

**RENEWING COMMUNITIES AND PROVIDING  
OPPORTUNITIES THROUGH INNOVATIVE  
SOLUTIONS TO POVERTY**

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**HEARING**

BEFORE THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

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## **RENEWING COMMUNITIES AND PROVIDING OPPORTUNITIES THROUGH INNOVATIVE SOLUTIONS TO POVERTY**

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**WEDNESDAY, June 22, 2016**

U.S. SENATE,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:01 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ayotte, Ernst, Sasse, Carper, McCaskill, Tester and Peters.

### **OPENING STATEMENT OF CHAIRMAN JOHNSON**

Chairman JOHNSON. Good morning. This hearing will come to order.

I want to thank all of the witnesses for taking the time to attend and for your thoughtful testimonies. I am looking forward to hearing them and looking forward to hearing your answers to our questions.

The mission statement of this Committee is relatively simple: to enhance the economic and national security of America. I believe they are inextricably linked. My approach to solving problems is always to look for the areas of agreement. And, based on the subject matter of this hearing, I think it is, probably, good to start with an area of agreement.

I do not care where you fall on the political spectrum, as Americans, we share the same goal. We all want a safe, prosperous, and secure America. We are concerned about each other. No political party has a monopoly on compassion. We all want all of our fellow citizens to succeed and to have the opportunity to build a good life for themselves and their families.

So, I mean, I would like to start there, because it is true. And, if you start and you look for areas of agreement, it is just a whole lot easier to find common ground on the areas of disagreement. And, we might find a few of those areas as we get into the testimonies.

The other thing that is pretty much inherent in somebody, like myself, who comes from a manufacturing background—I solve an awful lot of problems—I understand the problem-solving process. You never solve a problem until you, first, properly identify it,

properly define it, understand the reality, and admit you have the problem.

So, I was hoping to have a couple of easels here to display them, but I do have a couple of graphs. I just want to start there. But, let us look at the reality and ask ourselves some questions.

The first one is the number of Americans in poverty. And, as a government, we started measuring poverty in, I think, 1959. And, you can see that, based on this graph<sup>1</sup>, when we first started measuring it, we had about 39.5 million Americans in poverty and the poverty rate was 22.4 percent. And, you can see the number of people in poverty—and the poverty rate—was falling, quite precipitously, through the early 1960s, because we had a booming economy. We had the “Baby Boomer” generation growing up after World War II and things in America were looking up. But, still, we are a compassionate society. The poverty rate—the number of people in poverty—was still too high, so, collectively, we decided to embark on a—and I know these numbers are, somewhat, subject to dispute—exactly what the numbers are—but, somewhere in the—in nominal dollars—\$13 trillion to \$19 trillion or \$20 trillion “War on Poverty”.

Now, I think you have to ask yourself a question. I mean, did it work? We started passing some of the means-tested programs in about 1964 and continued to pass a piece of legislation in 1965 and 1966. Back then, in today’s dollars, we were spending somewhere around \$30 billion, per year, on some of those programs. We, basically, doubled that spending, starting in about 1966, after all of these programs were passed.

I just want to refer people to the next chart<sup>2</sup>, because I think this shows—and, again, this is just the reality of what has happened since we embarked on a—again, whatever that number is—\$13 trillion to \$19 trillion or \$20 trillion “War on Poverty”. Basically, you can see that the number of people in poverty went from about 29.5 million people—we are up to about 47 million people. But, I realize the population has increased, so that is probably not the best measure. So, what about the poverty rate? Well, you can see that that has pretty much flatlined around the 15-percent level. We are a little under 15 percent, right now, today.

Now, I realize there is some dispute, in terms of how you actually measure poverty. Do you put, on top of what people earn, the welfare payments? Obviously, welfare payments, in terms of total income, pull people above that poverty line. But, from my standpoint—I thought the goal of the “War on Poverty” was to get people out of poverty on their own—working and basically earning their own success. And, of course, those people that cannot help themselves—people that are never going to be able to make it on their own—obviously, we want to continue to help those folks to live a good life. So, again, those are just sort of the basic facts.

And, the other line I want to point out here is the—and, this is, actually, Daniel Patrick Moynihan who started pointing this out. I know, as a social scientist, he started talking about out-of-wedlock birth rates in the mid-1960s. He paid kind of a heavy professional

<sup>1</sup> The chart referenced by Senator Johnson appears in the Appendix on page 87.

<sup>2</sup> The chart referenced by Senator Johnson appears in the Appendix on page 88.

price for doing so, but he noted that the out-of-wedlock birth rate had gone from 4 percent to 8 percent.

He was alarmed by it, because—if you are concerned about poverty—it is true that, if you have an intact family, you have a far lower probability of being in poverty than someone struggling as a single parent trying to take care of their kids. And, that is not a value judgment on single-parent families—just, as it relates to poverty, you are going to have a lower probability of being in poverty if you have an intact family. Since the “War on Poverty” began—now, I think—last year, I think, we were up to 40.6 percent of births occurring out of wedlock. I do not think that is a positive metric of success.

So, again, with kind of that basis—I think those are pretty indisputable numbers. The causes and the results will probably be disputed, but that is really the purpose of this hearing: to try and lay out some realities and to try and agree on as much as we possibly can. And, again, I will go back to that goal. We all want a safe, prosperous, and secure America. We are concerned about each other. We want to help people that cannot help themselves. We want to help people to help themselves. We are a compassionate society.

And, with that, I will turn it over to Senator Carper.

#### **OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. Thank you, Mr. Chairman. Thank you very much for holding this hearing today.

It is great to see some of you again. Dr. Haskins, it is great to see you, Ron—and Olivia Golden as well. And, Peter Ochs, we welcome you here. And, Mr. Woodson, you are great to join us. And, thank you all for your work in these vineyards.

Ron Haskins and I had a chance to work together pretty closely, back in the 1990s, during the Clinton Administration—and along with the then-Governor from Wisconsin, Tommy Thompson, who was also Chairman of the National Governors Association (NGA). I was one of his successors. And, he and I worked closely together on welfare reform then, along with a guy named John Engler, who was the Governor of Michigan at the time.

President Clinton used to say that work should pay more than welfare. People would be better off going to work than staying on welfare. And, if you think about what folks faced, prior to our welfare reform initiatives in the 1990s, the smart, rational decision for a lot of people was to stay on welfare. And, if you think about it, you go to work, what do you gain? You gain the right to pay taxes. You gain the right to pay for your health care. You probably lose Medicaid and you probably have to figure out how to pay for health care for yourself and your kids. You have to worry about transportation—how to get to work. You have to figure out that childcare and pay for that as well.

And so, we pretty much had a system that encouraged people to get on welfare and to stay on welfare—and a lot of people did that. And, what we tried to do in my State—and in 49 other States—was to ensure that people were better off by going to work.

And, in my State—in Delaware—we were given the opportunity to experiment, broadly. And, we did. We created a Family

Services Cabinet Council, which involved a lot of members of my cabinet—one of whom, Carmen Nazario, was later stolen by Olivia Golden to go to work for her.

But, we started—before children were born—a statewide campaign on teenage pregnancy. We placed a huge focus on parenting training—starting in hospitals—literally, where babies were born, before moms went home with their children—and, hopefully, with dads. We had parenting training in our prisons. We found out—along with the late George Voinovich, who just died last week and who served on this Committee. George and I found out that about half of the kids in our States—in the country, actually—who were eligible for Head Start were not being funded by Head Start. So, we used State money to fully fund eligible 4-year-olds for Head Start.

There was a big push for mentoring programs—all kinds of things that we did. And, we also changed Medicaid eligibility, so that, when people would go to work, they would not lose their Medicaid eligibility right away. The Earned Income Tax Credit (EITC)—one of the best anti-poverty programs, I think, we have ever had. States have introduced their own version of that to, again, make sure that work pays more than welfare.

But, the idea there was to change the incentives. It helped to launch welfare reform in the midst of, maybe, one of the two longest economic recoveries in the history of our country. And, we raised the minimum wage during that period of time, because we wanted work to pay more than welfare.

I think I may have mentioned we—I know, Peter, you have done a lot of work in prisons. And, I had a huge interest in corrections. I still do. And, we did all kinds of things, in our prisons, to better ensure that, when the guys and gals—inmates came out of prison, they were better parents—not just better criminals. So, those are some of the things that we worked on at the State level.

Not everybody likes the Affordable Care Act (ACA). One of the things that I like about the Affordable Care Act—among others—is that, when people actually do go to work and get off of welfare, they have health care. They do not give up their health care. It is a big deal. It is a really big deal. And, they can sign up for Medicaid. And, if their income rises over 135 percent of the poverty line, they can sign up and participate in the exchanges in their State. So, the deal here is try to use some common sense and to use our hearts at the same time.

And, I will close with this. There is a verse of scripture that I quote in here from time to time. The Chairman has heard it a number of times. And, it is Matthew 25: “When I was hungry, did you feed me? When I was naked, did you clothe me? When I was thirsty, did you give me to drink? When I was a stranger in your land, did you take me in?”

And, I think we have a moral imperative—whatever our faith is—to the least of these in our society. But, given the fact that we still have a big budget deficit, we have a fiscal imperative to meet that moral imperative in a fiscally responsible way. And, that is what we are trying to do. And, this is a shared partnership—not just the Federal Government, not just the States, not just the faith community, and not just nonprofits. It is all of us, including the



people, themselves, who are on welfare and want to be able to become self-supporting and self-sustaining.

President Obama is going to sign into law, legislation, at 11:15 this morning, that the White House and I worked on for the last 4 years: the Frank R. Lautenberg Chemical Safety for the 21st Century Act, which amends the Toxic Substance Control Act of 1976 (TSCA). He was kind enough to ask me to come and to be there for the signing ceremony. And, I am asked to choose between two of my favorite children: that legislation, which I cared about and worked hard on—along with a bunch of my colleagues—and the subject here, which I have been focused on for years. And so, I wanted to start my morning with you.

I thank you very much, Mr. Chairman, for giving me a chance to say a few things. And, we look forward to hearing from you and, probably, to communicating with you later on. God bless you all and thank you all for joining us.

Chairman JOHNSON. Thank you, Senator Carper. My guess is that we both have written statements<sup>1</sup> we would like to enter into the record. Without objection, do you want to—

Senator CARPER. Let us do it<sup>2</sup>.

Chairman JOHNSON. There we go.

It is the tradition of this Committee to swear in witnesses, so if you would all rise and raise your right hand.

Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. WOODSON. I do.

Mr. OCHS. I do.

Mr. HASKINS. I do.

Ms. GOLDEN. I do.

Chairman JOHNSON. Please be seated.

Our first witness is Robert Woodson. And, I do have to point out I have a bunch of these books that I am happy to give to all of the Senators. This is a wonderful book. It is called “The Triumphs of Joseph”. In it, Mr. Woodson describes a number of community-based organizations (CBOs)—often faith-based—that were started by people who found redemption, turned their lives around, and then, turned their own personal redemption into helping other people—one person at a time.

So, since I met you in a Senate Budget Committee hearing—was that about 4 or 5 years ago?—Mr. Woodson was kind enough to give me a book. Now, it has paid off dividends, because I bought hundreds of these things and I keep handing them out. But, I really recommend all of the Senators to pick one up. And, I will give it to the other witnesses as well.

But, Robert Woodson is Founder and President of the Center for Neighborhood Enterprise. Mr. Woodson has dedicated his life to helping low-income people address the problems of their communities. For more than four decades, he has promoted the principles of self-help and neighborhood empowerment as well as the importance of the institutions of civil society. Mr. Woodson.

<sup>1</sup> The prepared statement of Senator Johnson appears in the Appendix on page 45.

<sup>2</sup> The prepared statement of Senator Carper appears in the Appendix on page 47.

**TESTIMONY OF ROBERT WOODSON,<sup>1</sup> FOUNDER AND  
PRESIDENT, CENTER FOR NEIGHBORHOOD ENTERPRISE**

Mr. WOODSON. Thank you, Senator, for the opportunity to address this Committee. I come to you, with my testimony, as someone who has worked as a civil rights activist. And, also I have worked as a corrections officer (CO) and as a trained social worker in the poverty industry. So, my experience is first-hand.

The fact is, we have spent \$22 trillion, in the past 50 years, on programs to aid the poor. And, 70 cents of every dollar goes, not to the poor, but to those who serve poor people. And, they ask, not which problems are solvable, but which ones are fundable. So, with our structural disincentives for people to move out of poverty, we have created a commodity out of poor people. To fund the solution, therefore, we must, first of all, diagnose the problem properly. You cannot generalize all poor people. There are four categories of poor people.

There are those who are just broke—those whose character is intact. They have lost a breadwinner or a factory has moved out of town. People like that use the welfare system as it was intended—as an ambulance service, not a transportation system.

Category two are people whose character is intact, but they look at the perverse incentives for achieving. Once they do, they will lose benefits. And so, they conclude that the numbers do not work. And, they stay on welfare.

Category three are people who are either physically or mentally impaired. They need help.

Category four are people who are morally and spiritually impoverished and, therefore, require some special intervention.

The problem is, people on the left tend to look at all poor people as if they are category one, while people on the right tend to look at them as if they are all category four. And so, we miss each other. It is important for us to understand the problem and the type of poverty we are addressing.

The group of people that concerns society most and are the most costly to us, is people in category four. And, these are the people that are the subject of my organization's efforts. We specialize in helping to promote transformation. If you just try to apply programs or give money directly to people who have some moral failings, you injure them with the helping hand.

It is important, therefore, to look at an alternative way to help people in category four. But, we cannot find solutions for them by turning to our universities or professionals, who parachute in the programs they desire. The solutions are found in the community suffering the problem.

At the Center for Neighborhood Enterprise, we do not do what the poverty industry does. They engage in what I call "failure studies"—or needs assessments. If you study failure, all you can produce is failure. So, we go into high-crime, low-income neighborhoods and we identify the real anti-poverty warriors.

One is the mom that lives in public housing, has 5 children, and was abandoned by her husband, at age 23, to rely on welfare. She gets off of welfare and then sends all five kids to college. Another,

<sup>1</sup> The prepared statement of Mr. Woodson appears in the Appendix on page 48.

is the mom who has two children and sleeps in cars and in homeless shelters—yet her two girls graduate valedictorian and salutatorian and go on to succeed. Another, is Kurt Moore, a man who spent 13 years in prison, but came out, came to Christ, and then, started a small business, where he now employs 20 people in an auto detailing business.

These are the real anti-poverty experts. Therefore, we must go into those neighborhoods and look for the anti-poverty experts, by exploring the capacities of poor people. And, once we find these experts, it is important to bring them to the table and to find out, from them, the source of their ability to achieve against the odds. And then, we must find what policies promote the expansion of these “centers of moral excellence”, as opposed to always relying upon the advice of experts that never talk to the people suffering the problem.

Chairman JOHNSON. Thank you, Dr. Woodson.

Our next witness is Peter Ochs. Mr. Ochs is President of Capital III, Inc. and Seat King. In 2005, Capital III began utilizing inmate manufacturing labor from a State prison in Hutchinson, Kansas. His programs help foster economic, social, and spiritual capital, while teaching inmates a marketable skill.

**TESTIMONY OF PETER L. OCHS,<sup>1</sup> PRESIDENT, CAPITAL III, INC.**

Mr. OCHS. Thank you. Thank you for being here.

At the age of 40, I came to the realization that I was successful economically, but I was not satisfied with life. And, I think that was a result of not focusing on two other forms of capital: social and spiritual capital.

I define social capital as those things that money cannot buy: great relationships, ambition, a goal in life, and the ability to live in harmony with your fellow man. Spiritual capital, as I define it, is just the moral code by which we live. It is “love your neighbor as yourself,” as it were. So, with this newfound ambition, 20 years ago, we changed the focus of our company from being just an economic enterprise to one with what we would call a “triple bottom line”, where we create economic, social, and spiritual capital.

So, in 2005, we had a manufacturing company, in a small Kansas town, that was growing rapidly. And, we simply could not find enough labor to supply that business with people, so we moved inside of a prison. And, it did not take me very long to understand—if I am honest with you, I moved into that prison simply for economic reasons, but, within a few months, I understood that the men that were incarcerated there were not much different than myself.

And so, we took this opportunity to really put into practice the creation of economic, social, and spiritual capital. Let me define, briefly, for you, how we do that inside of the prison setting.

If you are an inmate and work for the State of Kansas, you make 50 cents a day. If you work for us, you will make somewhere between \$8 and \$15 an hour—and that is set by the State of Kansas. In addition to the inmate winning, the State of Kansas wins. They take 25 percent of the gross salary for room and board. So, if you

<sup>1</sup> The prepared statement of Mr. Ochs appears in the Appendix on page 53.

make \$10 an hour as an inmate, the State of Kansas will take \$2.50 for room and board. This year, our inmates will pay the State of Kansas more than \$1 million in room and board. That is about 7 percent or 8 percent of the budget of that particular prison.

The third entity that benefits is us. We get a steady, hard-working labor force that shows up on time every day. And, the last party to benefit is society, in itself. Restitution, child support, etc. comes out of their wage, if they owe that.

So, that would be a summary of economic capital. Let me talk about social capital for just a moment.

Inmates—we train them in welding, sewing, electronics, and computer-aided design. So, we have classes and they are learning those skills as they work for us.

Family relationships are, probably, one of the greatest social capital benefits we have seen. It costs 17 cents a minute, if you are an inmate, to talk to your family. So, if you make 50 cents a day, you spend no time talking to your family over the telephone, OK? So, our average inmate probably spends 30 to 45 minutes, per day, visiting with their family—primarily, doing homework with their kids we found.

Disciplinary actions in the prison are down, substantially. If you have a disciplinary action, you cannot work for us for 90 days. So, what you wind up doing is going back to 50 cents a day instead of \$10 an hour, let us say.

We also sponsor and teach classes on personal improvement: fathering, finances, interpersonal skills, etc.

We think that recidivism is down. While we do not have specific empirical studies on that, we have employed 14 inmates that have come out of our manufacturing company inside of the prison on the outside—in our civilian workforce. Two of those 14 have been reincarcerated. That has been over a period of 5 years. So, that is 14 percent. And, I think, as you know, recidivism rates, in most States, are north of 60 percent. Kansas is in the low 30 percent, but I think the reason for that is this ability for private company investment “private investment company ability”—that allows for people to work in private companies.

I would also tell you that, when an inmate leaves our employment, he, typically, has \$5,000 to \$10,000 saved up in the bank. We have tried to do the best we can to teach him some kind of a moral code. And, when he leaves, we do our best to get him a job. So, he has some money, he has a job, he has a mentor lined up, and he has some cash in the bank. The recidivism rates have to be declining, rapidly.

I can also not overestimate the importance of self-esteem.

Let me just finish up with spiritual capital. The most requested thing from our inmates is for some kind of guidance and teaching on moral codes, spiritual improvement, and guidance. And, we have started a seminary inside of the prison. We will graduate eight students from that seminary. It is a 3-year, rigorous program. They will graduate next month. Those inmates have now become the primary mental health counselors in that prison, because of State budget cuts. Those dollars have gone away.

Let me just, quickly, finish by encouraging you to consider three things. I do think we need criminal justice reform. Many of the in-

mates working for us, I do not think, need to be there. They should be out in society.

And, second, I think, if we want to have a great rehabilitation record in prisons, it needs to be a partnership between government, private industry, and the faith-based community, doing, essentially, what we are doing. We have seen great results there.

And, third, I think the elimination of poverty—economic, social, and spiritual poverty—is not an outside-in thing. It is an inside-out thing.

If we do not transform the mind, the heart, and the soul of the inmate, we are not getting done what we need to get done.

Thank you.

Chairman JOHNSON. Thank you, Mr. Ochs. It sounds like you are at the forefront of prison reform.

Our next witness is Dr. Ron Haskins. Dr. Haskins is Senior Fellow in the Economic Studies Program and Co-Director of the Center on Children and Families (CCF) at the Brookings Institution.

Mr. Haskins spent 14 years on the staff of the House Ways and Means Committee's Subcommittee on Human Resources and has served as Senior Advisor to the President for Welfare Policy at the White House. Dr. Haskins.

**TESTIMONY OF RON HASKINS, PH.D.,<sup>1</sup> SENIOR FELLOW,  
BROOKINGS INSTITUTION**

Mr. HASKINS. Thank you very much, Mr. Chairman and Ranking Member Carper. I am glad to be here. It is a privilege to testify on this important topic.

I was asked, by staff, to cover four topics: spending on means-tested programs, basic trend data on poverty and opportunity, the importance of action by local communities, and whether evidence-based policies can improve our success in fighting poverty. Other than that, I can talk about anything I want to in my 5 minutes, so— [Laughter.]

I have provided some scaled-down figures, from my testimony, to the Members and I am going to refer to those.

So, first, is total spending. I gave you a chart<sup>2</sup> that shows the total spending of the top-10 means-tested programs. The Members should have it in front of them. The bottom line is, it increased every year. It has increased, dramatically, over the entire period since 1962. It has increased, from about \$18 billion, to \$609 billion. This does not include State spending. Between the Federal Government and the States, on means-tested programs—loosely called welfare programs—we spend about \$1 trillion a year—and rising.

Now, we did have a substantial drop for the first time. That is, probably, because of the great additional spending that we had in the stimulus bill that was enacted in 2009. I think we will pick up spending again. It already started last year and it will continue. So, we spend a lot of money.

The second thing, I think, that is really important for this Committee to understand is that spending on social programs and spending on children, as a percentage of all Federal spending, is

<sup>1</sup> The prepared statement of Mr. Haskins appears in the Appendix on page 56.

<sup>2</sup> The chart referenced by Mr. Haskins appears in the Appendix on page 57.

declining. And, the reason that is happening is because spending on Social Security, Medicare, and Medicaid—I call them the “big three.” They have no budget and no control. They just grow and they are squeezing all other Federal spending—except interest. Between those three programs and interest, we will spend 62 percent of Federal revenues—this is according to the Congressional Budget Office (CBO)—in 2025. So, we have to do something about that. It looks good right now, but it is going to get worse.

The second thing I want to talk about is poverty and opportunity. It is true, as the Chairman said, that, if you look at the official poverty rate, we have not made much progress. But, I think that is very misleading. I think we should look at a broader definition of poverty. There are several available from the U.S. Census Bureau called the Supplemental Poverty Measure (SPM).

And, if you do that—if you look at Chart 5<sup>1</sup>—it is the third chart here, but it is five and I did not want to confuse the Members. It is five in my testimony. This was done by the Center on Budget and Policy Priorities (CBPP). It shows what happens to the official poverty measure when you include the benefits from means-tested programs that I just described to you. And, the answer is, for everybody, poverty declines 45 percent—and, for kids, it declines 40 percent.

Even more directly, in Chart 6<sup>2</sup>, this shows—and it is done by the Congressional Research Service (CRS)—untouched by anybody’s biased hands. And, what it shows is that, if you look at life in a state of nature, for single-mother families—this is only single-mother families—they are the most poverty-stricken group. They are five times as likely to be poor. “Life in a state of nature” means just based on their own earnings—a huge poverty rate—almost half last year, all right? And then, if we start including the government benefits, it steps down all of the way. It steps down between 50 percent to 48 percent.

And, that is why, generally speaking, I think we have a lot of incentive built into our structure of the work support programs plus earnings—which are up because we have more low-income families working now than we had in the past—in part, because of welfare reform. That strategy, I think, is the single most effective strategy that we have discovered so far—except Social Security.

And, that leads to the shocking conclusion: If you give people money, they will be less poor. That is what Social Security does. But, if you want them to earn it, and then, subsidize their income, this is the way to do it. We figured that out. We could improve it, but it is a great way to do it.

I want to say one word about mobility. We have very little mobility. It has not changed. It is not getting worse, but we have less mobility than many countries—especially from the bottom to getting higher. We have very good data showing that the probability of a kid born to the bottom 20 percent—whose parents’ income is in the bottom 20 percent—it is roughly \$23,000 this year—has twice the chance of being in poverty when they grow up—twice the

<sup>1</sup> The chart referenced by Mr. Haskins appears in the Appendix on page 61.

<sup>2</sup> The chart referenced by Mr. Haskins appears in the Appendix on page 61.

chance, at 43 percent, instead of 20 percent. You would expect the bottom fifth to be just 20 percent, but it is 43 percent.

So, we need to do something about opportunity. We made progress against poverty, I think, way more than progress towards opportunity. That is something that we really need to focus on.

The next thing I want to talk about is communities. I only have a few things to say. Bob wrote the book on community initiatives. And, if you really want to know about communities, do not just read his book—go see the communities that he has worked in, with great success. But, implementation is always local. So, we need more control of Federal money at the local level and at the State level. I think we should figure out a way to do that and to do it successfully—based on evaluation—so that the groups that Bob works with—and other local groups—can have a lot more flexibility and be more effective in what they do.

I mentioned, in my testimony, a study by economist Raj Chetty, which shows that communities across the United States have huge differences in mobility, based on things like their public schools, the percentage of married-couple families in the community, and so forth—identified many factors. So, this is very important. Communities should be a part of a poverty strategy.

And, lastly, I just want to say one word about evidence. Evidence is more important now than it has ever been—and Congress recognizes that. Congress has passed at least five pieces of legislation, in the last 2 years, that increase our use of evidence. We have more successful programs, which have been shown by rigorous studies to be a success, than we have ever had in the past. That is a good foundation. The role of Congress should be to make sure that grant funds are spent on those programs that have a strong record of success, that we continue to evaluate those programs, and that we open Federal data systems in the Federal Agencies and the U.S. Census Bureau to more research. That would allow us to learn a lot more than we know now.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Dr. Haskins.

Our final witness is Olivia Golden. Dr. Golden is Executive Director at the Center for Law and Social Policy (CLASP). Dr. Golden served as Commissioner of the Administration on Children, Youth, and Families (ACYF) and then as Assistant Secretary for Children and Families at the U.S. Department of Health and Human Services (HHS). She has served as an institute fellow at the Urban Institute and has served at the Federal, State, and local levels. Dr. Golden.

**TESTIMONY OF OLIVIA GOLDEN,<sup>1</sup> EXECUTIVE DIRECTOR,  
CENTER FOR LAW AND SOCIAL POLICY**

Ms. GOLDEN. Thank you very much. Chairman Johnson, Ranking Member Carper, and Members of the Committee, thank you for the chance to testify on this crucial topic.

You have heard that I am Executive Director of the Center for Law and Social Policy and that I have also led these programs at the Federal, State, and local levels as well as studied their effec-

<sup>1</sup> The prepared statement of Ms. Golden appears in the Appendix on page 67.

tiveness as a researcher. So, I wanted to draw on all of those in making four main points in my written testimony.

First—and this is a point that Ron just made as well—the nation’s core economic security programs are highly effective. As Ron said, when you measure them right, they cut poverty almost in half, they improve nutrition and health care for millions of people, and they promote work.

And, from the research perspective, there is a growing body of rigorous research showing that these supports have positive effects on children’s health, their education, and their work outcomes many years later. For example, expanding health insurance coverage for low-income children has large effects on high-school completion, college attendance, and college completion.

The second main point is that changes in the economy, which have fostered low-wage jobs that are unstable, lack sufficient hours, and require volatile, last-minute job changes, mean that high employment rates do not translate into low poverty rates. In fact, the majority of people who get help from the core safety net programs are working—they are just earning too little to make ends meet. Nearly 70 percent of poor children, today, live in families with at least one worker. So, their problem is not a reluctance to work. It is low wages, insecure jobs, or too few hours.

The third main point is that community-based innovations are the most effective when they build on the foundation of a strong safety net. Research demonstrates that families who are highly vulnerable and face multiple challenges—often the focus of intensive community programs—are especially likely to need health and mental health services. And, they are also likely to need financial support to meet basic needs, such as food and shelter, while they address more long-term changes in their lives.

So, a priority, in supporting community innovation, should be expanding Medicaid in all States, ensuring continued support for a strong Supplemental Nutrition Assistance Program (SNAP), and providing other economic supports. I wanted to give an example from my own experience to illustrate the point.

When I led the District of Columbia’s child welfare system—so dealing, every day, with the tragedies of child abuse and neglect—in the years before the Affordable Care Act, I found it tragic when a child would enter our care because her mother had an untreated mental health problem, like depression. If that parent had been able to get treatment earlier, the child might have been spared the trauma of maltreatment and the trauma of being removed from her family.

But, in the absence of health care for everyone, we could only try small-scale innovations to help very few. Today, though, not only the District, but the 31 States that have expanded Medicaid, have an extraordinary opportunity to meet the health and mental health needs of vulnerable families. At CLASP, we are partnering with both community innovators and State and Federal policymakers to seize this opportunity.

The fourth and final point is that, in order to reduce poverty and expand opportunity, Congress should avoid bad ideas—those that the evidence demonstrates do not work—and should seize opportunities that build on research and experience. Starting with the bad



ideas that evidence suggests do not work, the available evidence suggests that block grants do not work for core safety net programs. Their appropriations shrink, drastically, over time and they cannot respond to economic downturns.

So, during the recent “Great Recession”, for example, SNAP and Medicaid, which are not block grants, provided greater support to States, communities, and families as need rose. But, the capped Temporary Assistance to Needy Families (TANF) block grant, which allowed, as Senator Carper discussed, opportunity for innovation at the beginning—now its value has shrunk by a third and it left families and States without resources during the recession—just when they needed help the most.

Overly flexible approaches, like block grants or large-scale waivers, can also divert funds from a program’s core mission. And, they are not well-suited to national goals like ensuring that every American starts life healthy and well-nourished. Instead—and Ron talked about this—they contribute to disparate life chances, based on where a child is born.

So, to reduce poverty and to renew communities, Congress needs to tackle the economic headwinds facing workers and to fill remaining gaps in the safety net. My testimony identifies five “next steps”: to ensure access to high-quality child care and early education, to expand effective workforce development programs and career opportunities, to tear down financial barriers to post-secondary success—that is a key aspect of work—to fix gaps in the safety net for the neediest Americans, and, finally, to establish minimum standards for wages and job quality—so that jobs support, rather than destabilize, families. And, I am thrilled that Mr. Ochs added a sixth, which would be to reduce incarceration and conduct criminal justice reform.

Thank you and I look forward to your questions.

Senator CARPER [Presiding.] Thank you all. Those are wonderful testimonies and we are grateful to hear them—grateful that you are here.

I just was trying to write down, while you spoke, some things that we agree on. I like to start by saying, “Well, what do we agree on?” One, we need to think with our hearts, but also with our heads. We need to remember this is a shared responsibility. It is not all on the Federal Government. It is a broadly shared responsibility with others. It includes State and local governments and it includes individuals and families. It includes the faith community, nonprofits, and so forth.

Almost every one of you has, basically, said that we should—just not in so many words: “Find out what works. Do more of that. Find out what does not work and do less of that, too.” There is a fair amount of agreement here. I am not surprised and I am actually encouraged by that.

I am going to start, Dr. Golden, with you. And, I am going to ask you to—thinking about what Speaker of the House Paul Ryan, the former Chairman of the Ways and Means Committee—where Ron worked for, what, 14 years?—has proposed. And, what I would like for you to do for us—each of you, starting with you, and then Ron, and Mr. Ochs, and Mr. Woodson, but I—mention a thing or two

you like about the proposal and maybe a concern that you have about what is being proposed—and very briefly—very succinctly.

I am going to have to run out of here to run and vote and then head for the White House, but we will lead off with that, please.

Ms. GOLDEN. So, I think what I like is that he is focusing on poverty. And, I would say something that he has proposed, before, that I like—and that there is bipartisan support for—is expanding the Earned Income Tax Credit, which is a work incentive, to be much greater for adults without children. But, that is not in this current plan. It is a past agreement.

Senator CARPER. All right. We did a fair amount of work on the Earned Income Tax Credit, as you know, late last year.

Ms. GOLDEN. Absolutely. That was truly important.

Senator CARPER. Some of it was program integrity work, but also, I think, the idea was to make it permanent.

Ms. GOLDEN. Yes. And, that is a truly important accomplishment, both for promoting families' work, because that is one of the things that helps people work more—and it reduced poverty by a great deal.

In terms of concerns, I think the plan is inaccurate about the success of the safety net. That is a point both Ron and I made. It is in my testimony, with a lot of research about the dramatic reductions in poverty as a result of the safety net and the way the safety net supports work.

It does not recognize the extent to which low-income people today are working. And so, what we need are work supports and improvement in low-wage jobs. And, it turns to solutions that actually do not have evidence in terms of words about flexibility and requirements for work, rather than what we know about what succeeds for work.

So, for example, Congress passed a bipartisan workforce bill that says that what you really need is the capacity to succeed in a post-secondary credential. That is what you need to succeed in a job. So, I would say those are concerns.

Senator CARPER. OK. Great. Thank you. Thank you so much.

Dr. Haskins, same question—a couple of things you like about this proposal and maybe one that you have a concern about. And then, we will go to Peter Ochs.

Mr. HASKINS. The emphasis on evidence, I think, is terrific. We have, residing in Federal data systems in all of the Agencies and in the Census Bureau, a treasure of information that, as a study by Chetty, which I mentioned in my testimony, points out, could be used to learn a lot more about poverty, the solutions to poverty, and how to increase opportunity. So, I think that, first, that is a good thing.

Second, he wants to strengthen work requirements in food stamps and housing. We have very modest work requirements in both programs now. They should be stronger. I was recently a part of a group of Brookings Institute and the American Enterprise Institute (AEI)—bipartisan—eight liberals and eight conservatives. We met for 15 months, five times, in New York and Washington to develop a comprehensive plan for reducing poverty and increasing opportunity.

And, the liberal side agreed with more work requirements, on the condition that no one lose their benefits without being offered a job. That strikes me as a good bargain. I do not know how the Committee would feel about that, but I think it is worth it, because everybody needs to get this message from the welfare programs: They have to work. They cannot just stay on welfare.

Senator CARPER. OK, thank you.

Mr. HASKINS. Third, the emphasis on local initiative and local programs, I think, is well-placed. We need more local energy. I agree, somewhat, with Olivia. I am concerned about block grant States, which have not done a great job with the TANF block grant. I do not think that their decisions have been completely responsible.

Senator CARPER. I would agree.

Mr. HASKINS. So, I think what we ought to do is give 5 or 10 States the option of having much more flexibility in the use of Medicaid, food stamps, housing, and so forth. And, they would have to present a plan about exactly what they are going to do and how they are going to spend the money so that at least there would be a plan. Right now, there is no plan for TANF States to do whatever they want to, so they spend the money on child protection and all kinds of other things. And then, once they do that, they cannot get it back to spend on welfare for recessions and other purposes.

So, it is a compromise. I think it is a reasonable compromise. If we do not enlist local government, local citizens, and local business, we are not going to be successful in reducing poverty.

Senator CARPER. All right, thank you. Thank you.

Mr. Ochs. And then, I am going to have to run—two minutes and then I am going to have to run, but—

Mr. OCHS. Yes, sir.

Senator CARPER. Go ahead, please.

Mr. OCHS. I am unfamiliar with the specifics of Congressman Ryan's proposal, so I really could not comment on that. But, I can just tell you, as an entrepreneur, the less regulation you can put on us, the more jobs we will create.

Senator CARPER. All right.

Mr. Woodson, just very briefly? I have 1 minute and I have to run. Please go ahead.

What do you like and—

Mr. WOODSON. I like Paul Ryan's antipoverty agenda, because it consolidates programs and lets recipients apply in one place for the services they need, so they do not have to run all over the place to qualify for numerous programs. I like that part of it. And, I also think it devolves responsibility to a government level that is closer to the people.

What I do not like about the plan is that—I do not think local government is any less bureaucratic than national government. I support charitable tax credits, where the allocation of resources is devolved directly to taxpayers, who can write off a portion of their tax liability and give that to an organization in their community.

We had bipartisan agreement on this back in the 1990s, but the Bush Administration walked away from it. I think we should reconsider charitable tax credits that devolve responsibility and author-

ity to individuals who donate, rather than having the government involved.

Senator CARPER. OK.

I thank you all. I would love to stay here. And, we are going to be following up with you—probably each of you—to further pull great ideas out of your fertile minds.

And, I like to say that everything I do, I know I can do better. The same is true of all of us. The same is true of all of our Federal programs—however well-intentioned. So, what we want to do is “find out what works, do more of that; find out what does not work and do less of that.” And, you have given us a lot of good things to think about.

So, thank you. Thank you for your work in these vineyards as well—and your personal example—your personal life and your business life.

All right, I think the next person up is a lieutenant, retired—so lieutenant colonel in the Army—and her name is Joni Ernst. And, she is a wonderful Member of this Committee. Senator Ernst.

#### OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Thank you, Ranking Member Carper.

And, I would like to thank all of our witnesses today as well. This is a topic that I have a very special interest in, of course. Iowa—I am intent on combating rural poverty. And, what we have seen—and just using some numbers—going back a few years—but, in the 2013–2014 school year, just in my home community—the community that I live in—about 65 percent of our primary grade school children were enrolled in the free and reduced lunch program. And, statewide, we see about 41 percent of our children participating in that program.

So, that is an indication of where we are as a State—and poverty—and those that qualify for those needed programs. But, I do want to dive in a little bit more. We need to talk about it a lot more. We have to come together and really work on some of these issues. So, I am glad you are here, today. I love the passion that we hear from all of you, so thank you very much for that.

One of the foundations of our country’s identity—and a number of you have really hit upon this—regardless of anyone’s background—is that we understand that everyone that works hard should have an opportunity to succeed. And, I am glad that some of you have stated that, today—and that we will work on improving the programs designed to help those that are really in need.

And, I would like to start the questioning with Mr. Woodson and Mr. Haskins, please. As you know, the Federal Government, operating through 13 different agencies, oversees 80 different programs designed to serve low-income Americans. And, according to the Government Accountability Office (GAO), these programs are too fragmented and overly complex for clients to navigate and for program managers and policymakers to assess program performance.

I would love to hear some of your opinions on that as well as what potential limitations the complexity of these programs presents to the folks, as they seek to understand how to utilize this system. And, what suggestions could you offer as a means to re-

duce the programmatic duplication? So, a lot of issues there—a lot of duplicative programs. How do we make it easier to navigate?

Mr. WOODSON. Well, I would like to just start with, I think, what Paul Ryan has recommended. There should be, wherever possible, some consolidation and coordination of these programs.

But, more importantly, the programs, themselves, must be reformed. I will give you one example. The system today is designed for self-perpetuating foster care. Seventy percent of everybody in prison has spent some time in the foster care system. Everyday, a half-million kids are in foster care. These are programs financed by the Federal Government and run by the State. I want to just walk you through how the problems of these young people not only continue, but expand within the system.

Only 3 percent of children coming into that system have any psychological dysfunction. But, the moment that they come into the system, after being abandoned and neglected by their parents, they experience three or four or five moves. The more they move, the more they decline and the more the system moves them deeper in—from foster care, where the reimbursement rate is \$15,000 a year, then to a \$20,000 reimbursement rate, in a group home, etc. The more the system destroys the child, the more value the child is to the providers of services to the poor.

A solution is what my friend Pastor Soaries in Somerset, New Jersey has done, where the church has taken on its original role as a community hub and it has operated a system of foster care and adoption, where there is no attrition rate of foster families and more children are moving into adoption. I think we need to look at models of re-privatization of government programs by devolving responsibility back to the church and some of the other neighborhood institutions—where outreach originated until the Federal Government took them over.

The more we can devolve government roles back to private charity and back to private institutions, the better the outcomes will be. We could go step by step through a number of program areas and look at prospects for re-privatization.

Senator ERNST. Thank you. I appreciate that input. Dr. Haskins.

Mr. HASKINS. First, the 80 programs are definitely excessive. They are overlapping, redundant, and all of that—and it would be good to try to reduce them. The only time that I know about—successfully reducing the number of programs—was back in welfare reform, in 1996. We killed, I think, three daycare programs. We did not cut them. We put all of the money in one place, gave it to the States, and gave them more flexibility in using the money.

I think most people agree that that has been a successful thing. Congress has added more money several times since then. So, I think that was a good approach. And, that is, roughly, the approach that Paul Ryan would like to take—to consolidate programs and give more control to the States.

But, I want to caution that, once you give the States more flexibility, they will use it. And, they may use it in ways that you do not like—that the Congress does not like. This has been a particular concern of Democrats. It would be very difficult—I think, impossible—as long as Democrats control the Presidency or the

House of Representatives, to pass legislation that creates these kind of big block grants.

So, I think the way to go is demonstrations. If you could show that these are more effective ways to do it and that the States and localities have good ideas—including not just the government, but using more of the money in the private sector as well, with voluntary agencies and so forth, which we have thousands and thousands in the United States—that will be a good way to do it.

Senator ERNST. Yes.

Mr. HASKINS. Can I say one thing about foster care?

Senator ERNST. Sure.

Mr. HASKINS. Yesterday, the House passed—I believe they have since already passed the Family First Prevention Services Act of 2016. It has other things in there. But, listen, this is really important.

Title IV-E has a bunch of open-ended entitlements. It, roughly, pays to take the kids out of their homes. The States cannot get money out of that, until they at least reduce the parents' rights and take the kid out of the home. IV-B is supposed to be for services and prevention and it is tiny. It has hardly grown at all.

So, years ago, Mr. Johnson, a member of the Ways and Means Committee, proposed letting the States have more flexibility to use that money, so they did not have to remove the kids from the home and so they could use it for prevention and treatment. And, Democrats did not like it. They killed the bill every time we tried to pass it and Olivia will probably tell you why.

But, I still think this is a solid idea. And, this legislation we passed opens a little hole in that Title IV-E, so the States can get money out of IV-E to use for prevention and treatment and to avoid the very problem that Bob is talking about. Once you take the kids out of the home, it is, "Katy, bar the door." You do not know what is going to happen. I think, if you are totally honest, you admit that.

But, anyway, we ought to learn how to use prevention better than we do now. I think we can all agree on that.

Senator ERNST. Right.

Ms. GOLDEN. And, one of the keys—so, to take prevention—back to your original question—Medicaid and the Medicaid expansion is one important source of prevention. So, I agree that the new Family First Prevention Services Act of 2016 offers an opportunity to do a little bit of helping parents upfront. And, those States that also have access to Medicaid services, because of the expansion, can then put those things together.

So, that takes me back to your question about what to do with this complexity. And, I think, the first headline I want to say is that I spend a lot of time working with six States—Governors and legislators of both parties—Idaho, North Carolina, South Carolina, Illinois, Colorado, and Rhode Island—which have done a great job of delivering Medicaid and food assistance—SNAP—which are the—and childcare subsidies, to some degree—in a way that is much more seamless for the States and for families. They did not need changes in Federal laws.

And, one of the big things they discovered was there were a lot of myths about the Federal law. In fact, the core Federal programs,

typically, are there for a reason, like to make sure that every American does not go hungry or can get health care. And, when a State is committed to making that less burdensome and more effective, they can find ways to do it. I mean, there are lots of examples.

One simple one is that it is much more burdensome, both for workers and for families, if you make people bring in their pay stubs from work every time. They, probably, need both health care and food assistance. If you can copy those documents, technologically, or use—

Senator ERNST. Right.

Ms. GOLDEN [continuing]. The data system, it is much quicker.

Senator ERNST. Great.

Ms. GOLDEN. So, I think that is the headline.

The second really short headline I will pose—

Senator ERNST. Yes, very quick.

Ms. GOLDEN [continuing]. Is that, usually, when you look at any chart that has a long list of programs, what it will have is a couple of big ones and then small ones. And, the small ones are typically there because the real problem is not enough resources. So, when you are trying to address, say, the fact that child care just reaches 1 in 6 eligible children, the Congress may create a small program for a particular targeted group.

But, I think one of the important ways to solve that is by making sure that the core programs are resourced enough so that you do not have to add lots of additional other little pieces to get to those core priorities.

Senator ERNST. Very good. Well, I appreciate all of your input today.

I apologize for going over. This is a very important topic, Senator Johnson. Thank you, Chairman, for bringing this forward. I think we need to explore a lot of these ideas and have some very good discussions on it.

But, thank you all very much for being here.

Chairman JOHNSON [Presiding.] Thank you, Senator. And, make sure you pick up your "Triumphs of Joseph." [Laughter.]

As long as we are on this topic, though, Dr. Woodson, did you mention Irene Pernsley in this conversation? I was voting. Did you talk about the story on page 28 of your book?

Mr. WOODSON. No. And, that is an example of what I talked about.

Chairman JOHNSON. Just quickly—

Mr. WOODSON. I am from Philadelphia and I worked as a trained social worker in that system. And, many years ago, there was a young social worker, Ms. Irene Pernsley, whose 17-year-old daughter had a baby out of wedlock. And, they placed that child up for adoption, assuming that the child would find a loving home. That healthy baby boy went into the system.

Irene Pernsley later became the Commissioner of Social Services for the city of Philadelphia. Eighteen years later, a friend who was a consultant told Irene that there was a child in the system named Pernsley—and asked if she had any relatives in the system. She said, "No, my grandson was adopted 18 years ago." The consultant said, "Well, there is a Pernsley here."

That healthy child had remained in the system for his lifetime. Four people attempted to adopt him, but—because the child was getting high reimbursements from the local agency. Irene sought information from the agency, which she was funding, and they denied her access to information about her own grandson. That child was a commodity in that system.

The agency that had him in its care lost its license. But, this is a typical example of the kind of perverse incentives that exist within the system. Fifty-three of these well-established social service agencies have been put into court-ordered receivership—including the one in Washington, D.C.—because of their injury to children.

Ms. GOLDEN. We brought it back. We are so proud of bringing it back.

Mr. WOODSON. Yes. Right.

Ms. GOLDEN. Yes—and wrote about that.

Mr. WOODSON. But, the point is, they were in court-ordered receivership.

One final point: these group foster homes, around the country, are the primary source of sex trafficking. Pimps wait outside these group homes, run by the State, on Friday and Saturday nights so that girls—13 years old and 14 years old—can crawl out of windows and get into their cars in the city of Atlanta and dance in strip clubs and prostitute themselves. This is the kind of outrage that we are tolerating in society that goes unrecognized and unaddressed as we talk about the professionalization of service delivery.

The only answer to that, is to take the responsibility away from the government—whether it is Federal, State, or local—and devolve authority and resources directly into the hands of private churches, where there are higher levels of accountability. We must find a way of devolving authority from the government. We have been doing it wrong for 50 years. Now, it is time to go back to what worked, prior to the government getting involved.

Chairman JOHNSON. But, again—just to summarize—a child was given up for adoption as an infant. Eighteen years later, that same child was not adopted and was in foster care.

Mr. WOODSON. Exactly.

Chairman JOHNSON. We know the benefits of adoption compared to foster care. Senator Tester.

#### **OPENING STATEMENT OF SENATOR TESTER**

Senator TESTER. Thank you, Mr. Chairman.

Montana must be in a different country, because our foster parents do not get paid enough money—

Ms. GOLDEN. Right.

Senator TESTER [continuing]. To keep a foster kid. It is not a money-making proposition. The foster parents, in Montana, are doing it out of love for those kids and that is the only reason they are doing it.

And, I would also just say that if there is a kid that is put in the foster care system, where the hell is the oversight? Where is the Mayor? Where is the Mayor of Philadelphia?

Mr. WOODSON. Right.



Senator TESTER. Where is the Mayor of Atlanta, if these kids are being prostituted?

These people are not doing this stuff in a vacuum. If they are doing it—

Mr. WOODSON. Right.

Senator TESTER [continuing]. There needs to be oversight. And, I do not know which came first—the chicken or the egg—and I do not know which came first—the government or the churches. I do not know if the churches were doing it—and quit doing it—and the government took it over—or if the government swept it away from them—but, the truth is, the real problem here is poverty. That is the real problem. And, there are some other issues, too, but I do not want to get into those.

I mean, this is a high-powered panel here. I want to talk about—in Montana, it is, probably, no different than in the inner city. We have reservations that have 80 percent unemployment. Businesses do not want to move there. When it comes to hope, there is not much of it. And, consequently, poverty—housing, water, you go down the list—it is not a place people covet.

So, how do we turn that around? I would like the people on this panel to give me the three most important things that need to be done—whether it is at the Federal, State, or local level—to encourage businesses to come to create good-paying jobs to lift these people out of poverty. I just want you to give me your top three.

Ms. GOLDEN. So, my three—should I—

Senator TESTER. Yes.

Ms. GOLDEN. I would say—and these come—while I do not know Montana really well, I have worked a lot in Idaho, so—and rural—

Senator TESTER. Just give me your top three, as it applies to New York City—I do not care. Just give me your top three.

Ms. GOLDEN. The whole country.

First, I do think that it is crucial to focus on babies and young children. Everywhere—including in rural communities—young children and their parents are the poorest. And so, one of the pieces is to focus on early childhood: home visiting, early Head Start, etc.

Second, you have put your finger right on the set of issues surrounding jobs, which, I think, is crucial. And so, one piece of that, I think, is about improving jobs, themselves—the minimum wage and job quality—strategies that—paid sick days. But, the other part is about ensuring that people get the skills and the training, so they are able to succeed at work. And, that is not just about workforce programs. It is also about community colleges and post-secondary education.

And, I actually do know that Montana is really interested in career and technical education strategies, including in the Indian communities—around the reservations—to help make powerful connections—

Senator TESTER. OK.

Ms. GOLDEN [continuing]. All of the way to school.

Senator TESTER. OK.

Ms. GOLDEN. And, again, I am not sure if this is three or four, but I would also say that using subsidized and transitional job strategies, where you need them—because sometimes what you

need—people need to eat while they are learning and building skills. And so, whether it is apprenticeships, on-the-job training, or transitional jobs, that is an important piece as well.

Senator TESTER. OK. Mr. Haskins.

Mr. HASKINS. OK, I think trying to convince businesses to come to the reservation is a losing proposition. Why would they do it?

Senator TESTER. That is correct.

Mr. HASKINS. People are not trained. There are all kinds of environmental problems, transportation issues, and so forth.

Senator TESTER. So, what do—

Mr. HASKINS. So, here is what I would do: First, training is crucial, like Olivia said. The training has to be in consultation with local business and it has to be providing skills for jobs that are available in the local economy. That is number one.

Senator TESTER. Amen.

That is right. That is correct. I could not agree with you more.

Mr. HASKINS. OK, good.

Senator TESTER. It does not do any good to train people to do theater set designs—

Mr. HASKINS. I am glad to be correct. I wish I could tell you something new.

Ms. GOLDEN. Right.

Senator TESTER [continuing]. If there are no theaters, right?

Right on. Keep going.

Mr. HASKINS. All right. The second thing is to forget about taking business to the people. Reservations should set up transportation. They should develop relationships with businesses that are within 50 miles or whatever. And, they should have transportation that they can arrange—small buses or vans or something—to take people to their jobs and to bring them back.

Senator TESTER. OK.

Mr. HASKINS. I think that would be a much more successful strategy.

And then, the third thing, which you know very well, is to develop businesses using Native Americans on the reservation, itself. A lot of reservations do this. On some of them, it is gambling and industries associated with gambling, but others are associated with tourism, showing interesting things that are part of their handicrafts—crafts that the tribes make. So, developing businesses on the reservation would be a third thing I would do.

Senator TESTER. OK, that is good. Peter.

Mr. OCHS. Yes, we have several manufacturing companies. I can tell you, 5 or 6 years ago, literally, we supplied products to original equipment manufacturers, OK? So, we would provide products to people that build other things, which the consumer is going to buy.

Over the last—let us say, 10 years—those original equipment manufacturers, who we were producing for, have come to us and just literally said, “You have to reduce your price by this or that, etc.” OK?

Senator TESTER. Right.

Mr. OCHS. And, basically, we have seen a lot of that going offshore, OK?

Senator TESTER. Yes.

Mr. OCHS. I am a manufacturing guy, so—

Senator TESTER. Fair trade policies, is that where you are heading?

Mr. OCHS. I am sorry?

Senator TESTER. Fair trade policies, is that where you are heading with this?

Mr. OCHS. Well, I am a free-market guy, so I think that is one thing. I think it boils down to the American people. Do you want to pay \$20 for a pair of jeans that were made in China or \$40 for a pair of jeans that were made in the United States? I am going to put it back on the American people.

Senator TESTER. OK.

Mr. OCHS. There are some businesses abusing the system. I agree. But, overall, the free market is alive and well in the United States of America.

Senator TESTER. Yes.

Mr. OCHS. And, until Americans say, "We are going to buy American"—

Senator TESTER. Yes.

Mr. OCHS [continuing]. I think we have a problem.

Senator TESTER. Yes. OK.

Mr. WOODSON. People just do not look at price. People want to know the value of goods and the work that they provide. The first of my three recommendations is to create violence reduction and civil order—returning civil order to a community. Nobody can operate a business if there is not civil order.

Senator TESTER. I would agree with that. Yes, keep going.

Mr. WOODSON. The way you do that is to empower the people inside of those same cultural and geographic zip codes who have demonstrated that they can help transform and redeem people. And then, once a heart has been transformed, opportunity works.

And, the same is true with drug addiction. Drug addiction has risen—not only in low-income communities, but all over the country. The answer is not professional therapeutic intervention—it is moral restoration. And, again, for this, I would look to local institutions.

The third element is transportation—similar to the program of Pastor Jerome Smith's church, in the Senator's city of Milwaukee. This church is providing vans to take people out to where the jobs are, but it is also promoting personal restoration.

So, those would be my three recommendations.

Senator TESTER. Well, I appreciate you guys—I am sorry I was not here for your opening remarks and your testimonies, but I appreciate you being here. I appreciate your perspectives.

We deal with a lot of frustrating things in Washington, D.C.—and excuse me for going over, Mr. Chairman—but poverty is one of those tough nuts to crack, I have to tell you, because we are talking about Indian Country, where we have 70 or 80 percent—I am sure the inner cities are the same way.

And, there are so many challenges that you do not know what to do first. You do not know whether to rebuild the K–12 education or to do the preschool education. You do not know whether to empower the community colleges and the technical colleges, to be able to get a well-trained workforce with jobs that actually can employ

people, or whether to put it in transportation and police protection—or in spiritual reinvigoration. It is all part of the equation.

But, I do want to thank you guys. I think this is a good discussion and I think this is an opportunity to start to figure out ways we can bore down to really make a difference. The only other thing I would add to all of your comments is that the Federal Government cannot fix people's problems alone. We need help from the people on the ground to make this happen. If we work together, we can make it happen. Thank you all.

Mr. WOODSON. Thank you, Senator.

Ms. GOLDEN. Thank you.

Chairman JOHNSON. Thank you, Senator Tester.

If you just wait for 2 seconds—I want to answer—because I know Mr. Ochs answered a question from Senator Carper, in terms of what we can do, and he said that we could reduce the regulatory burden.

Now, I was talking to one Wisconsin paper manufacturer. Just four regulations, issued recently, are costing that paper manufacturer the equivalent of \$12,000 per year, per employee. Now, the Wisconsin paper association came up with cost estimates—somewhere between \$12,000 and \$22,000 is the cost per year, per employee, of the regulations issued over the last 5 years. So, that regulatory burden is massive. And, if we can reduce that, you will have more money going to people's paychecks as well.

Senator TESTER. And, I would say it depends on what the regulation is. If that regulation there is downshifting costs to the next generation, that regulation needs to be enforced. If that regulation is regulation for the sake of regulation, you are exactly right.

Chairman JOHNSON. We have a \$2 trillion regulatory burden—which is about \$14,800 per household—so it is massive.

Again, I want to thank all of you.

And, Senator—whoops. Rats. [Laughter.]

Give that to him—page 28. [Laughter.]

Thank you.

Mr. Ochs, in your testimony, you were talking about how one of the reasons that you did this was because you could not find enough people for your manufacturing plant. I have been in manufacturing for 30-some years. It was many years before I could hire enough people. I have traveled around the State of Wisconsin, tirelessly. There is not one manufacturing plant I visited, in 6 years of traveling around the State, that can hire enough people. That is an unbroken record—not one.

Mr. OCHS. Right.

Chairman JOHNSON. Why? What is your evaluation of that? I mean, we are talking about jobs. We are talking about all of these opportunities. Why can manufacturers not hire people? I have my own theories. I would like to hear yours.

Mr. OCHS. Sure.

I think, first, we have really turned from a production society to a consumer society, OK? So, one factor is that everybody is thinking consumption instead of production—and manufacturing is, primarily, production.

I think, also, in some sense, manufacturing is a difficult job. It is, oftentimes, a physical job. And, why work for \$15 an hour doing

that when you can work for \$15 an hour doing something else? In our case, we were in a small town and we just simply did not have the labor resources there.

And, I will second your motion on regulatory burden. It is difficult for us to compete, as a small business—and small businesses create most of the jobs in the country, as we know—to compete with the large institutions. We have, literally, seen large companies who love the regulatory burden, because they can afford it and they can stand it, but they know the small guys cannot.

Chairman JOHNSON. It is a barrier to entry—

Mr. OCHS. Yes, it is a barrier to entry.

Chairman JOHNSON [continuing]. And, to competition.

Mr. OCHS. Yes.

Chairman JOHNSON. And, again, the numbers are, I suppose, somewhat disputable, but I would say they are also undeniable. I mean, when you talk about people—\$12,000 to \$20,000 per year, per employee—just from the regulations issued over 5 years. And, you can argue about specific regulations, but \$2 trillion—a number of studies put it at that—divided by the number of households—\$14,800 per year, per household. It is a massive regulatory burden and that is money that could be in people's paychecks.

Ms. GOLDEN. On the "why," Senator Johnson—one of the things that we do a lot of work on at CLASP is career pathways—on how you can create a pathway where somebody, who is starting out in a school system that is not giving them what they need—that does not have the basic requirements—

Chairman JOHNSON. Are we talking about school choice?

Ms. GOLDEN. No, I am talking—

Chairman JOHNSON. I have other questions for you.

Ms. GOLDEN. OK, great.

Mr. HASKINS. Could I add something really quickly?

I was in Wisconsin 2 years ago, meeting with the State legislature. And, they invited a manufacturer, who told an anecdote about needing welders. And, he said good welders could make \$60,000 to \$70,000 a year.

Chairman JOHNSON. Yes, right.

Mr. HASKINS. And, he said they are always short because they—

Chairman JOHNSON. Yes.

Mr. HASKINS [continuing]. Cannot get trained people.

Chairman JOHNSON. Yes.

Mr. HASKINS. He said he would even be willing to train them, but then, they go to another plant, so—

Chairman JOHNSON. So, here is my—

Ms. GOLDEN. And, we used to have—

Chairman JOHNSON. Here is my theory on the case: First of all, we tell our kids, you have to get a 4-year degree, which implies that working in a factory is somehow second-class status. Nothing could be further from the truth. All work has value.

We pay people not to work. Let us put up a chart.<sup>1</sup> As long as we are talking about this, let us put up the one from the head of the Pennsylvania welfare department. I think, Dr. Woodson, you

<sup>1</sup> The chart referenced by Senator Johnson appears in the Appendix on page 89.

might have been in the Budget Committee hearing a number of years ago. This is a study done—households headed by a single mom, in Pennsylvania—shows the welfare cliff.

And, basically, just to quickly summarize—and it is kind of a difficult chart to read, but, for a single mom, in Pennsylvania, it was marginally beneficial for her to make up to \$29,000. Past that point, because of the increase in taxes and the reduction in welfare benefits, there was no marginal value. She did not put another penny in her pocket until she was able to make \$69,000 per year.

So, you have that massive gap. It pays to keep working up to \$29,000. Past that point, somebody who is economically rational would sit there and go, I am not going to work anymore.

Ms. GOLDEN. It is not—

Chairman JOHNSON. Very few people go from \$29,000 up to \$69,000. It does not happen all that often. So, that would be, certainly, my evaluation of why manufacturers cannot get enough workers. We denigrate the trades. We do.

I was head of the “Partners in Education Council” of our chamber. And, we actually had an initiative—first, life skills, but then, the next step after high school was—we asked, “How do we give kids and their parents the information they need about all of their options after high school—above and beyond just 4-year degrees?”

And so, I must have, in these meetings, said a hundred times, “We have to stop denigrating the trades.” I had made the comment, and 5 minutes later, a very sympathetic school administrator was talking about a young man and, basically, said, “Well, Bill is kind of struggling in school. I mean, let us face it; all he is ever going to be is a mechanic.”

Now, fortunately, the head of Oshkosh Tire was at the other end of the table. And, she goes, “Hey, I need those mechanics.” At which point, the administrator goes, “Oh, that is not what I meant.” Unfortunately, that is exactly what she meant.

So, again, it is an attitude we have inbred in our culture that says that there are first-class and second-class ways of realizing your full human potential. Nothing could be further from the truth. All work has value.

And, by the way, in Wisconsin, so many manufacturers pay for the training. You leave high school, you go into manufacturing, and you do not have to get \$30,000 into debt. You can actually get a job, you can start making money, and then, the company, themselves—because they cannot find workers—they will pay for your education. You never have to go into debt. But, we do not tell our kids that. We tell our kids, you have to get a 4-year degree. And, we have done a huge disservice.

I have more time, so I will turn it over to Senator Peters right now.

#### OPENING STATEMENT OF SENATOR PETERS

Senator PETERS. Well, thank you, Mr. Chairman.

And, thank you to the panel for your testimony here, today, on a very important topic: how we make sure that everybody in this country has the opportunity to achieve whatever their version of the American dream is. So, people should have the opportunity to do that.

Mr. Ochs, I would like to just ask you to talk a little bit about some of your programs, because this is an issue that I have thought a great deal about—and I am concerned about, when it comes to folks who have gone to prison and are paying their price to society, which they should. These are individuals that have done something wrong. They need to pay their price—do their time.

But, what we find is that, too many of them, when they get out, they find out that they are actually serving a lifetime sentence. It is not a sentence for 5 years or 10 years or whatever it may be. And, it does not seem to be dependent upon whether or not they get skills as well. Now, you provide some wonderful skills for the folks that you have talked about. I appreciate your comments on that and it is wonderful to have those skills, but, my experience is that it does not matter when they get out, but that employers are simply unwilling to hire somebody who has spent some time in prison.

The whole system is premised on second chances—that if you have done your time, you should have a second chance to be able to get back on your feet. And, I know a number of young men and women want to do that, particularly, young men in some of the cities in my State, who never get that chance ever.

Now, you have talked about hiring some individuals and I applaud you for doing that with your company. I also applaud you for your statement that you help folks get jobs when they get out. But, if you could tell us some of the impediments that you find for these individuals—because, I assume, they are having a difficult time getting hired—just like they are in Michigan. What can we do to help these individuals and to help employers hire these individuals—to give them the second chance that the system is premised on?

Mr. OCHS. Sure.

The greatest impediment is that they have a felony on their record—

Senator PETERS. Right.

Mr. OCHS [continuing]. And so, who wants to hire a felon?

Senator PETERS. Right.

Mr. OCHS. And, I know you are familiar with “ban the box.” And, we are, probably, for that.

I would say that, before that, I think we just need to educate the business community that these are not all bad people. There is a stigma in society and somehow we have to get over that stigma in society that says that because this person came out of prisons and has felonies, he is not worth hiring.

We are working amongst the businesses we know and the non-profits we know to try to reduce that. We, literally, have a group—because of the ability to not hire people, we think there is a great opportunity for felons coming out of prison to get jobs, but they need training, they need mentorship, and they need some kind of accountability, I think, for a year, maybe, after they are out.

We just had a gentleman that was in for 47 years. He came out. We hired him. He went back in 3 months later. And, he wrote me a long apology and he said, “Pete, I am sorry, but I cannot live outside anymore. I have been inside too long.”

And, the system—there is no rehabilitation inside of the prison system. And, I think it starts inside of a prison. We have to start training. We have to, some way, create economic, social, and spiritual capital inside of the prison. And so, we have to incentivize businesses, nonprofits, or faith-based people to get in there and do that, OK? When they come out, there needs to be some kind of a re-entry ramp that helps them, for a period of time, to do that, I think.

Ms. GOLDEN. And, I would just add, if I may—

Senator PETERS. Yes, please.

Ms. GOLDEN [continuing]. Because I am very much hoping we can touch base afterwards, to work together on this—we just did a forum, sponsored by CLASP and others, with young people, including those who had been incarcerated—and others. And, I would underline exactly what you said about “ban the box” and reaching out to employers, but also about the role of education and training.

And, I mean, it think is also an important point for Senator Johnson’s theme, which is that preventing the initial incarceration is also about work opportunities, training, and job opportunities, because people who are incarcerated—not only does it disproportionately hit communities of color hard, but it disproportionately hits people without a high school diploma. It is about school discipline. It is about the ways in which you interrupt that.

And so, I am just tremendously excited to see the interest in this room, in thinking about how employment strategies and training—and that happens before, that happens during, and that happens after—can be solutions.

The only other solution I would mention is that we hear a lot from young people—both before and after—about health, mental health, and trauma. And so, I would also put those on the list of strategies that are part of the solution.

Senator PETERS. Thank you.

Mr. WOODSON. Senator.

Senator PETERS. Mr. Woodson.

Mr. WOODSON. There are several barriers—to presume re-entry. One important factor is a prisoner’s contact with his natural support system—his family.

Some of those 2.3 million incarcerated individuals must pay as much as a dollar a minute to make telephone calls home. Two companies make \$1.2 billion providing telephone service to inmates. It is outrageous. My daughter lives in Costa Rica. It costs me nothing to call her. It would be a dollar a minute if she were in prison. And, that is a burden on families.

The second barrier is that, if you come out of prison and you have a trade—and if you were a plumber or electrician, for example—you lose your license to operate. Ohio Governor John Kasich came together with Democrats and Republicans and passed legislation that would restore the licenses of former inmates.

Some who are released from prison do not have identification. They do not have a driver license, so they cannot get to work. Yet, it can take up to 6 months for a person coming out of prison just to get a driver license.

So, there are practiced barriers that we place in their path that can be easily addressed. Occupational licensing must be restored,



identifications should be easier to get, and the fees for telephone calls to families from prison must be lowered. Currently, those calls represent a \$1.2 billion industry. In addition to the profits of community firms, 40 percent of the money from inmates goes to those prisons. It is the biggest fleecing of inmate families in America. This is a national outrage that is being ignored.

Senator PETERS. Well, I appreciate all of your comments on this. And, I also appreciate the comments on “ban the box,” which is going to be critical to at least give an individual the opportunity to interview and not to be thrown out before they even get a chance to make their case to somebody. And, presumably, if they make their case, an employer may be impressed and say, “I am willing to take that chance.”

But, nevertheless, even with the training and all of the aspects that you have brought up—which are all very important points—you still get to the point where an employer feels like, “I do not know if I want to take this risk with someone who has this felony—even though they have interviewed well and come across as sincere.”

I mean, is there something that we should be doing to make it easier for those employers that are on that edge? And, I am sure you have all seen this.

Dr. Golden, do you have an idea?

Ms. GOLDEN. Well, I guess I have two thoughts.

One is that people who have had the experience, like Mr. Ochs, are very powerful ambassadors——

Senator PETERS. Right.

Ms. GOLDEN [continuing]. To other employers.

Senator PETERS. Right.

Ms. GOLDEN. And, we have seen that work in other arenas.

I think the second thing that I would say—and this is partly because we have been working with States on workforce strategies that take advantage of some of the opportunities that Congress authorized—for example, for on-the-job training or subsidized employment. Sometimes, if the employer has a tryout opportunity, as part of training and skills—and, as a part of that training and skills, if somebody is working and they get to see them, that is also important.

Transitional jobs, similarly, give somebody the comfort that, not only do they look good on paper, but they have actually worked—either in my organization or for a supervisor somewhere else.

So, I think those are—I do not think there is a single perfect answer——

Senator PETERS. Right.

Ms. GOLDEN [continuing]. But, I think those are pieces of it.

Senator PETERS. Yes, go ahead.

Mr. OCHS. In Kansas, I think we have a \$2,400 tax credit for a new employee. And, that is useful, for us, because that covers the training costs for that first 4, 5, or 6 months. And so, of course, tax credits are great—and are a great incentive. So, that would be something you could consider also.

Senator PETERS. Now, of course, you hire some folks that come out. You said you hired 14, I believe, in your testimony.

Mr. OCHS. Yes.

Senator PETERS. You employ considerably more in the prison, I would imagine. As folks are coming out, how do you make the decision as to who to hire? They have worked for you in the prison? And, is that, in some way, instructive for us to have other employers use that sort of process?

Now, obviously you are in a different position, because you have actually seen them work and you have the opportunity to supervise them—

Mr. OCHS. Sure.

Senator PETERS [continuing]. But, are there still some lessons that may be helpful to us, as we think about helping folks actually get employed with these—

Mr. OCHS. Yes. We have just simply made the commitment, personally, that if they come out of that prison and they parole to Hutchinson, Kansas, where our main office is and where our main manufacturing facility is, we will hire them. We will make a space for them, OK?

Once again, I think a trial period where you would not be subject to the unemployment situation and the laws, etc.—that would be helpful. Tax credits would be helpful. I think it is just a matter of the business community needing to start educating each other on how these are—it is a great supply of labor—and however we can do that. It is an education thing.

Senator PETERS. Right.

Mr. OCHS. I have lots of friends that are fellow business owners and I just, literally, get on the phone and say, “Here is Joe. He is coming out. He is a good guy. He has worked for me. You need to give him a chance.”

Senator PETERS. That is great.

Mr. OCHS. And, they employ them.

Senator PETERS. Great.

Mr. OCHS. And, we do that throughout cities in Kansas.

Mr. WOODSON. Senator, I would not undervalue your presence, as policymakers, in the communities we serve. I have the pleasure of taking Congressman Paul Ryan, every month, to site visits in a different city. And, just the fact that he came and visited a program helped to validate it. And, I am sure similar visits by Senator Johnson and others, who would take the time to visit our programs, would serve as a means of validating them and highlighting their importance. That is something beyond your legislative role, but it could make an important difference.

Senator PETERS. Right.

Mr. WOODSON [continuing]. Your reputation helps to validate what we do.

Senator PETERS. Great. Thank you so much. Thank you for all of your answers.

Chairman JOHNSON. So, Senator Peters, let me describe a program that is actually working—doing exactly what Robert Woodson is talking about. And, we named it after his book. We called it the Joseph Project.

And, it was teaming up with Pastor Jerome Smith of Greater Praise Church of God in Milwaukee, Wisconsin. And, what Pastor Smith does is he identifies, he vets, and he screens, but then he gets people to commit to turning their lives around. And then, what

we do, with our Senate staff, we go in as a constituent service a 1-week training program.

We teach them soft skills. We teach them interview skills. And then, we set them up with interviews. And, they are getting jobs. They are getting real careers. It has actually been so successful that the Sheboygan County Economic Development Corporation donated two vans to provide the transportation.

The program is still in its infancy. We have had, I think, 10 of these different training programs. He starts with about 60 individuals and then, again, by screening, vetting and, again, getting them to commit to succeed, he winnows it down to about 12 people. And, generally, those training sessions have somewhere between 12 and 20 people. And, it actually works—other than our Senate staff just doing it as constituent service, there is no government funding—there is no government program. It is just an individual, community-based and faith-based program helping people, one person at a time.

One of the individuals, whose name is Willy—one of the graduates—I just saw him up at Nemak, a company in Sheboygan, Wisconsin—he said that he had gone through, literally—he said, “I would need your hands to get the number of fingers”—the number of job-training programs and placement programs he has gone through. And, he said that the difference between this program and those—it kind of gets to what you are talking about, in terms of the foster care system—is that the people in the Joseph Program, they are not concerned about their program, they are not concerned about their government funding, and they are not concerned about themselves. He said, “They are just concerned about us.”

But, again, that is a community-based and faith-based program that actually works—no government involvement other than, as Robert talked about, you are using the Senate office to highlight success—and it actually works. Senator Lankford.

#### **OPENING STATEMENT OF SENATOR LANKFORD**

Senator LANKFORD. Thank you. Thank you, Mr. Chairman.

Thank you all for being here and for the work that you do all of the time in dealing with poverty issues across the country.

Mr. Haskins, let me bring this up to you first. There are some interesting studies that you have done dealing with just marriage—two-parent households, one-parent households, and what I believe you call the three norms. I did not hear you mention it earlier in your testimony. I had to slip out for a vote and then come back—and want to make sure we come back to that, because I want to make sure I have this right.

I believe, in your study, you have identified three norms: if someone completes high school, if they have a job, of any type, working full-time, and if they delay parenthood until marriage, they have a 71 percent success rate in getting out of poverty. I want to make sure that number is correct and have you be able to highlight that.

Mr. HASKINS. Yes, it is. It depends on the year that you do it. This is based on a representative sample of the American population and it just describes how, if people meet those three criteria, they have over a 70 percent chance, depending on the year, of

avoiding poverty—not getting out of it—of avoiding it—in any given year, when you do this study.

And, conversely, if they violate all three norms, they have, like, a 10 percent chance of being—I am sorry, about a 70 percent chance of being in poverty. So, yes—and it is just correlational. It just describes what the actual situation is.

So, the implication is, if we could get kids educated, if they waited until 21 and married before they had a baby, and if they worked full-time at whatever job they could get, they would avoid poverty.

Ms. GOLDEN. And, just may I add to that—

Senator LANKFORD. Sure.

Ms. GOLDEN [continuing]. Because, I think the point that it is correlational is really important, because, one of the things that I highlighted, in my testimony, is that about 70 percent of poor kids live in families where somebody is working, but they are often not able to get enough hours.

And so, full-time work, for most low-wage workers, is not a choice. I actually just talked to someone the other day who is working 3 days a week, trying to live and get by, here in D.C., and go to school the rest of the time—

Senator LANKFORD. Right.

Ms. GOLDEN [continuing]. And, they just cannot get more hours. So, I do think that the evolution of low-wage work, in terms of hours and schedules, is very important.

In terms of single-parent families, I do want to highlight that about 5 million children are poor in married couple families. And so, the percentages are different, in part, of course, because it is so much harder to raise kids and work full-time, but I do want to highlight that, for a large chunk of poor children, the challenge is hours and wages.

Senator LANKFORD. OK.

Ms. GOLDEN. And so, we need to really focus on that.

Senator LANKFORD. Yes. For someone like myself, who grew up in a single-parent household—which, by the way, today is my mom's birthday, so I can say happy birthday to her, as well. But, she worked incredibly hard—

Ms. GOLDEN. Yes.

Senator LANKFORD [continuing]. To be able to raise my brother and I in a single-parent household—and also just to set an example and to set the character traits.

Ms. GOLDEN. Yes.

Senator LANKFORD. It just goes back to something, Robert Woodson, you have said multiple times—that I have heard you say. It is not a matter of going into a neighborhood and saying that everyone here is not successful.

Mr. WOODSON. Exactly.

Senator LANKFORD. That is not true. There are good examples in every neighborhood and in every community where people have beat the odds on it. And, what I am trying to look at, with this research—and what you had mentioned before, Dr. Haskins—was the evidence. What are the things that we know work? Finishing high school, having a full-time job, and delaying having children until you are married.

You also had mentioned, I think, in some of your evidence—if I remember the number right—there is a five times higher poverty rate for those that are in a single-parent household than there is for those that are in a two-parent household. Correct? Not correct?

Mr. HASKINS. Yes, that is correct. That is correct. Dr. Golden likes to state how many kids live in married couple households. Fine. But, the odds are that, if you get married and if you stay married, your financial situation will be much better. And, by the way, we now have huge research—I have been alive long enough to know that this has changed, dramatically.

The academic world used to think that marriage was not that big of a deal for child development. Now, there is almost universal agreement that it has a huge impact on children. Kids who are reared by married-couple families do better, in many important respects, than kids who are reared by single parents.

I used to work in the Bush Administration. And, the President wanted to talk about the importance of marriage. The first thing he always said was, “The hardest job in America is being a single parent and I admire single parents.” So, he did not want to cast any aspersions—

Senator LANKFORD. Never.

Mr. HASKINS [continuing]. On single parents. But, the facts are the facts. And, if you are talking to kids—if they want to do the best by their children and for their own well-being—they will get married, they will not have children outside of marriage, and they will maintain their marriage once they are married.

Senator LANKFORD. Because that worked for them.

Ms. GOLDEN. And, I think the two conversations are connected, because the high incarceration rates for young men are a very big contributor to young women’s and young men’s inability to become a stable couple.

Senator LANKFORD. Right, not having that same connection.

Ms. GOLDEN. So, that is a solution—

Senator LANKFORD. I want to come back to another barrier on that.

Ms. GOLDEN. Right.

Senator LANKFORD. Mr. Woodson, were you going to say something as well?

Mr. WOODSON. Yes, I just think—and Ron and I have had this discussion many times before. What concerns me about the academic community is that they do not study situations where there are cohorts of low-income families that have demonstrated that data is not destiny. There are some who have started life in that disadvantaged group, but who found surrogate ways to cope and to rise up.

I saw the success rate of a public housing development, where residents sent 460 kids to post-secondary education and witnessed the dramatic reduction of teen pregnancy in that development. But, I did not see researchers coming into circumstances like that to study the successes of people, in spite of their situations. “60 Minutes” can find them, the networks can find them, but our academic community does not seem to be interested in studying the successes of people in those situations.

Senator LANKFORD. Do you think it is because they want a big sample and want to show a large statistic, rather than trying to look at one area and say that it was successful? And then, you cannot really, statistically, extrapolate that everywhere—though you can find what you have identified extremely well—is this house and this house—

Mr. WOODSON. Exactly.

Senator LANKFORD [continuing]. Next-door to each other, dramatically different outcomes—had the same situation, same neighborhood, and same family dynamic, but this family worked and this family did not.

Mr. WOODSON. Exactly.

Senator LANKFORD. These kids succeeded and got out and these did not. What happened?

Mr. WOODSON. Exactly. That is what we should be asking. It seems to me that the research community should make their protocols fit the reality of the people, rather than requiring the people to meet their criteria and protocols.

Senator LANKFORD. So, let me ask you a question as well—and that deals with marriage penalty. We still have areas, in Federal tax law—in means testing and such—where there are marriage penalties.

Interestingly enough, if you are a veteran and you have a service-related disability—with a veteran, there is actually a marriage bonus that is there. So, that incentivizes marriage in the veterans system. But, in other areas, Social Security Disability Insurance (SSDI) being one of those, there is a marriage penalty that is built into it.

Are there other areas of the Federal tax code that you think would disincentivize marriage? I would hope there is nothing built in there that would disincentivize full-time work or disincentivize getting a high school education.

So, when I look at those three factors, based on what you are identifying—let us just talk about the marriage penalty. Are there any areas in the marriage law, right now—or things that you have seen—that would disincentivize marriage—from the Federal code?

Ms. GOLDEN. I think Congress fixed the major Earned Income Tax Credit issues, so I think that is something to take credit for.

Mr. HASKINS. I do not think it is exactly fixed, but I think, in general, the negative effects of the tax code on marriage are vastly overstated. We have a very good research study based on—the only way to know is to do a national probability sample—

Senator LANKFORD. Right.

Mr. HASKINS [continuing]. So, it is representative. If you do that, the EITC, for most couples, actually provides an incentive to marry, because, when they are—this is based on cohabitating couples below 200 percent of poverty. I can send you the reference. And, believe it or not, they, generally—about 70 percent of them have an incentive to marry, because their EITC goes up. And, the reason is that the way that EITC works—

Senator LANKFORD. Right.

Mr. HASKINS [continuing]. Is it increases, throughout a range, up to about—

Senator LANKFORD. Social Security Disability Insurance goes in the other direction. If you are on SSDI—

Mr. HASKINS. Yes.

Senator LANKFORD [continuing]. And you go into marriage, then there is a penalty on that. You get a reduction.

Mr. HASKINS. Yes.

Senator LANKFORD. So, it disincentivizes marriage in the disability rules.

Mr. HASKINS. There were lots of situations like that in the past. Well, we have some like that in work, as well, as this chart that the Chairman showed earlier shows.

Senator LANKFORD. The cliff.

Mr. HASKINS. Yes, but if you look at an actual sample of people—the Urban Institute has done this—there are not people that get all of these benefits—

Ms. GOLDEN. Right.

Senator LANKFORD. Right.

Mr. HASKINS [continuing]. Especially males. So, you can make up cases and make it look like the tax code is really providing huge disincentives, Senator, for both work and for marriage, but when you actually look at a sample of people that have various characteristics and how much welfare they actually get, there is not that much disincentive.

Ms. GOLDEN. And, just to reinforce that, my written testimony has a long review of the research on work incentives. And, I think, actually, there are some actual mistakes in this chart—when we saw it before—which we can get back to you on.

But, even separate from that, I think Ron's point is the key point. When you look across low-income people, the Earned Income Tax Credit increases with work, particularly, in those States that have taken the Medicaid expansion. There is no longer the big disincentive that you lose your health insurance. So, there is support for work for the large majority of people that you find in a sample.

Coming back to full-time work—particularly, for childcare, because childcare is something that you are going to need to work full-time in many families—either households with both parents or with a single parent. It is far too expensive to be able to do, even with a pretty steady job, at a low wage. And so, the need is just far greater than what is available. And so, someone can get to a place where their childcare subsidy is no longer available.

And, the law is flexible enough to let States fix that, but it is a dollar problem. The dollars for childcare have been going down and we need more there. But, I think that is something that Congress could do to support incentives for work—but I think that is kind of the main gap to fill.

Senator LANKFORD. Well, I would just only say this, if I can make one quick statement. I spoke to my mom earlier today, obviously, on her birthday, to wish her a happy birthday. And, she said, "What are you working on, today?" I said, "Well, actually, we are working on terrorism and poverty, today." [Laughter.]

And, she said, "If you could fix both of those for me, that would be a good birthday." [Laughter.]

Chairman JOHNSON. How old is your mom?

Senator LANKFORD. I am not supposed to say.

Chairman JOHNSON. Oh, OK.

Senator LANKFORD. So, let us just say that she is older than I am, so I will—— [Laughter.]

I will leave it at that. But, we will pray she has a good day, in the days that we can.

Chairman JOHNSON. But, there is a certain point where all of a sudden it becomes a moment——

Senator LANKFORD. We are not at the “badge of honor” level yet, but——

Chairman JOHNSON. OK, good.

Senator LANKFORD [continuing]. But, I will still protect the lady’s age. [Laughter.]

Chairman JOHNSON. So, picking up on Senator Lankford’s line of questioning, we did get the charts—better late than never.

I just want to go down the line. So, there again you have the line of demarcation—our “War on Poverty.” Well-intentioned—no doubt about it. I have often said that the definition of the Federal Government ought to be the law of negative unintended consequences.

You look at those three metrics: poverty rates, the number of people in poverty, and out-of-wedlock birth rates. I mean, you cannot look at those three metrics and say that those are metrics of success. But, I would just kind of like to go down the line. What is the explanation for out-of-wedlock birth rates going from 8 percent to over 40 percent once we instituted these “War on Poverty” programs? Dr. Woodson.

Mr. WOODSON. First of all, we have to understand that aberrant behavior was never associated with poverty. Prior to the 1960s, the black community was often used a moral barometer of the country. If you look at the 10 years of the Great Depression, when we had a 25 percent unemployment rate and a negative Gross National Product (GNP)—the black community’s actual marriage formation rate increased over that of whites during that decade. So, obviously, race relations and poverty are not related—or correlated—with aberrant behavior.

But, all of that changed in the 1960s. And, I do not have time to walk you through it, but, what happened was, social planners began to detach work from income and promoted welfare as a right, rather than stop-gap insurance. And, with regard to black families, it was viewed as almost reparations that they were entitled to.

Among the academic social planners, the definition of a nuclear family was interpreted as being racist. People were not encouraged to work or to marry. Welfare went up at a time when unemployment in New York was 4 percent among black males. But, yet, welfare dependency saw a spiral up as the government encouraged people to sign-up on the roles. The social planners at Columbia University—Frances Fox Piven, Richard Cloward, and the others, who oppose our free market system—said that, if they could promote the mindset of entitlements, that could force the Nation into income redistribution.

This is documented in Fred Siegel’s book, “The Future Once Happened Here.” And, there are other writings that tell the story of what happened in the black community when we fell off of this cliff. In 1965, 85 percent of all black families had a man and a woman raising children. Yet, at a time when civil rights laws were



passed and the government spent all of this money on its anti-poverty programs, the black family steadily declined.

Chairman JOHNSON. Mr. Ochs, do you have any thoughts on that before I—have any theories on that?

Mr. OCHS. It is a lack of fatherhood, from our perspective. And, when we interview our inmates and say, “What is the main thing you missed growing up? Why are you in prison?”—I think it is a lack of fatherhood.

Back to your previous question, with regard to why are there not manufacturing companies, in 2009, we laid off approximately 25 percent of our workforce due to the recession. Approximately 9 months later, we started hiring them back. We were only able to hire back about 50 percent, because the ones that had gone on unemployment benefits—and whatever other thing—said, “It is not worth that extra few bucks.” And, they were averaging \$16 or \$17 an hour.

Chairman JOHNSON. Well, I heard the exact same story from a painting contractor from Fond du Lac, Wisconsin, who, finally, got a couple of big jobs and went to hire all of his crew back. None of them would return. And, they were very honest and said, “Well, it does not pay until our unemployment benefits run out.” To add insult to injury, he lost those two jobs to those same workers, who did them for cash. Again, that is the reality. Those are the unintended consequences. Dr. Haskins.

Mr. HASKINS. Yes, the standard explanation for what has happened with the family is both cultural and economic. So, in terms of culture, our values have changed very dramatically.

It used to be, in the old days, that—when I went to high school, if a young girl became pregnant, the parents often sent her away. It was shameful. And, there was much less premarital sex. There was much more early marriage. All of those things have changed very dramatically. Sex did not go out of style, but marriage did. Our marriage rates have plummeted, for every group of women, except for college-educated women. They still have very high marriage rates.

So, there have been big changes in values. And then, if you—in culture—but there are also big—

Chairman JOHNSON. Let me just say, could it be, though, because a single mom—a young woman can actually get benefits from the government and it is a little less necessary for her to have a husband?

Mr. HASKINS. It could, but—

Mr. WOODSON. So, look—

Mr. HASKINS. Let me finish, Bob.

Chairman JOHNSON. I mean, could that be a part of the problem?

Mr. HASKINS. Yes, it could. But, then, it is hard to explain why it is that whites have had such dramatic increases in the past, say, 15 years when, under the theory that Bob gives you, it should have happened a long time ago, because they could have gotten those benefits before—but they did not.

And, now, more recently, whites are following the same path—so are Hispanics—as blacks did. And, they are, gradually, catching up, in terms of non-marital births and low marriage rates.

Chairman JOHNSON. Again, so, for millennia, you had husband and wife and intact families. And then, all of a sudden—boom, we just have this breakdown of that, basically, foundational building block of a society. You are not seeing any correlation? It just kind of happened? The water changed or just——

Mr. HASKINS. No.

Chairman JOHNSON [continuing]. Things just happened or——

Mr. HASKINS. Wait. I am not saying that welfare does not play a role. There are incentives that are unfortunate and it does play a role. Why do we look for single explanations? This is a very complex issue.

Chairman JOHNSON. Well, I am not——

Mr. HASKINS. There are lots of things that contribute to it. It is not just one——

Chairman JOHNSON. I know, but there are a lot of programs that might have contributed to that.

Ms. GOLDEN. Right. Sure.

Chairman JOHNSON. Dr. Golden.

Ms. GOLDEN. Sure. Let me give you a couple of points on that and then on one of the others.

I think the other thing to headline is that everybody, including poor people, are having babies much later than they ever did. The teen birth rate is the lowest it has ever been. I think, sometimes, people get the picture that what we are seeing is people having babies young. We are not. Everybody is postponing childbearing a great deal.

And so, then you get to the question of, do we want to have an economy where, really, a young woman and a young man cannot have stable enough economic lives to feel they can get married and have a family until they are in their late 20s or at 30—or do we want a world where getting married at 24 or 25 would work for people?

So, I do think—and Ron makes this point—that the causality, about how the economy has changed, how that has affected people's choices, and how the culture has changed—and I would add incarceration, because, when I talk to young women—I still remember conversations—people would say, “We cannot get married, because it means providing for somebody else.”

And so, I do think that it is important to note that the solutions out there—I think the evidence—the research evidence about what has shown success, in terms of marriage rates, is about dramatic economic improvements and jobs—and I do think reforms in incarceration would be helpful——

Chairman JOHNSON. With incarceration, that is a chicken-and-egg type of situation, because Mr. Ochs is talking about how the primary reason that you are hearing people give about why they are in prison—they kind of attribute it to the fact that they did not have a father in the home.

Ms. GOLDEN. Well, I think, in general, poverty for young kids is a chicken-and-egg phenomenon.

Chairman JOHNSON. I am asking Mr. Ochs.

Ms. GOLDEN. Sorry.

Chairman JOHNSON. Was that, basically——

Mr. OCHS. Yes, definitely. And, I think part of the success——

Chairman JOHNSON. So, the breakdown of the family could result in higher crime rates, which would lead to higher levels of incarceration. I mean, it really is a chicken-and-the-egg type of thing.

Ms. GOLDEN. And, researchers tried——

Chairman JOHNSON. I want to talk about other unintended consequences.

A little story from my own experience. We, as our business, used to employ people—what we called, in Wisconsin, Huber Law. But, people there are serving time. And, unlike moving our plant into the prison, we would bring the prisoners. And, oftentimes these were from the county jail. And, oftentimes, they were people who had served a longer sentence and this is what they were doing the last 6 months to a year—an incredibly successful program.

From my standpoint, there were a number of lives that were turned around with that. But, then, social justice advocates—putting pressure on the big companies—that come in and audit a manufacturer, like myself, found out that we were actually employing people from prison labor. And, they felt that was some sort of forced servitude. And so, in order for us to maintain those contracts, we had to stop doing that. I mean, think of that. Again, a very negative unintended consequence from social justice advocates—did not really help people, whatsoever.

Part-time work. How many different programs, Dr. Woodson, are there, in the Federal Government, which incentivize employers not to have full-time workers, because once—this gets back to over-regulation. Once you go above 20 hours a week, once you are—Obamacare side effect, correct? How many manufacturers now are—or businesses, in general, are not going above 50 employees, because of all of these government programs and regulations that prevent that? Does anybody want to speak to that?

Mr. WOODSON. I do not have an answer for that.

Chairman JOHNSON. Mr. Ochs.

Mr. OCHS. Now, we employ several hundred people, so we are above the 50. But, that has been a definite deterrent to going above 50 people. And, you had asked the first question—I am sorry—related to——

Chairman JOHNSON. I am just talking about unintended consequences, right now.

Mr. OCHS. Yes.

Chairman JOHNSON. Part-time work—Huber Law. Do you have a program like that, in Kansas?

Mr. OCHS. Yes, we call it work-release. And, that is still alive and well in Kansas. We started with work-release and then moved from the work release into the prison.

Ms. GOLDEN. And, we have talked a lot, with employers, about scheduling because, as we talked about earlier, part-time work is a huge challenge for families. And, increasingly, with technology, it is not just part-time, but part-time with no notice about schedules or hours. And, I think what we hear from employers is not—and I think this is consistent with the research—not about regulation, but about choices that they have made, perhaps, without thinking through always——

Chairman JOHNSON. Trust me—regulation is a big component here. I mean, trust me—I know, firsthand, and I talk to a lot of people.

Ms. GOLDEN. Sure. And, we talk mostly to retail, health care, and those sectors. We have not talked as much with the manufacturing industry, because the part-time issues are very intense in the retail sector, for example.

Chairman JOHNSON. Dr. Haskins, you talked about—give people money, they will be less poor. I think that is one of the debates, when you are talking about poverty rates—people in poverty—out of poverty. Do you tack on the transfer payments that they are getting, in terms of the assistance? All of a sudden they are out of poverty. I think the better definition would be out of poverty and out of dependency.

From my standpoint, I thought the goal of the “War on Poverty” was to not just give people money, so they have—so, based on the total amount of take, not just that they are not at the poverty level anymore, but that you actually move them out of poverty. You make them independent. Can you just comment on that?

I mean, by the way, is that not the better goal—to get people to become independent?

Mr. HASKINS. Yes, it is a much better goal. Yes, I do not have any problem with the goal, but the problem is that we have so many people—OK, think that we have—half of our children, at some point, are going to be in a female-headed family, all right? Not at any point in time, but over time.

So, would you rather have them on welfare or not have them have any public support? Or, would you rather have public programs that are now bipartisan, in the sense that they strongly emphasize work and then they subsidize work, because those mothers often have limited skills and limited work experience—and the most they can make is \$10 an hour or so—but, because they get subsidies from the Earned Income Tax Credit—which they only get if they work—that it brings their income up and it allows them to escape poverty?

I would rather have them earn enough so that they can completely escape poverty without public benefits, but we do not have enough jobs like that. So, I think this is a reasonable transitional thing. Hopefully, when they get older, they will develop skills and experience and they can get better jobs.

Chairman JOHNSON. Well, let us talk about the minimum wage. There is a proposal out there for a \$15 an hour minimum wage. President Obama is recommending \$10.10. CBO, evaluating his proposal, thought it would cost somewhere between half a million and a million jobs. The study shows that \$15 an hour would cost 6.6 million jobs by the end of the decade.

That is a real problem. I know Andy Pudzer, the Chief Executive Officer (CEO) of Carl’s Jr., is writing an awful lot of articles talking about how that is actually affecting—where it has been put in place, how it is actually affecting, for example, fast-food restaurants. People are coming and they are saying, “You have to cut my hours, because my income is coming up to that point and I am losing benefits.”

I mean, is that not really the real-world result of that type of thing?

Ms. GOLDEN. We have actually been writing on that question, because, in fact, you do need the minimum wage increase and the benefits for people. And, we have actually—

Chairman JOHNSON. Does that not bother you—a study that it would cost 6.6 million jobs? So, if you have—

Ms. GOLDEN. I think it is not consistent with the—

Chairman JOHNSON. It does not bother you?

Ms. GOLDEN. I think it is not consistent with the bulk of the research. I think, one of the things that the research suggests is that increases for some of the particular groups we have focused on today—low-wage mothers, poor families, etc.—and I think, on the question of benefits, we have actually been looking at that in a couple of places. And, typically, again, if you have more income, you are not going to need quite as much, in the way of your childcare subsidy. And so, the two things will work together and will help reduce the public investment, somewhat. But, people, depending on their circumstances, will still need help.

Chairman JOHNSON. Do you know what the average profit, per employee, in a fast-food restaurant is?

Ms. GOLDEN. In what jurisdiction? In general?

Chairman JOHNSON. Just nationally.

Ms. GOLDEN. I do not know the national number, no.

Chairman JOHNSON. It is \$6,300, per employee. That means, if you take a 2,000-hour—over the course of a year—work week, that is a \$3 increase. So, just increasing the minimum wage, in a fast-food restaurant, by \$3, you wipe out the profitability. That does not work for business.

Ms. GOLDEN. Yes, I think we find that businesses vary in their perspective on that—

Chairman JOHNSON. If you increase—

Ms. GOLDEN [continuing]. And, that “high road” employers think that the investment is worth it, in terms of less turnover and more success. But, I know there are many different perspectives on that subject.

Chairman JOHNSON. Yes. I just have a real concern when you start having the Federal Government get involved in any marketplace—again, the law of negative unintended consequences, which I think that chart proves as well.

I think I have pretty well covered the points I wanted to make. I will just give everybody a chance to conclude. We will start with you, Dr. Golden. And, we will kind of walk down. Just give kind of a minute summary.

Ms. GOLDEN. Well, thank you.

First of all, I am extraordinarily pleased that the Committee is focusing on poverty. And, to hear the conversation—Mr. Ochs’ commitment on prison issues. There is just a lot to work on here.

I think I would highlight the successes of the safety net—that, when you look at the actual effects, with the right numbers, you see poverty cut in half. And, I would highlight the multigenerational, positive effect that result when children get nutrition, health care, and income through the Earned Income Tax

Credit—when they are not going hungry. There is now a lot of rigorous research showing that that has effects down the road.

And so, to me, the crucial things to do next are: to focus in on young children, to focus in on workforce training, development, and opportunities to move up, to fill some key gaps in the safety net, to improve job quality—not just wages, but also scheduling—and to make sure, in terms of post-secondary—what I think, actually, you were talking about—the need for credentials that employers can use, for example, in manufacturing. I actually would share that as an important goal—and something we should work on.

Chairman JOHNSON. OK, thank you. Dr. Haskins.

Mr. HASKINS. Again, I agree. Thank you for holding this hearing. It is very important for Members to hear all sides of these arguments.

I did not talk about prisons, but I am glad that came up. That is an extremely important topic. It is one of the biggest disadvantages that black males face. In fact, there is now a huge amount of research literature showing that black males respond much more poorly to living in a single-parent family than daughters do. So, black males have this disadvantage piled on disadvantage. And, helping them with prison, especially by keeping them out—if we can, giving them shorter sentences, and helping them when they get out—the very kind of thing Mr. Ochs just talked about—it is very important.

I want to emphasize that I still think the very best thing that we have done to reduce poverty, especially amongst single moms, is to have strong work requirements, and then, to subsidize their income with the Earned Income Tax Credit, daycare assistance, and the system that we have already put in place.

I do not think we have talked enough about birth control. We now have highly successful methods of birth control. If young women can avoid pregnancy—which they say they want to—and even if they have babies out of wedlock later, they will be older, they will be more skilled, and they may have a better job. There are all kinds of advantages. Birth control is going to be a big part of the solution, I think.

And, finally, I want to emphasize, once again, we can learn a lot. We are learning a lot, now. We will learn a lot more in future years. We have priceless data, in various Federal systems and Agencies—and from the Census Bureau—that, if we could analyze that data—because we have better access and Congress has made it easier for researchers to study it—we will learn a lot and it will be helpful in reducing poverty.

Chairman JOHNSON. And, first of all, information, which we are trying to provide here, is powerful. Birth control—I am a cosponsor of the—over-the-counter prescriptions. I think those things are key.

And, you are right. The impediments we have put in place for people that are formerly incarcerated is just—I know Dr. Woodson talked about a number of them. There are so many more. I mean, there are just so many more. We really need to address that. I am an original cosponsor of the Fair Chance to Compete for Jobs Act of 2015, to “ban the box” as well.

So, Mr. Ochs.

Mr. OCHS. Three things. If you want to end poverty, create jobs. And, if you want to create jobs, incentivize small businesses to do that. So, I would encourage you to lower taxes. Our effective tax rate is north of 40 percent. If you gave me another 10 percent or 15 percent, we would roll that back into growing the business and creating more jobs.

Chairman JOHNSON. You figure you are paying your fair share.

Mr. OCHS. Yes.

Chairman JOHNSON. Yes.

Mr. OCHS. And, reduce the amount of regulation. It is stifling.

Chairman JOHNSON. It is. Dr. Woodson.

Mr. WOODSON. I think we need to look to a new source of information and new experts. With all due respect to my colleagues from the left and the right, who come together in academic institutions and define themselves as being the premier poverty experts, that is a misnomer. I think the real experts are the people who are in those communities that are the anomalies and who demonstrate that they are in poverty, but not of poverty.

So, we need to recognize a new group of experts, who are solely focusing on studying capacity and studying people who are achieving against the odds. They are the source of new information that can help us find a way out of poverty. We must provide recognition and support for the real poverty experts—and those who live in the same cultural and geographic zip code as those experiencing the problem—and empower them to achieve it.

Chairman JOHNSON. Well, thank you, Dr. Woodson. And, by the way, we will be giving our other witnesses your book. And, I think they will see some of those wonderful examples——

Mr. WOODSON. I doubt it.

Chairman JOHNSON [continuing]. Of wonderful people helping change people's lives, one person at a time.

So, again, I want to thank all of the witnesses. I enjoyed the hearing. I hope you did as well.

This hearing record will remain open for 15 days, until July 7 at 5 p.m., for the submission of statements and questions for the record.

This hearing is adjourned.

[Whereupon, at 11:57 a.m., the Committee was adjourned.]





## A P P E N D I X

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### **Chairman Johnson Opening Statement “Renewing Communities and Providing Opportunities Through Innovative Solutions to Poverty”**

**Wednesday, June 22, 2016**

*As submitted for the record:*

Good morning and welcome.

Our mission for this committee is to enhance the economic and national security of America. While we are always mindful of the national security threats we face, this committee also has a unique responsibility to ensure economic opportunity for Americans, especially those who are struggling to find work and provide for themselves and their families.

Too often in Washington, politicians see a problem and the first question they ask is, “What more can we do?” when they should be asking, “What is already being done and is it working?” As Ranking Member Carper has said, we need to find out what works and do more of it.

We are here today to examine how community leaders across America are finding innovative solutions to address needs and provide opportunities for employment in their communities.

In my travels across Wisconsin, manufacturers and small business owners frequently complain to me that they are looking to hire and expand their workforces, but cannot find qualified candidates. How can this be when we continue to spend billions of taxpayer dollars providing assistance and federal job training programs, and there are millions without jobs? How can we do a better job matching Americans up with employment opportunities?

I have learned that one solution to this problem is found in local communities all across America. It is found in community leaders like Robert Woodson, who have dedicated their lives to reviving neighborhoods and providing innovative solutions to poverty. It is found in creative and effective programs in prisons in Kansas, where Seat King employs hundreds of inmates working 50 hours a week and making \$8 to \$15 an hour. It is found in churches like the Greater Praise Church of God in Christ in Milwaukee, where Pastor Jerome Smith leads an initiative known as The Joseph Project to train, connect, and transport workers seeking employment to opportunities around Wisconsin. These are not just jobs, these are careers, and all because innovative, thoughtful people had a dream, a mutual need, and a van filled with gas.

These companies, churches, and individuals are improving lives, providing opportunity and setting individuals up for success.

In 1964, President Johnson stated “[o]ur aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it.” In the 50 years since, the federal government has spent \$19.1 trillion on major anti-poverty programs. Many will debate whether the war on poverty has been won or lost. The purpose of today’s hearing is to highlight the important work that communities all across America do every day to help lift Americans out of poverty.

I thank the witnesses for being here today to discuss these important issues, and I look forward to your testimony.

**Hearing Statement of Ranking Member Tom Carper  
“Renewing Communities and Providing Opportunities Through Innovative Solutions to  
Poverty”**

**Wednesday, June 22, 2016**

As prepared for delivery:

Thank you, Mr. Chairman, for calling this hearing today to consider ways to improve our federal, state and local efforts to address economic insecurity and instability and to lower the rate of poverty in our country. I also want to thank our witnesses, who have dedicated their lives to establishing and implementing programs to lift individuals, families and children out of poverty.

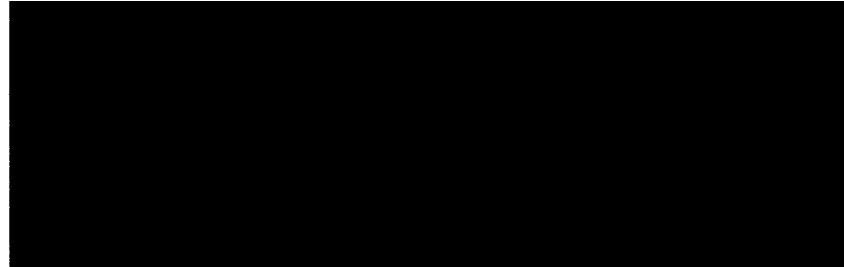
We have a moral obligation to help the most vulnerable among us and to ensure all Americans have the opportunity to succeed economically. Federal and state programs and initiatives such as Medicaid, the Earned Income Tax Credit, the Supplemental Nutrition Assistance Program (SNAP) and federal housing assistance have given millions of Americans the ability to access basic health care, put healthy food on their tables, afford stable homes and find good jobs. Without these fundamental safety net programs, economists and public policy experts have found that 40 to 50 percent more Americans would be living in poverty.

As Speaker Ryan recently noted, there is clearly an important role for the federal government to play in reducing poverty. Yet despite the effectiveness of these programs and others, more than 45 million Americans continue to live in economic hardship. More than six percent of Americans, including over seven million children, live in deep poverty. They’re getting by with a household income of less than half the federal poverty level, which is \$12,000 for a family of four. And more than 1.5 million families live on \$2 or less a day.

This is a problem facing families in all of our states. As we say in the Navy, we need all hands on deck to address the growing rates of deep and severe poverty across our country. In addition to state and federal programs, community-based organizations can also play important roles in providing additional support to those in need. These organizations are often well-positioned to see and respond to the needs in their communities and to provide additional assistance that helps to reinforce assistance from government programs.

However, programs such as Medicaid, SNAP and the earned income tax credit that can quickly lift up those who suffer during an economic downturn, are irreplaceable, fundamental lifelines for those Americans living with severe economic hardship. These federal, state and local efforts are important parts of the solution. We also need to find better ways to provide job training and access to education, and to ensure people are paid living wages and that good jobs are available.

I want to close by thanking the witnesses again for their dedication and work to lower the rates of poverty in your communities and across our country. I look forward to hearing your recommendations on what we can do to improve the programs created to help our most vulnerable individuals, families and children.



## Testimony before the Committee on Homeland Security and Governmental Affairs

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*A NEW AND EFFECTIVE PARADIGM FOR THE NATION'S  
ANTIPOVERTY STRATEGY*

By Robert L. Woodson, Sr.  
Founder and President of the Center for Neighborhood Enterprise

6/22/2016

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#### A NEW AND EFFECTIVE PARADIGM FOR THE NATION'S ANTIPOVERTY STRATEGY

The facts are incontestable: After the expenditure of \$20 trillion in a 50-year “war on poverty” the numbers of impoverished Americans have barely budged. The obvious failure of the strategy that has dominated our nation’s antipoverty agenda is testament of a critical need to reassess the fundamental assumptions that have guided policies and the qualifications of those who are considered “experts.” Reform is vital—not only to stop the waste of an annual expenditure of \$1 trillion on an ineffective strategy but, more importantly, for the sake of millions of Americans and generations of families who are spending years in demeaning dependency.

**To develop an effective approach, the problem must be correctly defined.**

The failure to develop an effective agenda is rooted in a misdiagnosis of the problem of poverty. Even among those who have the best intentions, policymakers on the Left and Right are deadlocked in debates about solutions but are talking about entirely different cohorts of the poor.

All people are not poor for the same reason and our remedies must be as diverse as the cohorts of the population in poverty. Through my experience with the Center for Neighborhood Enterprise and the nearly 2,500 community groups working in low-income neighborhoods that it has served, I have come to understand that there are four basic categories of the poor.

There is one cohort whose poverty is the result of an unexpected setback, such as the death of a breadwinner or a job loss. For these people, the welfare system can function as it was originally intended—providing temporary support until recipients can find their footing again. A second cohort is comprised of those who have remained dependent on the system because the disincentives to marriage and work that are embedded in its regulations make it a rational choice to avoid those stepping stones to self-sufficiency. In sum, they’ve “done the math” and realized it’s not worth the loss of benefits to take first steps toward upward mobility. The third group is comprised of the disabled, who will always be in need of some support. The fourth cohort is made up of those who are in poverty because of the choices they make and the chances they take—for example, those who are living with the consequences of alcoholism and addiction.

With regard to “category four,” giving no-strings attached to those whose poverty is due to the chances they take and the choice they make simply enables them to continue their self-destructive lifestyles—in essence, injuring with the helping hand. For this group, a fundamental revitalization in vision, character, and values is a prerequisite for them to reclaim their lives and escape from dependence. Until that is achieved, no amount of cash payments or benefits can engender a change in their circumstances.

The good news is that agents that can engender such fundamental transformation are even now at work in disadvantaged and devastated communities throughout the nation. That life salvaging work is the forte of the hundreds of community leaders and grassroots neighborhood healers that

I have had the privilege to know and support throughout the last 40 years. Their success in empowering those who once seemed beyond hope to reclaim their lives and move up from dependency is due to common traits they share, wherever they live and whatever issue they address: they share the same geographic and cultural zip-codes with the people they serve; they have a firsthand understanding of the challenges they face; they are available 24-7 for those who need them; and they are committed for the long-haul.

Nothing short of a paradigm shift is needed to develop an antipoverty agenda that can effectively move the poor to a pathway of upward mobility and an escape from dependence to self-sufficiency. And, it's among those who suffer the most entrenched and debilitating poverty, the "category four" poor, where authentic reform of the nation's antipoverty agenda will have the most powerful and striking impact.

#### **Recognize and build-on capacity**

To date, the anti-poverty agenda has been built on what I call "failure studies." Typically, researchers go into low-income neighborhoods to tally the youths who have dropped out of school, births outside of marriage, and incidence of gang activity and crime. In contrast, my organization, the Center for Neighborhood Enterprise, goes into those communities to talk to the parents of families that are intact, the youths who have not been involved in substance abuse or crime, and the kids who have graduated from high-school to learn how they accomplished what they did in spite of the odds they faced. We go into corner stores, barbershops, and beauty salons and ask the people who they would turn to in times of crisis. Invariably, they point to some person within the community that they can trust and rely on.

The testimonies of those who have been empowered to reclaim their lives through the work of these grassroots mentors are awe-inspiring. Men and women who had virtually lost their lives to drugs and alcohol have emerged as responsible employees, spouses, and parents. Fatherless youths who were raised on the streets and were drawn to the lures of gang violence and drug trafficking have become agents of peace and renewal in their communities. Men released from prison—with the mark of a felon and no prospects for a job—have risen to become successful businessmen and entrepreneurs who provide employment to others in the community.

These agents of change and renewal have the potential to make a substantive and sustainable impact on the most entrenched poverty in this country and should be incorporated in the nation's antipoverty agenda. Tapping their transformative power will require the risk of innovative thinking.

I would like to share ten lessons I have learned through decades of my efforts to support the healing agents of America's low-income communities.

1. **If you keep doing what you're doing you'll keep getting what you've got.** When government programs fail to effectively address poverty, the conclusion is typically either a) It is due to a failure on the part of recipients, or b) it was underfunded and more resources should be invested in the same programs. As Einstein declared, "Insanity is doing the same thing over and over again and expecting different results.
2. **Good intentions are not enough.** Too often the disadvantaged are victims of "injury by the helping hand. Regardless of how well-funded they are, government programs designed by experts and parachuted in to low-income communities will not have substantial or sustainable effect.
3. **Not all poverty is the same and our solutions should be as diverse as the populations in poverty.**
4. **For poverty rooted in self-destructive behavior, substantial and sustainable results entail a restoration of values and vision,** and this can, uniquely, be engendered by healing agents that live within their communities and are committed to their uplift.
5. **Effective antidotes to the most entrenched and devastating type of poverty exist in virtually every low-income community.** The residents will identify these neighborhood healers as the persons they would turn to in a time of crisis.
6. **Low-income neighborhoods should be approached with the goal of identifying and building on their capacity.**
7. **People must be agents of change in their own transformation. Those who live in neighborhoods suffering a problem should be involved in the design and implementation of its solution.**
8. **We must be willing to recognize brand of "experts"** that should be trusted and supported: Those whose authority comes not from diplomas and certificates on their walls, but from the testimonies of the men, women, and youths whose lives they have touched and changed.
9. **The rules of the market economy should extend to our social economy.** Social entrepreneurship should be rewarded on the basis of its outcome and impact—evidenced by how many have been empowered to rise from dependency.

10. **Substantial and Sustainable community revitalization and individual renewal must come from the bottom up and the inside out.**

*--Robert L. Woodson, Sr. is the founder and president of the  
Center for Neighborhood Enterprise.*



Peter L Ochs

U.S. Senate Committee on Homeland Security and Governmental Affairs

Tuesday, June 21, 2016, 10 a.m.

“Renewing Communities and Providing Opportunities Through Innovative Solutions to Poverty.”

Good morning and thank you for the opportunity to share my thoughts on innovative solutions to poverty. I am the founder and President of Capital III, a social impact investment company. At the age of 40 I came to the realization that I had become successful but not significant. I had created economic wealth for myself but as a Christian I had definitely not “loved my neighbor as myself”. I believe poverty extends beyond the lack of adequate food, clothing, shelter and some walking around cash, things I would describe as economic capital. But poverty also includes a lack of the skills, education, self-governance, ambition and quality relationships. Attributes I would call social capital. And the third form of poverty occurs when a person does not live by a moral code that differentiates between right and wrong. I call this spiritual poverty. So with this newfound ambition to be a triple bottom line company, we changed the mission and focus of our business to include the creation of social and spiritual capital.

In 2005 our business was growing rapidly and we simply could not hire enough manufacturing labor. Our solution was to move a portion of our manufacturing operation inside of a state prison in Hutchinson, Kansas.

If I am honest with you, I did it mainly for economic reasons. But within just a few months I realized that these men were actually not much different than me. With this revelation, came the vision to help these men understand how they could create economic, social, and spiritual capital for themselves.

So let me start with Economic Capital.

- If you are an inmate and work for the State of Kansas, you will make \$.50 per day. On the other hand, if you work for us, you will make \$8-15 per hour.
- In addition to the inmate winning, the State of Kansas wins by taking 25% of the inmate’s gross wage for room and board. This year alone, inmates will pay over \$1 million to the State of Kansas.
- The third entity to benefit is our company, because we get a hard working, competent and steady work force.
- And the last party to benefit is society in general because restitution, child support and other types of payments are deducted from the inmate’s salary.
- From an economic perspective, this arrangement is a win, win, win.

Let's talk about the creation of Social Capital.

- Inmates learn a trade or skill. This includes welding, metal fabrication, sewing, electronics and training in computer aided design software.
- Family relationships are greatly improved because they can now afford the 17 cents per minute it costs to make a telephone call. Many of our employees spend 30-45 minutes per night on the phone to family, most of the time helping their children to homework. And the highlight of the year is the family picnic where an inmate can show off the products that he has so proudly made.
- Disciplinary actions in the prison are down because you cannot work for us if you have had a Disciplinary Action.
- We also sponsor and teach classes on personal improvement skills such as fathering, finances, and interpersonal relationships.
- Recidivism is down. While not a scientific study, of the 14 inmates who have been released and then come to work for our company outside of the prison, 2 have been re-incarcerated. This is a 14% recidivism rate compared to over 60% for most states. And because an inmate is released having a skill, \$5-10,000 in the bank, and has been coached in living by a moral code, the chance for re-incarceration has been greatly reduced.
- I cannot overstate the importance that self-esteem and confidence play in the rehabilitation of an inmate. And this happens because they have a job and are valued and respected by their employer. I am usually in the prison 2-3 times per month and it is an amazing thing to see a new inmate who comes to work with low self-esteem, begin to smile and come to life after several friendly encounters with the "boss man".

Let me finish with Spiritual Capital.

- The most requested thing from inmates is for us to encourage them on a regular basis with a message of hope and inspiration.
- Additionally our company is leading the efforts to raise \$800,000 from the private sector to build a spiritual life center in the prison. This has generated significant excitement on the part of all faith groups because it will be the one place in the prison that will afford them some respite from the harsh reality of their incarceration.
- We also sponsor a seminary program inside the prison and 8 inmates will be graduating next month from this rigorous 3-year program. Not only have they provided unbelievable leadership and encouragement to their fellow inmates, they have become an integral part of the mental health counseling staff that had been basically eliminated due to budgetary constraints. 43% of inmates in this prison suffer from some type of mental illness. While we are in no way prescriptive about a person's faith journey, we have found spiritual capital to be the one element of hope that many inmates cling to when their economic and social freedom have been taken away.

In closing I would encourage you to consider 3 initiatives as it relates to poverty in a prison setting.

1. First, I would encourage you to initiate reforms in the criminal justice system. Based on personally knowing many of the nonviolent offenders working for us, I believe there are better ways to rehabilitate than to lock up a person in a basically negative environment.
2. Second, a viable, affordable, successful solution to the problem of incarceration is a partnership between government, business, and the faith-based community.
3. And lastly, economic poverty cannot be truly eliminated without us helping the poor understand they have great potential and ability to create social and spiritual capital for themselves.

Testimony of Ron Haskins  
 Brookings Institution and Annie E. Casey Foundation  
 Before the Committee on Homeland Security and Governmental Affairs  
 U.S. Senate  
 June 21, 2016

Chairman Johnson, Ranking Member Carper, and Members of the Committee:

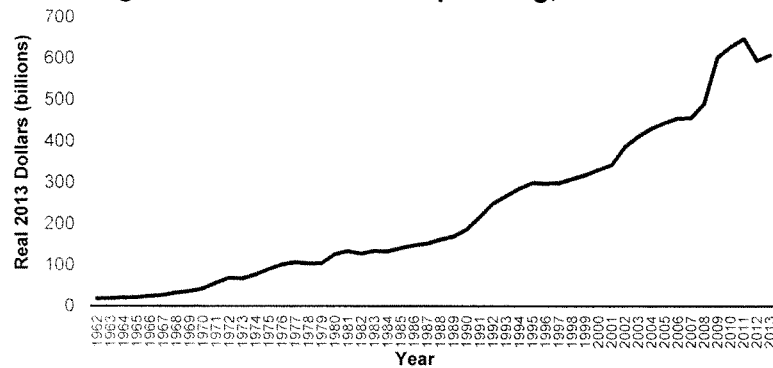
Thanks for inviting me to testify at this hearing on renewing communities, reducing poverty, and increasing economic mobility. I consider it a privilege to testify before a Senate Committee, especially a committee holding a hearing on such important topics.

I have been asked to provide background information on federal spending on poverty programs, on trends in poverty and economic mobility and the effectiveness of these programs in relieving poverty, on the role of local communities in fighting poverty and creating economic opportunity, and on the role of the evidence-based policy movement in strengthening programs to fight poverty and increase economic opportunity.

Federal Spending

Figure 1, based on spending data from the Office of Management and Budget, traces federal spending on the ten largest means-tested programs between 1962 and 2013 in dollars adjusted for inflation. These ten programs capture about 80 percent of spending on all means-tested programs. Sometimes the word “welfare” is applied to these programs because in order to qualify for the benefit, recipients must have earnings and resources below a specified level which varies substantially from program to program. After more than half a century of steady growth, spending on these programs has slowed in recent years, in part because most of the additional spending on means-tested programs enacted as part of the American Recovery and Reinvestment Act of 2009 to fight the Great Recession has ended. Over the entire period from 1962 to 2013, spending grew from around \$17.5 billion to \$608.8 billion.

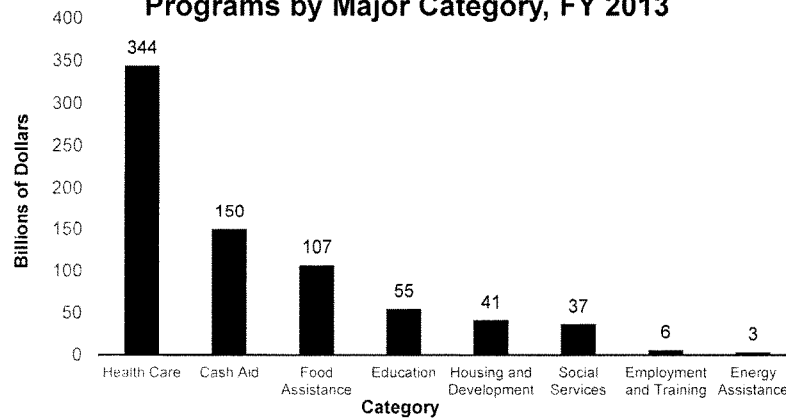
Figure 2, compiled by the Congressional Research Service, shows means-tested spending in 2013 divided into eight categories of programs defined by their major purpose. The categories are health care, cash, nutrition, education, housing and development, social services, employment and training, and energy. The spending in Figure 2 is for all means-tested programs, not just the ten largest. Perhaps the most important point illustrated by the figure is the extent to which means-tested spending is dominated by health care. In 2013, health services for poor and low-income individuals cost \$344.0 billion or 46 percent of total spending of \$743.7 billion on means-tested programs. It is worth emphasizing that this \$344 billion does not include Medicare spending. Spending on cash benefits was also substantial, at \$150.3 billion, but still only about 45 percent as much as spending on health.

**Figure 1: Means-Tested Spending, 1962-2013**

Notes: This series includes 10 spending sources: Medicaid, SNAP, EITC, CTC where credit exceeds tax liability, SSI, AFDC/TANF, Housing Assistance, Medicare Part D Low Income Subsidy, ESEA Title I Grants to Local Educational Agencies, and Federal Pell Grants. Includes ARRA spending.

Sources: Most spending sources from OMB, Fiscal Year 2013 Budget, Tables 8.5, 11.3, 12.3. Title I and ESEA spending from Department of Education Budget History Table. Medicare data from CMS, 2011 Medicare Trustees Report, Table IV B11, number for 2011 is estimated. 2012 & 2013 spending from Congressional Research Service, Federal Benefits and Services for People with Low Income: FY2008-FY2013, Table 3. Spending for the 10 Largest Programs for People with Low Income FY 2008-FY 2013. All figures adjusted to constant dollars using OMB total deflator from historical table 10.1.

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**Figure 2: Federal spending on Low-Income Programs by Major Category, FY 2013**

Notes: Spending figures include ARRA spending.

Source: Congressional Research Service, Federal Benefits and Services for People with Low Income: FY2008-FY2013, Table 1. Federal Spending by Major Category on Benefits and Services for People with Low Income, FY 2008-FY 2013.

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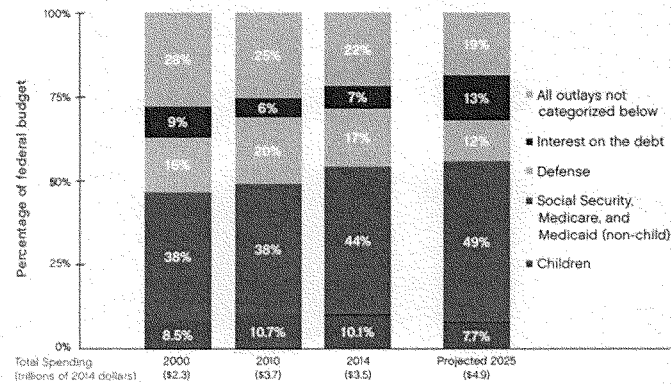
It would be misleading to talk about federal spending on means-tested programs without pointing out how federal spending programs are being squeezed by the rise in the share of federal outlays going to the Big Three entitlement programs: Social Security, Medicare, and Medicaid. Figure 3, based on superb work conducted by a team of researchers at the Urban Institute, shows total federal spending for selected years since 2000 as well as projected spending in 2025. The bar graphs represent federal spending in selected years; the sections within each bar graph divide spending into six non-overlapping categories: all spending on children, most of it on means-tested programs; the Big Three entitlements combined; defense; interest on the debt; and a catch-all category that captures all other outlays. I emphasize two stark conclusions from Figure 3. First, the rise of spending on the Big Three is relentless. In 2000, 38 percent of federal spending went to the Big Three; by 2014, just 14 years later, 44 percent was devoted to them, an increase of about 15 percent in the proportion of federal spending devoted to the Big Three. Second, given that federal revenue has been fairly stable at around 17 percent or 18 percent of GDP in non-recessionary years, the increase in Big Three spending means there is enormous pressure to reduce other spending. Thus, it is no surprise that if projections to 2025 are correct, spending on the categories of defense, children, and all other outlays will decline as a share of federal spending while spending on the Big Three and on interest will increase substantially. Thus, the rapid rise of spending on means-tested programs, including those that support children, that we see in Figure 1 has already come to an end and is likely to moderate or even shrink in the years ahead. It is difficult to believe that spending more on the elderly and less on children will be good for the nation's future prospects.

#### Poverty and Economic Mobility

A question that arises when contemplating this federal spending, especially the portions devoted to means-tested programs and children, is whether the spending has an impact on poverty. One view on this issue is shown in Figure 4 which presents poverty rates under the official federal poverty measure among all children, among single-mother households with children, and among the elderly. Single-mother households are especially important in understanding poverty because the poverty rate among these households is about five times the poverty rate among married-couple households. Another reason for emphasizing mother-headed households is that the share of all children living in married-couple households has been declining for four decades while the share living in mother-headed households has been increasing, which has the effect of continually putting upward pressure on the share of children in poverty.

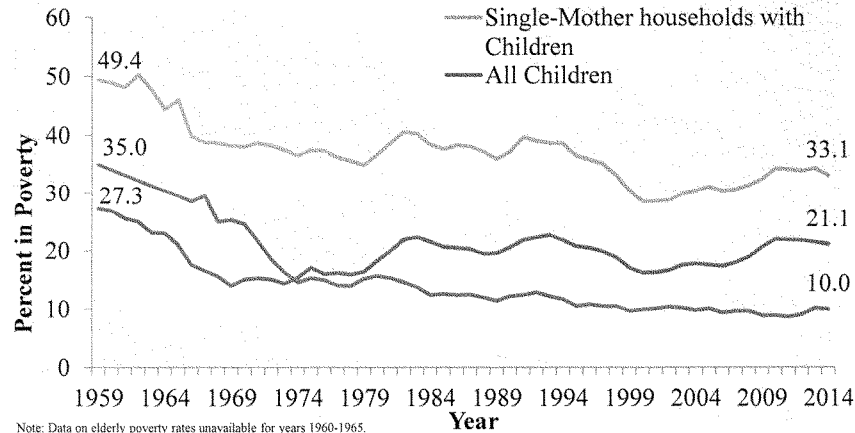
Figure 4 yields three interesting generalizations about poverty trends: the nation continues to make good progress in reducing poverty among the elderly; the poverty rate among children is more than twice the poverty rate among the elderly; and the poverty rate among mother-headed households, despite substantial progress during the 1990s, was and continues to be much higher than the rate for other groups.

**Figure 3: Share of Federal Outlays Spent on Children and Other Items, Selected Years, 2000-2025**



Source: Urban Institute, 2016. Authors' current and historical estimates based on the Budget of the U.S. Government Fiscal Year 2016 and past years; authors' projected estimates based on CBO's Unfunded Budget Projections: 2015-25.  
 Notes: Social Security, Medicare, and Medicaid category excludes spending already captured as children's spending. Percentages may not sum to 100 because of rounding.

**Figure 4: Official Poverty Rates for Children in Single-Mother Households, All Children, and the Elderly, 1959**



Note: Data on elderly poverty rates unavailable for years 1960-1965.  
 Source: Census Bureau, Poverty Division, CPS ASEC Tables 2 and 3.

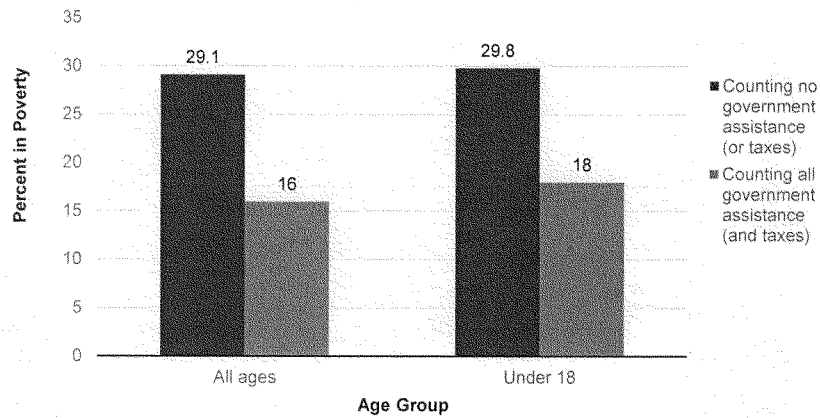
No poverty measure is perfect, but the official federal measure is flawed by the fact that most benefits provided by government, including most cash and in-kind benefits and all benefits provided through the tax code, are ignored. If the members of this Committee wish to understand the impact of government spending on poverty, we must include the government benefits as income. The Center on Budget and Policy Priorities has produced a chart showing the dramatic reduction in poverty among both children and people of all ages when these benefits are included as income (Figure 5). For people of all ages, counting all government benefits as income reduces poverty from 29.1 percent to 16.0 percent, a reduction of 45 percent. In the case of children, the reduction is from 29.8 percent to 18.0 percent, a reduction of 40 percent. Clearly, government benefits reduce poverty a lot more than implied by the official poverty measure.

Figure 6, taken from a study by the nonpartisan Congressional Research Service, captures an even more interesting and important feature of the system of benefits that support work provided by government. By the time Congress and President Clinton enacted welfare reform in 1996, Congress had already created a set of programs that provided generous benefits to low-income working families with children. These programs have been expanded many times over the years. The most important of these work support programs are the Earned Income Tax Credit (EITC), the Additional Child Tax Credit (ACTC), food stamps, and funds for child care (including Head Start). Since 1996, several of these programs have been expanded and an important new program – the ACTC – was created. The effect of these programs taken together is to increase the incentive to work for most low-income workers and to greatly increase the income and reduce the poverty rate of low-income working families.

The Biblical injunction that the poor will always be with us may be correct, but no one has yet specified the share of a given population that will be poor. Figure 6 shows the impacts of federal benefits and the work support system in reducing poverty among single-mother families. The benefits are added in stepwise fashion so that we can trace the impact of the various programs and combinations of programs on the poverty rate. The most important point of the figure is that federal benefits greatly reduce the poverty rate among mother-headed families; in 2013, for example, they reduced the poverty rate by half, from 48 percent to 24 percent. Another interesting point from the figure is that the system became even more effective in reducing poverty after the mid-1990s and the passage of welfare reform. The likely reason for this improved effectiveness of government programs in reducing poverty among low-income working families is that more and more single mothers worked and earned money that, when combined with work-support benefits, helped the mothers and their children to escape poverty. Perhaps the most important feature of the current system of work requirements in welfare and the nation's generous work support system is that year-after-year this system is effective in reducing poverty. In most years, the benefits reduce poverty by around half, almost certainly making the combination of work requirements to encourage low-income single mothers to work and the benefits provided by the work support system the most effective anti-poverty strategy for able-bodied adults the nation has achieved.



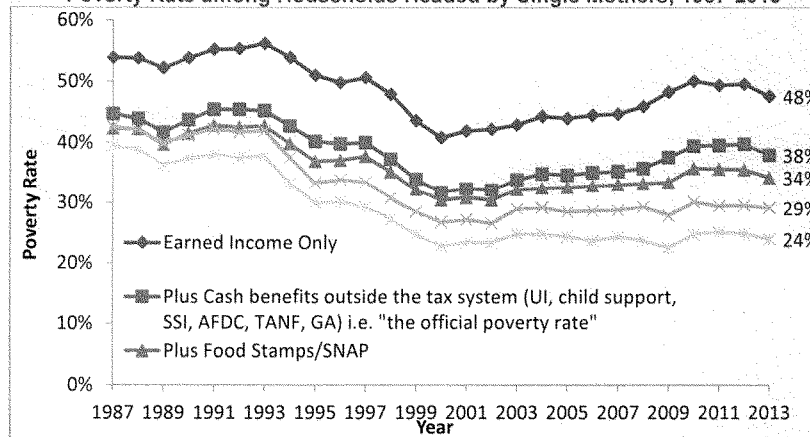
**Figure 5: Impact of Government Programs on Poverty Rates for People of All Ages and Children, 2012**



Source: Aloc Sherman, Sharon Parrott, and Danilo Trisi. "Chart Book: The War on Poverty at 50. Section 3." January 7, 2014. Center on Budget and Policy Priorities.

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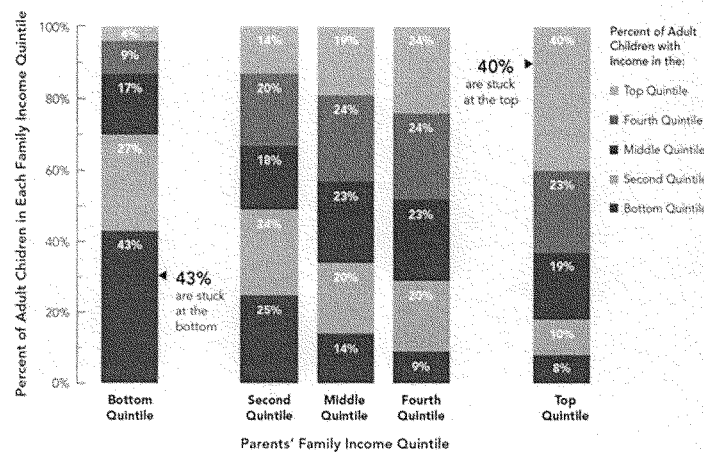
**Figure 6: Effect of Earnings, Transfers, and Taxes on the Poverty Rate among Households Headed by Single Mothers, 1987-2013**



Note: Abbreviations are as follows: Unemployment Insurance (UI), Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), Government Assistance (GA), Supplemental Nutrition Assistance Program (SNAP), Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and Federal Insurance Contributions Act (FICA).  
Source: Thomas Gabe, Congressional Research Service, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2013*.

Despite the nation's progress against poverty, a more fundamental criterion for evaluating the success of our social programs and our educational system is whether kids from poor families have an equal chance of getting ahead. In 1931, the American writer James Truslow Adams said that the American Dream meant that "life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement." But as a nation we are very far from providing equality of opportunity. Figure 7 shows the relationship between the family income of children when they grow up and that of their parents. Reading from left to right, the first bar graph shows how children from parents in the lowest fifth of income (below about \$21,000 in today's dollars) fared as adults; the bar graph on the far right shows how children from parents in the highest fifth of income (above about \$112,000); the other bar graphs show the middle three fifths respectively.<sup>1</sup> For example, the bar graph on the left shows that 43 percent of adult children from parents in the bottom fifth themselves wind up in the bottom fifth but only 4 percent wind up in the top fifth. If America presented equal economic opportunity for all children regardless of their parents' income, both figures would be close to 20 percent. Clearly, the income of parents has a dramatic impact on the income of their children — the precise opposite of equality of economic opportunity. This lack of economic opportunity for kids from poor families has not changed in several decades.<sup>2</sup>

**Figure 7: Income Quintile of Children  
When they Grow Up Relative to Their Parents' Income Quintile**



Source: Pew Charitable Trusts, "Pursuing the American Dream: Economic Mobility Across Generations" (Washington: July 2012).

### Role of Communities

It makes great sense for the Committee to focus attention on the role of local communities in fighting poverty and increasing economic mobility. Bob Woodson, a witness in today's hearing, is one of the most experienced and distinguished voices in mobilizing local communities to develop and implement their own solutions to poverty and lousy economic mobility. Bob's career has been based on the assumption that local communities know more about how to solve their problems than people from outside their communities. Listening to Bob will make all of us wiser about how to work with local communities.

The well-known Stanford scholar Raj Chetty and his colleagues have used earnings data from tax records to study the variability in economic mobility across communities in the U.S.<sup>3</sup> Chetty and his colleagues found major differences across communities in the rate at which poor children moved up the economic ladder. In addition, the research team found several factors that are correlated with higher economic opportunity across areas. One of the major predictors of greater mobility was the share of families in the respective communities that are female-headed families – families with higher concentrations of single-parent families have less mobility from the bottom. Another factor related to upward mobility was low levels of racial and income segregation.

An important conclusion the Committee could draw from the Chetty et al. results is that rather than trying to characterize the opportunity for economic advancement for American children as a whole, it makes more sense to focus attention on the large differences in economic mobility across communities. The factors associated with greater or lesser mobility offer a way to begin thinking about changes that might improve mobility. We may be one nation, but conditions vary greatly from community to community and the solutions to poverty and low mobility are likely to need tailoring to local conditions. Chetty and his coauthors make clear in their reports that the correlations they find between community characteristics and mobility are not causal. Even so, these correlations may provide valuable insights for people trying to figure out community changes that might have at least some chance of improving poverty and mobility.

The Chetty et al. study received a great deal of media attention, which included their identification of the ten communities with the lowest rate of movement from the bottom fifth of income to the top fifth. Communities that were near the bottom on this measure included Charlotte, North Carolina and Cincinnati, Ohio (although Cincinnati was not in the bottom ten). Members of this Committee might find it interesting to learn that both of these communities with low economic mobility have formed citizen groups composed of a broad representation of leaders from education, business, elected officials, and nonprofit organizations that focus on helping low-income individuals and families. Tip O'Neil used to say that all politics is local. That may or may not be true, but policy implementation is always primarily local. Thus, to have the nation's communities focused on how to reduce poverty and increase economic mobility is an exceptionally useful thing. There is good reason to think that solutions developed by local communities such as Charlotte and Cincinnati will be more effective than national or even state solutions rigidly imposed from outside the community.<sup>45</sup>

One concrete federal proposal the Congress could consider is the proposal to give communities more control over federal dollars so they could use federal resources in a manner best suited to solve local problems. On an abstract level, this is a worthy proposal. However, many Democrats have expressed concern that states and localities given flexibility might use the money for purposes not anticipated by the elected federal officials who designed our current poverty programs and attached spending stipulations. The misuse of federal resources by state and local officials has been one of the most frequent criticisms of the Temporary Assistance for Needy Families block grant, the main component of the 1996 welfare reform law that is now – in its 20<sup>th</sup> anniversary year – receiving a great deal of attention.

I think we face a policy situation in which both sides make a strong case. A possible compromise Congress could consider would be to allow for broad waivers in programs such as food stamps, housing, and Medicaid. These waivers would permit states and localities to try new uses of the federal resources if they can present strong proposals showing there is reason to believe their use of the money could achieve the objectives of the original programs but do so in a way that is better suited to state and local traditions, ideas, and resources. The Secretary of the federal agency with jurisdiction over the respective programs (food stamps, housing, Medicaid) would be the judge of whether the proposals from states and localities are promising and should be approved.

#### Evidence-Based Policymaking

The final topic I have been asked to discuss is evidence-based policymaking. As signaled by the bipartisan passage of the Ryan-Murray Evidence-Based Policymaking Commission this year, over the last three or four years a bipartisan agreement that evidence can improve social programs has emerged. I regard this agreement as one of the most important developments in social policy in recent decades. There are at least three reasons the time is propitious for a major effort to base the nation's federal, state, and local policy on evidence – especially evidence of whether specific social programs are having the impacts they were designed to produce.

First, we now have scores of social intervention programs with rigorous evidence of success. These successful programs are spread across every area of social policy including promoting school readiness, increasing high school graduation rates, using employment and training to help young people qualify for better jobs, reducing poverty, avoiding unwed births, helping parents improve their child reading skills, reducing or mitigating the effects of child abuse and neglect, and many others. If federal grant programs spend most of their funds on evidence-based model programs and implement them well, we would make much greater progress against the nation's social programs, especially now that we have many effective programs and the number of such programs is increasing every year.

Second, as suggested by the creation of the Evidence-Based Policymaking Commission by Congress, there are major recent developments in use of existing data sets for policy analysis. These developments include use of state and city data sets, data sets maintained by universities and private agencies, and of course data sets maintained by federal agencies. These various data sets contain a huge amount of information that could be used to improve the understanding of social problems and even to test the efficacy of previous policies.

Most analysts believe that random-assignment designs are the gold standard of program evaluation. Because many of the city, state, and federal data sets have data on an entire universe of particular groups of people (such as K-12 students, prisoners, college students, taxpayers, recipients of public benefits, and so forth), often over a period of years, data from these data sets can serve as outcome measures to test the efficacy of social intervention programs that enroll people whose data are in these data sets. In addition, the Evidence-Based Commission is charged with examining the data sets now maintained by the Census Bureau, as well as the data sets maintained by other federal agencies, to determine ways of improving coordination of these data sets and improving access by researchers while maintaining the privacy of individuals. It is entirely possible that within the next decade we could see whole new vistas of policy analysis opened by the use of these existing data sets. The study based on tax return data by Raj Chetty and his colleagues referred to above provides a small taste of the types of sweeping analyses that will be possible in the near future.<sup>6</sup>

Third, even now there are more and more local social intervention programs, often supported by federal and state dollars supplemented by private sector funds, that are being carefully implemented and evaluated. Over the next several years, due to the growing ability of program operators at the local level to employ high-quality evaluations to find out if their programs work and to use the results of the evaluations to improve their programs, it is reasonable to expect that we will have a growing number of effective social programs to attack leading social problems. Consider the examples of the Teen Pregnancy Prevention (TPP) program and the Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV) created by federal legislation in 2009. Based on thorough reviews of the literature, conducted by the Department of Health and Human Services and the Mathematica Policy Research company, in 2010 HHS concluded that there were 28 TPP programs and 7 home visiting model programs that met the HHS criteria for high-quality evidence showing that the programs produced significant impacts on important measures of teen sexual activity or teen pregnancy for the TPP program and maternal behavior or child outcome for the MIECHV program. By 2016, the literature reviews revealed that 44 programs (not just 28) now meet the TPP criteria and 19 home visiting programs (not just 7) meet the criteria. Although perhaps not increasing as dramatically as evidence-based teen pregnancy and home visiting programs capable of producing substantial impacts, there is now a constant stream of programs being shown by rigorous evidence to produce impacts in reducing social problems. Producing successful social intervention programs is the most fundamental and important step in evidence-based policymaking. We are making progress.

### Conclusion

If Congress can ensure the continuation of adequate funds for social programs and find the proper balance between the control of social spending across the local, state, and federal levels, the modest success fighting poverty and increasing economic mobility the nation has achieved so far is likely to increase substantially because of the expanding capacity of evidence-based policy to improve the nation's social programs.

*The views expressed in this statement are my own and do not necessarily reflect those of staff members, officers, or trustees of the Brookings Institution.*

<sup>1</sup> The figures come from Table H-1. Income Limits for Each Fifth and Top 5 Percent of All Households: 1967 to 2013. Available at <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html>.

<sup>2</sup> Haskins & Sawhill, *Creating an Opportunity Society*

<sup>3</sup> Chetty et al., “Where Is the Land of Opportunity: The Geography of Intergenerational Mobility in the U.S.”

<sup>4</sup> Foundation for the Carolinas Raises 1 Billion in the Past Two years,” March 23, 2016, *The Charlotte Observer*. Available at:

<http://www.charlotteobserver.com/news/local/article67856097.html#1>

<sup>5</sup> “Exclusive: United way Unveils 100 Million Plan to Reduce Poverty,” March 6, 2015, *WCPO Cincinnati*. Available at: <http://www.wcpo.com/lifestyle/united-way-unveils-100-million-plan-to-reduce-poverty-get-tristate-moving-in-right-direction>

<sup>6</sup> For an excellent overview of these possibilities, see Julia Lane, 2016, “Big Data for Public Policy: The Quadruple Helix,” *Journal of Policy Analysis and Management* 35(3): 708-715; & 722-724; and Ron S. Jarmin & Amy B. O’Hara, 2016, “Big Data and the Transformation of Public Policy Analysis,” *Journal of Policy Analysis and Management* 35(3): 715-721; & 725-727.



**Testimony on Renewing Communities and Providing Opportunities through  
Innovative Solutions to Poverty**

**Presented to the Committee on Homeland Security and Governmental Affairs**

**Testimony of Olivia Golden  
Executive Director, Center for Law and Social Policy (CLASP)**

*CLASP is a national, nonpartisan, anti-poverty organization advancing policy solutions at the federal, state, and local levels that work for low-income people. The organization advocates for public policies and programs that reduce poverty, improve the lives of poor people, and create ladders to economic security for all. For more information, visit <http://www.clasp.org> and follow @CLASP\_DC.*

**June 22, 2016**

Chairman Johnson, Ranking Member Carper, and Members of the Committee, thank you so much for the opportunity to testify on innovative solutions for fighting poverty and addressing community needs.

I am the executive director of the Center for Law and Social Policy (CLASP), an anti-poverty organization that promotes effective federal and state policies for low-income families and individuals. In addition, I bring to this testimony experience administering human services programs in New York State, Massachusetts, the District of Columbia, and, at the federal level, as Assistant Secretary for Children and Families, as well as experience studying their effectiveness as a researcher at the Urban Institute.

I would like to make four major points in this testimony:

First, there is strong evidence to show that the nation's core economic security programs are highly effective: they sharply reduce poverty, improve nutrition and health care for millions of children, families, and individuals, and promote work. A recent success story is the historic expansion of health insurance, which reduced the number of individuals lacking health insurance by 8.8 million in just one year, from 2013 to 2014, the largest decline on record. Moreover, a growing body of rigorous research shows that these supports have positive effects on children's health, work trajectory, and income many years later. Research also indicates overwhelmingly that these programs taken as a whole support work, especially for low-income parents, helping them to stabilize their lives, raise their children, and move up while they are working often long hours for low wages.

Second, changes in the economy—which have fostered low-wage jobs that are also unstable, lack adequate hours, and require volatile, last-minute job schedules—mean that high employment rates do not translate into low poverty rates. These changes have affected a wide range of working Americans but their greatest impact has been on low-wage workers. In addition, remaining gaps in the safety net—for example, the 19 states that have not expanded Medicaid and the more than 85 percent of eligible children who do not receive child care assistance because of capped dollars—also lead to economic distress and lost opportunities for workers to be productive and children to thrive. The nation's most vulnerable groups include America's next generation of children and young adults (particularly babies, toddlers, and their parents). While the safety net makes an important difference in their lives, too many are left behind by inadequate funding or program rules that do not reflect the realities of today's economy.

Third, community-based innovations are most effective when they build on the foundation of a strong safety net. Research demonstrates that families who are highly vulnerable and face multiple challenges—an important subset of the larger group of low-income people who need help from the safety net—are especially likely to need health and mental health services, as well as financial support meeting basic needs such as food and shelter while they are addressing deeper and more long-term challenges. Services such as case management complement but do not substitute for help with these basic needs. Therefore, a priority in supporting community innovation should be expanding Medicaid expansion in all states and ensuring continued support for a strong Supplemental Nutrition Assistance Program (SNAP) and other economic supports nationwide.

Finally, I will address next steps that Congress should take to reduce poverty and expand opportunity. Congress should avoid bad ideas that demonstrably don't work—such as block grants, misguided requirements, and cuts in key programs—and should seize opportunities that build on research and experience. These include expanded access to child care for all low-income parents, investment in effective workforce development programs and career opportunities, financial access to postsecondary education and completion for today's low-income students, crucial fixes to the work support system for adults and families, and basic standards for fairness at work, including raising the minimum wage. Many



of these solutions would also benefit middle-income Americans who struggle with some of the same problems that hold back parents, workers, and students living in poverty—such as the high cost of child care and of postsecondary education, the need to develop new skills, and the lack of paid leave and fair, predictable work schedules.

### America's Economic Security Programs Reduce Poverty, Help Children Thrive, and Support Work

The key benefits of today's federal economic security programs, according to a large and growing body of research, are substantial reductions in poverty, improvements in the ability of low-income families and individuals to meet basic needs such as health and nutrition, and lifelong enhancements to children's health and economic success. While there are many ways to define the core group of economic security programs, in summarizing this research, I will focus on three groups of means-tested programs that are often identified as part of the national safety net. The largest and most widely available elements of the safety net for low-income individuals and families are Medicaid (and the closely related Children's Health Insurance Program or CHIP), SNAP, and the Earned Income Tax Credit (EITC) and refundable Child Tax Credit (CTC). Another group of income- and work-support programs, including cash assistance from the Temporary Assistance for Needy Families (TANF) block grant, housing subsidies, and child care subsidies, provide important supports to those who are able to receive them, but capped spending limits their reach. A third group of programs, such as the Workforce Innovation and Opportunity Act, which received a bipartisan Congressional reauthorization in 2014, and the Higher Education Act do not provide direct income support, but help workers obtain the skills they need to advance in the labor market.

#### Economic Security Programs Reduce Poverty

The first important success of these programs is that they sharply reduce the poverty rate. Because the official federal poverty rate doesn't count the income that families get from these programs, assessing the reduction in poverty requires estimating an alternative poverty rate. In 2014, the Census Bureau's analysis of this Supplemental Poverty Measure (SPM) shows that refundable tax credits, such as the EITC and CTC, reduced overall poverty (as measured by the SPM) by 3.1 percentage points and child poverty by a remarkable 7.1 percentage points. Similarly, SNAP benefits reduced overall poverty by 1.5 percentage points and child poverty by 2.8 percent.<sup>1</sup> Researchers at Columbia University who used similar methods to analyze the effect of these key programs over time found that in the most recent year available to them, 2012, government tax and transfer policies reduced the share of people who are poor by almost half, from 29 percent to 16 percent. By contrast, in 1967, tax and transfer programs reduced poverty by just 1 percentage point, from 27 percent to 26 percent.<sup>2</sup>

#### Economic Security Programs Improve Low-Income Families' Lives and Children's Long-term Prospects

A second success is that the federal safety net programs have dramatically changed the lives of low-income families, both poor and near-poor, through large improvements in access to health care and nutrition. To take the example of health care, over the past decade, children's health insurance coverage increased dramatically as a result of bipartisan improvements to the safety net, particularly Medicaid and CHIP. In 2013, the Census Bureau found that only 7.3 percent of children under age 18, or 5.4 million children, were uninsured, a reduction of over 2 million uninsured children since 2000.<sup>3</sup> Then in 2014, as a result of the Affordable Care Act, adults' health insurance coverage soared to historic levels, with the

share of Americans lacking insurance coverage down to 10.4 percent in 2014 from 13.3 percent in 2013. Young adults and low-income workers particularly benefitted, with adults ages 18 to 34 comprising over 40 percent of the 8.8 million newly insured Americans. The uninsured rate for Americans living below the poverty line fell from 23.5 percent to 19.3 percent, and the rate for working adults living in poverty fell by almost a quarter, from 42.7 to 33.4 percent.<sup>4</sup>

Children's and mothers' access to health insurance during pregnancy and in the first months of life is linked to significant reductions in infant mortality, childhood deaths, and the incidence of low birthweight.<sup>5</sup> The Kaiser Family Foundation's recent review of the research finds, for example, that coverage through both Medicaid and private insurance is associated with improvements in health care access and utilization.<sup>6</sup> Research also demonstrates that Medicaid coverage improves access to care and overall health, and reduces mortality rates.<sup>7</sup> A rigorous study in Oregon found that in the first one to two years of coverage, people who gained Medicaid increased overall health care utilization, reported better health, reduced financial strain, and sharply reduced depression compared to the control group.<sup>8</sup>

Even more striking is the evidence that addressing health and nutrition needs in the early years of life has important effects on children's long-term development. Recent rigorous studies of both SNAP and public health insurance have demonstrated the positive effects of access as a child to these safety net programs on life outcomes into adulthood. For example, a paper by the National Bureau of Economic Research finds that having access to SNAP in early childhood improves adult outcomes including health and economic self-sufficiency.<sup>9</sup> Expanding health insurance coverage for low-income children has large effects on high school completion, college attendance, and college completion.<sup>10</sup> Expanded Medicaid coverage for pregnant women and infants has been shown to contribute to higher rates of intergenerational upward mobility.<sup>11</sup>

A growing body of research also demonstrates effects of other components of the safety net, including the EITC and the CTC, on children's success years later. Children whose families receive larger EITCs tend to have improved test scores, higher high-school graduation rates and higher college attendance rates. These academic benefits extend to children of all ages and racial and ethnic background—with an even larger effect for minority children on high school diploma or GED achievement.<sup>12</sup>

### Economic Security Programs Support Work

The recent House Republican Task Force Report on poverty repeats the outdated claim that safety net programs make low-income people less likely to work. This is simply not true; the overwhelming empirical evidence is that the safety net as a whole supports work, particularly for low-income parents. What typically holds people back from working is not too much support for work but too little—such as the absence of help with child care or the instability associated with not being able to afford a stable residence.

One example may make this clearer before I go into the research evidence: Child care subsidies overwhelmingly have a pro-work effect, enabling mothers to work and work more steadily. But because funding for child care assistance is so limited, a mother who goes to work could find herself unable to get access to help in a particular state even though her earnings are far, far below what it would take for her to pay for the full cost of child care—which ranges from \$5,500 to \$16,549 for an infant in center-based care depending on the state.<sup>13</sup> There are important next steps Congress could take—in particular, major increases in investment to build on the recent bipartisan reauthorization of the Child Care and Development Block Grant (CCDBG)—to fix this obstacle.

Now let me turn to the evidence that strong safety net programs support work.

First, the majority of people who get help from these core programs are in fact working—but earning too little to make ends meet. That’s not surprising, since we’ve already seen that most poor children live in families with workers—their problem isn’t reluctance to work but low wages, insecure jobs, or too few hours. Some programs, such as the EITC and CTC, are directed specifically to families with workers—and they create an incentive to work more because they increase as earnings increase up to specified limits. But in other programs as well, participants have significant work attachment. For example, among all SNAP households with at least one working-age adult not receiving disability benefits, more than half have a member who works while receiving SNAP—and more than 80 percent work either in the year prior to or the year after receiving SNAP. The rates are even higher for SNAP households with children.<sup>14</sup>

Second, many rigorous studies analyzing the effects of the safety net programs on families’ actual level of work find that when low-income working parents can get and keep the full package of work support programs, they are better able to stabilize their lives, keep a job, move up, and help their children thrive. For example, research on child care subsidies has consistently found that they play a key role in improving parents’ employment outcomes, including stability of employment and earnings. Studies of parents leaving welfare for work have concluded that families accessing various work supports, including health insurance, SNAP, and child care, were more likely to be stably employed and less likely to return to welfare.<sup>15</sup> Studies of the EITC show that its effects in increasing labor force participation are of far greater magnitude than its effects in reducing the hours of employment for those who are already working.<sup>16</sup> Empirical studies of the effects of the safety net as a whole confirm that, in practice, income support programs’ work disincentives are so small as to have “almost no effect” on their anti-poverty effectiveness.<sup>17</sup>

Third, work effort among poor and near-poor mothers—the group eligible for the widest range of safety net benefits—has gone *up*, not down. In 1975, fewer than half of all mothers were in the labor force, and only about a third of mothers with a child under age 3, compared in 2012 to more than 70 percent of all mothers and 60 percent of mothers with a child under age 3.<sup>18</sup> While married mothers were working more in the 1980s and early 1990s, since then, single mothers have closed the gap, with about three-quarters of single mothers in the labor force in 2014 compared to 68 percent of married mothers.<sup>19</sup> Given the practical and financial challenges involved in working in a low-wage job while caring for a young child, this work effort is remarkable.

Finally, over the past decade, Congress has taken several steps to remove remaining barriers to work in the core economic security programs:

- The Affordable Care Act enabled states that expand Medicaid to remove a major potential disincentive to work. In the 31 states and DC that have expanded Medicaid, parents no longer have to fear that taking a job will eliminate their access to crucial health coverage.
- The bipartisan reauthorization of CCDBG in 2014 allows a parent to keep child care assistance when her income rises. However, while helpful, this is only a partial fix: spending caps at the federal level still leave the vast majority of eligible families without the child care assistance they need in the first place.
- In the Omnibus Appropriations Act of December 2015, Congress made permanent the increases in the EITC and the CTC provided temporarily through the American Recovery and Reinvestment Act (ARRA). This was an enormous win for low-income families, and it

strengthened work incentives by ensuring that families would start to receive the work-encouraging benefits of the CTC at lower income levels.

Perhaps because it starts from an inaccurate assessment of today's safety net, the House Republican Task Force proposal does not build on these steps or address any of the real concerns that low-wage workers may face—such as the lack of sufficient funding for child care assistance, or the health insurance coverage gap faced by low-income parents in states that have not expanded Medicaid. Instead, it doubles down on strategies that are not supported by the evidence, such as work mandates—for example, in housing assistance programs—even though work requirements without strong public investment in jobs and training typically serve only to cut poor individuals off from help they need, rather than helping them get jobs.<sup>20</sup> It treats the provisions governing work in TANF as a model, even though they fly in the face of research evidence about what helps families succeed at work. For example, TANF's work participation rate requirement limits the type of countable, work-related activities,<sup>21</sup> sharply restricting participation in post-secondary education despite the extensive body of evidence that effective skills training leading to postsecondary credentials that employers recognize as having value in the labor market is “the most important determinant of differences in workers' lifetime earnings and incomes.”<sup>22</sup>

### **Low Wages, Unstable Jobs and Budget Cuts Leave Far Too Many American Families Struggling to Make Ends Meet**

In spite of the support of the safety net, changes in the availability of secure, decent-paying jobs and the nature of low-wage work have created an enormous headwind for many Americans struggling for economic security. For example, a minimum wage job today has about 20 percent less value than when President Reagan took office, leaving a full-time minimum wage worker in a family of three well below the federal poverty line;<sup>23</sup> the many low-wage workers who can't get full-time work earn even less. Budget cuts and gaps in the core economic security programs compound the problem.

Unfortunately, many of those most vulnerable are children—particularly babies and toddlers—and young adults, who have the highest poverty rates among all Americans. More than one in five (21.1 percent) children and almost one in five (19.8 percent) young adults live in households with incomes below the federal poverty line (\$19,073 for a family of three). Even families with incomes somewhat above this threshold often struggle to cover basic needs—and nearly 4 in 10 children are in families with incomes under twice the poverty level.

Most of these poor children live in families where adults work, often long hours. Nearly 70 percent of poor children, or more than 10 million children, live in families with at least one worker and one-third live in families with at least one worker employed full-time, full-year. Among poor Hispanic/Latino children, the largest single group of poor children, 41.6 percent lived with at least one full-time, full-year worker and 76 percent lived in families with at least one worker.

For these families, low wages, erratic schedules, inadequate or volatile hours, and rigid job demands all play a role in obstructing family economic security.<sup>24</sup> Much of this is driven by the nature of jobs in today's low-wage labor market. For example, a city study found that almost 60 percent of the retail workforce is hired in part-time, temporary or holiday positions, and only 17 percent of workers surveyed have a set schedule.<sup>25</sup> The lack of paid leave can result not only in the loss of wages but also in the loss of jobs. An Oxfam study found that one in seven low-wage workers reported losing a job in the past four years because they were sick or needed to care for a family member.<sup>26</sup>

While single parents face the greatest obstacles to economic security, and children living in single-parent families are much more likely to be poor, millions of children in two-parent families are also poor. More than 5 million children with married parents were poor in 2014, or more than 1 in 10 (11 percent) of all children in married-couple families. More than one in five (21 percent) Hispanic/Latino children in married-couple families is poor.

Particularly vulnerable are children and young adults of color, whose circumstances have great importance to America's future: they are expected to make up over 50 percent of the nation's population of children by 2020.<sup>27</sup> (Children under age 5 have already reached this milestone.)<sup>28</sup> Poverty rates for Black children and young adults are 37.1 percent and 29 percent respectively and for Hispanic/Latino children and young adults, 31.9 percent and 22.4 percent.

These high rates of child poverty endanger not only the wellbeing of individual children but the future skills and capacity of America's labor force and the nation's economic future. Children who are born poor and are persistently poor are far more likely than their peers to fail to finish high school, become parents as teens, and experience poverty as adults.<sup>29</sup> And parents' low-wage work has the potential to compound children's developmental risk, because unstable work schedules make it difficult to secure stable child care and because parents' own stress affects children's development. In addition, fully 40 percent of low-income parents have no access to paid time off (no sick days or medical leave, no parental leave, no vacation), making it difficult to care for newborn or sick children.<sup>30</sup>

Federal and state budget cuts and the sharp deterioration of block grant programs such as TANF have compounded the problem. As a result of federal caps and state budget challenges, child care assistance spending is at a 12-year low and the number of children receiving CCDBG-funded assistance has reached a 16-year low, with nearly 364,000 fewer children receiving assistance in 2014 than in 2006.<sup>31</sup> Other programs have experienced even sharper cuts—since 2000, federal workforce development funding has been reduced by more than 40 percent in constant dollars. The TANF block grant, which has received no increase in funding since enactment in 1996 except for a temporary boost under ARRA, has lost one third of its value—combined with bad state choices, this has resulted in just 17 percent of poor children nationwide (and fewer than 10 percent in 17 states) receiving cash assistance.

Recent academic research has painted a powerful picture of the consequences for families and individuals of the changing low-wage labor market coupled with these gaps in the safety net. Kathryn Edin's and Luke Shaefer's *\$2.00 a Day: Living on Almost Nothing in America* provides national estimates of the staggering number of families living below this line—1.5 million households, with roughly 3 million children—along with powerful vignettes, showing the terrible consequences for parents and children of short-term jobs with no help in between. Matthew Desmond's *Evicted* shows how housing instability is both a cause and consequence of poverty, with families with children particularly at risk. Yet as both books indicate, there are practical next steps that communities and the nation can and should take to change this picture.

### **Innovative Community-Based Solutions are Most Effective When They Build on the Foundation of a Strong Safety Net.**

As a researcher, a federal, state, and local program administrator, and now in the provision of technical assistance around the country at CLASP, I have seen the intersection of local innovation and the national safety net framework from many angles. Both research evidence and my own experience demonstrate

that community innovators and the solutions they put into place are most effective when they can build on a strong safety net. Four lessons stand out about these connections.

1. **Families who are highly vulnerable and face multiple challenges (an important subset of the larger group of low-income people who need help from the safety net) are especially likely to need health and mental health services, as well as financial support meeting basic needs such as food and shelter while they are addressing deeper and more long-term challenges.** Services such as case management complement but do not substitute for these basic needs. Therefore, a priority in supporting community innovation should be expanding Medicaid expansion in all states and ensuring continued support for a strong SNAP program and other economic supports nationwide.

While the nature of today's low-wage work means that the broad range of poor and low-income workers and families need the assistance provided by SNAP, Medicaid, child care and housing benefits, and the refundable tax credits, some workers and families do need more intensive services. Estimates of the share of families that are most deeply vulnerable, with multiple co-occurring challenges such as health and mental health problems, very low education and skills, and homelessness, range from one in ten to perhaps one in four among the broader group of struggling low-income families, depending on what is counted.<sup>32</sup> Pregnant women and families with infants under one year old are disproportionately represented among the most vulnerable and most deeply poor families -- including families experiencing homelessness<sup>33</sup> -- as well as among the broader group of poor and low-income families.

Researchers have identified a number of features of programs that are successful for highly vulnerable individuals and families that face multiple challenges. These include:

- services that are intensive, high quality, and available over a long time (including approaches such as career pathways that allow individuals to enter and exit based on opportunities or crises in their lives);
- access to income support that meets basic needs and stabilizes their lives while they are receiving other help (including "earn while you learn" strategies such as subsidized jobs);
- access to health and mental health treatment;
- two-generational approaches that target both children's and parents' needs; and
- a well-trained case manager who can provide help in the context of a trusting relationship, but only if they have small enough caseloads to build individualized relationships with clients, and adequate funding for concrete benefits and supportive services that families need.<sup>34</sup>

The last point is important: case management is only supported by the research as a complement to —*not instead of*—high quality services and assistance to meet families' basic needs. Access to high quality health and mental health treatment, stable housing, adequate food, and quality child care provide the foundation upon which families can build in order to achieve economic security. Proposals to divert core benefits—as in the recent House Republican Task Force proposal to replace Supplemental Security Income (SSI) benefits for children with undefined services,<sup>35</sup> or the previous "Opportunity Grant" proposal that would have allowed states to divert SNAP for other purposes -- have no research support and would risk damage to highly vulnerable people.

For example, when I led the District of Columbia's child welfare agency in the years before the Affordable Care Act, we knew that a major need of the deeply vulnerable families entering the child welfare system was mental health and substance abuse treatment. I still remember how tragic I found it when a child would enter our care because her mother had an untreated behavioral health problem such as

depression or substance abuse – particularly since the mother had often been trying her hardest for many years to protect her children from the effects of those problems without any help or support. We all realized that if we had been able to get treatment to the parent much earlier, the child might have been spared both the trauma of maltreatment and the trauma of removal from her family. But in the absence of health care for those families, we could only try small-scale innovations to help a very few families.

Today, however, not only the District but also the 31 states that have taken the Medicaid expansion under the Affordable Care Act have an extraordinary opportunity to meet the crucial health and mental health needs of many vulnerable families – not only those who have reached a crisis that has brought them into the child welfare system. Studies of deeply vulnerable mothers—particularly those who are “disconnected” from both work and income support programs—and of youth and young adults of color have all highlighted unmet physical and mental health needs as a major challenge these individuals face, which in the absence of high quality treatment can often be so severe as to have major effects on work, school, and parenting.<sup>36</sup> One key example is maternal depression, which disproportionately affects poor mothers and, left untreated, risks damaging consequences both for mothers’ work and school success and for their young children’s cognitive development, health, and safety—yet is highly treatable when mothers have access to medical and mental health care.<sup>37</sup>

In our work on maternal depression at CLASP, informed by the experience in the District I’ve just described, we are partnering with states and community innovators to identify the best strategies for taking full advantage of Medicaid coverage for mental health screening and treatment. Building on the strong health care safety net in states that have expanded Medicaid, local innovators, such as our advisory board member for this project, Megan Smith of New Haven’s MOMS program, can be assured of solid financing for core services and can build from that foundation to develop the best approach for families at a much larger scale than would otherwise be possible. Our recent paper, *Seizing New Policy Opportunities to Help Low-Income Mothers with Depression*, highlights promising links between this and other innovative programs and strong Medicaid policies to identify and treat maternal depression. One conclusion is clear: states that have not yet expanded Medicaid should do so as soon as possible—and all states should work on improving the service delivery strategies that translate insurance coverage into services.

**2. Strong state administration of the core safety net programs -- to prevent unnecessary administrative and policy burdens that hamper families’ ability to get and keep supports and to move up at work -- is important both to families and to community innovators.**

Administering safety net programs effectively and responsively is crucial both for highly vulnerable families and for the broader group of low-income working families who cannot afford to take time off work to stand in line or make repeated phone calls to a public agency. Effective and responsive administration is also very important for community innovators, because if public programs are highly burdensome and families are unable to maintain their eligibility in a streamlined way, local innovators may find themselves spending a great deal of case management energy simply managing or working around the system rather than helping the family. And when local innovators depend on funding from the public programs to support crucial services—for example, child care or mental health treatment—burdensome and bureaucratic administrative structures that keep families “churning” on and off the program take a financial toll as well.

Strong state administration is also important for supporting work. Poorly administered programs can make it hard for low-income families to succeed at work—for example, parents in low-wage jobs will

likely lose pay and even possibly lose their jobs if they have to wait in line to renew a Medicaid card or get food assistance for their family. But well-administered programs help families get and keep the full package of supports they need to stabilize their lives and move up on the job. Examples of promising state initiatives aimed at more effective service delivery for poor families include those undertaken under Work Support Strategies (WSS), a foundation-funded initiative led by CLASP and its national partners the Urban Institute and the Center on Budget and Policy Priorities to help a bipartisan group of six states integrate and streamline service delivery of core economic and work support programs so that low-income working families get and keep the full package that they are eligible for.

Governor C.L. (“Butch”) Otter of Idaho explained in a 2013 commentary that Idaho’s commitment to streamlining access to SNAP, Medicaid, and child care subsidies comes from its goal of “helping families enter and succeed in the workforce.” To achieve this goal, Idaho has sought to “identify gaps in the services available to low-income working Idahoans and reduce the impediments to receiving those services for which they are eligible...”<sup>38</sup> Through WSS, Idaho, Colorado, Illinois, North Carolina, Rhode Island, and South Carolina seized the opportunities available under current federal law and policy to innovate, streamline, and integrate the major safety net programs (including Medicaid/CHIP, SNAP, and child care assistance) into a coherent package for families, in order to support their stability and success at work and at the same time improve efficiency and program integrity.

By the end of the WSS period most states were providing faster service and improving access to both SNAP and Medicaid/CHIP to families eligible for both programs, and some had made progress in reducing the incidence of families temporarily losing work supports due to procedural issues (“churn”). Four states tracked the percentage of applications processed the same day as the client applied for service, and all of them saw improvements—in some cases nearly tripling. This required caseworkers to review applications when submitted and when possible, to verify income and other information on the spot. Four of the five states where the Urban Institute was able to measure joint participation in SNAP and Medicaid/CHIP—the share of those eligible for both programs who actually received both—made substantial progress toward the goal of increasing joint participation between 2011 and 2013.<sup>39</sup>

**3. Because families with infants and young children have particular vulnerability yet experience major gaps in the safety net, filling these gaps should be a high priority as part of building a foundation that can support community innovation.**

Across the country, large numbers of young children are affected by one or more risk factors that have been linked to academic failure and poor health.<sup>40</sup> Chief among them is family economic hardship, which is consistently associated with negative outcomes in these two domains.<sup>41</sup> Many low-income children also experience other risk factors, including living with a teen mother, in a household without English speakers, or with parents who lack a high school diploma. Children affected by several adverse circumstances—three or more risk factors—are the most likely to experience school failure and other negative outcomes, including maladaptive behavior.<sup>42</sup> Toxic stress, much studied in recent years, is the consequence of too many family disadvantages during the early years – and holds back children’s health, learning, and success.<sup>43</sup> Yet as indicated above, families with infants and very young children are in fact over-represented among those who experience the deepest challenges, such as homelessness.

As community leaders seek to address these challenges, they face a number of challenges and gaps in the national safety net. First, the labor market challenges described earlier are hardest to navigate for a parent of an infant—a low-wage job with an uncertain schedule and no paid days off at all for illness or to care for a newborn is likely to lead to a parent who is fired or quits and/or to a baby with unstable and



constantly changing care arrangements. So steps proposed in the next section to ensure baseline worker protections including paid family leave, paid sick days, and fair scheduling would be especially helpful for these vulnerable families.

Second, gaps in two major public safety net programs are particularly problematic for families with infants. High quality infant child care is extremely expensive, and Early Head Start—which provides very high quality, comprehensive care for poor babies and toddlers and their families—serves only 5% of eligible young children. Investments in both CCDBG and Early Head Start provide a crucial foundation for community-based innovations. In addition, Temporary Assistance for Needy Families (TANF) ought to be a core support for families with infants, providing financial support during the first year of life as families get back on their feet. Too often, however, states go beyond what federal law requires in ways that have the effect of denying families with infants the help they need. This creates unnecessary hardship for the most vulnerable families, and means that community programs must spend much of their energy fighting to get their clients the basic necessities rather than providing innovative services. A recent CLASP paper on TANF and the First Year of Life provides practical solutions and examples of promising state policies and local programs.<sup>44</sup> I am pleased to report that just this month, California has repealed its "maximum family grant" or family cap, which denied aid to children if they were born while their parents received welfare.

Finally, a promising approach with growing research support is "two-generational" strategies that aim to help young children and their parents together. Head Start and Early Head Start represent longstanding versions of this strategy, and home visiting programs offer additional opportunities. The Affordable Care Act offers important policy opportunities as well. A number of states and cities are utilizing and experimenting with such approaches. Most of these initiatives are relatively small and focus on service delivery, but there are also important large scale policy opportunities.<sup>45</sup>

4. **States and the federal government should pay particular attention to systemic disparities that can weaken the safety net for families of color and those living in high-poverty communities. Targeted place-based innovations in these communities will succeed best when they build on strong foundations – instead of having to push back at obsolete policy or operational barriers that keep families from meeting core needs.**

Some communities face particularly high rates of poverty and lack of economic opportunity, and these challenges must be addressed at the national, state, and community level. When state and federal policy and funding choices, or capped federal budgets, disadvantage communities of color and high-poverty communities, that once again places extra obstacles in the way of community innovators. For example, a recent CLASP paper on disparities by race/ethnicity and state in child care and Head Start funding found a very low rate of access for Latino children (8 percent of those eligible). Both state policy decisions and shrinking federal funding likely play a role—but in either case, lack of access poses a major barrier for innovators addressing needs in these communities.

In addition to a strong safety net supported by public investment at the federal and state levels, these communities also need a special focus from many public systems and private partners, including the secondary and postsecondary education systems, business and industry, community providers, workers, parents, youth, and philanthropy, to put in place a comprehensive, community-wide approach. Carefully designed strategies to help these systems align eligibility requirements, performance measures, and reporting requirements, as under the Performance Partnership Pilots for disconnected youth, can be a

helpful element of a comprehensive community strategy. However, it is critical that these efforts be carefully designed to ensure that the most vulnerable populations are appropriately served.<sup>46</sup>

### Next Steps for Reducing Poverty and Expanding Opportunity

To reduce poverty and help vulnerable Americans work, raise children, and succeed, Congress should pay attention to the evidence about what works, avoid bad ideas even if they sound good, and commit to selected bold next steps where we know investment will pay off.

#### Avoid bad ideas

Given the strong evidence about the safety net's importance to family wellbeing, children's long-term outcomes, and stable and sustainable work, the worst thing that Congress could do is ignore the research and undermine success. That means avoiding bad ideas, including turning core safety net programs into block grants, imposing misguided work requirements that threaten access to food, health care, and other essential benefits, or cutting the federal budget for low-income work supports.

#### Block Grants Have a History of Failure

All the available experience with block grants suggests that they don't work for core safety net programs. The history of block grants shows that, since there is no direct link between spending and need, their Congressional appropriations shrink drastically over time—as with the reductions in TANF and CCDBG cited earlier<sup>47</sup>—and they cannot respond to economic downturns. For example, during the recent Great Recession, SNAP and Medicaid, which are not block grants, provided greater support to states, communities, and families as economic need rose. From 2007 to 2011, SNAP caseloads and federal support to states went up in response to the recession-driven increase in need, leveling off and then beginning to decline as the economy has recovered. By contrast, block grants like TANF do not increase federal assistance in a recession, leaving states caught between a rising number of families seeking help and declining state tax revenues. National TANF cash assistance caseloads responded only modestly to the deep recession and in six states caseloads continued to decline from 2007 to 2009 in the face of sharply rising need—leaving families and states without resources just when they needed help most.

Block grant proponents sometimes argue that flexibility can compensate for inadequate funding, but the evidence suggests that just isn't true. Taking advantage of flexibility to get rid of extra bureaucratic steps can save modest administrative costs, but it doesn't come close to filling the gaps in seriously underfunded programs. For example, CCDBG is highly flexible, but as a result of capped federal funding, the number of children served has hit the lowest number in more than a decade.

Increased flexibility also risks diverting funds from programs' core mission. For example, the most recent available data show that states spent just over a quarter of TANF and state maintenance of effort funds on cash assistance, and another quarter on work activities and child care. The remaining funds went to a variety of state services and supports for low-income families, in some cases supplanting previous state spending.<sup>48</sup> It does not make sense to allow states to trade off intensive services or case management for the most vulnerable families against core health or nutritional supports to other needy families—or to force states into these trade-offs as a result of shrinking federal budget investments.

Finally, block grants are ill-suited to supporting core national goals—such as ensuring that every American starts life healthy and well-nourished—but instead contribute to disparate life chances based on where a child is born. This is true not only because states may make different choices about their level of commitment to needy families but also because capped federal funding short-changes states with a

growing number of poor children and families over time, as in the South and Southwest. Compounding the damage, this capped funding may have a disproportionate effect on Black and Hispanic/Latino children who are particularly likely to live in these states. For example, as mentioned before, CLASP's analysis of CCDBG shows that only 8 percent of eligible Hispanic/Latino children get help compared to about 13 percent of eligible children overall, with large differences across states—some likely due to state policy choices and some to capped federal funding.<sup>49</sup>

#### **Misguided Requirements Block Access Instead of Supporting Work**

Given the large share of low-income families who are already employed yet still need help making ends meet, along with the many barriers to steady work in the low-wage labor market, the best evidence suggests that so-called “work requirements” are not effective strategies for increasing work hours and earnings. What many low-income families—already working long hours in low-wage jobs while also raising children—need the most is easy, straightforward access to health insurance and assistance paying for food and child care. In these cases, the best way for states to promote work is a commitment to streamlined access—as in Louisiana, expanding Medicaid this summer and becoming the first state to take advantage of a new federal option for states to use information in SNAP files to easily enroll people in Medicaid.

In fact, work requirements are too often counter-productive. For example, untreated physical and mental health conditions are a major barrier to work—so getting health insurance and treatment is an important step on the way to stable work. Imposing a work requirement as a condition of health insurance places applicants in a harsh “catch-22”—those who can't meet the requirement without treatment are exactly the ones who get cut off. Similarly, hungry people are less likely to succeed in school or work.

The evidence from TANF highlights that mandatory work programs are too often a barrier to access rather than a springboard to economic security, in part because good programs require substantial state and federal investment. While there are exceptions in individual communities, employment programs tied to TANF often have little to offer in the way of effective services. Both the requirements (sometimes driven by the federal participation rate, other times by state choices) and the programs offered are likely to reflect outdated perspectives about what works, in contrast to the more current, evidence-driven approaches included in Congress's bipartisan reauthorization of the Workforce Innovation and Opportunity Act (WIOA) with its emphasis on career pathways, effective programs to help participants earn industry-recognized postsecondary credentials, and “earn while you learn” subsidized job strategies.

In other cases, punitive provisions described as “work requirements” in fact have nothing to do with work, as in the SNAP time limits for so-called “able-bodied adults without dependents.” These individuals are already required to accept suitable job offers, so the so-called work requirement is really a time limit. After three months receiving SNAP assistance, these individuals must actually be working or in approved training a full 20 hours per week or else be cut off—yet states are not required to offer them an opportunity to participate in an employment program. Federal law allows for an exemption from this requirement in areas of high unemployment, but an increasing number of states have turned down the waivers for which they are eligible. Given today's low-wage labor market, this means that people who are actively searching for employment and those who are working but not meeting the required 20 hours per week will be forced off of SNAP—raising the likelihood that they will skip meals, struggle with food insecurity, and find it hard to sustain stable work.

Thus, strategies to encourage work across benefit programs should focus on making effective work and training opportunities available, drawing on the lessons of WIOA and of successful local and state

initiatives. They should never disqualify individuals from benefits when no appropriate training or work experience has been offered to them; and they should never be a condition for children's access to benefits or for anyone's—children's or adults'—access to health insurance.

#### **Cuts Harm Low- and Moderate-Income Americans**

Struggling families also face damage from past and threatened budget cuts. From FY 2010 through FY 2016, out of the 164 programs tracked by the Coalition on Human Needs, 139 sustained cuts in funding, accounting for inflation; only 25 grew. Nearly half (67) were cut by 15 percent or more, and nearly one-third (54) were cut by 25 percent or more.<sup>50</sup> These cuts have limited low-income families' access to housing, to youth services, to education and training, and other core programs. Alarming, the budget resolution proposed by the House of Representatives would increase these cuts, harming low- and moderate-income people, and would cut discretionary spending far more deeply than envisioned even with sequestration. Non-defense discretionary spending would drop from \$518.5 billion in FY 2017 down to \$472 billion in the next year; it then would stay absolutely flat for the next nine years, eroding with inflation year by year, leading to a total cut of \$887 billion as compared to current policy through 2026.

#### **Take Bold Next Steps, Supported by the Evidence**

As we've seen, reducing poverty and promoting opportunity for America's families requires tackling the economic headwinds facing workers, building on emerging insights and successes, and filling remaining gaps in the safety net. Congress should consider five bold next steps.

##### **1. Help parents work and children thrive by ensuring access to high-quality child care and early education programs.**

High-quality child care and early education programs are central to parents' work and to children's well-being, development, and opportunities to escape poverty as adults—yet few low-income parents can afford such programs without help. As a consequence of capped federal funding, the number of children receiving child care subsidies under CCDBG is the lowest it has been since 1998; Head Start serves less than half of eligible preschoolers and fewer than 5 percent of poor babies and toddlers.

Increased funding for child care should be an urgent priority as part of an agenda to reduce poverty, promote opportunity, and strengthen the American economy more broadly. A virtually unanimous bipartisan majority in the Congress voted for CCDBG reauthorization in 2014, including improvements to support quality and allow parents to move up at work. Yet, as Congress recognized in last year's budget deal, making these improvements will require resources. We strongly recommend that Congress commit to an increase of \$1.2 billion in CCDBG in 2017 to ensure that states can implement the law without further reducing the number of children served.

But reducing poverty and increasing opportunity requires a bolder next step—not just avoiding cuts but reaching the five of six eligible children who are currently unable to get help because of funding limits. Guaranteeing child care assistance for all low-income parents with young children, as proposed by President Obama in the 2017 budget, would go a long way to expand economic opportunity for families.

##### **2. Ensure access to high-quality workforce development programs and career opportunities to all low-income and low-skilled workers, both youth and adults.**

WIOA, enacted by the Congress in 2014 with bipartisan support, includes improvements in workforce development programs to give low-income workers access to good jobs and careers. Steps forward include a focus on demand-driven training, including postsecondary education leading to employment;

requirements to develop career pathways that allow participants to link training, credentials, and work experience in individualized ways, building skills over time; and a strengthened priority for serving low-income, lower-skilled individuals, including recipients of public assistance benefits and out-of-school youth.

But valuable as they are, these provisions will not achieve their full intended effect on low-wage and low-skilled workers' success on the job without adequate funding, at the levels authorized in the law. Given the 40 percent reduction in federal funding for workforce development noted earlier, even greater investments would be required to truly enhance opportunity for low-income workers.

A number of other investments would make a big difference for low-skilled and low-income workers. These include strengthening dropout recovery strategies and advancing career and technical education programs that align with WIOA by bridging high school and postsecondary levels and targeting special attention to low-income students. And given the high levels of economic distress among youth and young adults, Congress should make substantial investments in youth employment, including but not limited to summer employment, with the jobs carefully linked to learning and career development.

### **3. Tear down financial barriers to postsecondary success for today's low-income students.**

Postsecondary credentials are crucial for economic success in today's labor market. Yet far too many students fail to complete the education they need because of financial barriers. One key reason is that policies are not aligned with the reality of who today's students are: half of all college students—and far more among students of color and students in two-year colleges—are financially independent of their parents, and one quarter of students are parents themselves. These students' college completion is threatened by their deep levels of unmet financial need, which are higher among students of color.<sup>51</sup> Unmet need, driven both by spiraling costs of college tuition and fees and by the costs of transportation, books, supplies, food, and housing, often leads students to drop out, borrow more, decrease their course load, or increase their work hours to levels inconsistent with staying in school.

Congress should reform the Higher Education Act to make financial aid responsive to today's students and address the needs and attendance patterns of nontraditional and low-income students. Crucial policy reforms include reinstating year-round eligibility for Pell grants (which has received bi-partisan support) and ensuring that student aid is available for working students, including those attending less than half-time; connecting financial aid with other programs, benefits, and sources of student assistance;<sup>52</sup> and funding new federal-state partnerships providing two years of tuition- and fee-free community college through "first-dollar" scholarships that are accessible to nontraditional students.<sup>53</sup>

### **4. Fix gaps in the safety net and support work for the neediest Americans.**

As noted earlier, despite the broad-brush successes of the safety net, its gaps take a serious toll on the neediest Americans. Congress should consider two timely steps to support work and meet basic needs.

Support work by building on the successes of the EITC and CTC. The most immediate step would be to expand the EITC for childless workers and young adults. Under current law, individuals without dependent children can only receive a very small credit—a maximum of about \$500—and begin to lose the benefit even before their earnings reach the poverty threshold. Younger and older workers are at a further disadvantage because, under current law, the EITC is only accessible to eligible individuals without dependent children if the workers are between ages 25 and 65.

Broadening the age range would be particularly valuable for young adult workers, many of whom begin careers in low-wage jobs—both helping them make ends meet and encouraging workforce participation. A White House report estimates that 3.3 million working youth under age 25 would be newly eligible for the EITC under the president’s proposal, accounting for over 24 percent of all workers who would benefit from this expansion.<sup>54</sup>

There is bipartisan support for expanding the EITC for workers without qualifying children and making it available to younger workers starting at age 21. All of the proposals increase the maximum credit rate for childless workers, doubling it from the current level. I urge you to move this proposal without delay.

In addition, Congress should make the CTC fully refundable so that the lowest-income workers can benefit. The CTC exists because we recognize that raising children is costly at all income levels; it does not make sense for parents who are unable to find consistent work to be shut out.

Strengthen TANF as both a safety net and a work program. Last summer, the House Ways and Means Committee released a discussion draft of a bill to reauthorize TANF, which has been operating under short-term extensions since 2010. We are pleased that the discussion draft bill made critical changes to improve the TANF work participation rate (WPR), as CLASP has long advocated. The bill would give states greater flexibility to serve individuals with barriers to employment and other disabilities, and would count more education and training activities toward the WPR to support TANF recipients in obtaining the skills and credentials needed to sustain employment. These changes would both reflect ways in which our changing economy increasingly requires higher levels of education for family-sustaining jobs, and would remove barriers that prevent states from aligning TANF work programs with the workforce programs under WIOA. However, the draft bill did not provide states with additional federal resources, and did not hold them accountable for TANF’s effectiveness as a safety net. President Obama’s FY 2017 budget proposal includes some important recommendations in this area.<sup>55</sup> We would welcome the opportunity to build upon the comments we have already submitted regarding the discussion draft<sup>56</sup> and to share our thoughts on how to strengthen TANF as both a safety net for the most vulnerable families and a work program.

**5. Establish minimum standards for wages and key aspects of job quality, so jobs support rather than destabilize families.**

As we’ve seen, many Americans work hard yet cannot make ends meet because of inadequate wages or hours, unpredictable schedules that do not allow them to keep the family budget on an even keel or secure stable child care, and the lack of any paid leave to care for an infant, a sick child or family member or to recover from their own illness. While some employers ensure all their workers have these basic elements of stable work, far too many do not. For example, about 40 percent of all workers do not have paid sick days; many more do not have paid family and medical leave. Further, the lack of minimum standards in jobs aggravates the nation’s inequalities<sup>57</sup>, including racial inequalities.<sup>58</sup> That’s why it’s crucial to pass public policies. Currently, states and localities across the country are enacting such statutes (for example, New York state just became the fourth to provide paid family and medical leave), and over 30 jurisdictions including 5 states now have a statute that ensures workers can earn paid sick days. There are now models and research that can inform Congressional action.

No serious effort to reduce poverty and promote opportunity can sidestep the importance of decent, stable, family-supporting jobs. Congress should pass legislation to upgrade the minimum wage and to create new national policies for paid family and medical leave, paid sick days, and fair scheduling.

Congress should take up consideration of the Raise the Wage Act, the FAMILY Act, the Healthy Families Act, and the Schedules that Work Act.

### Conclusion

America's core economic security programs reduce poverty, improve the lives of low-income families, promote children's long-term success, and support work. Yet changes in the economy that have fostered low-wage, insecure jobs, as well as budget cuts and remaining gaps in the safety net, have left far too many people struggling to make ends meet.

But the good news is that rigorous research as well as recent experience offer considerable evidence about what works and what needs to be fixed. Learning from that evidence, Congress should avoid bad ideas that demonstrably don't work—such as block grants, misguided requirements, and cuts in key programs—and should seize opportunities that build on success. Thank you and I look forward to your questions.

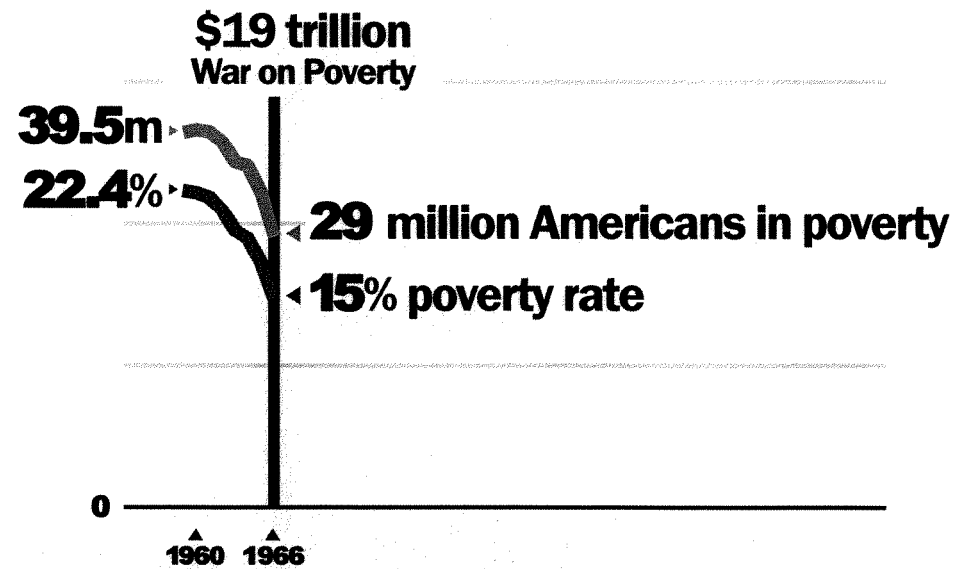
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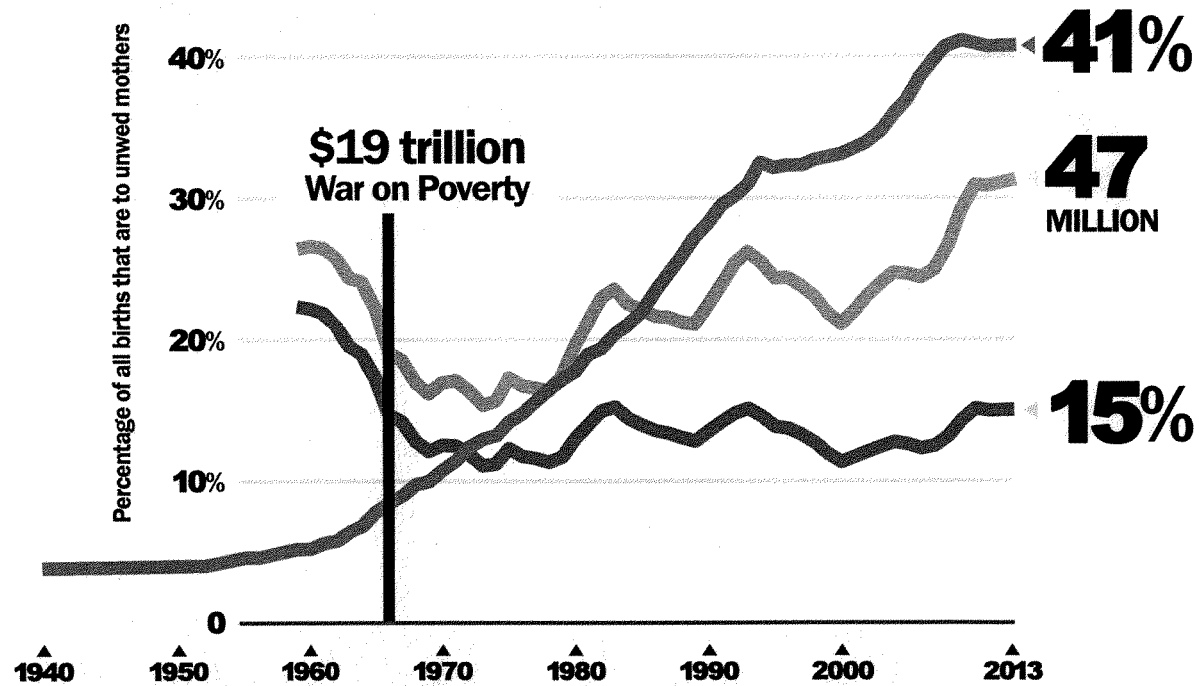
# AMERICANS IN POVERTY



Department of Health and Human Services, Census Bureau



# BIRTHS TO UNWED MOTHERS



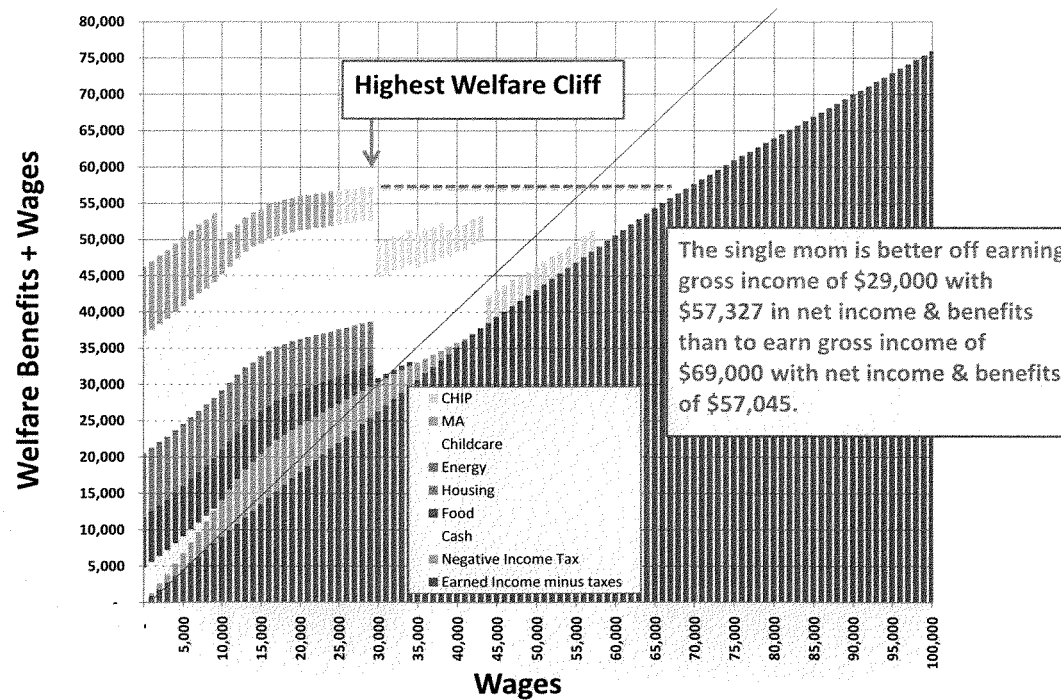
Department of Health and Human Services, Census Bureau

RON  
JOHNSON  
U.S. SENATE

# Household Income & Benefits Chart



Gary D. Alexander, Secretary of Public Welfare | [www.dpw.state.pa.us](http://www.dpw.state.pa.us)



**Post-Hearing Questions for the Record  
Submitted to Robert Woodson  
From Senator Kelly Ayotte**

**“Renewing Communities and Providing Opportunities Through Innovative  
Solutions to Poverty.”  
June 22, 2016**

1. Mr. Woodson, in your testimony you state, "Social entrepreneurship should be rewarded on the basis of its outcome and impact..." Can you identify examples of programs or mechanisms that incorporate programmatic performance reviews or analyses that produce useful metrics on effectiveness or efficiency?

I would caution against the limitations of the confines of typical sociological research that requires a rigid, social scientific, “double blind” study approach. The transformative impact of neighborhood-based, faith-inspired outreach dwarfs that of conventional programs designed by “professionals” and can be measured in terms of the substantial and sustainable restoration they have engendered in hundreds of lives they’ve touched and the community revitalization they have brought about. These include men and women who were once considered hopelessly lost to drug and alcohol addiction, who have emerged as loving parents, caring spouses, and responsible employees, as well as youths who once terrorized their neighborhoods with gang violence who have turned their lives around through the personal outreach of a committed individual and became peer mentors and ambassadors for peace in their communities.

Scholars at Baylor University tracked the changes in incidence of violence and suspensions at seven Milwaukee schools that were participants in a CNE Violence-Free Zone initiative that involved the collaboration of the school administration and staff, representatives of the police department, and two community organizations. On the basis of data released by the police department, the study found that there was an 11% decrease in violent incidents and a 21% decrease in non-violent incidents in the VFZ schools, while both had *increased* by 15% in other schools in the area. Likewise, suspensions in the VFZ schools dropped by 29 %, twice the rate of the decrease in the other Milwaukee schools. The study even documented impact in the communities surrounding the VFZ schools, where auto thefts decreased by 25%.

The success can also be measured monetarily in reduction of expenditure of public funds that is necessary. One of the community groups participating in the Milwaukee VFZ initiative, the Running Rebels, also created a “diversion” program in which they provided monitoring and supervision for young offenders as an alternative to serving sentences in the adult prison system. At the 10th anniversary of the program’s launch, the Running Rebels held a press conference in which they presented county officials with a mock check for \$64 million,

representing the estimated cost savings to county taxpayers because they were able to help these young people stay in their communities, instead of in state corrections facilities at taxpayer expense.

These monetary savings were in addition to the priceless value of lives that had not been lost to violence through these innovative community initiatives and the outreach of committed neighborhood leaders.

2. Are these performance review best practices being effectively shared?

The documented success of community-based initiatives that have transformed lives and communities from the inside out and the bottom up have generated little notice in the media and virtually none in academic journals. There is a critical need for scholars, analysts, and the media to share the findings of the evaluations that have been conducted and, more importantly, to study and document the impact that this new category of “experts” is uniquely qualified to generate, adding to the documentation that currently exists.

3. Do duplicative government programs hinder progress or create confusion in this space, particularly given how federal solutions too often tend to be one-size-fits-all?

As I outlined in my testimony, not all poverty is the same. Some poverty is rooted in a temporary setback; some poverty sustained by a system that disincentivizes the basic stepping stones to self-sufficiency, work and marriage; some people are poor because of a disability, and some are rooted in destructive and self-destructive behavior. Programs that provide stop-gap assistance in the case of a temporary set-back cannot be effective and can actually be harmful and enabling when applied to the poor in the last of these categories. For them, a revitalization of vision and values is a prerequisite before opportunities for upward mobility can make a difference.

The critical issue is not duplication but the pressing urgency to acknowledge and embrace an essentially different anti-poverty paradigm and different tier of “experts” to reach and uplift that category of the poor.

**Post-Hearing Questions for the Record  
Submitted to Mr. Robert Woodson  
From Senator Joni Ernst**

**“Renewing Communities and Providing Opportunities Through Innovative  
Solutions to Poverty”  
June 22, 2016**

Community engagement

- You have long been a champion and supporter of empowering community leaders to combat the effects of poverty. In your opinion, in what ways does the federal government’s top-down approach to combatting poverty limit the potential impact local leaders can have in meeting the needs of folks in their communities?

The government’s failed, wasteful, counterproductive antipoverty agenda is flawed in many respects:

- The massive system and the bureaucracy it sustains is rewarded at the federal and state levels for the numbers of dependents on its rolls rather than the number of people it has empowered to escape dependency and rise from poverty. The system is self-perpetuating and incorporates (intentionally or not) disincentives for dependents to take the first stepping stones toward self-sufficiency: work and marriage.
- The cash benefits and services the established system provides cannot penetrate the most deeply embedded and devastating form of poverty—that which is linked to destructive and self-destructive behavior such as drug and alcohol addiction. Community leaders within disadvantaged neighborhoods who have a first-hand understanding of the problem, are available 24-7, and are committed for the long-term have proven to be uniquely effective in addressing this form of poverty and eliciting the trust and response of those they serve. These neighborhood healers should be recognized as a special brand of experts and should be incorporated into our nation’s antipoverty agenda. It is only after the transformation of vision and values that they engender that economic and job opportunities can serve as an avenue to self-determination.
- Credentials are not equal to qualification to serve. The credentials of these grassroots leaders are the testimonies of those whose lives have changed through their outreach. At the least, policy should not pose obstacles to their efforts and bureaucratic restrictions and requirements should not be imposed if they are not related to their outreach.



## Meeting local needs

- In your testimony you discussed steps your organization takes to identify strengths found within communities as a starting point to combatting poverty rather than simply identifying areas of concern. One clear example to me as I look at my own state, is the unique ability of our farmers and ranchers to be leading producers of commodities such as corn, pork, and eggs, notwithstanding other market forces, many folks in Iowa—far too many of them children—still go to sleep hungry. In your opinion, what steps can or should be taken to replicate your approach to maximize the impact of our social safety net.

A first step could be to identify “areas of concern” for a community. But the second step should not be to tally failures or dysfunction, such as numbers of high-school drop-outs or youths involved with crime or violence but to go into those communities and look for islands of success and to learn from those who were able to defy the odds and predictions of data analysts, such as youths who have resisted or redirected their lives from the lures of violence and crime and young people who have graduated high-school and even gone on to higher education. If statistics say that 70 percent of youths are involved with drugs we should be studying what and who was present in the lives of the other 30 percent that enabled them to be “disease resistant,” and to see if those elements can be made available to others. That same capacity-focus could be applied in addressing the problems of any community.

# BROOKINGS

August 8, 2016

Ms. Laura Kilbride  
Chief Clerk  
Committee on Homeland Security and Governmental Affairs  
United States Senate  
Washington, DC

Dear Ms. Kilbride:

This letter responds to a question posed to me by Senator Joni Ernst. Here is the question:

Many of the programs in services today are uniquely suited to optimally serve folks in regions of our country that are densely populated. In your opinion, what steps can or should Congress take to reduce the burdens placed on program managers in rural America to better serve beneficiaries?

A major feature of rural areas that poses barriers to receiving benefits from federal and federal/state social programs is the greater distance most beneficiaries are from the site of services and the associated problem of generally poor public transportation serving rural areas as compared with metro and suburban areas. The distance and transportation barrier presents a serious difficulty for managers of social service programs in rural areas.

Thus, it is fortunate that many of the benefits in the nation's safety net are provided in the form of cash or vouchers. Roughly speaking, to qualify for safety net benefits, individuals must have low income and little wealth in the form of assets or savings. These benefits are available to all citizens and many noncitizens regardless of where they live. The main, but not the only, programs are SNAP and other nutrition programs; Medicaid, the Child Health Insurance Program, and other health programs; Supplemental Security Income; housing; Head Start and child care through the Child Care and Development Block Grant; and an array of programs made available through the tax code, especially the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC).

The programs administered through the tax code, such as the EITC and the ADTC (as well as a program that reimburses some parents for part of their child care costs called the Dependent Care Tax Credit) are obtained by filing a tax return. Here there would seem to be little comparative disadvantage for rural areas as compared with metro and suburban areas except that tax return filers may need professional assistance which may be more difficult to reach in rural areas.

The other programs provide cash or in-kind benefits that are initiated after recipients have submitted an application to a state or local social service agency. Applying for these benefits

often requires a visit to a social services office, which as a rule places an additional burden on families applying in rural areas where the distances to the social service office are greater on average than in metro and suburban areas.

The problems of distance and poor transportation in initiating and maintaining these benefits can be minimized by the programs that provide their benefit in the form of cash or vouchers. In a perfect world, families who think they might be eligible for any of these benefits could inquire online and get clear and straightforward information on eligibility. In addition, since some of the eligibility requirements are complex and confusing, states should have a call-in number where questions about benefits, eligibility, and application are answered promptly and courteously. Equally important, states (or counties) would have computer systems that allow online submission of application and documents required to support eligibility so that potential recipients would not have to travel to the social services office. The state computer application systems would also guide applicants to other means-tested programs for which they might be eligible and have coordinated application forms and procedures that allow families to apply for several programs with one application.

Much to their credit, many states have reformed and streamlined or enhanced their data systems in recent years to provide some or all of these services to families eligible for social services, especially means-tested, programs. In a fascinating project started in 2011, six states (Colorado, Idaho, Illinois, North Carolina, Rhode Island, and South Carolina), with support from the Ford Foundation and four other foundations, went through a multi-year process of reforming and updating the computer technology and processes by which they operated their means-tested programs.<sup>1</sup> Under this project, called the Work Support Strategies program, states focused their reforms systems enhancements on Medicaid, SNAP, and child care. Participating states aimed to use technology to share information more easily between departments, track service delivery, and reduce the necessity of family visits to county or state offices.

More specifically, the reforms included:<sup>2</sup>

- New and Updated Eligibility Systems. The computer systems states used to determine eligibility for benefits, maintain records, and perform various management tasks were modernized, a formidable and expensive undertaking because it required replacing the major computer capabilities of the states' existing management systems (often called "legacy" systems).
- Online Applications and Customer Portals. These reforms enabled states to prescreen applicants for eligibility and help applicants apply for benefits, find information on their benefit status and use, report status changes, submit documents, and get assistance through online chat.
- Lobby Management Systems. These systems support and manage the flow of clients within state and local department offices, assign cases to particular managers, deal with client queues, and allocate resources efficiently.

- Additional Technology to Streamline and Integrate Customer and Worker Experiences. Additional capability of the new systems included electronic data verification, document imaging, call centers, and improved access to data for use by decision makers.

As the Urban Institute report shows, these improvements in state and local data and information systems greatly improve efficiency, save money, and significantly improve customer service. The changes are perfectly suited to the need for rural areas, not just to use resources efficiently, but to compensate for the barriers imposed on their programs and families by physical distance and transportation issues.

A survey conducted by the Center on Budget and Policy Priorities (CBPP) published earlier this year shows that progress in creating effective data and information systems has not been confined to states participating in the Work Support Strategies program.<sup>3</sup> The CBPP study shows that all but six states (Alaska, District of Columbia, Idaho, Kentucky, Mississippi, and Tennessee) now have the technology to facilitate online applications, and many states make many other services available online. For example, every state except Hawaii provides a manual of their programs online and all but nine states (District of Columbia, Idaho, Kentucky, Minnesota, Mississippi, Nevada, Oklahoma, South Carolina, and Tennessee) have a computer system that allows online calculation of program eligibility so applicants can determine whether they are eligible for any of several benefit programs. A few states have benefit calculators that apply only to the Supplemental Nutrition Assistance Program (SNAP), but most states allow for benefit calculation for more than one program. The CBPP study reviews the online availability of several additional functions that are useful to applicants and the general public (including researchers).

Although there has been significant improvement in the capacity of state data and information systems to allow potential recipients to minimize the difficulty of learning about and applying for available government programs, especially programs for the poor, much remains to be done. The private sector, as shown by the Work Support Strategies programs, has shown the significance it places on the importance of increasing computer system capability by investing considerable sums of money to help states develop their capacity and to demonstrate how information system capacity can be efficiently expanded. Similarly, both the state and federal governments invest tens of millions of dollars in increasing the capacity of their data systems each year.

If Congress wants to speed the pace and increase the scope of improving and expanding their data systems, Congress could offer states an increased federal matching rate in funding these expansions. Typically, the federal government and states split funding, often on a 50/50 basis, for administrative expenses of running social programs. But there have been several instances in which the federal government determined that improved data system capability would provide numerous benefits to states and to families applying for or receiving benefits that they provided states with up to increased matching of 90 percent federal to acquire and conduct the technology

necessary to increase specific program capabilities. Such enhanced matching has been provided to states to improve the data systems and capabilities in their child support enforcement program and their child protection program.<sup>4</sup> It would make sense for Congress to expand such enhanced funding to ensure continued improvement in program administration in rural areas.

Respectfully,



Ron Haskins  
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Brookings Institution  
Washington, DC

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<sup>1</sup> Pamela Loprest, Naeve Gearing, and David Kassabian. March 2016. States' Use of Technology to Improve Delivery of Benefits. Washington, DC: Urban Institute.

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