LEAGUE OF WOMEN VOTERS OF WASHINGTON

Upon this gifted age, in its dark hour,
Falls from the sky a meteoric shower
Of facts....they lie unquestioned, uncombined
Wisdom enough to leech us of our ill
Is daily spun; but there exists no loom
To weave it into fabric...

Edna St. Vincent Millay

Public Assistance as Social Policy

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PUBLIC ASSISTANCE AS SOCIAL POLICY

When the League of Women Voters of Washington voted in 1995 to study *Public Assistance as Social Policy* we stepped into a maelstrom of disputed issues and disputed policies. In the larger picture, public assistance can be defined as "a direct benefit to an individual, or a corporation, in the form of cash, services, goods, or tax credit or deduction". Our study touches on the broad range of benefits to Americans of all income levels, from home mortgage tax deductions to Medicaid and food stamps. At the eye of the maelstrom, however, is welfare, or *Aid for Families with Dependent Children (AFDC),* the main focus of our study and a program now repealed by Congress.

HISTORY

"Better the occasional faults of a government that lives in a spirit of charity than the constant omissions of a government frozen in the ice of its own indifference."

These words of Franklin Delano Roosevelt reflect the national mood that made it possible to enact policy which has provided a guaranteed safety net for poor children and their families for over sixty years. As this safety net may soon unravel, it is important to examine the history of *Aid to Families with Dependent Children* (AFDC) and the underlying attitudes that have influenced legislation over the last six decades.

Conflicting views on the causes of poverty and the role of poverty programs provide the back drop. At one extreme is the view that individuals are responsible for their own misfortune. Poverty programs are seen then as an emergency stop-gap measure, and their purpose should be to encourage self-reliance. Congress's recently passed legislation labeled "The Personal Responsibility and Work Opportunity Act" codifies in law this point of view.

At the opposite end is the view that poverty is largely caused by forces outside an individual's control: low wages, high unemployment, lack of education or training, lack of adequate child care, or tax policy. According to this view, poverty programs are to be accepted as a legitimate responsibility of modern society in helping people survive. Of course, many perspectives reflect blending of these two widely divergent views.

When welfare originated over sixty years ago as part of the Social Security Act of 1935, the country was in the midst of the Great Depression. Private charities and state and local governments were unable to meet the tremendous need generated by the national economic crisis. *Aid to Dependent Children* (ADC) was created under the 1935 act along with Old-age Assistance, Aid to the Blind, Social Security, and Unemployment Insurance.(41)

In creating ADC, the federal government accepted responsibility, in partnership with states, to support children who had been deprived of a parent through death, disability or absence. ADC helped support children in their own homes, rather than in institutions, and was available only to people of limited means. States established the eligibility requirements and benefit levels, and could be as restrictive and discretionary as they chose. There was no minimum amount, and benefits were fixed at very low levels. The federal portion was a third of these amounts, and there was no provision for the caretakers of the children. The grant level was calculated upon the amount available to children under the Veteran's Pension Act, which provided $18 per month to the first child, $12 per month for each additional child, plus $30 per month to the widow, (which was not provided by ADC).(42)

It was not until 1950 that adults were included in the ADC grant. In 1961 the Unemployed Parent program (ADC-UP) made it possible for a child in a two-parent household to receive assistance when one parent became involuntarily unemployed. In 1962 the program became *Aid to Families with Dependent Children* (AFDC) and states were permitted to include a second adult as a recipient for federal matching funds. The decision to implement these changes was left up to individual states, and only about half made that choice.

In 1969 Washington state raised welfare grants to 100% of the Standard of Need, the income required by a recipient to maintain a minimum and adequate level of living. The welfare grant has steadily lost ground since that time, and, in 1996, is just 44% of the state's Standard of Need. (See page 4).

Most attempts at welfare reform over the last three decades have focused on reducing the size of welfare rolls by moving women into the workforce. In 1967, the Work Incentive Program (WIN) required mothers with children over age six to register for work. Employment Security and state Department of Social and Health Services (DSHS) programs were to assist with training, counseling and job referral. When the Family Support Act (FSA) became law in 1988, WIN was replaced by the Job Opportunities and Basic Skills Training program (JOBS), which focused on education, skill training and job placement services This act promised transitional child care and health benefits for twelve months and required all states to provide welfare to two-parent families.(22)

Washington state got an early start on welfare reform by creating in 1987 the Family Independence Program (FIP), a demonstration project in selected sites that modified some aspects of the federal AFDC. A five year project (1988 - 1993), FIP provided assistance to low-income parents pursuing education and training, and offered transitional child care and medical benefits. While popular with recipients, FIP was not funded enough to fulfill its commitment, and statistical results did not show it a "success".(10)

In 1990 the federal Family Support Act made AFDC more similar to FIP by providing transitional medical and child care benefits for all recipients, and encouraging education and training for targeted AFDC recipients. The JOBS program became mandatory in 1995 for all two-parent families on AFDC and for all single parents on AFDC with children over three. In April, 1996, Gov. Mike Lowry claimed the mandatory work program a success because about 36,000 of the nearly 100,000 AFDC recipients are participating, and 1900 found jobs in March. There are no statistics yet on how many will stay off AFDC.

While AFDC has never exceeded 1.2% of the federal budget, nor 4% of Washington state's budget, it continues to be one of the least popular of government programs. Today's reformers of welfare argue that the system has become a trap for poor recipients, with little incentive for them to pull themselves out of dependency and poverty. In the summer of 1996 the federal government enacted welfare reform legislation ending AFDC and replacing it with block grants to the states. Gone is the "entitlement" of aid to impoverished children. Marian Wright Edelman, President of the Children's Defense Fund, warns of the long-term and perhaps irreparable damage that will come with the destruction of "the fundamental moral principle that an American Child, regardless of the state or parents the child chanced to draw, is entitled to protection of last resort by his or her national government."(46)

MAJOR PUBLIC ASSISTANCE PROGRAMS in WASHINGTON STATE(1)

1. *Aid to Families with Dependent Children (AFDC)* is the nation's largest cash assistance program. Costs are shared nearly equally between the federal and state governments. States receive federal funds directly and must administer the program within broad federal guidelines. Each state established its own need standard (the amount required by a particular size family in order to obtain a basic living) and its own assistance payment (monthly benefit) level. Currently, in Washington the Standard of Need for a family of three that is paying for housing is $1,252 per month, while the grant payment is only $546.

In addition to income support, AFDC provides child care, employment and training services, and job finding help to families with dependent children under 18. Approximately 100,000 families or 289,000 persons (nearly two-thirds children) receive aid each month in Washington State. Another program, *General Assistance for Pregnancy,* provides state-funded assistance to women who meet the financial needs test for AFDC, but are not yet in their third trimester of pregnancy (when they qualify for AFDC).

2. *Medicaid* provides health care for about 680,000 AFDC-qualified and other low-income people each month. It covers doctor visits, prenatal care, vaccinations, immunizations, hospital care and nursing home care. Medicaid benefits are matched by the federal government based on each state's economy. The administrative costs are shared by the federal and state governments. A basic set of benefits are provided to a basic group of recipients, with states able to add benefits or groups of recipients if they share in the costs.

3. The *Food Stamp Program* provides food coupons in lieu of cash to buy food for about 478,000 low-income people in Washington each month. A three-person family with an AFDC grant of $546 would receive $289 (if they had no other income source, and pay something for rent and utilities) per month in food stamps. Food stamp benefits are fully funded by the federal government, but the state pays half of the administrative costs of the program.

4. *Refugee Cash Assistance* provides time-limited income support, employment, training and job finding help to low-income individuals and childless couples. Families with children qualify for AFDC. About 1,500 individuals receive Refugee Cash Assistance monthly. Total funding for this program comes from the federal government. States have some latitude to manage the program, including benefit amounts.

5. *Supplemental Security Income (SSI)* provides income support for the aged, blind and disabled, about 85,000 persons each month in Washington. Basic benefits and administrative costs are federally funded. Washington state provides a small supplement to cover our higher living costs, and pays the federal government to administer the supplement. A single person receives approximately $495 per month, including the state supplement. All recipients are also eligible for Medicaid and most for food stamps. SSI also assists children with persistent disabilities, with an average grant of $470 per month.

6. *General Assistance - Unemployable (GA-U)* provides income support to adults who temporarily cannot work because of medical reasons. Benefits of $339 are issued to approximately 16,000 people per month in Washington. GA-U is a state program - with benefits, administration and direction all state responsibilities.

7. *Consolidated Emergency Assistance Program (CEAP)* is a state and federally funded program for families with children and pregnant women who face an immediate economic emergency, such as the threat of homelessness.(1)

HOUSING AND WIC

Subsidized housing and WIC, the federal nutrition program for Women, Infants and Children, also benefit many welfare recipients. Being on AFDC qualifies a family for subsidized housing. Welfare workers determine the housing situation of clients and refer many of them to low-income housing programs. Unfortunately, there is not nearly enough subsidized or low-income housing available for all who need it. While the Department of Housing and Urban Development (HUD) is not included in new welfare reform, recipients will not be able to have their housing subsidies increased to offset any reduction in benefits. This will profoundly affect public housing projects.

WIC provides nutritional screening and food assistance to pregnant and postpartum women, infants and low-income children up to the age of five, on or off AFDC. States will have to make up for any federal budget cuts in WIC (which is not part of welfare reform legislation). Under current programs, allotments, which are already insufficient to continuous maintenance of healthy nutrition for women and children, are further cut.

EARNED INCOME TAX CREDIT

In 1975, Congress established the EITC - a cash refund on the federal income tax for working poor families with children (to offset the burden of the Social Security tax). In 1993 the Omnibus Budget Reconciliation Act significantly increased the amount and impact of the EITC. The increase is being phased in from 1994 through 1996. In 1996 it is supposed to be the largest near-cash program directed to the poor. However, many qualified families don't know of the EITC.

How does it work? A person, usually a woman, who qualifies because of her earned income and number of children for the cash credit for the previous tax year, must file with the IRS to receive the money. Or, she can receive part of the total EITC in monthly advance payments from her employer, with the remainder in a final payment from the IRS, by filing a form with her employer. The advance payments come with her paycheck, out of Social Security taxes, but the employers don't have any out-of-pocket expenses.

The EITC rewards increased earnings up to a point. In 1994, the Earned Income Tax Credit was greatest when the earned income was $8,400 to $10,999, and then gradually lessened as the earned income approached $25,000.

In 1994, a woman who worked full-time at the minimum wage and received food stamps and EITC could have had an annual income above AFDC and food stamps, above the federal poverty guideline and above Washington's Standard of Need. The Washington State Institute for Public Policy's Family Income Study estimates that up to 21% of families on welfare received EITC in 1992. The study concluded that EITC can encourage work by boosting net income, and that if more welfare recipients knew about and took advantage of the monthly advance payments, the EITC could help move them out of poverty.(10,20)

PRIVATE COMMUNITY SERVICE AGENCIES

To start off our study of Public Assistance, a number of local leagues interviewed private service providers in their communities to find out what services were provided, and what effect they expected if Congress ended entitlement to temporary assistance, and substituted block grants. While the results are far from a statistical summary, they do give some insight into the ability of private agencies to participate in helping those who need it.

- Most agencies reported that they could not now serve all clients applying for services.
- All agencies refer clients to other agencies when needed.
- Most agencies were adopting a wait and see attitude regarding block grants to states (Congress's alternative to entitlement). Those now receiving federal and state funds seem to be better prepared organizationally for the institution of block grants.
- A large percentage of agencies receive governmental funds in some form.
- The consensus was that current welfare reform will further strain resources for private providers who already have more clients than they can help.

WHO IS ON PUBLIC ASSISTANCE?

THE NATIONAL PICTURE - MYTH AND FACT

Economist Francis Pox Piven commented (St. Petersburg Times, 5/8/94), "I am struck by how little evidence matters in talk about welfare". Media focus on who is receiving public assistance zeroes in on the issues of shame, irresponsibility, and out-of-wedlock births, usually showing minorities. When the age of welfare recipients is given, they are generally 17, 18 or 19 years old - even though only 7.6 % of mothers on AFDC are younger than 20. Only 1% of mothers are 17 or younger. In 1992, 39% of recipients were white, 37% African American and 18% Hispanic. Almost three-quarters of all families on AFDC have only one or two children. Poor children make up the majority of recipients - **almost 80% of recipients are under 12**. One hundred percent of adult recipients are caring for children. Many of these adults, around 40%, work at paid jobs while on public assistance, or cycle on and off.(4,36)

Public assistance caseloads have stayed roughly the same between 1972 and 1990 (about 3.7 million families). Recipients made up about 7.7% of the U.S. population in 1993, as opposed to 6.5% in 1990. Unemployment rose in the early 1990s, with fewer unemployed people being eligible for unemployment benefits. All increases in AFDC caseloads since the mid 1970s occurred during recessions. The typical pattern of public assistance shows movement back and forth between low paid work and public assistance. Only 18% stay on continuously for more than five years.(4,36,37)

WHO IS ON PUBLIC ASSISTANCE IN WASHINGTON?

The perception of public assistance in Washington suffers from many of the same misconceptions as does the national picture. Once again, **the majority of recipients are children**, averaging 1.7 per family. Only 8% of AFDC parents are under 20 years old, and only 1% are under 18. The median age is 29 years. The ethnic breakdown appears to be the only significant difference in the profile of a public assistance recipient in

Washington and in the nation as a whole. In Washington whites make up about 78% of recipients, whereas in the nation as a whole they comprise nearly 40%. Assistance is more generous in this state than in the median. Recipients made up about 7.1% of the state population in 1993 as opposed to 6% in 1990 - both slightly lower than the national average.(10,32)

In 1996, the maximum aid for a three-person family is $835 a month, consisting of $546 in cash assistance and $289 in food stamp benefits. Only 10% of adults in single-parent families and fewer than 4% in two-parent families received assistance continuously for more than five years.(10,32)

The majority of women who receive AFDC are short-term assistance users and leave AFDC within two years. There are no statistically significant differences between short-term (less than 12 months) and long-term (more than 36 months) users in many characteristics, such as age, race, education level, number of children, or growing up in a family that received welfare.(10)

There were significant differences in work experience, household composition or marriage status, and geographic location: 77% of short-term users had worked before receiving assistance and 47% had recent work experience with average hourly wages of $5.33. While 72% of long-term users had worked before, only 14% had recent work experience, with average hourly wages of $4.66. Household composition also differs: 49% of short-term users have two adults in the household and 38% are currently married; 14% never married. In the households of long-term users there are two adults in only 30%, and 11% are currently married; 33% never married. Both short-term users (43%) and long-term users (57%) live primarily in urban western Washington, where most of the state's population lives. However, a higher percentage of the population of the rural southwestern and northeastern parts of the state, where unemployment is highest, is on welfare.(10)

In 1992, as part of the Washington State Institute for Public Policy's Family Income Study, women on welfare and an at-risk (of needing welfare) group of women were asked if they had been physically or sexually abused as adults. The findings below suggested to the Institute "the importance of making information about domestic violence intervention services known to women as they apply for welfare assistance".

- 60% of women on public assistance reported some type of abuse, compared to 35% for those at-risk.
- 55% reported being physically abused by a spouse or boyfriend, compared to 28% for the at-risk.
- 30% reported being sexually abused by someone, compared to 19% for the at-risk group.(7,13)

TEEN-AGE MOTHERS

While AFDC recipients are more likely to have been teen mothers than the working poor who are not on AFDC, what is the relationship between teen motherhood and public assistance? Let's first look at some national statistics:

- Of the 15.6 million American children living in single-mother families in 1993, 410,000 lived with teenage mothers.
- From 1982 to 1992, birth rates for unmarried women increased by about 69.3% for all age groups, but the birth rate for those age 15 -19 increased by 55.4%, the smallest increase of any age group.
- Births to teenagers were 9% of the total births in 1992.(4,7,36)

In Washington state the pattern is somewhat different from the national pattern above:

- In 1989, eleven percent of all births were to teenagers.
- Since then the number of births to older teens (18 - 19) increased and the number of births to younger teens (up to 17) decreased.
- The fathers are often not teens; the median age was 21.
- About 68% of children born to teens were born to unmarried teens.
- 52% of the women on public assistance in Washington became mothers as teenagers.
- The majority of teenage mothers on welfare are white. A minority woman on welfare does not have a greater likelihood of being a teenage mother than does a white woman.(10,38)

Teen mothers on assistance are more likely to have grown up in a family without both parents and on welfare. Of those who became pregnant as teenagers, 66% had been sexually abused. 71% who became sexually active at an early age dropped out of school. Of those who dropped out, 93% became pregnant (usually after dropping out). The most significant risk factors for becoming pregnant as a teenager were (in order):

1. Dropping out of school
2. Early sexual activity
3. Sexual abuse while growing up.(19)

A low educational level is a factor for women in every age group, but a greater problem for teen mothers. Half of teen mothers lack a high school diploma or GED. Those with a high school education earn more money throughout life than those without. The major factor of continuing in poverty seems to be the lack of education, not teen motherhood.(19)

The relationship between teenage motherhood and public assistance is complex. The actual percentage of mothers who are teenagers during the time they receive public assistance is very small (8%). While it is true that many of the women on assistance became mothers during their teen years (52%), it is equally clear that they did not do so in order to receive public assistance. Teen pregnancy and motherhood stem from many causes: ignorance of birth control, lack of hope, carelessness, or childhood sexual or physical abuse.(10,36)

CASE HISTORIES

"I Was on Welfare" by Pamela D.

"A few short years ago I could have been the "Family Values" poster child. I was a stay-at-home wife and mother. My husband and I had a small business which we ran from our home. To the rest of the world we looked like a Norman Rockwell painting, but my husband was abusive. After many years of trying to fix what was wrong with me in order to fix my marriage I realized I couldn't fix our marriage alone and would get no help from my husband. Our daughter was living in a war zone; it was time to get out. I took our daughter and went to my mother's, 180 miles away from my own home.

"It took nearly a year and a half to get a divorce. I had no recent work history, my skills needed updating, I couldn't find a job or even commit to a school schedule because I was constantly running to Seattle to talk to lawyers, judges and case workers. Though I had been raised in a middle class family and had never known anyone on AFDC, I found myself needing to ask for assistance.

"For reasons I cannot fathom, I was treated by complete strangers as 'different', or as if I had no values or morals. Nothing about me had changed except my financial status. Worse than the whispers by strangers, was the constant barrage of myths and stereotypes spread in the media by our elected officials. The use of anecdotes to prove these stereotypes, thereby proving the need to punish people like me for their circumstances was, at first, unbelievable to me, but I had to get my life back together.

"After the divorce, I moved back to the Seattle area. My mother would have to help me because I couldn't afford an apartment on $440 per month assistance. As soon as I was settled, I called the JOBS program to get help with training so I could go back to work. After going through the orientation, and hearing about all the help JOBS could give me, I was told that money was tight and they could only serve the federal target groups: under 24, no high school diploma, or on AFDC more than three years.

I was floored; I didn't fit any of these groups and was amazed to hear I would have to be on AFDC another year and a half before I would qualify for help. I thought they wanted us off as soon as possible. I went home and cried. Then I got mad. I started making phone calls that same day. Still in tears and still angry, I must have called 25 phone numbers. I spoke to legislators, both federal and state; I spoke to people in organizations like WROC (Welfare Rights Organizing Coalition) and FBAC (Fair Budget Action Campaign) who encouraged me to become involved - and I got INVOLVED! Within a few weeks I was volunteering on several committees, attended a national conference at the UW, and was granted a scholarship to attend a National Welfare Reform conference in Washington, D.C. I was getting valuable training without the help of JOBS. One year later, I applied for and was given a job as an office manager. I continue to fight for economic justice and I am no longer on AFDC."

"*We Were on Welfare*" by Mike and Sally

"As a married couple, being forced to turn to welfare was a hard pill to swallow. After being married for 20 years, with four of our five children still living at home, we moved to Washington state from California to care for my mother who was ill. I had worked as a machinist in California, but wasn't "certified", so after moving to Washington I had to return to school. Even after getting my certificate I still couldn't find work as a machinist. I was forced to take another job that paid only $8 per hour. The money didn't go very far for a family of six. My wife went back to school to get her GED and continued to attend classes at the Community College.

"One week before Thanksgiving I was laid off. I had worked over 100 hours in the month of November and therefore, because of the "100 hour rule" was ineligible for public assistance until January. That was a very bleak holiday season for us. Meanwhile, I was able to get some unemployment insurance. I received $841 per month, more than a welfare grant, but less than the state determined Standard of Need for a family of six to live at the poverty level ($1,975/ mo.)*

"I was employed again somewhere else the following April, worked all summer and was laid off again in September. I'm now driving a truck for a recycling center, not earning a lot of money but there are only two children left at home. We are still struggling, but I just can't imagine what life would be like now if the "safety net" hadn't been there when we needed it."

ECONOMICS OF PUBLIC ASSISTANCE

JOBS AND UNEMPLOYMENT

Over a 12-month period in 1995 there were 173,000 unemployed in Washington, plus 100,000 adults on public assistance. Assuming some overlap, that's about 250,000 people needing jobs. Our economy provided 44,000 net jobs for those 250,000 people. It is claimed time and again by economists that the American economy requires a certain percentage of unemployed, usually about 5.6%, to keep the economy healthy, to have a labor pool from which to draw, that the Federal Reserve Board raises interest rates to prevent the economy from "overheating".(45) Today in 1996, a 6% unemployment rate translates to 8 million people unemployed. What happens to employees who are "let go"? When federal and state time limits for recipients of public assistance expire, will there be jobs for those able to work? Should those not finding jobs be entitled to income?

*If a grant recipient works 100 hours or more in a month (s)he does not receive aid that month.

OTHER FORMS OF PUBLIC ASSISTANCE

While statistics kept since 1947 show the disparity between rich and poor at its greatest level now, both rich and poor, and the vast majority who are classified as "middle class", have no doubt received public assistance. Much of it is considered "entitlement". Entitlements are public sector payments to a person or household that are not contractual compensation for goods or services. That includes Social Security, Medicare, Medicaid, food stamps, unemployment compensation, veterans' benefits. While these entitlements are estimated to keep about 20 million Americans (half elderly) from deep poverty, only about one out of eight federal benefit dollars lifts poor families above the poverty line. If you count both the value of entitlements in the tax code, and direct benefits, in 1991 nearly half of all entitlements went to households with incomes over $30,000, and a fourth went to households with incomes over $50,000.

A study by the Center on Hunger, Poverty and Nutrition Policy at Tufts University analyzed all federal benefits going to individuals and households . Its report noted that in 1993, some 86% of the nation's total government benefits went to middle class and wealthy recipients, a total of one trillion dollars. Only 14% of total government benefits went to the poor and near-poor. **AFDC payments of $13.79 billion account for**

just over 1% of all federal benefit programs. Non-means tested benefit programs such as Farm Supports, Veterans Benefits, Social Security and Military Retirement come to $600 billion annually - over 51% of total federal benefits.(5)

AID TO BUSINESS

"A Congress that is eager to challenge low-income welfare entitlements ought to be at least as tough - if not tougher - on welfare entitlements for the well-heeled and politically powerful if it truly wants to bring the budget deficit under control." Robert S. McIntyre, Citizens for Tax Justice, *The Columbian*, 4/25/95

Aid to business is frequently called "corporate welfare". It includes direct payment to companies, provision of public goods or services at below-market value, federal purchases of goods or services at above-market value, federal tax breaks, and exemptions from laws. Tax breaks are the biggest source of corporate welfare. Many people believe that some governmental assistance to corporations makes sense, such as tax incentives creating jobs that pay livable wages, accomplishing environmental protection and clean-up, or providing child care facilities in work places.

The House *Progressive Caucus* recently introduced a bill called "The Corporate Responsibility Act" that would eliminate $800 billion in tax subsidies and other benefits for corporations and the rich. This legislation would save $200 billion over seven years by ending the tax-exempt status for U.S. companies that move to free trade zones in the Caribbean and Central America.. Now, these firms receive a 100% exemption from all corporate income tax, all export and import duties, and all dividend and equity taxes. It would end the credit given multinational corporations for taxes paid in foreign countries, saving $114 billion. And it would cap the home mortgage deduction at $300,000, saving $47 billion; and tax capital gains at the same rate as other earned income, saving $63 billion.

Two other examples of welfare which benefit special interests and are not in the public interest are:

- $3.2 billion for the FY96 Foreign Military Financing Program. The federal government negotiates foreign arms exports for companies, then provides subsidies to countries to purchase the military products. In FY94, General Dynamics Corp. and Lockheed Martin benefited from a total of $1.9 billion in Foreign Military Sales awards.

- $1.4 billion in higher prices annually for U.S. sugar suppliers. Congress extended for seven years the U.S. Sugar Program, which controls supply by imposing import quotas and restricting U.S. production, causing U.S. sugar prices to be twice the world price.(6)

In brief, the total amount of federal dollars spent on AFDC, food stamps and Medicaid has cost about $85 billion annually. The total cost of federal corporate tax breaks and subsidies is hundreds of billions of dollars. What responsibility does the corporate sector have to structure its employment to provide more jobs for the unemployed?

WASHINGTON STATE TAX and FISCAL POLICY

Current state fiscal policy towards business and manufacturing is a result of concern that Washington State will lose manufacturing jobs like the rest of the nation. The specific aim has been to maintain and secure the high-tech base made up of computer and software companies. A review of fiscal notes on tax bills enacted in the last three years reveals a total of more than $750 million in tax breaks for business (loss of revenue for Washington) by the year 1998.

Thomas Barnard has prepared a document titled "Which Way Forward? - Some Questions Concerning Tax Breaks for Washington's Business Sector" for the Institute for Washington's Future at the University of Washington. In it, Barnard describes Washington state's current fiscal policy with respect to business as supply-side economics which promotes "growth through lowering production costs by means of lowering taxes, and general tax abatements - in other words, tax breaks."

A number of these legislative measures involving tax breaks came out of a Department of Revenue study which claimed tax breaks as a large factor for businesses locating in Washington. Barnard points out that of seven surveys mentioned in the appendix of the Revenue report, none found tax structure, including tax breaks, to be a major consideration in firm location. Business location or expansion is often decided on quality-of-life issues (schools, community safety, public transportation). These issues can be adversely affected when the tax base is eroded with tax exemptions and deferrals.(43)

Prominent examples of state tax breaks include:

- A new business sales and use tax deferral enacted in 1985 to encourage new businesses to locate in Washington. To qualify, a firm must be engaged in manufacturing, or research and development, and can defer retail sales taxes on plant, equipment, and construction labor, and pay it back gradually.
- A distressed area sales and use tax exemption. A firm engaged in manufacturing, R&D, or computer-related businesses is eligible if investments are made in new plant equipment, and one job is created for every $300,000 of investments for which taxes are exempted. The original definition of "distressed area" has been extended to include 21 counties, and parts of other counties known as Community Empowerment Zones.

Barnard claims that a balanced-budget agreement (if passed by Congress) could result in $5.6 billion in federal cuts by the year 2002, at the same time that millions of dollars in state revenue are being lost due to tax breaks for business. With no state income tax, which is paid proportionally more by the rich than the poor, Washington relies on sales, use and B&O taxes, and is often cited as having one of the most regressive tax systems in the nation.(43)

WELFARE REFORM

We turn to yet another report: "The Values We Live By: What Americans Want from Welfare Reform". Public Agenda, a non-profit research organization, conducted an in-depth national survey, including eight focus group discussions around the country last year, to discern public perceptions towards welfare and the reform proposals mentioned above. As noted in the report, "The public has a distinctive analysis of what has gone wrong, and a surprisingly cohesive view of what would put it right. What's more, many Americans seem ready to talk constructively about how to apply their vision of what welfare should accomplish in the real world."(39)

The study found that an overwhelming majority of Americans think the current system is basically flawed, that recipients stay on welfare too long and don't try hard enough to get off. They think welfare is addictive and passed on from generation to generation, and that it entraps recipients, encourages them not to work and undermines the work ethic. Even those in families that have used welfare believe this. Despite these negative views of welfare, most would not eliminate it. Most believe government has a role to play in helping the needy. They agree that, "Despite their flaws, programs like food stamps, AFDC, and Medicaid help millions of poor adults and children live healthier lives."
So, what do Americans want? They say they want a welfare system that requires work - community service for anyone receiving benefits and a transition to paying jobs as quickly as possible. They put job training and education at the top of a list of ways to improve welfare, and they're willing to pay for it. Cutting the benefits of welfare recipients was last on the list. They combine time limits with job training and education, community service and child care. "They support reforms they think will work. If such measures as time limits or job training programs bring unforeseen consequences - like substantially more homeless or expansion of the welfare rolls - many would reconsider..."(39)

The national and state legislative drive to change the system turned states into laboratories for welfare reform. While waiting to see how Congress would "reform" welfare, many states received federal waivers to create a wide variety of demonstration projects. Most emphasize the temporary nature of public assistance, the importance of making the transition to work, and the need for personal responsibility, reflecting to a large extent the public's opinions about the role of public assistance.

Welfare has never comprised more than 1.2% of the federal budget, nor more than 4% of the state's budget, so it is a small item when it comes to balancing the budget, or passing the costs on to taxpayers.

As for recipients, most do not want to be on welfare. They find it degrading to apply. They lose self-esteem and feel like second-class citizens. They feel punished for being poor. Though public assistance has been a safety net for many, almost everyone admits that welfare grants are inadequate to support a family.

Many people believe that the welfare system has destroyed responsibility, diminished personal dignity and created economic disincentives that bar people from success. Some think that the current system has pampered the poor. In 1994, the maximum monthly AFDC grant for a three-person family in the median state was $366, or 38% of the federal poverty level. Only 15 states have combined AFDC and food stamp benefits above 75% of the poverty threshold. The average U.S. single mother with two children receives $565 a month from a combination of AFDC, food stamps, means-tested housing subsidies and Medicaid.(23)

The original goal of welfare was to allow poor widows to stay at home with their young children. But now, almost 90% of AFDC families are headed by mothers who are separated, divorced, or never married. Today, with the majority of mothers working at least part-time and usually from economic necessity, it has become hard to defend the support of a lot of poor mothers who aren't working, (even though it is less costly for society to support them than to pay for training, child care, transportation). Legislation in the past decade has shifted to reflect the view that parents should be the primary supporters of their children and government should help recipients to find work. This also means greater enforcement of child support collection from non-custodial parents, usually fathers.(30)

CHILD SUPPORT

Children start out with two parents. There is no doubt that a lack of child support payments drives millions of parents - mostly women - to the need for public assistance, though there are no statistics to tell the percentage of those on welfare **because of** non-support payments by the non-custodial parent.(8)

Ideas discussed as a means of collecting support from non-paying parents include automatic assignment orders whereby wages are withheld by the employer and forwarded to either the receiving parent or to the Office of Support Enforcement (OSE); denial of professional and other licenses); a federal computerized data base to track non-support-paying parents, and withholding of income tax refunds.

Currently, approximately 254,000 children who are on public assistance in Washington are owed child support from the non-custodial parent. If the child support is collected by OSE, the custodial parent receives only the first $50 every month. The state keeps the remaining funds. If a non-custodial parent leaves the state of Washington, s/he is beyond the reach of the OSE. If support payments are not made, the custodial parent must locate him, hire out-of-state legal counsel, and proceed to enforce a judgment in the state where the non-custodial parent lives. Someone receiving public assistance due to lack of child support probably does not have the resources to enforce a Washington judgment in another state.

In the 1996 Washington legislative session, House and Senate welfare reform measures died in conference committee. They included loss of licenses (drivers' and professional) for non-custodial parents who don't make child support payments. We do not know whether a recent increase in collection of child support is due to increased state efforts, or to the federal Child Support Recovery Act, passed in 1992, which allows the federal government to prosecute non-support-paying parents.

REFORM EFFORTS IN OTHER STATES

The past decade's change in outlook toward public assistance gave states more flexibility in getting welfare recipients to work. They could mandate Community Work Experience Programs (CWEP), or "workfare", expand job search requirements, and take over the bulk of administration. The new flexibility, decentralization and reduced federal funding transformed programs from fairly uniform throughout the nation to a variety of state initiatives. States were able to diverge from federal law by obtaining federal waivers for specific aspects of welfare reform.

WISCONSIN

In 1993, the Wisconsin legislature directed that, as of January 1, 1999, the state's AFDC program would be repealed, to be replaced with a new program that would eliminate entitlements under AFDC and require recipients to work. Wisconsin Works (W-2) was introduced in 1995 as the replacement program. Eligible participants are custodial parents age 18 or over. Family assets could not exceed $2,500, excluding vehicles up to a total value of $10,000 and one home that is the family's homestead. Family gross income could not exceed 115% of the federal poverty level.(2,3)

Participants are assigned to one of four types of placements:
1. Unsubsidized employment, that is, a job in the public or private sector.
2. Trial jobs, or on-the-job training and work experience for clients unable to obtain unsubsidized employment. They are paid at least minimum wage, and the employer receives a maximum subsidy of $300 per month if s/he agrees to make good faith efforts to retain the participant after the subsidy ends.
3. Community service jobs (csj), which would provide work experience and training to assist participants to move promptly to unsubsidized employment or a trial job. Participants are paid a grant of $555 per month, regardless of family size. Custodial parents whose youngest child is less than 12 weeks old would receive the csj grant and not be required to participate in employment activities.
4. Transitional placements are available for those who are incapacitated or otherwise unable to perform a community service job. They would receive a grant of $517 per month and would be required to participate at least 28 hours per week in an approved work activity.

All W-2 participants are also eligible for food stamps, health care, child care, and transportation assistance. Those in unsubsidized employment and trial jobs would be eligible for earned income tax credits (EITC). Those participants in options 2, 3, and 4 are limited to 24 months in their placements, with some extensions. Overall participation in W-2 employment is limited to five years, although this too can be waived in unusual circumstances.

Child care is available to parents with monthly incomes of no more than 165% of the federal poverty level ($1,379 for a family of two, $2,083 for a family of four). Parents must make a co-payment on a sliding scale. Medical assistance programs are eliminated and health care coverage would be through health maintenance organizations. The person will be eligible only if she does not have access to employer-subsidized coverage (employer covering at least 50% of the cost), or if the person had access to employer-subsidized child care in the 18 months prior to application.(2,3)

There are many critics of W-2. The criticisms are not with the basic concept of helping people to become employed by removing the major barriers to work, but with how that basic goal is implemented. Summarized here are some of the major criticisms:
- There is no entitlement - a person who meets all the qualifications and follows all the rules may be denied services if insufficient funds are allocated.
- W-2 claims to replicate the real world for welfare recipients, but denies those in community service and transitional jobs a minimum wage and eligibility for EITC.
- Child and health care co-payments place clients in worse poverty, with poor quality or no child care.
- Unsubsidized employees must accept an employer health care program if the employer pays 50% or more of the premium, whether or not the care is equivalent, causing many workers to drop health care because they cannot afford the premiums.
- Requiring a parent of a 12 week old infant to take a low-paying, full-time job and providing infant care for that family is not economical. Current AFDC recipients are not required to work full-time until the child is one.
- People in the Healthy Start program, which provides health care to pregnant women and children to age six, with incomes between 165% - 185% of the poverty level, are no longer eligible for health care.
- There is no post-placement job support built into W-2 to help participants retain jobs.(9)

OREGON

In March, 1996, Oregon obtained a waiver from the federal government that allows the state to make changes in its welfare program. All welfare recipients will be required to get jobs. The main elements of the program are:

- JOBS Plus, a public-private partnership in which welfare clients are placed in six-month, on-the-job training positions in local businesses to gain work experience. Clients receive a paycheck from the employer instead of cash benefits and food stamps, and the employers are reimbursed by the state at the minimum wage level.
- All adults will be required to participate unless there is good reason to exempt them (teen parent in school, disabled, those who cannot find transportation or child care, and those in self-initiated education and training programs.) Mothers will be required to participate for ten hours a week when their child is three months old, 20 hours a week when the child is six to 12 months old, and full time when the child is one year old.
- There are sanctions for clients who don't cooperate. After five months of non-cooperation, a family will lose its entire cash grant, although food stamps and medical coverage may continue.
- Teen parents on welfare can be required to live in safe, supervised settings, and are required to participate in basic education programs.
- There is a two-year time limit on collecting welfare benefits within any seven-year period. As long as the client cooperates with JOBS, they will not be taken off welfare.
- Participants in JOBS Plus receive a full range of support services, including child care, medical coverage, and employment-related expenses. They also may have an "individualized education account" to continue their education after they have found unsubsidized employment. The employer contributes $1.00 per hour, and there is no cap to the fund.
- There are stepped-up efforts to collect child support payments, increased limits to assets and savings, and required substance abuse or mental health treatment if needed.(28,29)

Oregon's JOBS Plus builds on the success of the predecessor JOBS program. An evaluation found that since March, 1994, the welfare caseload dropped from 43,600 to 35,200, primarily due to strategies that move people quickly into employment. Their average wage rate was $6 per hour, and among those placed in employment, 80% were not receiving welfare 18 months later.(27)

CALIFORNIA

In 1985, California passed legislation that changed its JOBS and AFDC program to Greater Avenues for Independence (GAIN). The legislation states that "all applicants and recipients of AFDC are encouraged, assisted, and <u>required</u> to fulfill their responsibility to support their children by preparing for, accepting, and retaining such employment as they are <u>capable of performing</u>."(24)

Eligible AFDC participants are single parents with children age three and over, heads of two-parent families, and volunteers. Persons may be deferred from the program for temporary situations, such as illness, or for completion of a self-initiated vocational or educational program. The welfare grant can be reduced for refusal to cooperate with the program.

Specific program components include:

- Basic Education. Participants are paid for each month they are enrolled and make gains in math, language arts and reading. Those already enrolled in education programs when they register for GAIN may continue if they can finish in two years and if the program will lead to employment in occupations needed in the local labor market.
- Job search/Job Club. Participants learn to complete job applications, practice job interviews, learn about work etiquette, dress codes and budgeting.
- Job development. Case managers and agency people market participants to employers in the community, and follow up after placement to ensure success.
- Close monitoring and sanctions. Case managers monitor progress in each component. Grants may be reduced for non-cooperation.

GAIN also provides child care assistance and transportation during the program. Child care assistance is available for a year after participants find jobs and leave welfare.

A 1994 study of 33,000 GAIN participants in six counties concluded that GAIN increased earnings and reduced welfare, with 57% working at some point during three years following entry into the program. Only about 20% were both off AFDC and working at the end of the three years. In the first year of GAIN, California nearly doubled its welfare budget.

Riverside County claims the most success with GAIN, with a 26% increase in recipients working, 49% increase in average earnings and a 15% decrease in welfare outlays. This is attributed to high expectations, strong emphasis on the value of work (get a job-any job-quickly), close monitoring, a balance of education, training and employment options, job development, sanctions to enforce participation, and workers' performance standards.(25)

EFFORTS IN WASHINGTON

FAMILY INDEPENDENCE PROGRAM (FIP)

The major innovative program in Washington was the Family Independence Program (FIP), a pilot project from 1988 to 1993. FIP was to provide individualized attention to recipients - one caseworker to follow through the process. They would receive training or education tailored to them, transportation help, and child care and medical care for a year after they found work and left welfare. However, the legislature was under the federal restriction to be "budget neutral", and so not enough money was granted to give the individualized follow-through and training. In fact, FIP clients stayed on slightly longer and returned slightly more often.

There were a number of successes, but not enough to continue beyond the five-year trial period. The Urban Institute of Washington, D.C. compared the five welfare offices that implemented FIP to five that continued to operate the AFDC program. The evaluation analyzed three years of follow-up data and found that the participation in education and training, rates of employment and continuing on welfare were not significantly different between FIP and AFDC participants.

Because of rising caseloads and costs, FIP centers could not provide the intended intensive services to their clients. Both FIP and AFDC offices did little job development, with few ties to the local labor market. Also, the federal JOBS program starting up in 1988 at the AFDC sites made AFDC more like FIP. State workers believe that FIP experience helped them alter the welfare office culture to be more client-centered, and that they can develop services for specific groups, such as pregnant and parenting teen-agers.(10)

House Bill 2798 (STEP)

In 1994 the state legislature passed House Bill 2798, relating to public assistance reform and targeting AFDC recipients. Its intent was that "income and employment assistance programs emphasize the temporary nature of welfare and set goals of responsibility, work and independence".

The legislation required DSHS to train staff who provide direct service to AFDC recipients to communicate effectively the expectation that recipients will enter employment, to refer clients to the JOBS program, to provide social services needed to overcome obstacles to employability, and to provide family planning information and assistance. The department reported in April, 1996 that 4,000 staff have received this training and that the "culture change" - from ongoing maintenance of families to transitional help - is well underway.

HB 2798 requires non-exempt parents to participate actively in the JOBS program, with an emphasis on job readiness activities and vocational education. The legislation called for two other major policy changes (from existing federal law), both of which could be implemented only by seeking and receiving a waiver from federal policies: length-of-stay grant reductions (time limits) and elimination of the 100-hour rule.

Length of stay grant reductions were aimed at encouraging all long-term AFDC recipients to choose work over welfare. When a recipient has been on welfare at least four of the last five years, the grant would be reduced by 10%, and by an additional 10% for each year thereafter. (There is a very basic issue of debate here - if the parents don't "cooperate", or there are no appropriate jobs, what happens to the children?)

Elimination of the 100-hour rule was aimed at removing a disincentive to work. When Congress expanded AFDC in 1961 to include two-parent families in need, it said that if the primary wage earner works 100 hours or more per month, the entire family is ineligible for financial assistance. It was hoped that elimination of the 100-hour rule would encourage two-parent families to stay together and to accept employment or to increase their hours of employment.

DSHS submitted a waiver application to the federal government to implement the Success Through Employment Program (STEP), two 10-year demonstration projects to impose the time limits and eliminate the 100-hour rule. The waiver was granted, and implementation began in January, 1996. For each project, 90% of affected recipients will be selected at random to follow the new rules, and 10% will be a control group following federal rules. By January, 2000, the Department (DSHS) will determine the exempt status for each family assigned to the length-of-stay limits group, and start to impose 10% grant reductions on non-exempt families. Exemptions will be given if the adult recipient is unable to work, or participating in the JOBS program or unpaid work experience, or needed in the home to care for an incapacitated person, or for a child under three years old.

PRIVATE PROGRAMS

Besides legislatively-directed programs such as FIP and STEP, there are a number of private efforts throughout the state to help welfare recipients become self-sufficient. *Washington Works* is an example of a private agency (with some government funding) whose goal is to help women on AFDC obtain meaningful work and move off welfare.

Operating in Seattle since 1993, the course spans three and a half months of intensive training, followed by individualized job search and two years focusing on job retention and career development. Eligibility requirements are high. In addition to being on welfare, the student must have completed her GED or high school, be free of outstanding warrants, and drug and alcohol free. There is a pre-course to help promising young women attain these preliminary goals. AFDC provides child care and medical care.
The unique component of the program is an intensive Personal Effectiveness Class to develop goals and an "I can do it" attitude. It is full time for the first four weeks. Much of the success of the program rests with this class and instructors who can speak the language of the students and involve them in their own growth. Next comes ten weeks of basic math and English, communication, administrative skills and either computer or nursing training. Individual help with job search follows. Most stay until a job is found. After placement, a trained volunteer meets with the student three times a month, and there are monthly graduate meetings. *On the Move* is a group for those employed a year or more.

By April of 1996, 153 graduates had found jobs, all with medical benefits and an average starting salary of $8.20 per hour and 82% full time. Seventy-five percent have remained off welfare for a year or more. (National average is 55% - New York Times 10/24/94). About 130 new students are enrolled each year.

The program is expensive, with costs running $4,345 per student. There are 19 full-time employees. Funding is currently 40% federal (Job Training and Partnership Act). Matching funds are required, but since 1988 when the Family Support Act was enacted, agencies can use private funds for the match. The 60% of private funds for *Washington Works* are largely raised through the Private Industry Council. DSHS currently contracts with Washington Works for some hard-to-place clients.(40)

LATEST LEGISLATION

CONGRESS

House Resolution 3734 - "The Personal Responsibility and Work Opportunity Reconciliation Act" - passed both houses of Congress and was signed by the president. It is the final compromise by the conference committee to reconcile the House's "Personal Responsibility Act" and the Senate's "Work Opportunity Act of 1995".

As predicted, HR 3734 consolidates funding and ends entitlement for AFDC, JOBS and Emergency Assistance (EA) into a $16.4 billion annual block grant to states, beginning in Fiscal Year 1996 and running through FY 2002. The block grant program's name is *Temporary Assistance for Needy Families*, or TANF. States will receive a fixed amount based on what they received for AFDC, EA and JOBS for FY 92-94, or FY 94, or FY 95 (their choice). States may transfer 30% of the TANF block grant to other block grants, but all transfers must be spent on programs for children and their families with incomes not above 200% of the poverty level.

The implementation date for TANF is the later of 7/1/97 or six months after the state submits its plan to Health & Human Services. States must spend at least 80% of what they spent in FY 94 on AFDC, JOBS, EA and child care for 1997 through 2001, called Maintenance of Effort (MOE). That can be reduced to 75% if the state meets the work participation requirements.(21)

Time Limits

The federal legislation established a five-year time limit on the receipt of cash aid (using block grant funds). Time on assistance does not count for a child. States must require a parent or caretaker receiving TANF to go to work after 24 months of aid. If states don't comply with the time limits their block grant will be reduced by 5% the next year.

States may grant exemptions to the time limit of up to 20% of the caseload for hardship cases, such as people who are battered or subjected to extreme cruelty, and can also set shorter time limits.

Teen Parents

Teen parents under 18 must live with a parent or responsible adult to qualify for TANF (unless not in the best interest of the teen). States may not provide TANF to unmarried teens under 18 who have not yet finished high school unless the teens are in high school, an alternative approved program, or getting a GED.

Family Cap

There is no family cap in HR 3734, but if a state has a family cap under a federal waiver, it may continue. States with the family cap may use Title XX funds to provide vouchers for the care of the excluded child.

Aid to Legal Immigrants

Current and future immigrants cannot get food stamps and SSI until becoming citizens. New legal immigrants will be denied all other means-tested benefits for five years, except for emergency medical services, child nutrition and immunization, foster care/adoption assistance, Head Start and Public Health Service Act programs.

States have the option to restrict benefits under Medicaid, Title XX and TANF for current immigrants and those who arrive after 1/1/97.

Indian Tribes

Recognized Indian tribes may run their own family assistance programs. From 1997 through 2001, each tribe with an approved tribal assistance plan will receive a grant equal to the federal payments to the state in FY 94.

Food Stamps

The Food Stamp Program remains an entitlement. However, the federal government will provide $24 billion less funding for food stamps to the states over six years. (According to the New York Times, 8/23/96, cuts in food stamps and the denial of most welfare assistance to legal immigrants in the future account for most of the new law's budget savings.(30)) The cut will affect all families using food stamps. A three-person family will lose nine dollars a month.

There is a complicated range of requirement changes for eligibility, including household composition rules, treatment of energy allowance income, high school students' earned income, stricter work requirements and various shelter deductions. The bill puts a three-month limit in any three-year period on food stamp receipt by single, able-bodied persons between 18 and 50 with no dependents and who don't work at least 20 hours a week or enter a state-certified job training program, (with an extra three months for those laid off).

Work Requirements

States must meet work participation requirements for all TANF families: in 1997, 25% must be working, in 1998 - 30%, in 1999 - 35%, in 2000 - 40%, in 2001 - 45%, and in 2002 and thereafter - 50%. For two-parent families, work requirements increase from 75% for FY 97-98 to 90% in 1999.

Eligible work activities include: subsidized or unsubsidized employment, work experience, on-the-job training, job search and job readiness (limited to six weeks a year or 12 weeks if the state unemployment rate is at least 50% above the national average), community service, vocational education not to exceed 12 months, or high school for those under 19. Child care provided to welfare families by parents on TANF counts toward work requirements.

For single parent families, the minimum average number of hours working is 20 hours per week for FY 1997 through 1998, 25 hours for FY 99, and 30 hours in FY 2000 and after. Two-parent families must work a minimum of 35 hours per week. Severely disabled, or those who provide care to the disabled, are exempt from the work requirements.

States face graduated penalties applied to their block grants for failure to meet participation requirements. And individual participants face pro rata reduction of grants for failure to comply, at the state's option, or the state may opt to terminate assistance or to terminate Medicaid.

Child Care

The new bill established a single child care block grant to states which includes $13.85 billion in mandatory funding ($3.8 billion more than under current law) for TANF clients, and $7 billion in discretionary funds for the working poor. States should receive approximately $1.2 billion of the mandatory funds as a capped entitlement, and the rest would be available using state match. States must maintain the greater of FY 94 or FY 95 child care expenditures in order to get the matching mandatory funds.

States must use at least 70% of the total amount of funds to provide child care to families who are receiving assistance, or making the transition off assistance, or at-risk of becoming dependent on assistance. While the At-Risk Child Care Program is repealed (for low-income families not on AFDC), states must ensure that a substantial portion of funds provide assistance to low-income working families for FY 1997 through FY 2002. There is no child care guarantee, but single parents with children under six who cannot find child care are exempt from work sanctions.

Child Support Enforcement

The child support enforcement reform contained in HR 3734 is extensive and will require states, including Washington, to amend laws to implement the reform. Washington already enacted the Uniform Interstate Family Support Act (now required), but substantive changes to the Act mean that legislative changes will need to be made during the 1997 legislative session. HR 3734 requires states to have laws suspending drivers', professional, occupational and recreational licenses for overdue child support. (Washington almost passed a similar law in 1996 session.)

Participants who fail to cooperate in paternity establishment will have their grants reduced by at least 25%. States must have a procedure by which unmarried parents acknowledge paternity in the hospital at time of birth.

Child Protection and Child Welfare

Foster care and adoption assistance maintenance and benefit payments are retained as an open-ended entitlement. Independent living is still a capped entitlement. Children receiving foster care and adoption aid are eligible for Medicaid. Federal participation in the $50 child support pass-through is eliminated 10/1/96.

States have the option of implementing grandparent liability whereby parents would be financially responsible for their minor children's children.

Supplemental Security Income (SSI)

The entitlement to SSI is retained, but the criteria for eligibility of children is toughened, eliminating children with "maladaptive behavior", and the individual functional assessment. Many severely behaviorally disturbed children will no longer be eligible for SSI. Child advocates fear that the foster care system may be flooded because parents find these children too difficult to manage at home without SSI.

Report of Children Affected by Welfare Reform

HHS must report to Congress on how children are affected by welfare policy changes. Within 90 days of enactment and annually thereafter, states must report their child poverty rates and prepare corrective plans of action if there is an increase of 5% or more in child poverty from the year before.

While many state and local governments worry about their probable increased burden with block granting of public assistance, many welcome the chance to be able to design their own programs. With the federal JOBS program repealed, and states required to come up with their own work participation plan for welfare recipients, the question again is whether there are enough jobs for all the unemployed and underemployed who need work. A related question is the potential effect on bottom-wage scales when those now on welfare flood the labor market.

1996 WASHINGTON STATE LEGISLATURE

Concerted efforts were made by both houses of the Washington legislature in 1995 and again in 1996 to enact major changes in welfare programs, entitled "Making Welfare Work". No bills passed because of lack of agreement between the House and the Senate.

House Bill 1481

In tune with the national drift, House Bill 1481 would end entitlement to all public assistance, including AFDC. Public assistance was described as "a charitable gesture or gift on the part of the state, which at any time may be discontinued." It called for a 42-month lifetime limit for receiving AFDC grants. After 24 months of full benefits, recipients might be eligible for up to 18 more months of reduced benefits if they were working or doing community volunteer service or providing paid child care to other AFDC recipients.

The House bill denied any increase in assistance for any child born after application for AFDC, the "family cap" provision. It also required a 9% grant reduction for all AFDC families in order to provide additional funds for job training services and child care.

Senate Bill 6062

The Senate called for time limits as well - a 60-month lifetime limit. Recipients in welfare-to-work programs would be eligible for a full AFDC grant for up to two years, plus job search time of up to six months. After that the grants would be reduced by 20% every six months, unless they were participating at least 100 hours per month in a community volunteer program. Some time limit exemptions were allowed, such as for any six-month period if the unemployment rate in the prior year was 8% or higher.

Senate Bill 6062 authorized license revocation (driver's and occupational) for non-custodial parents who do not pay their child support. By the time the two bills had been argued in conference committee, conferees had agree on license suspensions, - almost everything but the family cap.

Since Congress has passed, and the president has signed, the historic welfare reform measure doing away with 60 years of entitlements, the governor's office, the Office of Financial Management, DSHS and the legislature are all planning for implementation of block granting. There is confusion over whether federally granted waivers to the states to operate their own experimental welfare plans will take precedence over HR 3734. Washington and 44 other states have received waivers. The measure says that states may continue waiver projects running prior to enactment of HR 3734, and that any changes made by the bill that are inconsistent with the waiver shall not apply until the waiver expires.

On the other hand, federal funding is limited to the block grant amount, and the work requirements of HR 3734 still apply. At any rate, it will no doubt take considerable time, perhaps years, for the states to completely understand and implement the new welfare reform.

CONCLUSION

Is there no loom to weave our meteoric shower of facts into fabric? At least those facts won't lie unquestioned. If the League of Women Voters is to understand the societal problem of poverty, we must understand the reality of the economic system in which poverty dwells, and also the public perceptions - reality or myth - that lead to reform. Ultimately, it is the legislatures, national and state, that reform welfare; and they are guided by public perceptions, more than by economic reality.

Now that the federal government has enacted sweeping changes in public assistance, ending Aid to Families with Dependent Children and several related programs, and has replaced them with block grants, the action shifts to state and local governments. How will the state of Washington respond to this major change in federal policy and funding? Should the state government be the safety net of last resort? Or where does the state government's responsibility end and local governments' and private charities' begin?

How does our economy accomodate families in transition, or those who may never be able to function adequately? Should the same programs serve both? How and where will jobs be found for all who are able to work? What will happen to the children of public assistance recipients when their time limits are up? Census Bureau figures released 8/19/96 show that 48% of the chronically poor in 1992 and 1993 were children. Eight percent of the nation's children were in chronic poverty, in contrast with about 5% of the nation's elderly, and 3% of non-elderly adults.(46) The Urban Institute estimates that the 1996 welfare legislation could push 1.1 million more American children into poverty.

The "meteoric shower of facts" falls now on elected officials and on every concerned citizen in Washington. Together we must craft a loom to weave a fabric of social policy that protects those in need.