



U.S. SENATE COMMITTEE ON

Finance

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Opening Statement of Sen. Chuck Grassley
Senate Floor Debate on the PRIDE Act
Monday, March 29, 2004

Mr. President, I rise today to begin debate on the Personal Responsibility and Individual Development for Everyone, the PRIDE Act. I am very pleased that the Senate is considering this important legislation.

In 1996, after years of debate and two presidential vetoes, a Republican Congress passed and a Democrat President signed the Personal Responsibility and Work Opportunity Reconciliation Act.

The enactment of welfare reform ended the individual entitlement to cash assistance and replaced the Aid to Families with Dependant Children (AFDC) program and its work and training component JOBS with a block grant to states for the Temporary Assistance for Needy Families (TANF).

The impetus for welfare reform was generated by a number of factors, including public sentiment that the welfare system needed overhauling.

According to one public opinion poll done in 1993, 78 percent of Americans thought that welfare was not working well. When campaigning for President, Bill Clinton promised “to end welfare as we know it.” Republicans made welfare reform a key piece of their “Contract with America.”

In the years leading up to the enactment of welfare reform, AFDC rolls soared and costs increased. From 1988 through 1992, welfare spending increased by billions of dollars.

This welfare system was attributed by many to contributing to a culture of isolation and dependance, persisting from one generation to another.

From 1993 to 1996, the Department of Health and Human Services approved welfare waivers in 43 states. The nature and scope of these waivers varied, but the breadth of them revealed a broad acknowledgment that the system was not working.

Despite dire predictions to the contrary, the reforms in the 1996 act have produced positive results.

The welfare caseload has dropped dramatically. Between FY 1997 and FY 2002, the average monthly number of welfare recipients fell by 5.8 million or 53 percent.

Child poverty has been reduced. Between 1996 and 2001, the national child poverty rate fell by 20 percent.

This decline is even more marked for certain groups. The African-American child poverty rate dropped from nearly 40 percent to 30.2 percent – the lowest rate on record. The Hispanic child poverty rate dropped from 40.3 percent to 28.0 percent – the largest five year drop on record.

Employment rates of the adult recipients have increased. In FY 2001, 27 percent of adult recipients were employed, rising about 2.4 times the 1996 employment rate of 11 percent.

These reforms all stemmed from a “work first” approach that emphasized an adult’s attachment to the workforce. I believe that we should continue and build upon a “work first” approach.

And yet, Mr. President, the need for reform continues.

There are key provisions in the 1996 Act which have not yielded the desired results. Additionally, there are further reforms which should be enacted.

For example, the 1996 bill envisioned a “contingency fund” which would provide additional matching grants to needy states during economic downturns. However, during the recent recession, the first real test of the contingency fund, no state was able to access the fund.

This is because of strict state spending requirements to access the contingency fund.

States must raise their own spending considerably during a recession to meet the contingency fund state spending requirements.

I am sure that it was not the intent of the authors of the 1996 bill to make the contingency fund inaccessible. The PRIDE bill includes provisions which would liberalize the contingency fund, to make it more accessible to needy states.

Another example is the work participation rate.

The 1996 welfare reform bill envisioned a participation rate of 50% by 2002. However, because of the way that the caseload reduction credit has worked, many states have a marginal or a nonexistent work participation requirement.

The fact that the case load reduction credit has effectively neutralized the work participation rate requirement is a fundamental flaw in the 1996 act which must be corrected during this reauthorization process. The PRIDE bill does in fact, correct this by replacing the caseload reduction credit with an employment credit.

To ensure that the credit does not undermine the work participation rate, the credit would have a phased-in cap.

Many have advocated that there needs to be a stronger message sent to states on the value of education as a means to get out of poverty. Some have also indicated the need for increased child care funding as well as needed improvements to child support and enforcement policies. PRIDE increases opportunities for education and training as well as increasing funding for child care.

Additionally, the PRIDE bill provides child support enhancements with more child support going to families. These reforms are a critical means that help families get off and stay off welfare.

Two of the four purposes of the 1996 welfare bill dealt with strengthening two-parent marriages. So far, very few states have taken the opportunity to develop and implement innovative programs and policies to address the issue of healthy two parent marriages. I strongly support marriage promotion activities as a means to improve child well-being.

PRIDE includes funding for healthy marriage promotion activities as well as for research, demonstrations and technical assistance to states in developing effective programs.

Thus, while the 1996 act made significant reforms, there remains more that should be done to strengthen the current welfare delivery system and those reforms are included in the PRIDE bill.

Recognizing the improvements that the 1996 reforms made, the Senate Finance Committee began our deliberations by working off current law and improving it with priorities identified by Senators on and off the Finance Committee and The Bush Administration.

The Senate Finance Committee deliberations, in many ways, continued the work done in the 107th Congress on the issue of welfare reform.

As members know, the bill that Chairman Baucus produced in the second half of the 107th Congress, the “WORK” bill, was based on the so-called “Tripartisan Agreement.”

This “Tripartisan Agreement” was a series of policy agreements reached by Senators Breaux, Hatch, Rockefeller, Snowe, Lincoln and Jeffords. These members, along with Senator Baucus, continue to play strong and important leadership roles on the Finance Committee relative to welfare reform.

I recently reviewed the “Tripartisan Agreement” and noted the similarities between what the Tripartisan group proposed, the PRIDE Act and the House-passed bill, which is largely based on the Bush Administration’s proposal for welfare reform.

I refer my colleagues to the following charts which highlight the many areas of common ground between last year’s “WORK” bill, the House bill and the PRIDE bill. Not all the details are exactly the same, but as my colleagues will see, there is a great deal of common ground between these three proposals.

There is common ground regarding keeping what works from the 1996 welfare reform bill. All three bills maintain the basic block grant; continue the policy of no individual entitlement to assistance and retain the lifetime five-year time limit. Both the Baucus bill and the PRIDE bill would maintain current sanction policy. The PRIDE bill continues to allow for 12 months of education and training while the House bill scales that back to 4 months and the Baucus bill would have increased that to 24 months.

Additionally, both the WORK bill and the PRIDE bills would maintain the current list of core work and work readiness activities, although the WORK bill would allow eight weeks to be spent in job search.

There is common ground in terms of improving state flexibility. All three proposals would allow for adults on assistance with barriers to work to engage in activities designed to address those barriers and allow those “barrier removal activities” to count toward a state’s work requirement for three months; provide for increased access to emergency or “contingency” funds during an economic downturn and allow states to use their unobligated balances, or carry over funds for any TANF purpose, including child care whereas currently, states can only use these funds for cash assistance.

Both the WORK and the PRIDE bills would allow for an additional three months of “barrier removal activities,” if combined with work. Both the WORK and the PRIDE bills include a provision allowing states to count longer duration post-secondary education towards their work requirement – a provision patterned after Maine’s “Parents as Scholars” program.

There is common ground relative to strengthening work. All three bills would increase a state’s required participation rate and raise the time spent in “core” or priority activities as well as assigning partial credit for hours below the standard.

The PRIDE bill and the House bill would raise the standard hour. The PRIDE bill and the WORK bill would replace the caseload reduction credit with an employment credit, based on legislation introduced by Senator Lincoln.

There is common ground in terms of promoting healthy families. All three bills would provide for “universal engagement,” improved child support provisions, and healthy marriage grants as well as for Responsible Fatherhood grants. Both the WORK and PRIDE bills would extend Transitional Medical Assistance for five years with program simplifications proposed by Senator Breaux; allow for care giving for a disabled child to count as work; and would require states to develop pre-sanction review policies.

Mr. President, I have worked very hard to make this a bipartisan product. I have been continually mindful of concerns raised by my Democrat colleagues.

On areas where we differ, Mr. President, I am more than happy to let the Senate work its will.

And there are outstanding issues. There are key differences between last year’s Senate

Finance Committee bill and this year's Senate Finance Committee bill.

In my opinion, the most significant are:

- 1.) the level of child care funding available for states, which we will vote on shortly;
- 2.) 24 versus 12 months of allowable education and training;
- 3.) eligibility for legal immigrants for TANF, Medicaid and SCHIP;
- 4.) continuation of expired state AFDC waivers, and;
- 5.) the standard hour for calculation of a state's work participation rate.

I am also aware that there are members who may wish to consider provisions increasing the work requirement by broadening the families that count towards the participation rate as well as increasing the standard hour.

Additionally, members may want to consider amendments requiring states to impose a full check sanction on adults who fail to comply with their self sufficiency plan.

I look forward to a healthy debate on these issues.

At this point, however, I want to spend some time discussing the issues surrounding the work requirement in PRIDE, specifically the issue of work hours for individuals receiving assistance.

To begin with, Mr. President, let me clarify something for the record: there is no federal hours requirement on an adult receiving assistance. Let me say it another way – the federal government cannot make an individual welfare recipient work 40 hours or 30 hours or one hour.

Just as there is no longer an individual entitlement to welfare, there is no individual requirement for work hours. As the great baseball Hall of Famer, Casey Stengel used to say, "you can look it up."

Now, there **is** a federal requirement on the states to engage welfare clients in a variety of meaningful activities in order to meet a federal work participation rate. And there are severe penalties on states for failure to meet the federal work participation rate.

Currently, in order for a state to count an adult recipient toward the calculation of that state's work participation rate, that adult must be engaged in priority work or work related activities for 30 hours.

As you know, Mr. President, the majority of families receiving welfare don't want to be on welfare.

A recent study by the Mathematica Policy Research Institute of low income families in Iowa revealed that many of those who asked for assistance, "felt that it sacrifices their independence and pride to do so."

In hearings as well as in town hall meetings in my state of Iowa, adults receiving assistance told me that they wanted to work.

Mr. President, I take the Iowans who spoke to me of their desire to work at their word and that is why I have worked so hard to bring a bill forward that would encourage states to re-double their efforts to engage adults receiving assistance in meaningful activities and better prepare them to enter the world of work.

Consider the hypothetical case of “Sara” – a mom with two kids, who finds herself in crisis. A victim of domestic abuse, Sara is trying to make a better life for herself and her children.

To that end, she moves out of her abuser’s home and attempts to find a way to support her family. Lacking a number of basic skills as well as needing some counseling to deal with her history of abuse, Sara presents with a number of challenges and needs welfare to help support her family.

Under current law, states have a limited capacity to deal with Sara’s issues and have those activities count toward the state’s work participation rate.

Under current law, a state cannot count any domestic violence counseling they may offer Sara toward their work participation rate.

Sara knows she must work to support her family, so she begins immediately looking for work. She spends 6 weeks looking for a job and finally finds a part-time job as a waitress, working six hours a day, for four days a week.

She continues to look for a better-paying job for an hour a day as well as spending another hour a day in counseling provided to her by the state. I think that many of us would agree that Sara is doing everything she can to try and move toward self-sufficiency and that her state, by engaging her in counseling, is doing its part as well.

However, under current law, because she is only working part-time and because a state cannot count her job search after six weeks and under current law, domestic violence counseling can never count, Sara does not count toward a state’s participation rate.

In other words, you either meet the 30-hour work standard and count, or you don’t.

Currently the states report that the majority of adults – 57% – receiving assistance engage in zero hours of activity. Clearly, it more difficult for states to work with adults who are not doing anything than to work with an adult working 29 hours and get her engaged in a meaningful activity for another 5 hours.

It can be argued, as well, that it is more meaningful to help an adult move from zero to 20 hours of activity than to move an adult from 29 to 34 hours of activity. But, under current law, a state has no incentive to work with that adult.

The Administration's proposal for welfare reform reauthorization, last year's WORK bill and the PRIDE bill, all allow states to get partial credit for hours below the standard hour.

As my colleagues know, the standard hour is when an eligible parent or parents count as "one family," for purposes of calculating a state's work participation rate.

Partial credit for hours below the standard would give states a strong incentive to work with adults, who may not be ready for full time employment. I think we can all agree that it is better for these adults to be doing something, rather than nothing, languishing on the welfare rolls until the time limit kicks in and they have to go off assistance, lacking the skills they will need to support their families.

The PRIDE bill is unique however, inasmuch as the legislation would establish a series of "tiers" where partial credit is assigned along a band of hours. For work or work readiness activities in the 20 to 23 hour range, a state may claim credit for an adult with a child age six or older, counting as .675 of a family. For hours in the 24 to 29 range, a state may claim credit for an adult counting as .75 of a family. For hours in the 30 to 33 range, a state may claim credit for an adult counting as .875 of a family.

The PRIDE bill, consistent with last year's Tripartisan proposal, establishes a separate, lower standard hour for parents with a child under the age of six, although PRIDE sets the standard hour at 24, whereas the Tripartisan proposal would have continued to set that standard hour for parents with a child under the age of six at 20 hours. States can also capture a modest amount of extra credit for hours above the standard.

Under these provisions in the PRIDE Act, the Congressional Research Service has calculated that, overall, the nation-wide work participation rate for states increases from a national average of 29% (without waivers) to 41% under the PRIDE bill. With the exception of Wisconsin, which currently has the second highest participation rate in the country at 69%, every state improves its participation rate. Arkansas, for example, goes from a 21% participation rate under current law (without waivers) to a 32% participation rate under PRIDE. Montana goes from a 38% participation rate to a 60% participation rate.

Now, there are some states that have very low participation rates and I have included a number of provisions specifically intended to assist those states.

Additionally, I am willing to work with members representing those states on measures we can take to assist those states make improvements to the way services are delivered and clients are engaged in those states.

So, when we talk about the work hours, as they relate to the PRIDE bill, I think it is important to bear in mind that the significant hour is not 34 or 40 or 37, but 20 – because that is when partial credit begins.

Additionally, when we talk about the hours and the work requirement, the important hour again is not 34 or 40, but 24, because that is the threshold for core work activities. Once a client meets the 24 hour threshold for core work activities, states can count unlimited education, counseling, job search or other barrier removal activities towards the state's participation rate.

Let us return to "Sara," who, under current law even though she was working 24 hours and in counseling and looking for a job, didn't count toward a state's participation rate.

Under PRIDE, as opposed to current law, Sara would have up to six months allowed in "barrier removal activities," including domestic violence counseling and substance abuse, that count toward a state's participation rate.

Once the six months are up, she has an additional 12 months she can spend in education and training. Once those 12 months are up, if she works for 24 hours, spends an hour a day, five days a week in domestic abuse counseling and looks for a better job for an hour a day, five days a week, she counts as "one family."

In other words, under PRIDE, Sara counts, whereas under current law, she does not.

Mr. President, during the past three years of debate on the issue of welfare reform, I have heard a number of different perspectives on the best approach to take for the next phase of welfare reform.

Some have argued that the way to go was to increase the time that adults receiving assistance spent engaged in meaningful work activities. The correlation between full time work and increased earning is compelling.

Some suggested that increasing the amount of time allowed for education and training was more important than increasing time spent working. The correlation between increased education and increased earnings is compelling as well.

Others believe that encouraging marriage and reducing out-of-wedlock births would net the best results.

Still others have suggested that increasing state flexibility should be an integral part of any reform effort.

I firmly believe that when it comes to welfare reform, there is no such thing as "one size fits all." While education may be the best approach for some, it may not be for others. Encouraging healthy family formation may be just what one family needs, but perhaps this approach would not be in the best interest of another family in different circumstances.

The PRIDE bill takes a "blended approach" to welfare reforms and strives to find balance

among a number of perspectives.

PRIDE increases the emphasis on work and work readiness activities as well as increases the flexibility for states to engage adults in education and training activities. PRIDE also provides resources to encourage states to develop innovative family formation programs, while making it clear that participation in these programs must be voluntary and the program must be developed with domestic violence professionals.

This approach is consistent with the latest research. In a recent policy brief, released by The Brookings Institution, drafted by Ron Haskins and Isabel Sawhill, entitled: “Work and Marriage: The Way to End Poverty and Welfare,” the authors, using Census data and simple modeling, simulate the effects of various factors on the poverty rate for families with children.

The poverty rate for families with children in 2001 was 13 %. Surely, everyone agrees that a central purpose of welfare reform is a reduction in poverty.

As this chart clearly shows, the **LEAST** effective factor in reducing poverty was to double a family’s welfare benefit. The most effective **single** way to reduce poverty was to work full time. Indeed, according to the authors, “full-time work eliminates almost half of the poverty experienced by families with children.”

However, the **MOST** effective approach to reducing poverty was a combination of work, marriage, education and family size reduction. As colleagues can see, when this blended approach is adopted, poverty is reduced a staggering 9.3 percentage points, going from 13 percent to 3.7 percent.

I find these numbers to be quite compelling and am pleased that they reinforce the approach taken by the PRIDE bill.

I know that there are colleagues who have additional thoughts on these important issues and I look forward to a lively debate.

I thank the Chair and yield the floor.