mr. HORN. There's a variety of different jobs that they get. They're often in the service industry, and in the service industry, the jobs are often part-time, and we don't think we ought to be satisfied with that.

Mrs. MCCARTHY. Most of those jobs actually don't move up.

Mr. HORN. That's right, because what happens is that you need two things to get a good job. You need a positive work history and you need skills. If one or both are missing, you're not going to get a good full-time job.

And so if you go to an employer and you say, "Look, I've got this great Ph.D. and great skills, but I've never worked a day in my life and I'm 45 years of age," that employee is unlikely to say, "Gee, just because you got a Ph.D., come work for me."

On the other hand, if you say, "Look, I've worked for 20 years straight, but I don't have any computer skills," it's unlikely you're going to get a job in a computer company.

What you need is you need both—

Mrs. MCCARTHY. I'm actually just—

Mr. HORN [continuing]. A work history and good skills.

Mrs. MCCARTHY. What I'm actually talking about is that basically in New York, where I see these women that certainly have wanted to work—I work with a number of homes that are unwed mothers, they go out, they have to work, obviously, to be in the program.

The only things that's good for these particular mothers is basically the homes that they're in, they have volunteers that watch the kids during the day, so they don't have to go to day care.

Most of them end up going to school, whether in the evening, you know, because we're trying to get them skills so they can get out there and get decent jobs, because even in the course of living, you know, and I can't speak for other states, but if you're in New York, even if you're making—if you live in my area—and believe me, we're mostly middle-income families, middle and, you know, working poor, as I call them—they can have two or three jobs at \$7 and \$8 an hour; you're not going to find an apartment, you're not going to be able to certainly move up the ladder.

Because I've been working with these young women for too many years, and most of them, even when they graduate from the program, come back at every opportunity just to get food.

So with that—but I'm going to go back to something else again, because I know we have a confusion on the monies. When you talk about, you know, the child care funding through the Child Care Development Block Grant, you know, it's been frozen technically since 2002, so when we start looking at the states that you're saying have had a surplus, which they might have had in the past, do we actually know if the states have a surplus per se for 2004 to 2005?

Going with testimony of Mark Green, who is following yourself on this panel, it has been suggested that reauthorization could unlock as much as \$2 billion in unobligated prior year TANF funds, which currently would only be used for assistance, which could be used for allowable TANF purposes under the pending bill.

He supports the proposal to broaden allowances for the reserve funds, but enacting this proposal would not free up significant new resources for child care for two reasons.

First, the majority of the states have already effectively used their obligated funds for child care by rearranging how current and carryover funds are spent.

The second part, and I can't read the whole thing because I'll run out of time, the last 3 years, states have spent more in TANF-funded benefits and services than they have received in their annual block grants and have drawn down prior year funds to help pay for current service levels.

This strategy cannot be sustained, especially when the question my colleague, Ms. Davis, had mentioned that this might be a \$2 billion increase and that would be it, then our states are going to be in a problem.

And I guess I follow through with, you know, I spent some time over the last break going to day care centers. They're already getting hit.

Now, I'm lucky. I have some great day care centers around me. Hard-working families middle-income families, and then they take in maybe 30 or 40 families coming off welfare.

Oh, and I used up my time. Rats.

And they're going to have to let all these kids go, because the state has already cut back on the funding, they're not going to be able to stay in here, and per se, you know, here you have an opportunity for these kids to be in, in my opinion, good day cares versus just sticking them into a day care and they're not getting an education or anything else like that.

Mr. HORN. Congresswoman, just to use your state as an example, the state of New York has \$239 million in unobligated carryover balances, \$239 million.

Mrs. MCCARTHY. When did that come through? What year is that?

Mr. HORN. That's through September 30, 2004.

Mrs. MCCARTHY. September 30th?

Mr. HORN. 2004.

Mrs. MCCARTHY. Well, why aren't they using it, then?

Mr. HORN. Because they can't.

Mrs. MCCARTHY. Because they came down—it's not—

Mr. HORN. That's the problem.

Mrs. MCCARTHY. It's not getting down to the day care centers.

Mr. HORN. They can't use it right now. That's the point. The point is they cannot use that money, not a penny of it, for child care.

Pass this bill, and New York tomorrow could use \$239 million in additional funds for additional child care services.

Mrs. MCCARTHY. It doesn't make sense.

Chairman MCKEON. The gentlelady's time has expired.

Mr. Secretary, thank you very much for your time, your valuable testimony. We have been called now to vote. We will excuse you and we will recess for 20 minutes, give us time to vote and come back, and we'll begin the new panel.

Thank you very much.

Mr. HORN. Thank you.

[Recess.]

Chairman MCKEON. The Subcommittee will come to order.

I apologize. One vote became two votes.

We're now ready for our second panel. I'll introduce the panel.

First will be Mr. Curtis Austin, president and CEO of Workforce Florida, which is Florida's State Workforce Investment Board.

Mr. Austin is responsible for coordination of statewide workforce initiatives.

Prior to holding this post, Mr. Austin served as staff in the Florida Senate and was a faculty member in the College of Communication at Florida State University.

Mr. Austin is a graduate of the great Brigham Young University and attended the University of Southern California.

Next, we'll hear from Dr. Larry Mead, professor of politics at New York University.

Dr. Mead teaches public policy in American government. He's an expert on the problems of poverty and welfare in the United States.

Among academics, he was the principal exponent of work requirements in welfare, and is also a leading scholar of the politics and implementation of welfare reform programs.

Dr. Mead has consulted with Federal, state, and local governments in this country and with several countries abroad. He received his Ph.D. in political science from Harvard University.

Then we'll hear from Ms. Casandra Fallin, executive director of the Baltimore City Child Care Resource Center.

Ms. Fallin oversees a variety of services designed to enhance the quality, accessibility, and affordability of child care in Baltimore City.

The center's services include resource and referral counseling for parents and employers, recruitment and training of child care providers, technical assistance to providers, data collection, and community education designed to increase public awareness of child care issues.

Her agency also is a delegated Head Start agency.

Prior to joining the center, Ms. Fallin was employed with Maryland Department of Human Resources for more than 25 years. She started at a very young age.

She also has served on numerous boards and committees that address issues surrounding children and youth.

Finally, Mr. Mark Greenberg, director of policy for the Center for Law and Social Policy.

Mr. Greenberg focuses on issues relating to Federal and state welfare reform efforts with particular focus on job programs, education and training, and child care issues.

He has written extensively on the implementation of Federal welfare reform law and made presentations before numerous state associations and advocacy groups.

Prior to joining CLASP, Mr. Greenberg worked for 10 years in legal services programs.

Mr. Greenberg is a graduate of Harvard College and Harvard Law School.

And I'll give you the same reminder I gave to the Secretary, and to the Members. We have a 5-minute time limit.

The time, Mr. Austin, is yours.

**STATEMENT OF CURTIS C. AUSTIN, PRESIDENT, WORKFORCE  
FLORIDA, TALLAHASSEE, FL**

Mr. AUSTIN. Thank you, Mr. Chairman and Members of the Committee.

Every morning in Africa, an antelope wakes up. It knows it must outrun the fastest lion, or it will be killed; and every morning in Africa, a lion wakes up and it knows that it must run faster than the slowest antelope, or it will starve.

It doesn't matter whether you are a lion or an antelope. When the suns up, you better be running.

Florida understands that when we started the great movement toward welfare reform, that there were things which were of life and death importance in many people's lives that we would have to be able to deal with every day.

In 1994, the state was very frustrated with what they saw was a myriad of different government entities that were dealing with all sorts of these different parts.

One of those was the employment office. Employment became a critical piece as we passed welfare reform. We said, how are we going to be able get a person a job?

But we had already developed those offices in multiple different places.

We developed them for veterans and for dislocated homemakers, or dislocated workers, for youth, for all sorts of different people, and we found out that at least in eight different agencies in Florida, we were providing employment services.

We were taking the capacity of the state, what little money we did have in that, and developing that same capacity time and time and time again, in different agencies.

Florida decided that we would no longer do that, that we would consolidate those resources together.

And so the model that we developed, with the flexibility that the Congress gave us, was to be able to focus around functions of government, not upon funding streams.

The employment office became the key. We saw employment as critical for self-sufficiency. We also saw it critical to be able to eliminate the stigma that former welfare recipients have, or to be able to teach dignity and respect.

We saw it as a place to be able to gather together all the resources that might be able to help a person be successful.

The employment office was the front door to that opportunity.

One of the other reasons why that was so critical is that we looked at it as a way that we might be able to bring together additional resources.

The workforce boards, which you all created also, in another piece of legislation, brought together a whole series of players.

I was very impressed in the first discussion that you had earlier today about how often people assume that only the resources that were available in this money were used for these resources, that all the child care money happened to be here, that all the employment money happened to be here.

On those workforce boards, you brought together education, you brought together the workforce system, you brought together the community-based organizations and the faith-based organizations, you brought together other community-based providers; and they have a whole lot of resources that also address these exact same problems.

In another life, I sit—as a member of my church, I preside over nine congregations in my church. That's not a paid position. And I deal with as much welfare issues probably as they do at the welfare office, every Thursday night.

Those resources were brought together at that board to be able to say, how do we start to be able to solve problems?

Now, how much money you appropriate to us matters a lot in Florida, but the fact of the matter is we have a problem to deal with whether you appropriate lots or none.

And so we said, we need to be able to get onto the issue of how do we fix that problem?

Since 2000, when the major restructuring took place in the state of Florida, with the state-level dollars along, \$100 million devoted to training, we've trained over 225,000 people at the state level, but we had to get \$400 million in matching money. Most of it came from the private sector.

We didn't argue with the legislature or with the Congress on how much money. We said, "There are people who will benefit from this. Let us go out and find that money."

There was a lot of discussion earlier in the presentation here about whether we have work-first or we train first. We think it's a misnomer.

Everyone is right. If you get a lot of education, you're going to be able to be less likely to be poor.

How do you get people to complete? The history of these programs is not that they complete their programs if we start to be able to train them first.

So what Florida has done, and one of the examples in my written testimony gives you, is about what we call the career advancement and retention challenge.

What happens if we look at all the people, not just those who come in for cash assistance, but all who otherwise qualify for these programs, and train them on the job with their employer?

You'll see wage gains of over \$10,000 a year, because there is an incentive there for you to complete your training when your boss is paying for part of your training, and when it's a mandate for your job.

The issue isn't whether education is important or whether work is important. Everyone agrees they're both important.

The issue is, how do you pair those two pieces together to make sure a person completes that training and stays on the job and is retained.

And when the business person becomes the partner, then all of a sudden, the world starts to be able to change.

The Florida system was designed not by government, not by social service advocates, but was designed by the business community.

We held hearings throughout the state to be able to say how can we fix the problems that are going on; how do we engage the Chambers of Commerce; how do we get the Economic Development Organizations; how do we in fact get the employers to make this part of their assignment?

They all are the ones who designed the system and said, "If it comes through an employment office, and I know the person has got a skill set, we can deal with them."

Skill sets mean, will you show up every day and will you call if you can't come.

The employment office is given the resources to keep the person coming. You don't have child support today, you don't have—I mean child care money today, I can pay for your child care. You don't have gas money today, here's a gas coupon. You don't have a bus ticket, here's a bus ticket.

In those one-stop centers, the resources are placed there to be able to make sure that there is no excuse that a person can't go to a job.

Is it always easy? No. Are resources tight? Yes. But the fact of the matter is, we have put together the business leaders in the business community there and all of the government communities there, and education, to be able to solve that problem, and that's what the one-stop system is about.

Those local one-stops, those local workforce boards have been tasked specifically to be able to find those resources.

Are we finding, do we have continued problems in being able to get everybody's needs met? Yes. But when we got rid of the system of entitlements and started to say how do you invest what resources you do back into the community, things changed.

Twenty-seven months of sustained job growth in Florida is a testimony not only to the fact that we're a low-tax state, but we're a state where there's been consensus.

In Florida, this isn't an R/D issue. It's not a Republican/Democrat issue. Multiple administrations, Governor Chiles, Governor Bush, both have supported it. It is not a rural or an urban issue.

It is a way in which the state has been able to say, we are going to stop arguing about what resources we are given and give the business community the responsibility at the local level to figure this out.

And so no longer do we spend our time arguing about what you're going to give us, but how is the next process that will be able to develop the economy in any given part of the state.

I think that the thing that frustrates us sometimes is that there's a lot of bureaucracy in the back pieces of that, and I think that frustrates you-all, also. I mean, most of you have been in your own communities. You understand what your intentions are as you pass a piece of legislation and what they roll out to you sometimes are not the same.

If we can keep the focus on how we get to the end of the road and those outcomes, and if you can continue to increase the flexibility given to states, then those things can take place.

But hold us strictly accountable for those outcomes. We have no problem being held to strict accountability on outcomes.

Florida has received \$76 million in TANF bonuses, 48 million of that since the year 2000. All of it has come for employment performance. None of it has come from putting people on other forms of welfare, such as food stamps or Medicaid. We are proud of that fact.

Are there people in the state who need those additional resources? Yeah. But we are most proud of the fact that we've been able to change the system so that it has become an employment system, and not a system of public assistance.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Austin follows:]

**Statement of Curtis C. Austin, President, Workforce Florida, Tallahassee, FL**

"Every morning in Africa, an antelope wakes up. It knows it must outrun the fastest lion, or it will be killed. Every morning in Africa, a lion wakes up. It knows that it must run faster than the slowest antelope or it will starve. It doesn't matter whether you are a lion or an antelope when the sun comes up, you'd better be running." An African Proverb

Florida owes debts of gratitude to many for the success of welfare reform. Foremost, it owes a business community that has stepped forward and redesigned serv-

ice delivery systems. The Chambers of Commerce and Economic Development Organizations have changed the dynamic so that Florida One-Stops more consistently provide skilled labor to the employer community, rather than ask businesses to “help us with our problems” based on civic responsibility. Florida appreciates the past work of the Congress and the Department of Health and Human Services for granting considerable flexibility to states to figure out how to best implement welfare reform.

Many Florida lawmakers have assisted Governor Jeb Bush and the late Governor Lawton Chiles in exercising leadership and utilizing the flexibility provided by Washington, to create a demand driven, one-stop system providing workforce services to the employer and employee communities that today assists in maintaining Florida’s vibrant economy. That system has responded to periods of low unemployment, to the difficulties of 9/11, and a season of unusual hurricane activity with timely responses to business needs. In Florida, we know that the 27 months of sustained job growth that we have experienced is not just because of workforce development, but we hope that we have been part of the secret to success.

In the past five years, the public employment system in Florida has trained more than 225,000 people to be more productive as they compete in the 21st Century Economy. Workforce Florida has used state level funds (federal and state funding) to target high skill, high wage occupations, training over 127,000 employees with appropriations of more than \$100 million matched with more than \$400 million in local and private sector resources to truly partner with the business community for success of all Floridians, including those who began as welfare clients.

*How is Florida “Organized?”*

#### *Consolidated and Coordinated Administration*

Policy makers in Florida began in the mid-1990’s to rethink the delivery of services to clients of its “employment services.” The federal and state governments had, over a long period of time, assembled significant resources to assist job seekers and businesses in finding appropriate employment arrangements. As policy makers addressed the needs of specific groups (welfare recipients, veterans, youth, “dislocated workers,” the disabled, youth “aging-out” from state custody, ex-offenders, older workers, displaced homemakers, displaced professionals, etc.), employment programs multiplied. Job training and placement programs were housed in a variety of governmental agencies. Many of these programs delivered the same services to differing and, at times, the same clientele.

Most of the programs included: facilitated job search, development of soft skills (dress and appearance, business etiquette, resume construction and interviewing skills, etc.), access to job openings, and some form of skills training. Eventually a consensus developed among policy makers that it would be cheaper and more effective to coordinate the administration and delivery of such services than to duplicate them in multiple governmental agencies. Florida began to abandon the organizational structures that had arisen around “the buckets of money” and started to focus on the outcomes desired.

Recognizing that the key to success of these employment programs was the ability of Florida employers to provide “good jobs,” Florida turned to the business community to organize the system. Anticipating changes at the national level, Florida began its primary restructuring in 1996. The business community had little faith in government to timely respond to business needs. In an attempt to orient the bureaucracy to labor market needs and to keep focus on the business customer, Florida launched public-private partnerships to spearhead its economic development (Enterprise Florida, Inc.) and workforce development (The Jobs and Education Partnership) efforts. Florida also created a state level board, outside of the direct control of the state agency traditionally tasked with welfare programs, to direct welfare reform (The State WAGES—Work And Gain Economic Self-sufficiency—Board). These partnerships crossed traditional agency lines and funding streams, effectively narrowing the focus of all programs to the employment goals shared by the policy makers that had created the various funding streams.

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 allowed Florida to create a structure to enable the transition of welfare recipients from the “world of government assistance” to “the world of work” through one-stop centers. The law ended low-income families’ entitlement to cash assistance and replaced it with a block grant to states. The Temporary Assistance for Needy Families (TANF) block grant gives states broad discretion and flexibility to reform, design and operate welfare programs for families with children, but places a strong emphasis on employment-oriented services by requiring families to meet work requirements and states to meet work participation rates.

In 1998 Congress passed the Workforce Investment Act (WIA), which overhauled the federally-funded system for job training and other employment-related services for adults, dislocated workers, and youth. WIA was intended to address concerns about the fragmentation of federally-financed job training efforts, and the weak performance of many programs financed under the Job Training Partnership Act. The principal policy response to this fragmentation was the requirement that every local workforce board create a “one-stop” delivery system in which many local entities operating key federally-funded programs must participate and in which individuals could more easily access programs and services regardless of funding source or administering agency.

TANF was not one of the partners federally mandated to participate in the new one-stop system. However, the flexibility in the 1996 TANF legislation allowed states to define service delivery models that best met the needs of families in each state. Florida used that flexibility in setting up the workforce one-stop system with the goal of meeting the needs of job seekers, incumbent workers, and employers. The one-stops, among their other responsibilities were tasked with providing employment services to those families with work requirements under TANF.

Florida further refined its model with the passage of the Florida Workforce Innovation Act of 2000. Consolidation of many of the workforce funding streams was completed and Workforce Florida, Inc. (the designated state workforce development board) was born from a merger of The Jobs and Education Partnership and the State WAGES Board. The Legislature created Workforce Florida, a private not-for-profit corporation, and designated it as the principal workforce policy and oversight organization for the state. Workforce Florida’s purpose is to design and implement strategies that help Floridians enter, remain in, and advance in the workplace. The Agency for Workforce Innovation was also created by the legislature as Workforce Florida’s administrative agency, and tasked to insure that the state appropriately administers federal and state workforce funding by administering the plans, policies and oversight responsibilities of Workforce Florida.

#### *Local Delivery of Services*

Florida’s integrated workforce system includes a variety of employment and training programs, some of which are funded through the state’s TANF block grant. In addition to WIA and TANF funded employment services, the workforce one-stop system also includes Wagner–Peysner services, Food Stamp Employment and Training services, Veterans employment services and resources for filing unemployment claims telephonically or via the internet. The workforce one-stop system is no longer the welfare office, the unemployment office or the job training office—but rather the public employment center where all services that support employment including labor market information, available job listings, relevant training opportunities, work supports, career counseling and assessment to identify and address barriers to employment are provided.

Florida has 24 regional workforce boards which oversee the delivery of services to families and all Floridians through the workforce one-stop system. These regional boards work very closely with local Department of Children and Families staff who deliver eligibility determination for cash assistance; with local Partnership for School Readiness staff who oversee child care services; and with local economic development organizations who facilitate partnerships with local businesses. These organizations work with other local partners to ensure that programs and services do meet the needs of local families and local businesses; that resources are maximally leveraged; and that duplicative administrative costs are eliminated.

#### *What Key Principles Guide the System?*

The front door to the system is the employment center, not the welfare center. The workforce system strongly embraces the concept that is articulated in Chapter 445, Florida Statutes, of breaking the welfare culture from the very first contact with the system. The ability to direct individuals to employment activities rather than just sign them up for cash assistance is the way the system was conceived and codified in law. Florida’s “work first” philosophy is rooted that many of the cash assistance clients were (and are) single mothers who have not been fully prepared for the working world. It was reasoned that many of the skills that welfare clients would need to be self-sufficient (showing up on time, calling if you were sick, etc.) would best be taught in the workplace, by trial and error. While some bemoaned the initial “churning” as employees found and lost employment, that process was critical for full transition to self-sufficiency. It was not unusual for employees to be hired into a series of part-time jobs (sometimes simultaneously) and even sometimes multiple full-time jobs until they found a “permanent” position.

The workforce system partners support the concept that the dignity of former welfare recipients is advanced by being productive participants in the state's job market. One-stops have been empowered to do what is necessary to reinforce the value of work. Florida authorizes the one-stops to divert potential clients from cash assistance, if providing resources (bus tickets, gas coupons, child care, etc.) can keep an employee working, rather than signing up for cash assistance.

When cash assistance is given, it must be as an aide to employment and self-sufficiency. All other public assistance (food stamps, child care, Medicaid and other health assistance programs, public housing, etc.) were all viewed in the same light. All state welfare programs became part of the employment process which enabled the former welfare client to become more and more self-sufficient. The system was designed with incentives and penalties to motivate those receiving cash assistance to move off of welfare. Those who chose employment were better off each step of the way. Sliding scales for assistance allowed them to have greater and greater resources.

Employers should not be confused or burdened by competing government funded employment agencies. The current system design for delivery of services was generated from a Florida Senate project that solicited input from all relevant parties, including the employers of Florida. The employer community validated the value in consolidating the service delivery system for welfare clients, dislocated workers and other WIA funded clients, veterans and disabled veterans and the public labor market exchange functions (Wagner/Peyser) into the current one-stop system. Business does not want to deal with multiple offices chasing the same employment opportunities, and wants one interface for all employer services. Importantly, the workforce system now is focused on meeting the needs not only of TANF eligible clients, but also of the business customers whose partnerships are critical for offering opportunities for career advancement and for creating jobs.

Outcomes matter. Whether assessing the progress of welfare transition clients, service providers, or the regional workforce boards that oversee the one-stop system, attention to outcomes has changed Florida's approach to employment programs, including those for TANF clients.

*How has the system worked?*

#### *High Performance Related to Case Reduction*

Florida has consistently been ranked in the top four states nationally relative to caseload reduction. As of the end of February, 2005, the number of Families containing an Adult that were receiving Cash Assistance in Florida was 20,968, a 86% reduction from the 152,436 cases as of the time TANF was enacted in 1996.

#### *High Performance Related to Employment*

Florida's welfare transition achievements include not only ranking in the top four nationally in caseload reduction, but also ranking among the top performers in work-related measures—job entry rate, job retention rate, earnings gain rate; and in annual improvement in those work-related measures—increase in job entry rate, increase in job retention rate and increase in earnings gain rate. Over the last six years (beginning in 1998) Florida has earned approximately \$73 million dollars in TANF High Performance Bonus (HPB) awards for outcomes in the work-related measures. Florida earned an additional \$3 million related to Family Formation and Stability.

Approximately \$48 million of the \$76 million high performance bonus dollars noted above have been earned for years 2001, 2002, and 2003 which are years after Florida implemented the integrated TANF/WIA workforce one-stop system. The Department of Health and Human Services awarded Florida \$28 million for 2001 (\$10 million more than any other state), nearly \$10 million for 2002 (Florida ranked 4th in the nation in work-related measures) and \$10.2 million for 2003 (Florida ranked 1st in increased job entry rate).

Focusing on "work first," the Florida workforce system has successfully placed welfare clients onto the first rungs of career ladders that are allowing them to enjoy, in many instances for the first time, the rewards of productive employment. Florida used the flexibility in the existing TANF Legislation to conduct demonstration projects identifying promising service delivery models for post-employment services to be replicated throughout the state. Two of the successful programs that started with "work first" and proceeded to "train next" provide examples of Florida's approach.

## PASSPORT TO ECONOMIC PROGRESS (PASSPORT)

## WORKING ONE-ON-ONE WITH INDIVIDUAL

The Passport to Economic Progress is a post-employment program and clients must be employed and earning less than 150% of the Florida poverty level to participate. Passport was designed to work with individual employees to provide incentives to gain skills to increase their salaries. Passport offers performance based incentive bonuses contingent upon achieving specific benchmarks prescribed in the client's self-sufficiency plan. The self-sufficiency plan is developed by the client in consultation with the career manager, is based on her/his objectives to become self-sufficient and emphasizes the importance of individual responsibility. The Legislature intended to create through this Act a demonstration program for the provision of such incentives and services with the goal of developing a model for the continued evolution and enhancement of welfare-reform efforts in Florida.

Outcome data compares the wages of Passport clients from the 1st quarter of the program year to the 4th quarter of the year and also to the wages of the control group (employed clients who had exited cash assistance for a job during the same time period as the Passport program but were not enrolled in the post-employment Passport program). There is also data that compares the employment rates for the Passport group to the control group.

- During the 1st quarter of the Passport 03–04 program year, passport clients were earning median quarterly wages of \$2,527 (annualized wages of \$10,108). These same clients were earning median quarterly wages of \$3,087 (annualized wages of \$12,348) in the fourth quarter of the program year, a 22% gain in earnings over the year. Clients in the control group earned median quarterly wages of \$2,595 (annualized wages of \$10,380).
- During the 4th quarter of the Passport 03–04 program—82% of Passport clients retained employment compared with 49% of the control group.

## CAREER ADVANCEMENT AND RETENTION CHALLENGE

## WORKING WITH EMPLOYERS

In many of its employment training programs, Florida decided not to treat those who had applied for cash assistance differently from those who did not apply, but would have qualified. In many of the employment programs, former clients and those most likely to become cash assistance clients (low-income and food stamp clients) were also include in training initiatives.

The CARC project is a program designed to train those who have obtained employment, but are not yet self-sufficient. Participants must be employed and earning less than 200% of the Florida poverty level. CARC projects are predicated on partnerships among local employers, TANF eligible employees, training providers and the workforce one-stop system. Regional workforce boards work with employers to identify innovative approaches to achieving career advancement and job retention for TANF-eligible, employed workers.

One of the keys to this approach is that it allows training for all qualified employees at a given worksite, rather than waiting for such workers to contact the one-stop individually. Such innovative approaches may include, but are not limited to creative, non-traditional training programs, support services and mentoring services. The Regional workforce board staff work with the employer and employees to plan a training program that considers the employees' regular work schedules, the needs of the employer, opportunities for earnings gains and advancement upon completion of the program and what leveraged dollars or in-kind contributions will be made by the employer or training provider. The program emphasizes measurable outcomes for the employees and employer.

Outcome data compares the wages of CARC clients from a defined pre-program period to defined post-program period and also to the wages of the control group (employed clients who had exited cash assistance for a job during the same time period as the CARC program but were not enrolled in the post-employment CARC program). There is also data that compares the percentage of CARC clients retaining employment to the control group.

- During the second and third quarters preceding the beginning of the CARC 02–03 Program—CARC clients were earning median quarterly wages of \$5,081 (\$20,324 annualized). During the second and third quarters following the end of the CARC 02–03 Program—CARC clients were earning median quarterly wages of \$7,732 (\$30,928 annualized). Earnings increased approximately 52% from pre-program to post-program. This compares with the control group's median quarterly wages of \$3,064 (\$12,256 annualized).

- During the first quarter following the CARC program 82% of the CARC clients retained employment and 82% retained employment during the second and third quarters following the CARC Program. During the same time period, fiscal year 02–03—64% of the control group were employed and earning median quarterly wages of \$3,064.

*Recommendations for TANF Reauthorization*

TANF Reauthorization should build on the existing flexibility in the current TANF legislation. Currently states have flexibility to design welfare service delivery models and discretion to use TANF funds for non-cash services such as child care, transportation and employment services. These services should continue to be available to not only families receiving monthly cash assistance checks but also to families who have exited the cash assistance program due to employment, working poor families who have never received cash assistance but are defined as “needy” in that they are earning less than 200% of the FPL for their family configuration and for non-custodial parents. The focus of the TANF program services must be on helping all needy families move along the continuum to self sufficiency.

Additional flexibility would include the following:

- Fully funding the TANF block grant and supplemental grants to states—I would note here that even though Florida’s TANF caseload is currently approximately 21,000 families with an adult subject to time-limits and work activities—we actually provided employment-related services to approximately 140,000 TANF eligible families during fiscal year 03–04;
- Increasing state flexibility in the use of funds and allowing states to designate a contingency reserve with unobligated funds—We learned first hand during the 2004 hurricane season the criticality of being able to respond quickly to conditions that can change from a situation in some localities of near full-employment, with a desperate need for additional workers, to one of significant layoffs. Priority services and priority programs may change over-night. Today, changes occur quickly and must be responded to quickly. The introduction of a major employer or the loss of the same can also dramatically change the economic situation. The flexibility of the TANF block grant has allowed us to organize our local operations to respond swiftly and in the targeted locations to changing local conditions. The integrated TANF/WIA service delivery model in Florida has also proved beneficial in allowing us to be responsive to changing local conditions;
- Unlocking surplus funds that currently can be used only to pay benefits (not for child care, job search, transportation, training, etc.)—These funds can be used to provide employment related services to thousands of TANF eligible Florida families to help them achieve self-sufficiency;
- Allowing spending on all families, reducing out-of-wedlock births and family formation to count toward the MOE requirement—This will recognize the importance of providing and measuring outcomes of these programs if they can be counted toward the MOE requirement; and
- Providing a framework for state program integration demonstrations—Florida welcomes the opportunity to further integrate our workforce one-stop system. Florida has taken the increased freedom granted under the Workforce Investment Act to begin an outreach to business. Building a skilled workforce is one of the most urgent challenges to ensuring Florida’s economic competitiveness, particularly for our value-added targeted industries statewide. Engaging the business community not only insures jobs for all job-seekers, but assists in the state’s aggressive pursuit of other sources of funds for existing training programs and potential expansion of services.

We look forward to the new TANF Legislation offering even greater flexibility as we move into this next phase of welfare reform and build on our successes.

TANF Reauthorization should first focus on outcomes. Florida strongly encourages the model of demanding high performance and providing flexibility in obtaining the performance goals. If processes are dictated, the resources any given state can use to maximize performance are significantly decreased. I would urge you to make clear your desired outcomes, and then let the states and local areas find a way to accomplish those goals taking advantage of local conditions. We have used an incentive award system in Florida for four years, similar to the work measures in the TANF High Performance Bonus Awards, rewarding local regions with additional resources for a job well done. It has been one of the great drivers for system-wide performance improvement.

The outcomes must answer these basic questions:

1. After all is said and done, did the person get a job?

2. How valuable are the skills that person has acquired in the market place? (or How much did he or she make?)
3. Have they been able to retain their employment? and
4. How much is this costing us?

Florida has now tracked these same measures for three years. Combining effectiveness measures and efficiency measures allows assessment of a system and allows comparison with other service delivery systems. These questions are reasonable and should allow the federal government to assess whether the funds are being properly invested in communities or not. They allow individual states to add additional measures to ensure that the needs of a particular state are addressed.

While we have heard concern that measuring efficiency can divert attention from the hardest to serve, that has not been our experience in Florida. Florida's look at "efficiency" has revealed the duplicative administration of the public workforce system. It is not unusual for administrators in one part of the system, to be frustrated and purchase duplicative services elsewhere, rather than fix what seems to be broken. For example, when labor market information is provided in less than friendly format to businesses, purchasing the same type of data a second time—rather than fix the service already being provided by the system—should not be the first solution. Measures of efficiency are important because service costs are driven lower—not with decreased services for those who need them, but by forcing the bureaucracy to work for economies of scale in purchasing and partnership in procuring services.

- We support the concept of the Employment Achievement Bonus as this focuses on essential work measures.
- We support the concept of an employment credit that includes diversion as this provides us with the flexibility to design our local programs to meet the needs of job seekers and achieve the required participation rate.
- We support the concept of allowing states to claim partial credit for part-time work as this will allow us to design programs to better serve clients with specific barriers and still achieve the required participation rate.

Again, we believe that building on the existing flexibility in the current TANF Legislation and focusing on outcomes will allow us to continue integrating our public assistance programs into our comprehensive workforce one-stop system. The public workforce system is designed to direct entry level employees not only to new jobs, but to increased skills to insure that each worker who obtains employment can become self-sufficient. The reauthorization of TANF Legislation will help us provide thousands of Florida families with accessible programs and services that will allow them to reach the ultimate goal of self-sufficiency. As the House addresses reauthorization, I would hope the elements I have discussed are considered so that our integrated workforce one-stop system can successfully transition into this next phase of welfare reform.

TANF reauthorization must not lose its focus on work. States are subject to fiscal penalties for, among other reasons, failing to meet work participation rates, failing to implement the five year time-limit, and failure to impose sanctions on those who do not comply with program requirements. Florida has consistently supported these requirements. Because of its caseload reduction, Florida has been, in effect, exempt from participation rate requirement for many years. Nevertheless, while we believe a sense of fairness requires consideration of past performance, the additional pressure to continue to transition welfare recipients to self-sufficient workers is welcomed by the policy structure in Florida.

As the outcomes from our post-employment programs indicate, continuing to work with employees and employers to address skills upgrade training benefits both the worker and the employer. We submit that a strong pre-employment and post-employment service delivery model is essential to achieving the overarching goal of self-sufficiency for Florida's families. "Work" is the key to self-sufficiency and should be celebrated by all who work in this system.

In conclusion, I would suggest that the focus on work not only assists in good economic times, but also in slower periods. As Florida discovered when the economy softened post 9/11, an additional safety net is created by the employment system for low-income Americans. Florida saw relatively little change in the cash assistance caseload, as the Unemployment Compensation system was the first level of safety net for the thousands who had a record of employment. Such safety nets are critical if we know that every day we must "wake up running."

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Chairman MCKEON. Thank you.  
Dr. Mead.

**STATEMENT OF LAWRENCE M. MEAD, PROFESSOR OF  
POLITICS, NEW YORK UNIVERSITY, NEW YORK, NY**

Mr. MEAD. Thank you, Mr. Chairman.

I'm very pleased to be here.

I've been researching welfare and welfare reform for almost 30 years, and I think I've learned a little about it. I'll be speaking today in part on the basis of a book I published last year on welfare reform in Wisconsin, which involves other states, as well.

Other witnesses have commented on how successful TANF has been. The thing that I want to emphasize is that that success depends crucially on tying welfare very closely to employment, so that those who go on and or apply for aid have to do something immediately to deal with employment.

The chief question facing reauthorization is how to bring that link tighter than it's been, and in this respect, I want to mention a set of issues which others have barely touched on today, and these have to do with a series of loopholes in the old law, in the way TANF is written currently.

The effect of these rules has been to exclude an important part of the caseload from having to meet the work requirements.

One of those ways, the only ones that's been mentioned, is the caseload fall credit, which has the effect of reducing the standards that states have to meet for the work participation rate.

The current bill and the administration propose a replacement credit of various kinds. I would not. I would simply eliminate this credit and hold the states accountable for the 50 percent rate which is in the current law, phased in over several years.

It's important to seek simplicity and clarity, to make clear what the standards are.

The trouble with the current bill's approach is that it ostensibly raises the threshold to 70 percent, but then there are various credits and offsets and exclusions which affect—have the effect of reducing the operative rate to something like the 50 percent we already have, so I would eliminate the credits. I would simply go to the 50 percent rate and enforce it more clearly.

In addition to the caseload fall credit, there's the problem of partial sanctions.

The current law allows states to exclude simply the adult from the grant in the case of noncooperation with the work test. That's a serious problem in California and New York, the states with the largest caseloads.

In New York, it's virtually impossible to apply the work test seriously, because something like 40 percent of the cases, or 30 percent, are outside—they're in sanction status, and therefore, in effect, outside the work test.

A further issue is child-only cases. Currently, 37 percent of the caseload is child-only. These cases escape the work requirements and the time limits.

In addition to this, these programs are TANF-funded. In addition, some states have separate state programs which they use to put cases that are at the time limit or which have been sanctioned. These separate state programs are not TANF-funded, but they have the effect of excluding important parts of the caseload.

This Committee should address how to bring the state-only programs and the child-only cases under the work test. I think there are a number of ways to do this, and I discuss this in my testimony.

Probably the most feasible might be simply to include these programs in the denominator of the calculation for a state's participation rate, so the states will have some incentive to restrict the number of cases going into these categories.

Without this, unless we address the child-only issue in particular, you do not have a complete work test intent.

Now, alongside these exclusions of various elements of the caseload, I think the issues the committee has addressed are important, but less important.

The committee proposes that there be enhancements in the percentage of participation rate that a state has to achieve, and also the number of required hours be raised from 30 or 25 to 40.

I recommend against these steps. I think that it's infeasible as a practical matter to expect to see 70 percent participation without the various offsets and exclusions and so on, which really make it 50 percent. Let's be honest. Let's go for the 50 percent and enforce that, and not claim we're doing something more.

And the same with the 40 hours. We can't do that as a practical matter. We can do 30 hours.

I base this on the Wisconsin experience. This state has extraordinary administration. They rebuilt welfare from the ground up. It's the most unusual performance, really, in welfare reform that the Nation has seen.

This state does not achieve 70 percent. This state does not achieve 40 hours. If this state can't do it, nobody can do it.

Now, I agree with the Secretary's statement that we have to seek full-time jobs, but that's a different point from mandating a certain number of hours for the state. What TANF initially does is mandate the state, sets standards for the state, and the state then sets standards for the caseload.

If we really enforce the 50 percent and the 30 hours, rather than claim to do it and then do something—claim to do more and then do something less, if we really enforce the 50 percent and 30 hours, we will transform welfare, particularly if we also eliminate these exclusions, and especially the partial sanction and the child-only cases.

It's like tax reform. The goal should be to broaden the base, and if you broaden the base, then you can actually limit how much you have to impose on the people that you are taxing.

Same thing here. Broaden the base of the work test. Bring in all these excluded groups. And then you won't have to go beyond 50 percent or 30 hours.

[The prepared statement of Mr. Mead follows:]

**Statement of Lawrence M. Mead, Professor of Politics, New York University, New York, NY**

I am a Professor of Politics at New York University and a longtime student of welfare reform. I've written several books on the subject, most recently a study of

welfare reform in Wisconsin.<sup>1</sup> I appreciate this chance to testify on the work and child care provisions of H.R. 240, which would reauthorize Temporary Assistance for Needy Families (TANF).

*The Success of Reform*

Welfare reform is unquestionably a success. Since their height in 1994, the rolls in AFDC/TANF have plummeted by over 60 percent. The overall poverty rate fell from 14.5 percent in 1994 to 11.3 percent in 2000, before rising to 12.5 percent in 2003 due to the recent recession. For children, the equivalent figures are 21.8, 16.2, and 17.6 percent.<sup>2</sup> These gains are less dramatic than the caseload fall but still notable. Other research establishes that the noneconomic effects of reform on families and children have also largely been positive.<sup>3</sup>

Most analysts think that the main force behind these gains was that work levels among poor heads of family rose. In 1993, only 44 percent of poor female heads with children were employed, only 9 percent full-year and full-time. These figures rose by 1999 to 64 and 17 percent, before ebbing to 55 and 16 percent in 2003.<sup>4</sup> Like the caseload fall, the work gains reflected TANF's stiffer work requirements as well as good economic conditions and new subsidies for wages and child care. Yet most studies conclude that welfare reform was the most important of these forces.<sup>5</sup>

The new work requirements diverted many families into jobs who might previously have gone on aid. Under JOBS, the predecessor of TANF, the share of AFDC cases meeting work participation norms rose from 22 percent in 1994 to 33 percent in 1996. Under TANF, much more of the caseload was made mandatory for work and the hours demanded increased, yet the work participation rate still rose from 31 percent in 1997 to 34 percent in 2000, before falling to 33 percent by 2002.<sup>6</sup> By a broader measure, 19 percent of cases were active in 1994, rising to 43 percent in 2001.<sup>7</sup> While the majority of cases were not yet meeting the work test, the pressure to work was sufficient to transform welfare in much of the country, at least in the conditions of the last decade.

The ideal in welfare reform is to link benefits as tightly as possible to work. That requires a clear work test that employable recipients must meet as soon as they apply for aid, not sometime later. Equally important, there must be ample benefits to support working, particularly child and health care. That combination was realized most fully in Wisconsin, the subject of my recent book. For that reason, the Badger State achieved almost the greatest caseload fall in the country as well as almost the highest work participation rate—69 percent in 2002.

Reauthorization should maintain pressure on states to move the remaining recipients toward work. That in my view mainly requires fixing problems in TANF that have shielded many recipients from a need to work at all. Raising formal work

<sup>1</sup>Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986); idem, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992); idem, ed., *The New Paternalism: Supervisory Approaches to Poverty* (Washington, DC: Brookings, 1997); idem, *Government Matters: Welfare Reform in Wisconsin* (Princeton: Princeton University Press, 2004).

<sup>2</sup>U.S. Department of Commerce, Bureau of the Census, Income, Poverty, and Health Insurance Coverage in the United States: 2003, Series P-60, No. 226 (Washington, DC: U.S. Government Printing Office, August 2004), tables B1, B2.

<sup>3</sup>Rebecca M. Blank and Ron Haskins, eds., *The New World of Welfare: An Agenda for Reauthorization and Beyond* (Washington, DC: Brookings, 2001); Gayle Hamilton, with Stephen Freedman and Sharon M. McGruder, *National Evaluation of Welfare-to-Work Strategies: Do Mandatory Welfare-to-Work Programs Affect the Well-Being of Children? A Synthesis of Child Research Conducted as Part of the National Evaluation of Welfare-to-Work Strategies* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, June 2000).

<sup>4</sup>Data from the March Current Population Survey for 1994 (table 19), 2000 (table 17), and 2004 (table POV15)

<sup>5</sup>Council of Economic Advisors, "The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads, An Update" (Washington, DC: Executive Office of the President, August 3, 1999); David T. Ellwood, "The Impact of the Earned Income Tax Credit and Social Policy Reforms On Work, Marriage, and Living Arrangements" (Cambridge, MA: Harvard University, Kennedy School of Government, November 1999); Jeffrey Grogger, "Welfare Transitions in the 1990s: The Economy, Welfare Policy, and the EITC," *Journal of Policy Analysis and Management* 23, no. 4 (Fall 2004):671-95.

<sup>6</sup>Data from the U.S. Administration for Children and Families.

<sup>7</sup>U.S. Congress, House, Committee on Ways and Means, 2004 Green Book: Background Material, and Data on the Programs Within the Jurisdiction of the Committee on Ways and Means (Washington, DC: U.S. Government Printing Office, March 2004), p. 7-81. The broader measure includes activity for any number of hours and applies to all cases, whereas the TANF rate has higher hours demands and excludes some cases.

standards should be secondary. I close with some shorter comments about child care.

#### *Fixing Problems in TANF*

Recently, due to shortcomings in the original law, some states have found ways evade TANF's work demands. Some of these problems are addressed by H.R. 240, but some are not.

#### *Caseload fall credit*

TANF demanded that states raise the share of their cases where adults were in work activities by increments, until 50 percent were so engaged by 2002. But the law also allowed states to count against those targets any percent by which their caseloads fell after 1995. Because the fall was unexpectedly great, the credit cut the standards states had to meet to trivial levels. In 2002, the threshold was zero for twenty states. In that year, all states met these reduced standards, but only twelve states would have met the original 50 percent norm, only five of them without benefit of a waiver (see further below). The national participation rate reached only 34 percent in 2000, in 2002 33 percent.<sup>8</sup>

The credit adds complexity, making monitoring the states more difficult. Most important, it is duplicitous, reducing the actual work standard states have to meet far below what TANF claims to the world. The case for the credit is also weak. When PRWORA was drafted in 1995–6, some states feared that rapid caseload fall might drive the most employable cases off the rolls first, making it impossible to meet the new work participation levels on the rolls. The credit allowed states, in effect, to get work credit for the decline itself. This was plausible in TANF's early years, when massive diversion occurred and work levels soared off the rolls. It is less plausible today, when the caseload has changed little for several years and work levels off welfare have drifted down. The main task now is no longer to divert people from welfare but to make cases already on the rolls more active. To do that, TANF's original activity norms must finally be enforced.

To that end, H.R. 240 would replace the current credit benchmarked on 1995 with one based on the four previous years. The Senate bill has an employment credit. While both versions improve on current law, they are still complicated and misleading. I would rather omit the credits and offset this by keeping, rather than raising, the 50 percent work participation norm (see further below).

#### *Sanctions*

Another major limitation of TANF is that it allowed states to sanction cases only partially if they failed to fulfill work requirements. A dozen states fail to end grants even in the face of open-ended noncompliance. Among these are California and New York, which have the largest caseloads, comprising 31 percent of the national caseload in 2002.<sup>9</sup> In these states, reform cannot be fully implemented because much of the caseload is allowed to defy the work test. In New York City, 31 percent of the employable cases cannot be engaged because they are tied up in sanction status or in adjudication that may lead to sanctions.<sup>10</sup>

H.R. 240 would mandate a full-family sanction for cases that defied activity requirements for two months or more. The Senate bill, I am told, has no such clause. It is essential, in the eventual conference, that the House insist on its provision.

#### *Child-only cases*

An emerging crisis in welfare is that more and more of the caseload is made up of "child-only" cases. These are cases where the children receive assistance but not the caretaker. The share of AFDC/TANF cases including no adult was under 10 percent in 1988, but by 2001 it had soared to 37 percent.<sup>11</sup> While there is little applicable research, many of the caretakers in these cases are thought to be aliens. Their children are American-born and thus eligible for aid, but they are not, either because they are legal aliens disqualified by PRWORA or because they are illegal. By this route TANF helps to finance illegal immigration. That is reason enough to address the problem. But what is relevant here is that these cases are not subject to TANF's time limits or work requirements.

<sup>8</sup>These five were IL, IA, OH, WI, and WY. See U.S. Administration for Children and Families, Temporary Assistance for Needy Families Program (TANF): Sixth Annual Report to Congress (Washington, DC: U.S. Administration for Children and Families, November 2004), table 3.1.

<sup>9</sup>2004 Green Book, pp. 7–8, 7–33 to 7–34.

<sup>10</sup>Data for February 13, 2005, from the Human Resources Administration, New York, NY. Not all these sanctions, of course, are for work offenses.

<sup>11</sup>2004 Green Book, p. 7–88.

Under AFDC, the caretaker in a child-only case could not be the biological parent; commonly, it was another relative who took charge of children when the parent was incarcerated or incapacitated. But this restriction ended with TANF. Recently, some states have begun to classify some cases as child-only even when the biological parent is still present. This allows them to exempt these cases from the work test or time limits and still draw TANF funding for them.

The child-only “out” must be ended. One option is to restore the AFDC ruling that excluded biological parents as caretakers in such cases. This would force these parents back into regular TANF, where they would face the usual work test and time limits. Another option would be to expand eligibility to cover some alien caretakers, who in turn would face normal work tests and time limits. A third option is to bring these cases under the work tests indirectly, by including them in the denominator for the work participation rate calculation. This would put force states either to limit child-only cases or to enforce work more strongly on the rest of TANF.

The idea that only the children receive support in these cases is a fiction. Now that family welfare is a work-based program, it is inappropriate for TANF to fund cases where no adult shares responsibility for the family through employment. In Wisconsin, such reasoning led the state to exclude from TANF (the state’s W-2 system) cases where the adult was unemployable or not legally responsible for the child. These families were diverted to separate programs based on SSI or kinship care. Those programs still draw TANF funding but are closely controlled and have not undercut W-2. Through reauthorization, TANF must work toward the same outcome nationwide.

#### *Separate state programs*

Similar abuses have arisen in connection with separate state programs (SSP). These are programs that states run for cases that they cannot support on TANF. Of these cases, 64 percent are in California. That state and some others use SSP mainly to support two-parent cases. The reason is to escape the very high work participation standard—currently 90 percent—that TANF demands for these families. Other states use SSP to support aliens ineligible for TANF. New York uses SSP to support the many cases that go beyond TANF’s five-year limit due to the state’s weak sanctions. In New York City, these cases comprise 40 percent of family aid.<sup>12</sup>

SSP is another “out” from the work test. The problem is smaller than with child-only. Just 84,697 families were on SSP in 2001, or 4 percent of the TANF caseload in that year,<sup>13</sup> although the programs have grown recently by some accounts. SSP is also less abusive than child-only, because the programs do not draw TANF funding directly. However, states’ SSP spending counts toward their maintenance of effort (MOE) requirements, so the programs are indirectly part of TANF.

One solution is to end the special work participation target for two-parent cases, as H.R. 240 proposes. This would remove the largest impetus behind SSP. Another choice, as with child-only, would be to include these programs in the denominator for the work participation rate calculation. This again would force states to limit the programs or else enforce work more seriously in TANF.

#### *Waivers*

A final out is the waiver programs run by some states. These were experimental approaches to aid that many states initiated prior to PRWORA, and then were allowed to continue afterward. In the AFDC era, these programs usually toughened work requirements beyond what was then permitted by normal federal rules. Since PRWORA, however, they have done the opposite. Typically, the programs exempt more of the caseload and expect less effort to fulfill the work test than would be allowed under TANF. Massachusetts, for instance, exempts parents with children under age 6, allows indefinite job search to count as a work activity, and demands only twenty hours of activity weekly. In contrast, TANF exempts only parents with children under 1 at state option, limits job search to six weeks a year, and demands thirty hours of effort a week.<sup>14</sup>

In 2002, fifteen states ran waiver programs, and in every case the program recorded higher work participation rates than they would have under regular TANF rules. Only one of these states would have met TANF’s original 50 percent norm for 2002 (in advance of the caseload fall credit) without its waiver. Seven others met

<sup>12</sup> Data for January 2005 from the Human Resources Administration, New York, NY.

<sup>13</sup> 2004 Green Book, pp. 7-31 to 7-32, 7-35.

<sup>14</sup> Douglas J. Besharov and Peter Germanis, “Toughening TANF: How Much? And How Attainable?” (College Park: University of Maryland, School of Public Affairs, March 23, 2004), p. 25.

that standard only with the waiver. The remaining seven fell below 50 percent even with the waiver.

The solution is to phase out waiver programs. H.R. 240 would forbid their renewal. I understand the Senate bill is unclear. Again, the House should insist on its provision.

#### *Raising Work Standards*

I would be more cautious about raising TANF's formal work standards than in fixing the above problems. The Bush Administration's proposals and H.R. 240 embody some good ideas, but in some case they overreach.

#### *Full engagement*

Both the Administration and H.R. 240 require "universal engagement," and I support this, but the meaning has to be clear. The basic idea is that recipients cannot ignore the work test. They must enroll in the work program and enter its activities when they first go on aid. What that requires has to be defined clearly in the law or, perhaps, in regulations. H.R. 240 would require that each case have a "self-sufficiency" plan, but this might easily become mere paperwork. More meaningful might be to require actual participation in some activity such as orientation or job search.

#### *Work participation standards*

The Administration has recommended raising the all-family work participation target from 50 to 70 percent of the caseload. H.R. 240 and the Senate bill would both do so. On its face, this is too ambitious. Seventy percent is more than double the national participation rate actually achieved in 2002, only 33 percent. A real activity rate of half the caseload is probably as much as most states can achieve, given the practical difficulties of getting welfare mothers out of their homes and into programs or jobs. Wisconsin's W-2 program achieves rates above 60 percent only through intense case management and lavish support services. Most other states are not yet capable of this.<sup>15</sup>

As if realizing the difficulties, the current bills would offset the 70 percent target with many credits and exemptions, including the modified caseload fall or employment credits. These would reduce the effective rate that states had to achieve to something like the current 50 percent. I would rather keep the 50 percent, phase it in over several years, and omit the credits and exemptions. That would be more honest and also more effective, because it would make clearer what was expected.

#### *Required hours*

The Administration and H.R. 240 would also raise the weekly hours of activity required to qualify a case as active from the current 30 (35 for two-parent cases) to 40. Hours required of actual work within this total would rise from 20 to 24. As above, however, the rise would be more apparent than real because the activities that count as work would also be broadened. The hours between 16 and 40 would now be more loosely regulated, with previous curbs on vocational education eliminated. And for three months out of every 24, clients could go into full-time substance abuse treatment or other remediation. States would also get pro rata credit for hours worked short of 40.

Again, it would be better to expect fewer hours but have the demands be real. It is unrealistic to expect an actual work week of 40 hours from poor single mothers. Even Wisconsin, with its intense administration, could not achieve this. In W-2, in practice, for most of the caseload the demand fell to 30 hours of actual work, usually in a community service job, with perhaps some education or training on the side.<sup>16</sup> New York City has constructed an effective program combining 20 hours of public service employment with 15 hours of job search or training for most recipients. While most localities will prefer unsubsidized employment to government jobs, this general approach is sound.

I would keep TANF's current 30- or 35-hour standard for overall activity, its 20 hours for actual work, and its current rules for "creditable" work activities. Omit the pro rata credit. To raise expected hours simply generates unjustified demands for increased child care funding (see below).

H.R. 240 would calculate a state's work participation rate using the total number of countable hours worked per month, rather than the number of families meeting the participation standard. This would simplify the calculation of the pro rata credit, but it would probably concentrate hours worked on fewer cases. The number of families actually participating could be reduced. Since the goal of reauthorization should be to broaden the reach of the work test, this would be a step backwards.

<sup>15</sup> Mead, *Government Matters*, chs. 5-8, 11.

<sup>16</sup> Mead, *Government Matters*, pp. 120, 147.

*Permissible work activities*

Under existing law, recipients can go to school and receive work participation credit for no more than one year, and the share of recipients meeting the work test this way is capped at 30 percent. H.R. 240 would restrict educational programs to four months but remove the 30 percent cap. The Senate bill would allow longer educational programs than before, in some cases even four-year college. Both of these changes would probably lead to a higher share of the caseload meeting the work test through education than before.

This would be a mistake. It would take welfare work policy back toward the era of the Family Support Act and JOBS, when most recipients were allowed to substitute school or training for actual employment. Evaluations demonstrated that “work first” was a better strategy.<sup>17</sup> The fact that many recipients today are more disadvantaged than those who left the rolls earlier does not change this verdict; they, too, are likely to profit most from actual work. To allow recipient to turn welfare into a college scholarship also offends equity, since many of the taxpayers who pay for welfare lack the same opportunity. On both grounds, TANF should continue to stress work first. I would keep current rules on permissible work activities.

*Performance standards*

H.R. 240 would have states define their own performance measures for TANF. I find this unrealistic. Not all states can do this well. The resulting measures would also not be comparable across the country, making holding states accountable more difficult. The dangers are illustrated by school reform, where No Child Left Behind has allowed states to define their own tests for student performance. Coupled with tough federal standards, the result has been chaos.

Welfare reform should do the opposite: Let states choose goals, but control measures centrally. The objectives could include employment outcomes, such as job entries, wages, or job retention, but also reduction in poverty or nonmarital births. Up a point, states could state their own mix of objectives. But the definitions and indicators themselves should be developed nationally. It would then be clearer what states were doing and how they compared to one another. To draft indicators may require a regulatory process, but the new TANF legislation should authorize it.

*Child Care*

Whether child care funding is adequate for welfare reform has become a major issue in TANF reauthorization. Advocates contend that funding is insufficient to achieve the higher work participation rates contemplated in both the House and Senate bills. As now written, neither bill would raise those levels as much as appears.<sup>18</sup> If my recommendations were followed, work levels would rise somewhat more, but I still think planned funding would be sufficient.

Federal funding for child care across all programs rose from \$8.9 billion to \$14.1 billion from 1994 to 1999, or by 60 percent.<sup>19</sup> And this increase occurred in the face of sharply declining welfare caseloads. I have seen no systematic evidence that lack of child care has impeded states’ ability to move recipients off welfare and into jobs. Arguments to the contrary are unpersuasive.

Critics charge that only a minority of families leaving welfare have claimed the subsidized child care that is offered to them. But this is probably because they do not need or want it, not because they cannot get it.<sup>20</sup> Critics also note that there are long waiting lists for subsidized care, and only 15 percent of eligibles received subsidized care under the Child Care and Development Block Grant (CCDBG) in 1999.<sup>21</sup> But child care is a normal market good. Most of it is bought and sold privately, not provided through government. To provide a subsidy lowers the cost to consumers and raises demand; hence the waiting lines. But the fact that people seek

<sup>17</sup>James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994); Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon McGroder, Martha Zaslow, Surjeet Ahluwalia, and Jennifer Brooks, with Electra Small and Bryan Ricchetti, *National Evaluation of Welfare-to-Work Strategies: How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (New York: Manpower Demonstration Research Corporation, November 2001).

<sup>18</sup>This is the main point of Besharov and Germanis, “Toughening TANF.”

<sup>19</sup>Douglas J. Besharov with Nazanin Samari, “Child Care after Welfare Reform,” in *New World of Welfare*, ed. Blank and Haskins, pp. 463–4.

<sup>20</sup>Besharov with Samari, “Child Care after Welfare Reform,” pp. 464–7.

<sup>21</sup>2004 Green Book, p. 9–28.

a subsidy does not establish that they cannot afford child care without it, let alone that they cannot find care at all.

It is true that states have found CCDBG funding insufficient to meet demand. In 2002, \$3.7 billion in federal TANF money was spent either directly on child care or transferred to CCDBG for that purpose. On the other hand, over 1997–2001, states spent only \$62 billion of \$81 billion in total federal TANF grants.<sup>22</sup> It is thus implausible to say that they have done all they can to fund child care and that large funding increases are needed.

While certainty is elusive, the \$1 billion increase in funding contemplated by H.R. 240 is probably enough to cover the child care needs of single mothers leaving welfare. One can argue for more money only if one posits other goals, such as providing more subsidized care to families already off welfare or improving child care quality. Those aims might be valuable, but they go well beyond the needs of welfare reform. Reauthorization should not be held hostage to them.

#### *Conclusion*

Welfare reform has succeeded largely by enforcing work requirement on more of the caseload than under previous law. Reauthorization should expand the reach of the work test until, in every state, aid to needy families is closely tied to employment by the parents.<sup>23</sup>

The main challenge now is not to raise formal work demands but to overcome the weaknesses in TANF that have allowed much of the caseload in some states to escape the work test entirely. If we do that, there will be little need to raise work standards. The logic is the same as in tax reform: Broaden the base to which requirements apply, and what is demanded can be quite modest.

To make work standards more transparent is also important. The caseload began to fall in 1999, well before TANF was even enacted, let alone implemented. It was driven as much by politics as by formal requirements. Due to the debates over welfare, recipients got a message that work would now be expected of them. Many then went to work and left the rolls before welfare told them to.<sup>24</sup> But to maintain that pressure, recipients and the public alike must understand what welfare demands. The rules under TANF are already complicated. H.R. 240 as now written would make them more so. Let us instead seek simplicity and clarity. Let us seek a more definite and more certain work test rather than a tougher one.

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Chairman MCKEON. Thank you.  
Ms. Fallin.

#### **STATEMENT OF CASANDRA FALLIN, EXECUTIVE DIRECTOR, BALTIMORE CITY CHILD CARE RESOURCE CENTER, BALTI- MORE, MD**

Ms. FALLIN. Chairman McKeon, Congressman Kildee, and Members of the Subcommittee, thank you for inviting me to speak to you about quality child care and the important legislation you have before you today.

My name is Casandra Fallin. I am an executive director of the Baltimore City Child Care Resource Center in Baltimore City.

I am also chair of the Public Policy Committee for NACCRRA, the National Association of Child Care Resource and Referral Agencies.

At the Baltimore City Child Care Resource Center, we provide a variety of services designed to improve the quality, availability, and affordability of child care.

There are over 850 child care resource and referral agencies located in every state in most communities. We assist over 5 million parents each year with information on child care in their communities.

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<sup>22</sup> 2004 Green Book, pp. 7–48, 9–29.

<sup>23</sup> This would include additional measures to achieve greater work levels and child support payments by absent fathers, but I do not address these here.

<sup>24</sup> Mead, *Government Matters*, ch. 9.

We also help over 500,000 child care providers improve the quality of their care through basic training on health, safety, and child development.

Each day in the United States, over 12.5 million children under the age of five from families across the economic spectrum are in the care of someone other than their parents.

According to a report released in November, 50 percent of all children are in some form of child care by the age of 9 months, nearly 2 million babies. The number goes up as children get older, and according to the National Research Council, most children spend an average of 40 hours per week in child care.

Whether we like it or not, child care is where most of our youngest children are getting their early education and preparation for school. As a result the quality of their care must be a key Federal issue.

Child care keeps parents working. In 2003, 78 percent of children receiving child care assistance were in care because their parents were working.

Child care is vital for low-income working families. We support additional increases in funding to support working families.

You have asked me to comment on the proposed revisions to the Child Care and Development Block Grant, or CCDBG.

First, I applaud the Committee for its commitment to making quality child care a national priority. It is widely reported that only 9 percent of family child care homes, 14 percent of child care centers, and a dismal 8 percent of infant/toddler child care is of good quality.

Adding quality as a Federal goal is a critical first step we enthusiastically support.

However, we also urge the Committee to commission a national study on the quality of care.

This study would establish a national baseline that would support other provisions in the bill and set the state for hire levels of accountability.

Second, we applaud the increase in the quality set-aside from 4 percent to 6 percent.

Research shows that the education and training of child care workers are the biggest single indicators of quality. There are over 2.3 million child care workers in the United States, most of whom have little or no formal education, yet studies show that caregivers who have completed even a 120-hour training program exhibit higher levels of sensitivity and are more involved with the children for whom they care.

Despite this, most child care workers are required to have no previous training before they begin work and only minimal training after they begin caring for children.

We also recommend that the Committee maintain current law regarding the use of quality funds so all children can benefit from improvements.

Third, H.R. 240 encourages better—I'm sorry.

We support the provisions of H.R. 240 that require states to focus on training, education, and professional development of the child care workforce.

Third, H.R. 240 encourages better coordination between early childhood programs, something I personally support and promote daily.

My agency, Baltimore City Child Care Resource Center, is a delegate Head Start agency involved in a Head Start child care demonstration program for more than 100 years.

We partner our Head Start teacher trainer with a child care teacher in existing child care programs and provide Head Start services to eligible children.

This collaboration creates a full-day, year-round programming for Head Start eligible children enrolled in child care programs and creates unique quality improvement opportunities for child care staff.

We're now seeking approval to expand that model by including family child care programs.

Fourth, H.R. 240 also supports public-private partnerships. These partnerships are critical and can leverage the assets and strengths of many organizations.

For example, NACCRRA has established a partnership with the Department of Defense to share lessons learned from the nationally recognized military child care program.

Through this partnership, local child care resource and referral agencies will gain access to materials and trainings developed by the Department of Defense and military families will gain access to higher-quality care in civilian programs.

Finally, we support requirements in H.R. 240 that emphasize the need for child care for certain hard-to-reach populations. Access to infant and toddler child care, care for children with special needs, and care for children whose parents work nontraditional hours has reached a crisis.

We also know high-quality child care for those 2 million babies mentioned earlier can cost from \$8,000 to \$13,000 per year, well beyond the financial means of families served by CCDBG.

In conclusion, your efforts to improve the quality of child care through changes to CCDBG have been, and will continue to be, supported by the child care resource and referral community. With over 12 million children under age five in child care each day, it goes without saying that the quality of the care matters.

Thank you again for the opportunity to speak before the Subcommittee.

[The prepared statement of Ms. Fallin follows:]

**Statement of Casandra Fallin, Executive Director, Baltimore City Child Care Resource Center, Baltimore, MD**

Thank you, Chairman McKeon, Congressman Kildee, and members of the Subcommittee for inviting me to speak to you about child care and the important legislation you have before you today.

My name is Casandra Fallin and I am the Executive Director of the Baltimore City Child Care Resource Center, in Baltimore, Maryland. I am also Chair of the Public Policy Committee for NACCRRA—the National Association of Child Care Resource and Referral Agencies. NACCRRA is a membership organization that represents over 850 state and local Child Care Resource and Referral agencies, such as mine, from across the country. In addition, I am a former program manager for the Maryland Department of Human Resources. I have seen first hand the impact of federal legislation on children and families, especially the Child Care and Development Block Grant.

At the Baltimore City Child Care Resource Center, we provide a variety of services designed to improve the quality, availability, and affordability of child care. Services include help for parents looking for child care, recruitment and training of child care providers, data collection, and community education designed to increase public awareness of child care issues. At Baltimore City Child Care Resource Center, we serve over 5,200 children annually.

Child Care Resource and Referral Agencies like mine are located in every state and most communities in the United States. These agencies provide a critical link between parents looking for child care and licensed or legally operating child care providers. We assist over 5 million parents each year with information on the cost, quality and availability of child care in their communities. We also help over 500,000 child care providers improve the quality of their care by providing basic training on health, safety, child development and other important topics.

Each day in the United States, over 12.5 million children under the age of five are in the care of someone other than their parents. According to a report released by the U.S. Department of Education in November 2004, 50 percent of children are in some form of non-parental child care by the age of 9 months. This is nearly 2 million babies. The number increases as children get older. And, according to the National Research Council, children spend an average of 40 hours per week in child care.

Whether we like it or not, child care is where most of our youngest children are getting their early education and preparation for school. As a result, the quality of that care must be a key federal issue.

Child care helps parents work and contributes to our economy. The child care industry generates almost \$9 billion in tax revenue and enables Americans to earn more than \$100 billion annually. Child care is a vital support for low-income working families. In 2003, over 1 million families and 1.75 million children were served by the Child Care and Development Block Grant. Almost 90 percent of the children receiving child care assistance were in care because their parents were working, in school, or in training (78 percent because their parents were working; 12 percent while their parents were in training or school).

Child care provides the stability needed to keep families working. Research has found that former welfare recipients are 82 percent more likely to keep a job after two years if they receive child care assistance. As a result, we support increased funding to help working families meet the daily demands of work.

You have asked me to comment on the proposed revisions to the Child Care and Development Block Grant or CCDBG. I would like to address five key provisions of the bill:

- First, establishing quality care as a federal goal;
- Second, increasing the amount of the quality set aside;
- Third, the call for better collaboration at all levels of government,
- Fourth, encouragement of Public-Private Partnerships; and
- Fifth, access to care for certain populations such as children with special needs.

First, keeping in mind that so many of our young children are getting their preparation for school in child care programs, I applaud the Committee for its commitment to making quality child care a national priority. It is widely reported that only 9 percent of family child care homes, 14 percent of child care centers and a dismal 8 percent of infant/toddler child care is of good quality. Adding "quality" as a federal goal is a critical first step, and one that we enthusiastically support. However, we also urge the committee to commission a national study of the quality of child care in all settings. The data on the quality of child care is limited in scope and dated. This study could establish a national baseline that would support other provisions in HR240 that require states to use funds to improve the quality of care. Such a study would set the stage for better measurements and higher levels of accountability.

Second, we applaud the Committee's proposal to increase the quality set-aside from 4 percent to 6 percent. Research shows that both the education and training of child care workers are the biggest single indicators of quality. There are over 2.3 million child care workers in the United States, most of whom have little or no formal education. Yet studies show that caregivers who have completed even a 120 hour training program exhibit higher levels of sensitivity and are more involved with the children they care for. Despite this, 30 states require no previous training before child care workers begin work and only minimal training after they begin caring for children.

We must do more to hold the states accountable for training of the child care workers. We support the provisions of HR240 that require states to focus on training, education and professional development of the child care work force.

In addition, we support the provision of HR240 that allows States to use the quality set-aside to fund tiered reimbursement and other provider retention initiatives. If training and education programs are to have a lasting impact on child care quality, these efforts must be combined with initiatives to retain well-trained providers. In a market where the median hourly wage is \$8.37, high turnover is a consistent problem. Child care is ranked second in turnover rates only to the fast food industry. Tiered reimbursement rates encourage high-quality providers to remain in the child care field and provide incentives for other providers to work towards State-defined quality standards.

Child Care Resource and Referral Agencies believe in accountability for public funds. Such measures include tiered reimbursement rates as well as quality rating systems for consumers, rated licensing and other tiered quality strategies. In addition to retaining skilled providers and increasing the quality of care, tiered quality strategies improve consumer education by making information on quality care easy for parents to use and understand. Thirty-six States have implemented tiered quality strategies and eight States currently operate pilot programs.

We commend your efforts to increase accountability measures to ensure that the child care supported by CCDBG funds promotes school readiness goals. Child Care Resource and Referral Agencies are strong supporters of the quality improvement initiatives highlighted in this proposed legislation.

Third, HR240 encourages better coordination between early childhood programs, something Child Care Resource and Referral Agencies across the country are involved with, and something I personally support and promote daily. More than 65 percent of Child Care Resource and Referral Agencies work with city government, public schools, the media and colleges. In addition nearly 60 percent serve on community planning councils to help find solutions for the ever-increasing demand for care.

My agency, Baltimore City Child Care Resource Center, is a delegate Head Start agency and has been involved in an innovative Head Start/Child Care demonstration program for more than 11 years. This partnership is mutually beneficial to both the Head Start and the child care communities and to families by partnering a Head Start teacher-trainer with a child care teacher in existing child care programs. It creates full day, year round programming for Head Start eligible children enrolled in child care programs and creates unique quality improvement opportunities for its child care partners. Benefits of the collaborative include:

- full day programming for Head Start eligible families;
- ability to serve Head Start eligible families whose needs are not met by the part day programming found in traditional Head Start;
- expansion of Head Start's services to children and families in the child care setting;
- extensive on-site training for child care staff;
- quality improvement for the child care programs; and
- cost-effective approaches that maximize the resources of both Head Start and the child care partners.

We are now seeking approval to expand the model into family child care programs.

Fourth, HR240 also supports public-private partnerships. These partnerships are critical and can leverage the assets and strengths of many organizations. For example, NACCRRRA has established a partnership with the Department of Defense to share lessons learned from the nationally recognized military child care program. Through this partnership, NACCRRRA is developing projects to provide quality care for military personnel who are not living on or near bases, but still need help finding the same high quality child care service members have on base.

Through this partnership, local Child Care Resource and Referral Agencies will gain access to materials, technology and trainings developed by the Department of Defense and military families will gain access to higher quality care in civilian programs.

One of the projects NACCRRRA is working on with the United States Air Force seeks to improve the quality of training for family child care providers through use of the military's professional development model. We anticipate that this project will prove to be a viable model for professional development nationally. This is a real win-win partnership and one of which we are especially proud.

Finally, we support requirements in HR240 that emphasize the need for child care for certain hard to serve populations.

Access to care for infants and toddlers, children with special needs, and children whose parents work nontraditional hours has become a crisis in many communities. According to our latest figures, 45 percent of all child care referrals were for parents with infants and toddlers. We know the demand for quality care for infants and tod-

dlers far outweighs the supply. We also know that high quality child care for those 2 million babies mentioned earlier can cost from \$8,000 to \$13,000 per year, well beyond the financial means of families served by CCDBG. We support the requirements in this bill that will ensure that states collect and analyze data on the types and quality of care parents need.

We also applaud the requirements in HR240 to collect and utilize data to inform child care planning and policies on the local, state and national level. These provisions will help ensure that data aggregated on child care supply and demand will direct our progress in improving parents' access to quality child care.

Further, we support the mention of Child Care Resource and Referral Agencies' child care data as a source for this local, state, and national data. Child Care Resource and Referral Agencies are unique in their ability to gather detailed child care supply and demand information through relationships with both sides of the child care market: parents and child care providers. Over 70 percent of Child Care Resource and Referral Agencies conduct studies on the supply and demand to allow state and local decision-makers to better target specific needs of the community. Child Care Resource and Referral Agencies also derive statistics using local data to produce market rate surveys and child care worker salary surveys.

In conclusion, your efforts to improve the quality of child care through changes to the CCDBG have been, and continue to be, supported by the Child Care Resource and Referral community. All of the research demonstrates that the earliest years set the stage for success in life. With over 12 million children under five in child care each day, it goes without saying that the quality of the care matters.

Thank you again for this opportunity to speak before the Subcommittee.

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Chairman MCKEON. Thank you.  
Mr. Greenberg.

**STATEMENT OF MARK GREENBERG, DIRECTOR OF POLICY,  
CENTER FOR LAW AND SOCIAL POLICY, WASHINGTON, DC**

Mr. GREENBERG. Mr. Chairman, Members of the Subcommittee, thank you for inviting me to testify today.

Since 1996, we've spent a lot of time following closely developments around TANF and child care implementation in the states. Over the next few minutes, I'd like to talk about the context for re-authorization and then offer some thoughts on the work and child care provisions of the pending bills.

First, for the context.

Since 1996, our nation really has seen an unprecedented growth in employment among single-parent families. We've also seen an unprecedented decline in the welfare caseload. Most of the caseload decline probably is due to employment, though certainly not all of it.

At the same time, families leaving welfare have typically entered low-wage jobs with considerable employment instability and very limited upward movement over time.

In the first years after 1996, we did see significant drops in child poverty, even though a large share of the families who leave welfare are still poor or near poor.

We've also seen a significant group of families leave welfare without finding work.

Welfare reform, by numerous studies, did play an important role in the employment growth over this period. It wasn't the only factor, but it was a significant one.

The economy played a role. The large expansion of the Federal earned income tax credit played a role. Broadening the availability of health care outside of welfare played a role, a stronger child sup-

port enforcement system, the minimum wage increases, and child care.

As a result of the 1996 law, both the increased child care funding at the time and the ability of states to redirect TANF funds to child care, we saw a dramatic increase in child care funding in the late 1990's. It tripled in a very short period of time, and that meant that at the same time that welfare caseloads were falling by half, the number of children receiving child care subsidies increased from about a million to 2.4 million.

For many states, the ability to expand the availability of child care outside of welfare was a critical part of their strategy, because it made it possible for them to say to families, "You don't need to come into the welfare system in order to get child care. We will support child care for low-income working families so that you never need to turn to welfare."

Over the last 3 years, while reauthorization has been pending, several of the key indicators have turned less positive. Employment for single mothers has fallen, though their employment rates are still more than that of married mothers and still much more than they were in the mid-1990's. Child poverty has grown for the last 3 years.

At the same time, welfare caseloads have stayed essentially flat, which raises concerns that the system is not as responsive as it should be in times of increased need, and Federal child care funding has been flat, and the number of children receiving subsidy assistance has fallen.

Reauthorization over this period has been largely stalled over the details of TANF participation rates—what the rates should be, what the hourly requirements are, what activities should count, how long they should count.

We've criticized the bill that came out of the House on several grounds.

We've criticized it for being detailed and prescriptive in a way which frankly seems unnecessary.

We've criticized it for making it harder for states to do education and training if that's what they choose to do in their programs.

We've criticized shifting to a 40-hour requirement because there is no research evidence that suggests that that will lead to states running better employment programs.

And we've expressed concern that the Congressional Budget Office estimates some significant costs in meeting these requirements. At a time when TANF funding is flat, that raises major concerns for states.

Finally, another reason for criticizing the overall approach on the participation rate has been that a participation rate fundamentally measures process, not outcomes.

I think the goal that many people share is that the best outcome is families getting jobs, and getting jobs so that they don't need welfare, and that would be the key thing that one would want to see focused on in the system.

There's a serious risk, though, that if you build in a detailed prescriptive participation rate, the thing that states most focus on is not how do you link families with jobs, but rather, how do we man-

age to meet the Federal requirements. It shifts the whole focus of program administration to managing to meet participation rates.

So based upon this, we have two principal recommendations.

First, give states an option to be held accountable for outcomes. That's the approach the Committee takes in relation to the Workforce Investment Act, focus on earnings gains, employment entries, employment retention, the outcomes that matter, and give states that option.

Second, for the participation rate itself, ensure, as you design it, that states are never put at a disadvantage when a family leaves welfare because they've got a job. Don't reward them simply for cutting their caseload if families aren't getting jobs. Don't set the hourly requirements so high that meeting participation rates becomes the central mission of the system, and be sure that states have the flexibility to read the research themselves and make their own judgments over time about what are appropriate activities.

Finally, let me just underscore the critical importance of child care funding.

As I suggested before, in the initial years, a big part of the story really was states' ability to expand child care funding and expand it outside welfare. It was an enormously positive story until the last several years.

Over the last several years, Federal child care funding from the Child Care and Development Block Grant has stayed flat. Initially, states were able to redirect substantial sums of their TANF money to child care. That peaked in 2000, and for the last 3 years, they've been able to devote less of TANF funds to child care than they were in the year 2000.

Furthermore, at this point, for the last 3 years, states are spending more in TANF funds than they're receiving from the Federal Government each year, so they've got a structural deficit built in.

That means necessarily that whatever they're doing now, they're not going to be able to sustain it over the next 5 years. They're going to have to make cuts in other benefits and services just to manage in this structure, and so it means that in all likelihood, the funding from TANF to child care is going to wind up being less, not more.

So if the Committee wants to ensure that the progress that we did see after the 1996 law continues, it is crucial to address the need for sustained ongoing child care funding, not one-time funding from simply shifting funds out of state reserve funds and leaving them with nothing in reserve, but sustained funding over time.

Thank you very much.

[The prepared statement of Mr. Greenberg follows:]

**Statement of Mark Greenberg, Director of Policy, Center for Law and Social Policy, Washington, DC**

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to testify. I am the Director of Policy for the Center for Law and Social Policy (CLASP). CLASP is a nonprofit organization engaged in research, analysis, technical assistance, and advocacy on a range of issues affecting low-income families. Since 1996, we have closely followed implementation of the work and child care provisions of the Personal Responsibility and Work Opportunity Reconciliation Act. This testimony will discuss background for reauthorization of the work and child care provisions of the 1996 law, pending reauthorization proposals, and our recommendations. This testimony reflects ongoing work with CLASP col-

leagues including Nisha Patel, Hedieh Rahmanou, Danielle Ewen, and Hannah Matthews.

*The Role for this Subcommittee*

The jurisdiction of the Subcommittee on 21st Century Competitiveness includes the work provisions of the Temporary Assistance for Needy Families (TANF) Program and the Child Care and Development Block Grant (CCDBG), along with workforce and education programs including the Workforce Investment Act (WIA) and the Higher Education Act (HEA). Thus, it is appropriate and important that this Subcommittee consider reauthorization within the broader context of workforce development, training, early education, and higher education policies. As discussed below, this focus is needed because the reauthorization bill previously adopted by the House and under consideration this year is, in important respects, inconsistent with key provisions of WIA and with efforts to expand access to training and higher education. Moreover, the child care funding level under the House bill would not be sufficient to sustain current levels of child care assistance for working families, meet the bill's new TANF mandates, or adequately address the goals this Subcommittee has established for CCDBG reauthorization.

*The Background for Reauthorization*

In 1996, Congress enacted TANF and restructured federal child care funding. Generally, the legislation gave each state annual TANF block grants with broad discretion in use of funds; sought to place a strong emphasis on linking families receiving public assistance with work; established time limits for providing federally-funded assistance; and significantly expanded federal child care funding while giving states broader discretion in use of child care funds.

In the years after enactment of the 1996 law, there were dramatic changes in employment, child poverty, welfare and child care participation. While there were some troubling aspects, much of the experience was strikingly favorable in the initial years of implementation. However, in the last several years, several of the most positive indicators have slowed or reversed. Thus, reauthorization should be a time to build on the successful aspects of the 1996 law, while addressing problems that have become apparent over time.

Starting in the mid-1990s, there was a historically unprecedented increase in employment among single parents. The growth began before enactment of the 1996 welfare law, but continued after that time. The employment rate for single mothers grew from 57.3 percent in 1993 to 63.5 percent in 1996, and then rose to 73 percent by 2001.<sup>1</sup> Many factors likely contributed to this employment growth, including the strong economy, state and federal welfare reforms, the large expansion of the Earned Income Tax Credit in 1993, increased child care spending, increases in the minimum wage in 1996 and 1997, broadening of access to health care outside of welfare, and a stronger child support enforcement system.

During this period, both the TANF assistance caseload and the nation's child poverty rate fell. Welfare caseloads fell from 5 million in 1994 to 4.4 million by the time the 1996 law was enacted, and then to 2 million by 2001. Child poverty fell from 22.7 percent in 1993 to 16.2 percent in 2000. Welfare participation fell much more than did child poverty, with the share of poor children receiving assistance falling from 62 percent in 1994 to 35 percent in 2001.<sup>2</sup>

Numerous studies found that most families leaving welfare (in the range of 50 to 60 percent) were working, but typically in low-wage jobs without access to benefits, such as employer-sponsored health insurance and paid vacation/sick leave.<sup>3</sup> The families still receiving assistance were a heterogeneous group, but generally had more serious barriers to employment (e.g., health and mental health issues, domestic violence, substance abuse, limited English proficiency, severe basic skills deficits) than those who had left assistance. And, some of the families that left welfare without finding employment were among those with the most severe barriers to employment, with weaker work histories, less education, and higher rates of disabilities.

During this early period, declining welfare caseloads freed up resources for states. States were able to use TANF funds to broaden services for working families outside the traditional welfare system. Initially, the single biggest redirection of TANF funds was to increase child care for working families. In 2000, states committed \$4 billion of TANF funds to child care.<sup>4</sup>

Between 1996 and 2000, combined federal and state funding for child care tripled. Most of the growth was attributable to federal funds, and the single biggest factor was the ability of states to redirect TANF funds. As a result of this increased funding, the number of children receiving subsidies grew from an estimated 1 million in 1996 to 2.4 million in 2001, and states were able to improve child care payment

rates to providers, reduce required family copayments to make child care more affordable, and expand quality initiatives.

Thus, there was much that was positive in the early experience after 1996, but also areas of concern. There had been dramatic growth in employment and a decline in child poverty, but many families who left welfare for work were still poor, and many families with significant barriers had left welfare without finding work. While the child care experience had been strikingly positive, there was still much to do: only an estimated one in seven children eligible for federal child care subsidies were receiving them; payment rates to providers in half or more of the states were below local market rates; and quality initiatives were often limited and uneven.

During the last three years, several key indicators have become less positive. The economy entered into a recession, after which initial job growth was slow. States entered into a period of large budget deficits, placing strains on TANF funds and other state resources, and forcing cutbacks in child care and other services. The pressures resulting from the economy and state budget crises are apparent in indicators of employment, child poverty, child care and welfare participation. Specifically:

- Since 2001, employment has declined among both single and married mothers. Employment among single mothers fell from 73 percent in 2001 to 69.7 percent in 2004. Employment among married mothers showed a similar decline, from 68 percent to 65.3 percent, during the same period. Single mothers are still more likely to be employed than married mothers and much more likely to be employed than before the 1996 law.<sup>5</sup> Since the recession, the industries most likely to employ welfare recipients and large proportions of single mothers have either lost jobs or are experiencing slower job growth.<sup>6</sup> Thus, there is little reason to attribute the decline in employment to state TANF performance. Reflecting the decline in employment, the Urban Institute has reported that employment among welfare leavers fell from 50 percent in 1999 to 42 percent in 2002.<sup>7</sup> Similarly, the share of families engaged in employment for enough hours to meet TANF work rates dropped from 22 percent in 2001 to 18 percent in 2003 (while the share of families participating in other activities remained relatively unchanged).
- The decline in employment has generally not resulted in increased welfare caseloads, but child poverty has risen. Between 2001 and the 2003, the number of families receiving assistance (including those in separate state programs) rose at least somewhat in 31 states, while the national caseload fell by 0.5 percent.<sup>8</sup> The continued national caseload decline occurred despite the fact that child poverty increased from 16.2 percent in 2000 to 17.6 percent in 2003.<sup>9</sup> The fact that employment fell and child poverty increased while TANF caseloads remained flat or declined raises significant concerns that the program has not been sufficiently responsive to increased needs. The share of poor children receiving TANF assistance dropped to 33 percent in 2002.<sup>10</sup>
- The share of families without welfare or work has grown. Urban Institute research indicates that the share of all families that have left welfare, but are not employed, do not have an employed partner, and are not receiving income from Supplemental Security Income (SSI) rose from 10 percent in 1999 to 14 percent in 2002.<sup>11</sup>
- For the last three years, state TANF spending levels have exceeded annual block grants, and state reserves have fallen sharply. As long as welfare caseloads were falling rapidly, TANF was, in effect, a source for “new” funds each year. Once caseload decline slowed or stopped, states have increasingly faced the pressures resulting from a block grant set at mid-1990s funding levels and not adjusted for inflation. In each of the last three years, states’ use of TANF funds has exceeded their basic block grants, and states have increasingly resorted to drawing down carryover (reserve) funds to pay for current services. In fiscal year 2003, states used \$1.8 billion more than they received. Between the end of 2002 and the end of 2003, the amount of carryover TANF funds dropped by one-third, to \$3.9 billion. This represented the lowest level for carryover funds since 1997, the first year of TANF implementation.<sup>12</sup> Some states now have no carryover funds, and for most states, the amount of carryover funds represents less than one-quarter of the state’s annual block grant funding level.
- Federal child care funding under CCDBG has been flat since 2002, and the number of families receiving child care assistance has fallen, with the greatest impact on low-income working families not receiving welfare. The Administration estimates that the number of children receiving subsidy assistance remained in the range of 2.4 million from 2001–2003, declined in 2004, and will fall to 2.2 million 2005. CCDBG funding has been flat since 2002, and the use

of TANF for child care peaked in 2000, and has now stayed at or near \$3.5 billion for the last three years.<sup>13</sup> Child care curtailments have particularly hurt working families not receiving welfare: In April 2003, the Government Accountability Office (GAO) reported that, since January 2001, nearly half the states (23) had made policy changes that reduce the availability of child care subsidies for low-income working families.<sup>14</sup> Between 2002 and 2003, eighteen states and the District of Columbia cut total spending on child care (TANF and CCDBG).<sup>15</sup>

#### *Implications for Reauthorization*

As the above discussion outlines, there has been dramatic growth in single-parent employment since 1996, but often in low-wage jobs without employer-provided benefits. Many families still receiving assistance have serious employment barriers, and a group of families with serious barriers is now not in work and not receiving welfare. A well-functioning TANF program would assist needy families while connecting those who are able to work with sustainable employment; however, there are clear indications that the current program makes it difficult for needy families to receive assistance and serves a steadily declining share of poor children. The expansion of supports for working families outside welfare has been a critical contributor to the employment growth, but those supports are increasingly at risk because TANF and child care funding have remained flat. The sharp decline in reserve funds underscores that at current funding levels, states will find it difficult or impossible to sustain current service levels over the coming years.

Based on this experience, CLASP has urged that the work-related provisions of reauthorization focus on efforts to improve job quality and encourage a stronger focus on employment retention and advancement, expand child care and other supports for working families outside welfare, and ensure that states have incentives to work with, rather than terminate assistance to, families with the most serious employment barriers.

We have also urged that reauthorization promote TANF–WIA coordination. While H.R. 27, the WIA reauthorization bill passed by this Subcommittee and by the House, and H.R. 240 both contain provisions intended to promote coordination,<sup>16</sup> Congress could do more. We do not advocate broad cross-program waiver authority, such as is provided for under H.R. 240; nor would we support a proposal like the Administration’s WIA Plus Consolidation proposal, which would give Governors the option for broad authority to consolidate funds intended for targeted populations. Rather, we believe Congress and relevant federal agencies should work together to identify the principal areas of statutory and regulatory differences between TANF and WIA; examine whether there are strong policy justifications for maintaining those differences; and either harmonize or allow states to harmonize each area for which there is not a strong underlying federal policy basis for a different approach across programs. And, at the same time, Congress should ensure that new TANF provisions do not impose detailed and prescriptive requirements that make it more difficult to coordinate TANF strategies with those under WIA.

Over the last three years, much of the reauthorization debate has centered around the mechanics of the participation rate calculation for families receiving TANF assistance: the required rates; how those rates should be adjusted based on caseload reduction, employment, or other factors; the number of hours to fully count as a participant; which activities should be allowed to count, for how many hours and how many months. While there are better and worse ways to resolve each of these issues, this Subcommittee should appreciate the striking contrast between the approach in TANF and the approach in the rest of the workforce system. In WIA legislation, this Subcommittee has not sought to dictate which activities should count for how many hours or months; rather, it has kept its focus on state and local accountability through the performance indicators of importance to the system: employment entries, earnings gains, employment retention, acquisition of credentials. Moreover, historically, this Subcommittee has sought to promote access to education and training. The same philosophy ought to apply to TANF.

The remainder of this testimony will discuss TANF work participation rates and child care funding. On a number of key provisions, the approach taken by the Senate Finance Committee represents a more reasonable, balanced approach than that reflected in H.R. 240.<sup>17</sup> While we continue to urge improvements in the Senate bill, we think the Senate provisions reflect efforts to be responsive to the principal goals of the Administration’s proposal, while still allowing states significant flexibility in designing effective work programs. We also urge the Subcommittee to give serious consideration to the provisions of H.R. 751, the Work, Family and Opportunity Act, introduced by Congressman McDermott.

Reauthorization should encourage states to focus on employment and job quality and should not reward caseload reduction in itself. H.R. 240's caseload reduction credit creates incentives to terminate assistance rather than help families find jobs. We recommend replacing it with an employment-based credit.

The ultimate goal of the work provisions of any TANF bill should be to improve employment outcomes. Participation rates measure the share of families involved in activities while receiving assistance, but they do not capture the outcome of greatest concern: the number of families getting jobs and earning enough that they no longer need assistance.

CLASP has urged that states be given the option to be held accountable for employment outcomes in lieu of participation rates. Last year, a bipartisan group of Senators (Alexander, Voinovich, Carper, and Nelson [of Nebraska]) proposed an amendment to allow up to ten states to be accountable for outcomes relating to employment; success in activities designed to improve employment and related outcomes; job retention; entry earnings and earnings gains; and child well-being. H.R. 751 would allow states to be accountable for improvements in job entries and jobs with higher earnings. We recommend that the Subcommittee consider approaches such as these. Ultimately, we recommend that all states should have the option to be accountable for common performance measures across TANF and WIA.

So long as there is a participation rate structure, it is important that a state not be disadvantaged in the participation rate calculation when a family gets a job and leaves welfare. This can happen under current rules, because as long as the parent is receiving assistance and participating in an activity, the family counts toward the rates, but if the parent gets a job and leaves assistance, the family stops counting.

Under current law, rates are adjusted downward by a caseload reduction credit, calculated as the number of percentage points by which the state's caseload has fallen since 1995 for reasons other than changes in eligibility rules. The current structure has been criticized for lowering effective participation rates to zero for many states.

The other problem with a caseload reduction credit is that it rewards a state if its caseload falls, whether or not families are working, and even if the decline occurred simply because the state has made it harder to receive assistance. H.R. 240 would make this problem worse by maintaining a caseload reduction credit, adjusted so that states only get "credit" for recent caseload declines. Moreover, under H.R. 240's "superachiever" credit, a group of states would be rewarded for having had large caseload declines between 1995 and 2001, without regard to employment or other outcomes. It is difficult to see any conceivable policy justification in 2005 for arbitrarily rewarding states simply based on caseload decline that occurred years ago.

In 2002, the Administration recommended eliminating the caseload reduction credit, and providing instead that families leaving assistance due to employment could count as participants for 90 days. The Senate Finance bill uses an "employment credit" instead of a caseload reduction credit, providing adjustments based on the numbers of families leaving assistance due to employment, the number leaving with higher earnings, the number of families working after receiving diversion assistance, and the number of families receiving TANF-funded child care and transportation benefits. H.R. 751 also provides for an employment credit.

A credit or adjustor for employment would communicate the importance of focusing on whether families leaving assistance are working, and communicate to states that the goal is the promotion of employment, not simply cutting caseloads.

Raising the number of hours needed to count as a participant to 40 will make it harder for states to run effective programs to connect families with employment. It would be better to maintain current law hourly requirements.

Under current law, single parents with children under age 6 can count toward TANF participation rates through 20 hours a week of countable activities; all other families must meet a 30-hour requirement. H.R. 240 would raise the requirement to 40 hours for all families. The Senate Finance bill would raise the requirements to 24 hours for single parents with children under six, 34 for other single-parent families, and 39 hours for two-parent families. H.R. 751 would maintain the hourly requirements of current law.

In our view, it is unfortunate that much time over the last three years has been devoted to arguments about the "right" number of hours to require for participation, because there is no evidence that increasing hours of participation beyond current law requirements would lead to more effective programs. The welfare-to-work research consistently finds that the most effective programs provide a mixed menu of activities, combining job search, training, and other work-related activities, but these programs do not typically combine multiple activities for the same individual at the same time.<sup>18</sup> None of the highest-impact programs routinely imposed 40-hour

requirements. Nothing in the research suggests that restructuring programs to make them require 40 hours instead of 30 hours would make them more effective.

Moreover, raising the hourly requirement to 40 runs the risk of resulting in less effective programs, for three reasons. First, it creates the danger that program administrators will need to shift their focus from efforts to promote employment to efforts to “manage” 40 hours of participation. Second, the need to generate activities, even low-cost ones, and pay attendant child care costs, will force a misallocation of scarce resources at a time when states are struggling to sustain current services. Third, many observers have recognized the need to do more to engage families with the most serious employment barriers. These families are likely to have the greatest difficulties in meeting 40-hour requirements. If any individual who has difficulty consistently participating at a 40-hour level will become a “drag” on the state’s ability to meet participation rates, there will be an increased risk that such families are sanctioned and terminated from assistance rather than provided needed assistance to move toward employment.

While the Senate’s approach to hours is more moderate, the best resolution here would be to maintain current law. Every state would be free to increase hourly requirements if it wished to do so. But, there is no reason to compel all states to adopt an approach that has no basis in research, and that is contrary to the best judgment of many program administrators.

The list of countable activities should give states flexibility to make their own judgments about effective ways to promote employment. States should be free to use education and training and barrier removal activities, and not be compelled to use unpaid work experience.

H.R. 240 sharply limits the activities that can count toward the first 24 hours of participation each week. After a three- to four-month period, the only activities that could count for adults would be unsubsidized or subsidized work, or unpaid work experience or community service. Thus, the bill would make it impossible to count full-time education or training for more than four months, and would impose similar restrictions on participation in barrier removal and rehabilitative services. Given the costs of subsidized employment, the bill would, in effect, create strong pressure on states to use unpaid work experience or community service for those individuals unable to get unsubsidized jobs within four months.

The H.R. 240 approach is not consistent with relevant research. There is encouraging non-experimental evidence from transitional jobs programs that provide highly structured, paid subsidized employment experiences for individuals with multiple employment barriers,<sup>19</sup> and other research suggests favorable impacts for on-the-job training programs.<sup>20</sup> However, the available research has not suggested strong effects on employment and earnings for unpaid work experience programs. There is only limited recent research on the employment impacts of unpaid work experience; however, in a review of research conducted in the 1980s, the Manpower Demonstration Research Corporation (MDRC) concluded, “there is little evidence that unpaid work experience leads to consistent employment or earnings effects.”<sup>21</sup>

From the welfare-to-work research, the clearest guidance is that states should avoid the extremes of focusing exclusively on job search or on adult basic education unconnected to employment. Instead, the most effective welfare-to-work programs use a “mixed strategy”—focusing on employment; including job search, education, job skills training among program activities; and structuring activities on an individualized basis.<sup>22</sup> There is clear evidence that a strong skills training component can lead to improved employment outcomes, and that postsecondary education is increasingly crucial in efforts to improve earnings.<sup>23</sup>

In fact, as of June 2002, at least 40 states allowed more access to postsecondary training or education services than would be countable under H.R. 240.<sup>24</sup> If H.R. 240 were to become law, a large number of states would feel pressure to reduce access to these services for TANF recipients in order to avoid penalties. And, the restrictions on education and training in H.R. 240 would pose increased barriers to TANF–WIA coordination because full-time participation in WIA-funded training for more than three or four months would not be able to count toward TANF work participation requirements.

The approach taken by the Senate Finance Committee is more balanced than that in H.R. 240, though still restrictive in certain ways. The Finance bill maintains the current law 12-month restriction on counting vocational educational training toward core participation hours, while creating a new option for states to count participants in postsecondary education under certain circumstances. The Finance bill also allows participation in certain rehabilitative services to count for up to six months, and allows continuation of individualized activities beyond six months for individuals with disabilities under limited circumstances.

H.R. 751 would also broaden the countability of a set of activities, counting up to 24 months of participation in education and training, and counting up to 18 months of participation in rehabilitative services, if the last 12 months are combined with work.

Our principal recommendation here is that federal law should not seek to narrowly restrict which activities can count toward participation rates. In the TANF fiscal structure, a state has no incentive to place individuals in activities unless the state believes the activities are likely to be effective, and state perspectives on effective activities will continue to evolve over time based on research and experience. Thus, we recommend that participation rate rules not compel states to use unpaid work experience, not restrict the ability of states to use education and training, and allow for individualized determinations about participation in rehabilitative and barrier removal activities.

Reauthorization should ensure that states have incentives to work with families with serious employment barriers, rather than incentives to cut off assistance to these families. Accordingly, the bill should build safeguards into the sanction process, and not mandate full-family sanctions.

Under federal law, states must reduce or terminate assistance when a family does not comply with program rules without good cause. There are essentially no safeguards in current federal law beyond a provision saying that states may not terminate assistance to a single parent of a child under six who fails to participate due to lack of needed child care. Sanctions have not been the principal reason for caseload decline, but it is clear that they are used extensively in some states. Research confirms that families with the most barriers to employment and the most difficulty succeeding in the labor market are the most likely to be sanctioned. Moreover, families who leave assistance due to sanctions are less likely to be employed and more likely to return to welfare than families who leave for other reasons.<sup>25</sup> Testimony submitted to the Human Resources Subcommittee of the House Ways and Means Committee by Dr. Deborah Frank of the C-SNAP project describes the harm that can occur to children in sanctioned families.<sup>26</sup>

H.R. 240 would require all states to use full-family sanctions (i.e., terminate all TANF assistance for failing to meet program requirements). We urge that this provision be dropped. There is no research evidence that programs that cut off all assistance are more effective in moving families to employment or economic independence, and, as noted, there is clear evidence of potential harm. Moreover, in the context of high participation rates and scarce resources, there is considerable risk that when a parent with employment barriers is unable to meet program requirements, states will perceive a much stronger incentive to terminate assistance than to actively work with the family to resolve barriers to participation.

The Senate Finance bill does not mandate full-family sanctions. Instead, it contains a provision requiring that, prior to imposing sanctions, states must, to the extent determined appropriate, review the family's plan and make a good faith effort to consult with the family. A provision such as this, and additional safeguards, could help communicate that the goal of federal policy is to work with families to promote employment, not simply terminate assistance. H.R. 751 would not require full-family sanctions, and would provide for new safeguards in the sanction process.

Reauthorization should provide states with enough child care funding to sustain current service levels, meet new work requirements, and make progress in addressing access for all low-income working families and quality in the next five years. The current House bill would accomplish none of these goals. We recommend increasing child care funding.

In the initial years after enactment of the 1996 welfare law, states made dramatic progress in expanding child care assistance for low-income families. Child care is critical to helping parents find and keep jobs. Compared with mothers on waiting lists for child care assistance, mothers receiving subsidies for their child's care were more likely to be employed, spent half as much of their income on child care, and were less likely to be very poor.<sup>27</sup> Data from the 1990s shows that single mothers who receive child care assistance were 40 percent more likely to still be employed after two years than those who did not receive any help paying for child care, and that former welfare recipients with young children were 82 percent more likely to be employed after two years if they received help paying for child care.<sup>28</sup>

States were able to increase child funding for two principal reasons. First, the 1996 law provided for steadily increasing amounts of dedicated child care funding through 2002. Second, when TANF caseloads declined, states were able to redirect TANF funding to child care. In 2000, states redirected \$4 billion in TANF funds to child care, an amount larger than the entire child care block grant. However, child care funding through TANF has fallen to about \$3.5 billion in each of the last three years, and it is doubtful that states will be able to sustain this funding level, in

light of the fact that states are currently spending TANF funds at a level above their block grants and drawing down reserve funds to pay for current service levels.

It has been suggested that reauthorization could “unlock” as much as \$2 billion in unobligated prior-year TANF funds, which can currently only be used for “assistance,” but which could be used for any allowable TANF purpose under the pending bill. We support the proposal to broaden allowable uses of reserve funds, but enacting this proposal will not free up significant new resources for child care, for two reasons:

- First, the vast majority of states can already effectively use their unobligated funds for child care by rearranging how current and carryover funds are spent (i.e., spend prior year funds for assistance to free up current year funds to spend for child care). Based on 2003 spending data, forty-seven states could already, in effect, spend every penny of their unobligated funds on child care this year, but if they did so, they would have no reserve funds for the future. The remaining four states could, in effect, spend all of their carryover funds for child care within two or three years, if they wished to exhaust their reserve funds.
- Second, as noted above, for the last three years, states have spent more for TANF-funded benefits and services than they have received in their annual block grants, and have drawn down prior year funds to help pay for current service levels. This strategy cannot be sustained indefinitely; reserves for most states are likely to be depleted within a few years unless states make significant cuts in current levels of services. Thus, most states cannot simply use reserve funds to expand child care services without creating deeper deficits for future years.

When child care funding was expanding, it resulted in dramatic improvements in the availability of child care assistance for low-income families. For many states, a key part of the strategy to promote work and reduce the numbers of families receiving TANF assistance was expansion of child care outside welfare. In recent years, as child care funding has been flat or declining, it has become increasingly difficult or impossible to provide continued access for working families that are not receiving or leaving TANF assistance. The Administration now estimates that flat funding levels will cause the number of children receiving child care to fall from 2.4 million in 2003 to 2 million by 2009.

Although funding levels have not changed since 2002, the cost of child care has continued to rise because the wages and salaries of child care workers, the cost of renting space, and the cost of supplies increase over time. A September 2004 report from the National Women’s Law Center documented the specific impacts for families as states struggle to meet increasing costs with flat funding levels. NWLC found that between 2001 and 2004, the income eligibility cutoff for a family to qualify for child care assistance declined as a percentage of the poverty level in about three-fifths of the states. NWLC also found that the number of states that had waiting lists or had frozen intake altogether for low-income working families not receiving welfare rose to 24 states by 2004. The NWLC study also found that increases in copayments are further limiting access to child care help for many families. In about half the states, the copayment for a family with an income at 150 percent of poverty increased as a percent of income between 2001 and 2004 or the family became ineligible for help at this income level due to a decrease in the income cutoff. Copayments also increased in about half the states for families at 100 percent of poverty, those least able to make adjustments in their budgets to pay for higher child care costs.<sup>29</sup>

The Administration has proposed no increase in mandatory child care funding for the next five years; H.R. 240 provides for \$1 billion; last year, the Senate voted, 78–20, to provide for \$7 billion in child care funding over five years, and the Senate Finance Committee bill would provide for \$6 billion. H.R. 751 would increase mandatory funding by \$11 billion over five years. How do these amounts compare to need?

In essence, the Senate Finance Committee’s bill would address inflation and the projected costs of the Senate work requirements; under the House bill, there would be about an \$11 billion shortfall. Congressional Budget Office (CBO) staff has preliminarily estimated that \$4.8 billion in total funding (federal and state) would be needed to sustain 2005 service levels over the next five years.

- CBO estimates that the combined work and child care costs of meeting the House work requirements through increased participation would be \$8.3 billion. After allowing for overlap, the resulting preliminary staff estimate is that the additional cost of sustaining current service levels and paying for the work and child care costs would be \$12.5 billion.
- CBO staff has preliminarily estimated that the cost of meeting the Senate Finance work requirements through increased participation would be \$1.8 billion,

and that the combined cost of meeting such requirements through increased participation and sustaining current service levels would be \$6.3 billion.

While the Senate Finance figure is near the projected costs of inflation and meeting new work requirements, even this figure would not provide for access to child care for additional working families outside welfare or for expanding quality investments. At the same time, the CCDBG reauthorization bill approved by this Subcommittee in 2002 and 2003 (and contained in H.R. 240) clearly signals the need for expanded quality initiatives by states. The bill increases the required child care quality set-aside; adds CCDBG goals of improving quality and promoting school readiness; requires an annual strategy for the use of quality funds; and describes a set of potential quality activities for states. Yet, if funding is not sufficient to sustain current service levels and meet new requirements, it is difficult to see how states can at the same time make significant progress in improving child care quality in the coming years.

We understand the difficulties in urging additional child care funding at a time when there is a need to address the federal deficit. However, child care funding is an essential support for work and a crucial way of addressing the well-being and developmental needs of children in working families. Providing for increased funding will be crucial to sustain progress in the coming years.

#### *Conclusion*

While we urge a number of changes in the House's approach, we share the view that it is important for Congress to resolve outstanding issues and complete TANF reauthorization. During the last three years, there has been a significant cost to the uncertainty and instability resulting from lack of reauthorization and repeated short-term extensions. We urge the Subcommittee to work for enactment of a final bill that is responsive to the need for state flexibility and that addresses issues of better jobs, employment retention and advancement, helping families with the most serious barriers, and providing adequate funding for child care and other supports to help working families both on and outside welfare.

#### *Endnotes.*

<sup>1</sup>Burke, V. et al. (December 2004). Children in Poverty: Profiles, Trends, and Issues. Table A-3. Washington, DC: Congressional Research Service.

<sup>2</sup>U.S. Department of Health and Human Services. (2004). Indicators of Welfare Dependence: Annual Report to Congress, Table TANF 2. Washington, DC: Author. Available at: <http://aspe.hhs.gov/hsp/indicators04/>

<sup>3</sup>Richer, E. et al. (November 2001). Frequently Asked Questions about Working Welfare Leavers. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/faq—about—working—welfare.pdf>

<sup>4</sup>Administration for Children and Families. (2001). Fiscal Year 2000 TANF Financial Data. Washington, DC: US Department of Health and Human Services. Available at: <http://www.acf.dhhs.gov/programs/ofs/data/tanf—2000.html>

<sup>5</sup>Burke, V. et al. (December 2004). Children in Poverty: Profiles, Trends, and Issues. Table A-3. Washington, DC: Congressional Research Service.

<sup>6</sup>Boushey, H., and Rosnick, D. (April 2004). For Welfare Reform to Work, Jobs Must be Available. Washington, DC: Center for Economic and Policy Research. Available at: <http://www.cepr.net/labor—markets/welfarejobshit—2004april01.htm>

<sup>7</sup>Loprest, P. (August 2003). Fewer Welfare Leavers Employed in Weak Economy, Snapshots of America's Families III, No. 5. Washington, DC: The Urban Institute. Available at: <http://www.urban.org/url.cfm?ID=310837>

<sup>8</sup>Falk, G. (March 2004). Caseload Trends. Washington, DC: Congressional Research Service.

<sup>9</sup>U.S. Census Bureau. (August 2004). Income, Poverty, and Health Insurance Coverage in the United States: 2003 (P60-226). Table 3. Washington, DC: Author. Available at: <http://www.census.gov/prod/2004pubs/p60—226.pdf>

<sup>10</sup>U.S. Department of Health and Human Services. (2004). Indicators of Welfare Dependence: Annual Report to Congress, Table TANF 2. Washington, DC: Author. Available at: <http://aspe.hhs.gov/hsp/indicators04/>

<sup>11</sup>Loprest, P. (August 2003). Disconnected Welfare Leavers Face Serious Risk. Snapshots of America's Families III, No. 7. Washington, DC: The Urban Institute. Available at: <http://www.urban.org/url.cfm?ID=310839>

<sup>12</sup>Greenberg, M. and Rahmanou, H. (February 2005). TANF Spending in 2003. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/fy2003—tanf—spending.pdf>

<sup>13</sup>Mathews, H. and Ewen, D. (2005). President's Budget Projects 300,000 Low-Income Children to Lose Child Care By 2010. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/cc—2006—budget.pdf>

<sup>14</sup>U.S. General Accounting Office. (2003). Child Care: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families. Washington, DC: Author. Available at: <http://www.gao.gov/new.items/d03588.pdf>

<sup>15</sup>CLASP unpublished analysis of "State Spending Under The Fiscal Year 2003 Appropriation For

Child Care And Development Fund (CCDF) as of 9/30/2003” available at <http://www.acf.hhs.gov/programs/ccb/research/03acf696/overview.htm>

<sup>16</sup>For example, H.R. 27 and H.R. 240 would each make TANF a mandatory partner in the one-stop system unless the Governor opted out. In addition, H.R. 240 would require TANF state plans to describe the extent to which TANF employment and training services are provided through the one-stop system and the extent to which former TANF recipients have access to additional core, intensive, or training services. Finally, H.R. 240 requires that the Secretary of Health and Human Services and the Secretary of Labor jointly submit a report to the Congress describing common or conflicting data elements, definitions, performance measures, and reporting requirements in TANF and WIA.

<sup>17</sup>The descriptions of the Senate Finance Committee bill are based on the description of the bill available at: <http://www.senate.gov/?finance/sitepages/leg/030905mrkup.pdf>

<sup>18</sup>Martinson, K., and Strawn, J. (May 2002). *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform*. Washington, DC: Center for Law and Social Policy and the National Council of State Directors of Adult Education. Available at: <http://www.clasp.org/publications/BTL-report.pdf>; Michalopoulos, C., Schwartz, C., with Adams-Ciardullo, D. (August 2000). *National Evaluation of Welfare-to-Work Strategies, What Works Best for Whom: Impacts of 20 Welfare-to-Work Programs by Subgroup*. New York: Manpower Demonstration Research Corporation. Available at: <http://aspe.hhs.gov/hsp/NEWWS/synthesis-es00/index.htm>; Strawn, J., Greenberg, M., and Savner, S. (February 2001). *Improving Employment Outcomes Under TANF*. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/improving-employment-outcomes-under-tanf.pdf>

<sup>19</sup>Kirby, G. et al. (April 2002). *Transitional Jobs: Stepping Stones to Unsubsidized Employment*. Princeton, NJ: Mathematica Policy Research.

<sup>20</sup>Orr, L. et al. (1996). *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study*. Washington, DC: Urban Institute Press; Plimpton, L. and Nightingale, D. *S. Welfare Employment Programs: Impacts and Cost-Effectiveness of Employment and Training Activities*, unpublished paper; U.S. Department of Labor. (January 1995). *What's Working (and what's not)*. Washington, DC.

<sup>21</sup>Thomas, B., Butler, D., and Long, D. (September 1993). *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research*. New York: Manpower Demonstration Research Corporation.

<sup>22</sup>See, for example, Gueron, J. and Hamilton, G. (April 2002). *The Role of Education and Training in Welfare Reform*. Policy Brief No. 20. Washington, DC: The Brookings Institution. Available at: <http://www.brookings.edu/dybdocroot/wrb/publications/pb/pb20.htm>; Martinson, K., and Strawn, J. (April 2003). *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform*. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/BTL-report.pdf>; Mathur, A. et al. (May 2004). *From Jobs to Careers: How California Community College Credentials Pay Off for Welfare Participants*. Washington, DC: Center for Law and Social Policy. Available at: <http://www.clasp.org/publications/Jobs-Careers.pdf>

<sup>23</sup>From Jobs to Careers: How California Community College Credentials Pay Off for Welfare Participants. Washington, DC: Center for Law and Social Policy; see also, Duke, A. “Provide Post-Secondary Education and Training to Low-Income Parents.” in McNichol, L. & Springer, J. (December 2004). *State Policies to Assist Working Poor Families*. Washington, DC: Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/12-10-04sfp.pdf>

<sup>24</sup>Center for Law and Social Policy. (June 2002). *Forty States Likely to Cut Access to Postsecondary Training and Education Under House Welfare Bill.* Washington, DC: Author. Available at: <http://www.clasp.org/publications/doc-Postsec-survey-061902.pdf>

<sup>25</sup>See: Pavetti, L. et al. (April 2004). *The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina*. Washington, DC: Mathematica Policy Research. Available at: <http://aspe.hhs.gov/hsp/TANF-Sanctions04/>; Wu, C. et al. (June 2004). *How Do Welfare Sanctions Work? Institute for Research on Poverty. Discussion Paper No. 1282-04*. Madison, WI: Institute of Research on Poverty. Available at: <http://www.ssc.wisc.edu/irp/pubs/dp128204.pdf>; For a summary of earlier research, see: Goldberg, H. and Schott, L. (October 2000). *A Compliance-Oriented Approach to Sanctions in State and County TANF Programs*. Washington, DC: Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/10-1-00slip.htm>.

<sup>26</sup>See Statement of Dr. Deborah A. Frank, Boston Medical Center (February 10, 2005), available at: <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=2498>

<sup>27</sup>Fred Brooks, Ed Risler, Claire Hamilton and Larry Nackerud. (2002) “Impacts of child care subsidies on family and child well-being.” *Early Childhood Research Quarterly* 17 (2002) 498-511. (See also Errata to “Impacts on child care subsidies on family and child-well-being.” *Early Childhood Research Quarterly*, Volume 18, Issue 1, Spring 2003, Page 159).

<sup>28</sup>Heather Boushey, “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth” (Economic Policy Institute Briefing Paper), Washington, DC: Economic Policy Institute 10 (2002).

<sup>29</sup>Karen Schulman and Helen Blank (2004) *Child Care Assistance Policies 2001-2004: Families Struggling to Move Forward, States Going Backward*. Washington, DC: National Women's Law Center.

Chairman MCKEON. Thank you.

Mr. Austin, in your testimony you discuss leveraging additional resources, including the private sector resources.

Mr. AUSTIN. Yes.

Chairman MCKEON. How has integrating the TANF work services in the one-stop delivery system enhanced your ability to leverage these resources?

Mr. AUSTIN. It gives me another bucket of money.

Let me tell you what we have done.

We've actually gone out and said, who benefits each time? The concept of welfare in many of these programs are that we have one individual who walks into an office and asks for resources.

If you work with an employee and say, "Let me deal with all of your people"—the gentlelady from North Carolina made a point. She talked about people who don't ever access these resources.

Fifty percent of the people who, for example, qualify for food stamps never access them. There are a lot of people who could be able to have TANF cash assistance, but never access it.

And we said, let's look at all that whole population, the working poor, and say, when I walk in, can I deal with anybody who is TANF eligible, not just people who have signed up for cash assistance, but TANF eligible, with an employer?

If they can tell me, "Here are your top 25 percent of your people right here that are in this category that I think tomorrow, with 3 months worth of training will be making significantly more," I can be able to partner with that employer and say, "Now, look, part of the benefit goes to the individual, part of it is to the state of Florida, because I keep that skilled person in here, but part of it's to that businesswoman or that businessman who I'm dealing with.

If I can be able to get them to say, "I will pay \$3 for every dollar you put into the training piece here," I leverage that fund significantly.

So whatever—I'm not going to be able to meet all the supposed needs. I don't know what the word "needs" means, because I have a hard time with that one.

If we have—if we've got programs out there, people will sign up, but if I've got somebody out there who I know is not making as much money as at least we think they should to be able to be self-sufficient, I've got to be able to find enough money to be able to spread that around.

That employee benefits for having a better-skilled person, and they will be willing to pay. They have been in Florida. They paid \$400 million to the \$100 million we put in for the last 4 years on training just on state-level projects.

We're right now working on how we do that at the local level. We've got a lot of money sitting at the local level, saying, OK, how do I be a little bit more sophisticated negotiating? How can I negotiate with the community college and say, "Won't you train 30 rather than 20 if I'm going to be your provider here, and we'll make a deal?"

And that's what it is. When we get those resources in here, it allows us to be able to expand that base and to deal not just with the person who walks in the office, but be able to do that with the employer.

And being able to do that, we've also done that competitively. We'll say, who will play with this? Maybe one part of the state won't play. Maybe we have an office there where people have done

things traditionally and they're not going to be able to deal with it.

That's fine. There will be enough pressure on that community eventually that they will come together and find a solution.

And we'll say we'll put all of our money into Jacksonville, and then we will go down and tell the business leaders, "We didn't put a nickel into Ocala, because Jacksonville came through."

And those people then kind of beat the system and say, "I need a solution, because we don't want you to leave us behind."

Chairman MCKEON. Thank you.

The Workforce Investment Act, we had the jurisdiction for. The welfare reform goes to, I think, seven Committees, so we have a small part of it.

But our goal on the Workforce Investment and on welfare reform is to get everything into the one-stop, and we haven't quite been able to do all of that yet.

The reauthorization that we passed last week goes a little bit further, but I think—I think in a bipartisan way, if you can have that one-stop where people can go in, whatever their situation, and find out what resources are available and where they should go, and if they're out of work they can help get a job, help get the resources that they need to tide them over, if they have a job, but it's not a good one, or not what their capabilities are, to help upgrade them—we're not quite there yet, but it sounds like you are down there.

Mr. AUSTIN. Well, you've given us great leadership, Mr. Chairman, on this issue.

And Florida, our statute specifically require them to be a mandatory partner in the one-stop, so that we don't have this fighting over resources, because if we want to develop capacity to be able to place people in employment, we should be developing that capacity one time, not multiple times in multiple agencies.

Chairman MCKEON. The 40 hours and the 30 hours, you know, I guess our thinking was that eventually people, most people now work more than 40 hours, and it's kind of realistic thinking that if you're going to move somebody from welfare to full employment, productive employment, at some point they're going to be working at least 40 hours, and how do we get them transitioning there; and that's why we put the 40 hours in there.

Mr. MEAD. That's the goal, and I accept that they will have to work 40 hours to get off welfare.

But I don't think that's the best way to mandate the states to move toward an effective work test, which is a different question.

Chairman MCKEON. We required 24 hours of work and then 16 hours, they could—

Mr. MEAD. I understand that.

Chairman MCKEON. OK.

Mr. MEAD. But just to reach 40 hours at all, on any basis, with no stipulations at all about hours, is beyond the capacity of any state in this country, including Wisconsin.

They had to move away from 40 hours toward more like 30 hours, most of which is work, to be sure, but—and with some other things added in. They simply can't get to 40 hours, and I don't think they have to get to 40 hours to have an effective work test.

Much more important is to have the work test cover everybody in the caseload, and we're not covering everybody in the caseload now, not even close to it, because of the caseload fall credit and the partial sanction, and above all, the child-only programs that nobody has mentioned, that's more than a third of the entire caseload now. They're not subject to any work test or any time limit.

Why don't we talk about that? That's the elephant in the room. That's a big, big problem.

And then you've got, I didn't mention this before, the waiver programs, some of which, like Massachusetts, have the effect of excluding most of the caseload.

Now, the bill, as I understand it, does not allow those to be continued after they expire. That's the very least you could do. You might talk about ending them early. I mean, I don't know whether that's legally possible or not.

But again, the contrast here, you can look at tax reform, where we need to broaden the base of the tax system, and then we can lower the rate.

Same thing here. If you broaden the base of the work test, you won't have to go to 70 hours, or 40 hours. You would be able to have something feasible, which will nonetheless have a dramatic effect on the caseload, particularly in the big states like New York and California, where these problems with the state-only and the partial sanction are prohibitive.

It really isn't possible to implement welfare reform in New York City because of systematic violation of the work test, which the state can do nothing about, and that has also meant that the community groups and democratic politicians in the city do not really accept welfare reform. They see it as something that might be rolled back if they can just elect a different mayor, and so they don't really come to terms with it.

Whereas, because you had a truly universal requirement in Wisconsin, everybody came to terms with it, not just the politicians, the bureaucrats, the recipients, and that's why you have a virtual extinction of traditional cash welfare in that state, because there's no going back, and because there's no escape.

In New York, there is still escape. In California, there is still escape.

So let's worry about closing the escape hatches, rather than raising the titular work participation rate and the number of hours, when you don't really require it, because there are these exemptions and offsets and so on that in fact make it 50 percent.

Let's enforce the 50 percent. Right now we have 33 percent. It's going to be tough enough to get to 50 percent. And if you do that, that will have a transforming effect, all by itself.

Chairman MCKEON. Thank you very much.

My time has expired.

Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman.

Dr. Greenberg, Dr. Horn said that research shows that a mixed approach is the best way to move people out of welfare and into jobs.

Do you agree with this? And should H.R. 240 help states accomplish this?

Mr. GREENBERG. Thank you.

The research that I believe Dr. Horn was referring to is the research from what's known as the NEWWS evaluation, the National Evaluation of Welfare-to-Work Strategies, and in the NEWWS evaluation, they tested a range of different approaches, and as Dr. Horn indicated, some of the approaches were ones which largely focused on job search; some of the approaches were ones which largely focused on basic education.

The program that by far performed most strongly of any of them was the one out of Portland, Oregon, and it's become known as a mixed services approach.

I think where there's some confusion, though, is mixed services doesn't mean do a whole bunch of things all at one time. What it means is, instead of treating everybody the same way, that the program itself has a range of services available, and so what was distinctive about the program in Portland is, for those who were able to enter into jobs right away, the program emphasized job search but also emphasized trying to help them get the best jobs they could, not just the first job they could.

The program also placed significant emphasis on access to education and training. It built in access to GED completion, to vocational training.

Of all the programs that were evaluated as part of the NEWWS strategy, the NEWWS evaluation, it had the strongest record in both increasing GED completions and increasing occupational certificates.

So it was a mixed strategy approach that emphasized looking at people as individuals, figure out what makes sense, include education and training along with other components, and keep a strong focus on linking families with employment.

So to answer, just in summary on this, the kind of approach that Portland took and the kind of approach that a very large number of states now take could not be able to be sustained under H.R. 240, and the reason for that is because H.R. 240 only allows vocational training to count toward full-time participation for three to 4 months.

Anything that couldn't be done in that three-to-four months couldn't be a full-time activity, and even for that three-to-four months, it's essentially, this is the flexible period, so this is the competition between vocational training and job search and anything else preparatory to being involved in a program.

So the bottom line is, as we suggest in our testimony, when we looked at this and gathered data from states from their policies in 2002, at that point there were 40 states that currently allow more access to education and training than would be allowed under the H.R. 240 approach.

Mr. KILDEE. So you would find that to be a significant deficiency in H.R. 240?

Mr. GREENBERG. I do, and the thing that I would most emphasize here is, in the block grant structure, a state has no reason to put a family in a vocational training program unless the state thinks it's a good thing to do.

There is no sense in which somehow the state is able to circumvent something or play some games. From the state's perspec-

tive, this is a fixed block grant. It's a flat amount of funding that the state has to work with.

States understand that the goal of this process is to link people with jobs and they understand that in the political process, when their caseload goes down, things are better for them.

So a state has no interest to put an individual in a vocational training program unless it's the state's judgment that that is going to help that person in the long run be able to earn enough to not need TANF and to not need other forms of public assistance.

Mr. KILDEE. Thank you.

Ms. Fallin, can you describe from your experiences in Maryland how working parents are affected by difficulties in finding affordable, stable, high-quality child care?

Ms. FALLIN. I think that right now in Maryland I'll begin by saying that we currently have a wait list for child care of 19,000 children.

Mr. KILDEE. 19,000?

Ms. FALLIN. 19,000. When you think of 19,000 children on a wait list, you must wonder, where are those children, have concerns about where they're staying, who is caring for them.

And when you also think about the issue of school readiness, then you have to be concerned about what they're receiving, wherever they're being cared for.

I think that this whole issue of welfare reform is not just one of getting parents to work, but we have to think in terms of our future workers, as well, and those are their children.

So our difficulty is, in Maryland, that we have the ability to provide a subsidy for those families that are on TANF, but we do not have the ability right now to provide services for those who are the working poor.

We know that 82 percent of parents who are still working after 2 years have been able to do so because of the fact that they had a child care subsidy, and as you yourself mentioned earlier, that movement along that line to a place where you might not need that kind of assistance takes time. You move along in order to increase your income.

So that in Maryland, I think we continue to struggle, as others do, to try to get to a place where families have an adequate amount of subsidy to assist them.

And we also have the additional issue of co-payments. Many of our families are now required to pay an additional co-payment that also creates a situation in which many of them cannot afford that.

We talk about quality and we talk about the need for quality for all children, but I think we all recognize that the low-income family is the family that is least able to succeed, if quality care is not available to them.

Mr. KILDEE. Thank you very much.

Thank you, Mr. Chairman.

Chairman MCKEON. Ms. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

If we could just continue a little bit more on the child care area, because I actually, in sitting here and thinking about those one-time funds that were suggested earlier, I was concerned, and actu-

ally I hadn't read your testimony, Mr. Greenberg, at that time, and the concerns that you raised.

But what is important here is the sustainability, and the messages, I think, in addition, that we send about how important this is.

And I believe it was stated that, to the knowledge of the witness, all children who are receiving TANF are—all families that are TANF, generally speaking, are in a child care program, and perhaps I think you just said that, also, but that those families who have left TANF, who need to have child care support as well to continue not just in part-time jobs but hopefully getting into a full-time job which is really the critical element in moving out of poverty, that they don't necessarily have that kind of care.

Is there any kind of other model that we've seen that would allow more credits to states that have more families that move into that situation, the subsidy is not adequate?

How can we try and address this, then? Because this is so critical, and we may argue for additional funding, we may argue for additional help, that may fall on some deaf ears down the line.

Is there some other way that this can be addressed? And I'm also concerned, as I think we all should be, about the quality of the care, because clearly, kids who are not exposed to as much in those early years are not going to be as successful, but child care can, just as I think a public education system can, can mitigate that to a certain extent.

So what should we be doing? What else is critical here?

Mr. Greenberg?

Mr. GREENBERG. First of all, let me just say a little bit more about the current picture, and then directly respond to you.

Assistant Secretary Horn indicated that currently sort of the most typical situation is child care available for families receiving TANF assistance and leaving TANF assistance, at least for some period of time.

The biggest issue really involves low-income working families that don't have any recent connection with the TANF system.

I think that description is right. I should say I wish we had better Federal data on this, and if the Committee—there are things that could be done for us to have better data than we have, but I think that overall picture is right.

It is a huge problem, and it is a huge problem because it does mean that in community after community, families are now told that if you're a working family and you don't have any recent connection to the welfare system, that the only way you can get access to child care is by going through welfare, which is the opposite of what states want to do.

So the National Women's Law Center, in a study they released last year, estimated that there are now 24 states in which either there are waiting lists or intake has been frozen for low-income working families outside the welfare system, and that's really what's at stake in the issues around child care funding.

I wish that there were a helpful answer I could give on your direct question about what we can do to better reach out and improve services to those families who right now can't be reached. It really is a resource problem.

When one looks at the patterns over time in participation in the program, when money was going up, more families were getting help.

When money has stayed flat, fewer families are getting help, and the picture threatens to get worse over time.

So on the one hand, I do commend the Committee for the emphasis on quality that is shown in a number of features of the reauthorization provisions of the Committee for increasing the set-aside for quality, for urging states to be more purposive in how they think about the use of their quality funds, and being more strategic in that. I think that's a positive thing.

And I would say that states are struggling across the country with how they can do a better job in a situation where the resources really are strapped.

Ms. FALLIN. I would just add to that that I'm not so sure that I can tell you something different to do, but I do know that for many states, eligibility requirements have actually been lowered, which makes fewer people eligible for subsidies, for example.

So that if we use some of the existing kinds of programs that we have in a better way, like lowering the co-pay, for example, like raising the eligibility level so that more people qualify, I think that would go a long way in improving accessibility for families to child care that they need.

And I also agree that a quality issue on the other side is that poor people, just like any other people, want their children in safe, healthy, and developmentally appropriate environments, so it's extremely important that they're comfortable, too, when they go to work, that they have a program that they can send their children to that makes them feel able to be at work and to do what they need to do there and to be successful with that.

So I think that the quality side goes hand in hand with the resource availability for subsidy.

Mr. MEAD. May I just add one comment?

The fact that there are waiting lines does not, to me, indicate that there's unmet need.

The reason for the waiting lines could be simply that a subsidy is being offered. When you subsidize something, more people necessarily would like it. Most of us would like something subsidized that we otherwise would have to pay on the open market. And so the effect of subsidy is raised demand, so people sign up.

That does not establish that they can't afford the care without the subsidy, and it doesn't establish, let alone, that they can't get it at all.

Now, that might be true, but we don't know that, and until you find out what they were paying previously and what their alternative is to getting the subsidy, you can't conclude that.

Now, if you find that people have to go back on TANF in order to get child care, if that's the effect, I would agree with you that's undesirable, but I don't know of any evidence for that. I don't know of any study that shows that inability to get subsidized care off welfare drives people back on welfare. I don't know any evidence to that effect.

So it's something to look at. I don't mean that it's not an issue. But we can't assume, just prima facie, that that is evidence of unmet need.

Chairman MCKEON. The gentlelady's time has expired.

The gentleman from Virginia.

Mr. SCOTT. Thank you, Mr. Chairman.

To follow through on that, what is your income to qualify for this subsidy?

Mr. MEAD. For what?

Mr. SCOTT. For the child care subsidy.

Mr. MEAD. I don't know the—

Mr. SCOTT. I mean, do you have to qualify by having a low enough income?

Mr. MEAD. There is some limit to income, and I think it's set by the states to some extent, but my point is a more general more, that there's—

Mr. SCOTT. Let me get this number first.

Ms. FALLIN, is there—

Ms. FALLIN. Yes, I can tell you about Maryland.

Mr. SCOTT. OK.

Ms. FALLIN. In Maryland, a family of three that earns a little less than \$30,000 a year is eligible for a child care subsidy.

Mr. SCOTT. And how much is the subsidy?

Ms. FALLIN. Well, for an infant, I can tell you this, that for an infant care it costs about \$10,300 a year for—

Mr. SCOTT. OK. So I guess the question is, for a \$10,000 child care bill, the fact that they're in a wait list—you know, I guess, whether they need it or not, the subsidy is there.

You would think anybody making \$30,000 a year looking at a \$10,000 child care expense for the first child, and then if they've got two children, you're talking about—they both won't be infants—you know, whether they need it or not.

I mean, can we assume that anybody under \$30,000 with these kind of bills would need that subsidy, without doing a study?

Ms. FALLIN. I would assume that, and I can tell you my locate staff, which helps parents to find child care, every day have folks on the telephone who are looking for child care, and one of the things that we do as an R&R is to assess their—we do sort of a preliminary assessment of their eligibility for subsidy.

Mr. SCOTT. You mentioned 19,000 people on the waiting list. How many people were getting services?

Ms. FALLIN. I'm sorry. Say that again?

Mr. SCOTT. How many people were receiving services?

Ms. FALLIN. Oh, how many—I don't have that number, but I can certainly—

Mr. SCOTT. I mean—

Ms. FALLIN. In Maryland?

Mr. SCOTT. Yeah. Well, you said there are 19,000 people on the waiting list.

Ms. FALLIN. That are currently on the—these are people who, after they put in place a wait list.

Mr. SCOTT. How many people—I mean, is that out of how many? I mean, do you have 2 million getting services, or 10,000 getting services?

Ms. FALLIN. There are 21,000.

Mr. SCOTT. 21,000. So you have about as many people on the waiting list as you're serving.

Ms. FALLIN. That's true. Thank you. That comes back to me. Yes, because we're anticipating that if it continues the way it's going now, that eventually the number of children on the wait list will outrank the number receiving care.

Mr. SCOTT. OK.

Mr. Greenberg, you mentioned that the economy helped get people off of welfare.

What about child support enforcement, food stamps, and the earned income tax credit?

Mr. GREENBERG. There are a number of studies that have tried to disentangle what helped explain the big growth in employment during the 1990's, and the pretty broad consensus out of the studies is that a number of factors all mattered.

It's very hard to ascribe particular percentages to say, welfare reform did this much, the economy did this much.

Mr. SCOTT. Without percentages, you could say that child support enforcement was a major factor, an important factor.

Mr. GREENBERG. It makes a lot of sense that child support would have been an important factor, because child support plays a critical role in making it possible for a low-wage parent to make ends meet.

There are also, on the earned income tax credit, there are a number of studies that do highlight the importance of the big earned income tax credit expansion of the mid-1990's as a significant factor, and also raising employment in that period.

Mr. SCOTT. And food stamps?

Mr. GREENBERG. I'm not aware of studies that concern the role of food stamps in this.

I do think one of the important things that has happened during the 1990's is that there was increasing recognition of how valuable food stamps can be as a way of helping a low-earning family make ends meet, that particularly for families who are in low-wage jobs who otherwise risk food insecurity, that the food stamp program both improves nutrition for the family and reduces economic stress for the family.

And so in a number of states, there's increased emphasis now on efforts to try to connect low-income working families with food stamps as a way of improving the well-being of the families and helping them sustain employment.

Mr. SCOTT. Thank you.

Ms. Fallin, your testimony talks about half-day and full-day Head Start.

We've been told that the educational value for the full-day Head Start is limited.

Are you suggesting that there are other significant benefits in going to full-day Head Start?

Ms. FALLIN. Absolutely. Absolutely.

Although our demonstration project is a unique one, the children—these are children who have actually entered through the child care program, and so they're able to have wrap-around services at that particular program, so that it isn't specifically Head

Start all day, but it's a combination of the child care program as well as the Head Start collaboration classroom.

And I think that what it does in addition to providing the kind of services that the Head Start family requires, and it helps to prepare children for the public school system, but what it also does is create an atmosphere in which the child care program becomes much more quality, and allows for the teachers that are in the Head Start classroom, who come from the child care center, to move out and to bring in a new teacher.

So that in addition to the kind of services that are needed for Head Start, we're also doing a lot to raise quality for the child care community, and without Head Start resources being in those child care centers, those child care providers just don't have the resources to do it.

Chairman MCKEON. The gentleman's time has expired.

The gentleman from New Jersey, Mr. Payne.

Mr. SCOTT. I cut Dr. Mead off. I didn't know if he had completed his—we have 5 minutes, and sometimes we get a little rude around here. I don't know if he had a little more to say on that, or he had completed his thought. I'd appreciate—

Mr. PRICE. I'd yield to the gentleman.

Mr. SCOTT [continuing]. If we could give him that opportunity.

Mr. MEAD. Your question was, again?

Mr. SCOTT. Well, I cut you off in the middle of one of the questions earlier, and if you had completed your statement, that's fine. I just didn't want you to—

Mr. MEAD. Yeah. No, I'm—

Mr. SCOTT. Let me apologize for being rude, then. Thank you.

Mr. MEAD. OK.

Chairman MCKEON. You're never rude, Bobby.

Mr. Payne.

Mr. PAYNE. I just wonder when he started apologizing for it.

[Laughter.]

Mr. PAYNE. I'm sorry that I missed most of the—all of the discussion. I was trying to browse through the testimony. This is one of the busier days. When the middle of March comes, it's our March madness, because everyone in the world comes to Washington.

But I just wonder, just in general, what the question of the so-called welfare reform, and we saw the numbers about the number of people who initially had, you know, the 5-year for life, and the 2-year and off policy.

The question of really what happens to people—and I'm sure that all of you have done some research on what's been the experience of the 2 years you're off, and are people any better off?

I know the governments feel they're better off because they feel everyone should work and all that stuff, but are the families any better off? Are they working their way out of poverty in general? Are children better served?

If anybody could just deal with how the results in your opinion of the Clinton welfare reform as we know it has worked?

Mr. MEAD. Let me just summarize some of the facts that there's no dispute about. There are some facts where there is dispute.

But it's clear that the caseload has fallen by about 60 percent, that work levels for single mothers have risen sharply, although

they've declined a bit in the last few years, probably due to the recession.

According to surveys of people who have left welfare, at the time they're surveyed, about 60, 65 percent are employed, a high percentage at some time since they left welfare; about 40 percent are not employed. We don't know what happened to them.

There's some evidence to suggest that people who leave welfare without working are worse off, at least initially.

It looks like those who go to work improve their wages if they stay working over several years, and eventually escape poverty, usually not immediately, but eventually.

So an emerging issue is whether those who leave welfare are working steadily or not.

As to effects on the families, they appear to be small, but mostly positive. These are based on evaluations, now, not leaver surveys.

The evaluations suggest that the effects on young children are mostly positive, but small; the effects on older children, sometimes negative.

In the case of teenagers who have less supervision because the mothers are now working, they sometimes show negative effects in some studies, but again, small.

So welfare reform is about the adults. It's hard to show strong effects on the children. But since many thought there would be adverse effects, this is still good news.

So I think that's the basic picture. There is economic improvement. It's not overwhelming. It doesn't mean everyone escapes poverty. But if they stay working, they eventually do escape poverty.

In my view, the question of incomes, what people should earn after reform, gets to be an issue.

Precisely because we now have more people working, that issue must finally be addressed more than we have done.

So the poverty goal, and the administration has provided for this, the poverty goal gets to be more important after we get people off welfare. We have to focus on to what extent they can actually escape poverty.

But that issue becomes more pressing after reform, after everyone is working.

Mr. PAYNE. What about health care? I mean, we know that that's—and I would assume that these people who are leaving welfare are not necessarily getting jobs that provide health care and—

Mr. MEAD. Not necessarily, but it's—the level is greater than many people think. It's about a third to a half in various studies I've seen, a third to a half of those who go to work get health care.

Now, it depends what you mean when you say get health care. It might mean that they're offered it by the employer, but they have to pay something for the premiums, and they may decide they don't want to pay, and they'd rather go to an emergency room or count on their transitional care that they get from Medicaid.

I have not seen studies suggesting that lack of health care is a barrier to leaving welfare. I have not seen that.

Rather, the lack of health care for some people among low-wage workers is an ongoing problem that is not really a welfare reform problem, it's a general problem for the entire workforce, which I think Congress has to address.

Mr. AUSTIN. Mr. Payne, one of the things that we don't think about is that we build a second safety net as those workers come off and establish their track record of work.

When the economy got soft in Florida, after 9/11, we had a period of time where we were struggling being able to make sure we had enough jobs in an economy that was driven mostly by tourism.

What happened was, we found out that welfare didn't go up at all. What went up were our unemployment disbursements.

OK. So you build a second safety net. You've got one safety net, which is TANF. The second safety net is you have unemployment insurance which is accumulated, and most of the people who came off of welfare who had any type of disruption at that point had a second safety net, and they weren't drawing upon future TANF payments, but they were drawing upon unemployment compensation.

We view that as a second piece that people don't talk about, that you build a second net for low-income families to be able to draw upon in times of difficulty.

Mr. GREENBERG. Let me just add several comments on that.

First, specifically on the health care issue for families leaving welfare, there were a number of studies, particularly in the earliest years after TANF, by looking at what happens to families who leave welfare, and a lot of the story initially was that families often got separated from Medicaid.

It shouldn't have happened, because the children should have continued to be eligible. The parent may or may not have been eligible, but there were significant drops in Medicaid coverage.

There have been some improvements in connecting children to health care over time. There is still clearly a problem for parents.

And the problem that consistently we see is that parents are entering into jobs in which either health care is not available or there may be premiums or co-pays or things that make it difficult to take up the health care on the job at the earnings that the individual has.

There is clear evidence of drops in health care coverage for parents after leaving welfare, and that continues to be a problem.

On the particular issue of the caseload falling and then the unemployment system, back at the time in the first years after welfare reform, a big question for many of us was what will happen when there's an economic downturn, and how will the system respond at that time?

What unfortunately now seems pretty clear is when the economic downturn hit, that a number of families did lose jobs, we do see a decline in employment for single-parent families, we don't see an increase, at least at the national level, in families receiving welfare.

There is a small increase in unemployment insurance. There has been some increase there, but it's not nearly enough to explain the drop in employment and the fact that welfare caseloads have basically stayed flat.

So it does raise concerns that the system has not been as responsive as we would want it to be during an economic downturn.

Let me just quickly say that much of the evidence that Larry Mead summarized is, I think, consistent with the evidence that I summarized in my testimony also.

The couple of things that I would want to add in addition to that are, in the early period, in the late 1990's, the studies pretty consistently showed 50 to 60 percent of families leaving welfare were employed. The most recent study from the Urban Institute shows a lower figure, shows it now down around 42 percent.

So there is concern that as the economy got worse, that the share of families leaving welfare with jobs went down.

It's also clear that a group of families has left welfare without finding work and without being able to sustain work.

In some instances, those are situations where families are living with other family members, where they may have disability benefits, where they may have child support, other sources of income.

But it's also clear that some of those who fell out of the system had the biggest problems, were most likely to have limited educations, limited work histories, health issues, disability issues, things that made it much more difficult to work.

And people sometimes now refer to this group as the disconnected, a group that's not in welfare and not in work, and that continues to be a significant source of concern.

Mr. MEAD. May I just add one comment, that when you have extreme caseload fall—and this definitely occurred in Wisconsin—there is a concern that some of those who left maybe shouldn't have left, or they should have left later, because they do have serious problems.

What's occurred in Wisconsin is they've developed outreach to the community. Many of the agencies running welfare reform in Milwaukee have done what I call going into business.

That is, rather than trying to restrict the caseload, which was always our concern, they're now trying to sell welfare to the community. They're going out to people who might well need aid and saying to them, "Well, we're going to—we have aid available, we're prepared to help you. You also have to work, and we want you to take up that bargain. We're offering you a deal, basically. You work, and we will help you."

And the need to outreach and offer that deal is a part of the welfare of the future.

I don't think we should seek to abolish welfare, but we should engage in outreach to people who maybe should take up the deal. They need help, and they also need to work, and we ought to offer it to them, and we shouldn't be squeamish about that.

That's the system that we want, one in which people work and they get help as needed, and that we help them get back on their feet and they go back out and they leave welfare.

We shouldn't expect to undo welfare, but we should expect it to be something that people use when they need it, on a short-term basis, we hope, and we should be prepared to engage in outreach to do that.

So that's part of a solution to the people who are disconnected.

Chairman MCKEON. The gentleman's time has expired. That's a good discussion of the Clinton welfare bill.

[Laughter.]

Chairman MCKEON. It's nice to see President Clinton take credit for it. We passed it three times. He vetoed it twice. He finally signed it.

But it was a bipartisan effort, and I'm happy that we were all part of it, and I'm happy that you've been here. I think it's been a good hearing. I think you've added a lot. And I would encourage you to stay involved in the process as we go through this reauthorization, because you're all experts that we'd love to be able to call on, and appreciate your help.

No further business, the Subcommittee stands adjourned.  
[Whereupon, at 1:16 p.m., the Subcommittee was adjourned.]

