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EXPLORING WAYS TO ELIMINATE PENALTIES FOR MARRIAGE FOR LOW-INCOME FAMILIES

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BEFORE A

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EXPLORING WAYS TO ELIMINATE PENALTIES FOR MARRIAGE FOR LOW-INCOME FAMILIES

WEDNESDAY, MAY 3, 2006

U.S. SENATE,
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Sam Brownback (chairman) presiding.

Present: Senators Brownback and Allard.

OPENING STATEMENT OF SENATOR SAM BROWNBACK

Senator BROWNBACK. Call the hearing to order.

Thank you all for joining us this morning. By all accounts, and according to all available research, children do best when they grow up in homes with their married biological parents. It doesn't seem like we should need, or have, to state that, but that is what the sociological data says, and it's something of importance for us, as policymakers, to see that children, as many as possible, grow up in the best possible setting. They are generally healthier, happier, and have brighter futures than children who grow up with only one parent.

Statistics tell a compelling story. Children raised by married parents are three times less likely to repeat a grade in school, five times less likely to have behavioral problems, half as likely to be depressed, three times less likely to use illicit drugs, half as likely to become sexually active as teenagers, and are seven times less likely to live in poverty. A compelling picture.

Given the enormous benefits that accrue to children who are reared by their married parents, it is a moral and societal imperative that we esteem, support, foster, and, indeed, encourage the institution of marriage. But sadly, governmental policies have actually conspired to do just the opposite.

Certain programs created in the 1960s had the unintended consequence of discouraging marriage by providing financial incentives for low-income parents to never get married. These policies made it economically rational for a low-income mother to remain single and unemployed, rather than to get married. Three decades of these incentives have wrought the significant and tragic result for our children. Fully 35 percent of all babies born today in America are born to single mothers. This compares to just 4 percent in 1960.

Certainly, there are many single mothers who are heroically and successfully raising children on their own. They deserve our respect

and support. But it also is an indisputable fact that a father and a mother bound together in marriage provide the best environment in which to raise healthy children. As a society, and as a government, we should strive to foster what is the very best for our children. But government policies have often done just the opposite.

Although the 1996 Welfare Reform Act attempted to remove the incentives for parents to remain unmarried, unwed birth rates have continued to increase. In fact, Government policies often continue to penalize low-income couples with children who decide to get married.

Today, we're delighted to have Dr. Wade Horn here, Assistant Secretary for Children and Families at the U.S. Department of Health and Human Services. He will unveil a new tool, called a "marriage calculator," which will show low-income couples with children just how significant the penalties are if they decide to get married. This new resource should help us examine ways that tax and benefit transfer policies could be reformed to eliminate marriage penalties.

And I want to note here, we've spent quite a bit of time in Congress eliminating, and working on eliminating, penalties to marriage in the Tax Code. We've spent far too little time in Congress working on ways to eliminate the penalties to marriage in the transfer code, or in the areas of support. And what I hope to start with this hearing is us working more on that side of the equation. We've worked on the tax side of it. We need to work on the transfer side of it, as well.

Obviously, there's something wrong with a system that penalizes couples for doing the right thing for their children and for themselves. Rather than providing financial penalties for marriage, I believe that we should help low-income married couples gain stronger financial security. Financial security can help sustain a healthy marriage.

As a way to help low-income married couples gain appreciable assets here in the District of Columbia, we just began a pilot new federally funded marriage development accounts (MDAs). I've got a brochure here, "Saving and Prospering Together," that was developed by one of the groups, and they're launching a campaign here in the District to promote this program. There was a nice article in USA Today, the Lifestyle section, April 27, on these financial incentives to wed.

As a way to help low-income married couples gain appreciable assets, we did start these marriage development accounts. They're available to low-income married couples who are citizens or legal residents of the District, and who have very low net worth. Couples may save money to buy a home, pay for job training or education, or start their own businesses. They'll have a high incentive to save, because their contributions will be matched at a ratio of 3 to 1 by the Federal Government and partnering private institutions. As a requirement of participation, couples will receive training to help them repair their credit, set a budget and savings schedule, and manage their money. They'll also receive a bonus for receiving marriage counseling.

Just last Thursday, as I noted, leaders from the faith community and nonprofit organizations launched the program "Together is

Better" to strengthen marriages here in the District, with MDAs offered as an important tool to help low-income married and engaged couples put their lives on firm financial ground.

MDAs are just one way to help low-income couples get and stay married, so that their children can have a brighter future. It is certainly not a panacea, but I believe that we must take every action we can, and act as quickly as we can, to stop the erosion of marriage that's happened in our Nation. We cannot just watch and wring our hands as millions of children suffer the consequences of growing up without their parents. We must act aggressively in providing as many incentives and innovative approaches as possible. Our future and our children's future, I believe, are at stake.

Now I would turn to my colleague, Senator Allard, if you have an opening statement, and then I'll introduce the panel.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Well, I do, Mr. Chairman. And thank you for holding this important hearing today. I look forward to hearing from the witnesses.

You've continued to be a champion of the institution of marriage in this country, and I applaud you for your dedication.

As you know, Mr. Chairman, the Senate will continue the lengthy debate on marriages in the United States this year. And I believe it to be one of the most important issues facing us today. It is no secret that marriage has been the foundation of every civilization in human history. It crosses all bounds of race, religion, culture, political party, ideology, and ethnicity. As an expression of this cultural value, the definition "marriage" is incorporated into the very fabric of civic policy. It is the food from which families and communities are grown. Marriage is the one bond in which all other bonds are built.

Unfortunately, we find ourselves awash in Government regulations that penalize couples for getting married, especially those at the lower end of the economic spectrum. I find it hard to reconcile the fact that we can recognize that marriages facilitate stable communities and increase the quality of life of those involved, yet Government provides disincentives for men and women to marry. Government should be promoting healthy marriages by easing the regulatory burden on couples that want to spend the rest of their lives together.

Along those lines, Mr. Chairman, you should be applauded for the action this subcommittee took last year in creating marriage development accounts for low-income District residents. Clearly, this is an issue of great concern, and I'm glad that we have the opportunity today to talk about these items that not only affect those in the District of Columbia, but the entire country.

And I look forward to the witnesses' testimony and thank them for appearing here today.

Senator BROWNBACK. Thanks, Wayne. Appreciate that.

The first witnesses are all experts in the field of marriage research and family stability. The Honorable Wade Horn is the Assistant Secretary for Children and Families. He's responsible for programs to promote the social and economic well-being of families. These include temporary assistance to needy families (TANF), fos-

ter care, adoption assistance, family preservation and support, Head Start, childcare, and child-support enforcement. Delighted to have Dr. Horn here.

Dr. Eugene Steuerle is a senior fellow at the Urban Institute, co-director of the Urban-Brookings Tax Policy Center. His latest book is "Contemporary Tax Policy." He serves on the National Committee on Vital and Health Statistics and on advisory panels for the Joint Committee on Taxation. Dr. Steuerle, delighted to have you here.

And Dr. Ron Haskins, a senior fellow and co-director of the Center for Children and Families at The Brookings Institute. Previously, he was senior advisor to the President for welfare policy, and spent 14 years on the staff of the House Ways and Means Committee, where he helped author the 1996 Welfare Reform Act.

I'm delighted to have this quality of a panel. I'm looking forward to your testimony. And I believe this is the first hearing on Capitol Hill to talk about the benefit side of the equation and what we've done on marriage, or not done, or what we've done to marriage. I think this is an outstanding panel to discuss this. And I hope we can really get into some of the details of what we need to do to change these transfer programs so we don't penalize marriage. And I hope you'll feel free to speak about that.

Secretary Horn, delighted to have you here. The floor is yours.

STATEMENT OF HON. WADE F. HORN, Ph.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, ADMINISTRATION FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Dr. HORN. It's my pleasure to be here.

Mr. Chairman and Senator Allard, thank you for calling today's hearing on marriage penalties that are embedded in Government policies. I appreciate your interest in supporting healthy marriages, and share your commitment to improving the well-being of children and families not only in the District of Columbia, but also throughout our Nation.

As you've noted, research shows that healthy and stable marriages support children and limit the need for Government programs. Whether the problem is abuse, neglect, or poverty, the evidence is clear that the best chance a child has of avoiding these problems is to grow up with their mother and father in a stable, healthy marriage. Research also shows that adults in healthy marriages are happier and healthier. And a report from the Institute of American Values suggests that communities with high rates of healthy marriages evidence fewer social problems, such as crime and welfare dependency, compared with those with low rates of healthy marriages.

Unfortunately, certain Government policies result in disincentives to marriage. That's because when two adults marry, they may face a drop in their net income after taxes and loss of public assistance. This phenomenon is referred to as the "marriage penalty." A complex combination of Federal and State tax and program rules determines the financial consequences of marriage. These consequences vary considerably, depending upon each couple's specific circumstances, such as the couple's total income, the distribution of

income between the partners, the sources of income, and the relationship of the partners to all the children in the family.

The size of these penalties can be quite large. Consider, for example, a woman with two children, ages 1 and 5, living in the District of Columbia in 2003. In this example, the woman works 20 hours a week for $7 an hour, has no assets, and has childcare costs of $200 per month. She receives TANF, food stamps, WIC, housing assistance, and a subsidy that offsets some childcare costs. The father of her children works 40 hours a week for $7 an hour and pays $200 in child support. If they were to marry, the father would be able to claim extra deductions and credits on his taxes. However, the mother would lose her TANF benefits and see reductions in her food stamps, childcare subsidy, and housing benefits. The couple's net income would, in fact, drop by about $4,300 a year. While their living expenses would likely fall also, because it's less expensive to maintain one household rather than two, the loss of $4,300 a year in income, or 11 percent of their total net income, is not insignificant.

Given these potential impacts, any efforts to assess marriage penalties require sound and detailed information about the consequences of tax and transfer program policies. I'm pleased to report the availability of a new tool for precisely this purpose. The Administration for Children and Families sponsored the development of a comprehensive web-based tool to assess the financial implications facing low-income couples as they choose between living separately, cohabiting, or marrying. The tool is called the "marriage calculator," and was developed in partnership with the Urban Institute, and it is now available to the public, policymakers, and analysts.

The marriage calculator takes information provided by the user about a family's income and assets, the number, sex, age, and percentage—parentage of the children, and their decisions to participate, if eligible, in a variety of public assistance programs, and then computes the net income of the family in four situations: If the man and the woman, are, one, living apart; two, cohabiting, but not reporting their cohabitation; three, cohabiting and reporting their cohabitation to Government benefit programs; or, four, married. The calculator displays the net income of the family after taxes and including benefits and subsidies under each living arrangement and in each State. It also shows the individual components of that net income.

Of course, decisions about marriage involve more than calculations of immediate financial gains or losses. Couples also consider the long-term benefits for children of being raised by parents in a healthy marriage, regardless of their income level, and—as well as the many emotional, physical, and financial benefits of marriage for adults, as well.

President Bush, like members of this subcommittee, is focused on family formation and healthy marriages with an important purpose in mind, to enhance the well-being of children. The dedicated funding for healthy marriage and responsible fatherhood grants provided in the Deficit Reduction Act, and the continuation of support through other discretionary grant programs within my agency, will allow us to meet the President's objectives to strengthen the insti-

tution of marriage and help parents rear their children in positive and healthy environments.

We're excited about the opportunities before us to support healthy marriages. We also are excited about the opportunities that this new tool, the marriage calculator, presents to examine the impact of existing policies and consider alternatives to reducing marriage penalties. It's a great new tool that complements other efforts to meet President Bush's objectives to strengthen the institution of marriage and to improve the well-being of children in this country.

Thank you, again, for inviting me to be part of this important hearing, and I look forward to the discussion.

Senator BROWNBACK. Thank you, Secretary Horn.

[The statement follows:]

PREPARED STATEMENT OF WADE F. HORN, PH.D.

Mr. Chairman and Members of the Subcommittee, thank you for calling today's hearing on marriage penalties embedded in some government policies. I appreciate the Subcommittee's interest in supporting healthy marriages and share your commitment to improving the well-being of children and families not only in the District of Columbia but throughout our nation.

As you know, research shows that healthy and stable marriages support children and limit the need for government programs. Whether the problem is abuse, neglect, or poverty, the evidence is clear that the best chance a child has of avoiding these problems is to grow up with their mother and father in a stable, healthy marriage.

Research also shows that adults in healthy marriages are happier and healthier. A report from the Institute for American Values suggests that communities with high rates of healthy marriages evidence fewer social problems such as crime and welfare dependency, compared to those with low rates of healthy marriages.

Marriage Penalties

Unfortunately, certain government policies result in disincentives to marriage. We know that some government policies may financially penalize some couples who choose to marry, or discourage some couples from marrying despite what they know about the benefits of healthy marriage for themselves and, importantly, for their children. For some couples marriage would be unwise from a short-term economic perspective because they would lose thousands of dollars in assistance and income to their families.

Our efforts aimed at helping low-income couples achieve their goals of forming and maintaining healthy marriages may run headlong into the financial realities imposed by current rules within federal and state tax and public assistance transfer programs. That's because when two adults marry, they may face a drop in their net income—after taxes and loss of public assistance. This phenomenon is referred to as a marriage penalty.

In some cases marriage penalties occur because tax or transfer program rules explicitly differ for married and single people. Many marriage penalties, however, are inherent in the nature of means-tested programs that are designed to give greater benefits to lower income households. Tax rates generally climb and transfer benefits fall as income rises. Thus two individuals in the lowest tax bracket may move up to a higher tax bracket when they marry because their combined income is higher. Similarly, a woman receiving public assistance may lose her benefits if she marries a working man. In these cases, if the individuals did not marry, the sum of their net incomes would be higher than their net income as a married couple—they face a marriage penalty.

A complex combination of federal and state tax and program rules determines the financial consequences of marriage. These consequences vary considerably depending on each couple's specific circumstances, such as the couple's total income, the distribution of income between the partners, the sources of income, and the relationship of the partners to all the children in the family. Conversely, in some cases, a couple's net income can increase after marriage because the couple can take advantage of more tax credits and deductions and because they become eligible for larger transfer benefits. When neither partner receives transfer income or the partners have very different income levels, the couple is likely to see increased income when they marry. When one partner receives a considerable amount of transfer income

or the partners have similar income levels, the couple is more likely to face a marriage penalty.

Further, the size of the penalties can be quite large. Consider a woman with two children ages 1 and 5 living in District of Columbia in 2003. In this example, the woman works 20 hours a week for $7 an hour, has no assets, and has child care costs of $200 per month. She receives TANF, Food Stamps, WIC, housing assistance, and a subsidy that offsets some child care costs. The father of her children works 40 hours a week for $7 an hour and pays $200 in child support. If they were to marry, the father would be able to claim extra deductions and credits on his taxes. However, the mother would lose her TANF benefits, and her food stamps, child care subsidy, and housing benefits would be reduced. The couple's net income would drop by about $4,300 a year. While their living expenses would likely fall because it is less expensive to maintain one household rather than two, the loss of $4,300 a year in income (or eleven percent of their total net income) is not insignificant.

A 2005 study by Adam Carasso and Gene Steuerle of the Urban Institute demonstrates that in aggregate, unmarried couples face hundreds of billions of dollars in increased taxes or reduced transfer benefits if they marry. These penalties potentially present a significant disincentive for marriage.

Given these potential impacts of substantial marriage penalties for many couples, any efforts to assess marriage penalties require sound and detailed information about the consequences of tax and transfer program policies.

I am pleased to report the availability of a new tool for this purpose. The Administration for Children and Families (ACF) sponsored the development of a comprehensive, web-based tool to assess the financial implications facing low-income couples as they choose between living separately, cohabiting, or marrying. The tool is called The Marriage Calculator and it is now available to the public, policy makers, and analysts.

The Marriage Calculator

Under a contract from ACF, the Urban Institute developed three products that are Internet accessible, including:

—A database cataloging relevant federal and state tax policies and social service program rules as they relate to marriage.

—A user-friendly software application, The Marriage Calculator, which can be used over the Internet to calculate the financial implications of marriage across states and under user-generated scenarios about family composition and income.

—A set of standardized tables highlighting financial implications related to marriage across states and prototypical couples.

These tools illustrate how multiple public assistance programs and tax policies interact to affect marriage penalties and incentives and how they differ across states and across different income and family structure scenarios.

The Marriage Calculator takes information provided by the user about a family's income and assets, the number, sex, age, and parentage of the children, and their decisions to participate (if eligible) in a variety of public assistance programs, and computes the net income of the family in four situations: if the man and woman are: (1) living apart; (2) cohabiting, but not reporting their cohabitation; (3) cohabiting and reporting their cohabitation to government benefit programs; or (4) married. The calculator applies the tax and transfer rules that were in place during 2003, capturing the detailed state-specific variations in rules and the complex interactions across programs and tax policies. The calculator displays the net income of the family (after taxes and including benefits and subsidies) under each living arrangement and in each state. It also shows the individual components of that net income.

The calculator analyzes Federal and state income taxes and payroll taxes as well as the following public assistance programs: Temporary Assistance for Needy Families (TANF), Food Stamps, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), public or subsidized housing, subsidized child care through the Child Care and Development Fund (CCDF), and Medicaid and State Children's Health Insurance Program (SCHIP).

This new resource allows state and Federal policy makers to closely examine the financial consequences of tax and transfer policies as a basis for possible reforms to reduce marriage penalties.

Of course, decisions about marriage involve more than calculations of immediate financial gains or losses. Couples also consider the long-term benefits for children of being raised by parents in a healthy marriage, regardless of income level, and the many emotional, physical and financial benefits of marriage for adults as well. Policy-makers should take this larger view as well.

The Healthy Marriage Initiative

President Bush, like Members of this Subcommittee, is focused on family formation and healthy marriages with an important purpose in mind: to enhance the well-being of children. The dedicated funding for healthy marriage and responsible fatherhood grants provided in the Deficit Reduction Act and the continuation of support through other discretionary grant programs within my agency will allow us to meet the President's objective to strengthen the institution of marriage and help parents rear their children in positive and healthy environments.

The new funding will support a variety of activities that will provide interested individuals and couples with the skills and knowledge necessary to form and sustain healthy marriages. For example, it will allow us to fund programs to:

—help high school students learn to develop healthy relationships and gain knowledge about the value and benefits of healthy marriage for themselves and their future children, if they desire to marry and have children;

—offer pre-marital services to help engaged couples focus on topics critical to the long-term health of their relationship and marriage;

—offer help to married couples who are struggling, to gain skills to revitalize and strengthen their marriage;

—work with non-married pregnant women and expectant fathers interested in marriage to gain the skills that are necessary to form and sustain healthy marriages and help them with parenting and financial management skills as well as with finding employment or advancing to higher wage jobs; and

—reduce the disincentives to marriage in means-tested aid if offered in conjunction with any of the above mentioned activities.

In addition, to expand the initiative provided in the Deficit Reduction Act, the Administration's fiscal year 2007 budget proposes to establish a competitive matching grant program for family formation and marriage. One hundred million dollars in competitive grants would be targeted to innovative approaches to promoting healthy marriage and reducing out-of-wedlock births.

Conclusion

We are excited about the opportunities before us to make these kinds of services widely available in support of healthy marriages. While these services can be beneficial to couples at all income levels, I am especially pleased that the new legislation allows us to make these services available to low-income couples, for whom these services otherwise would not be widely available or affordable.

We also are excited about the opportunities that this new tool, The Marriage Calculator, presents to examine the impact of existing policies and consider alternatives to reducing marriage penalties. We believe The Marriage Calculator provides an opportunity to explore this issue in more detail and specificity than was previously possible. It is a great new tool that complements other efforts to meet President Bush's objective to strengthen the institution of marriage and the well being of children in this country.

Thank you. I would be pleased to answer your questions.

Senator ALLARD. Mr. Chairman, before we go on—and, I'm sorry, I have a 10:30 appointment—but is there an Internet address for that marriage calculator?

Dr. HORN. Yes, you can go to our web site, which is www.acf.hhs.gov, and click on "marriage calculator," and it'll——

Senator ALLARD. Okay.

Dr. HORN [continuing]. Get you to the marriage calculator, and you can enter——

Senator ALLARD. Very good.

Dr. HORN [continuing]. Whatever examples might be interesting to you.

Senator ALLARD. Thank you.

Senator BROWNBACK. Good. Good. Secretary Horn, thank you.

Dr. Steuerle.

Would you rather we go to Mr. Haskins?

Dr. STEUERLE. We just—his charts were just——

Mr. HASKINS. Okay. We're—is someone going to put the charts up there?

Senator BROWNBACK. Mr. Haskins.

STATEMENT OF RON HASKINS, SENIOR FELLOW AND CO-DIRECTOR, CENTER ON CHILDREN AND FAMILIES, THE BROOKINGS INSTITUTION

Mr. HASKINS. Thank you, Mr. Chairman, for inviting me today. I agree with Wade, this is an extremely important hearing. And I'd like to say, at the outset, that I think that your intervention program in the District is also extremely important. It's potentially the most powerful intervention program, because it involves both elements of marriage education and a financial incentive to marriage. So, it's an extremely important program.

Senator BROWNBACK. Good. Mr. Haskins, get that microphone a little closer to you, if you don't mind.

Mr. HASKINS. Okay. I've been asked to talk about three issues, by your staff. I think the first two, primarily for the record. The first one is how we got in the situation of having so many kids in single-parent families. The second issue is, What do we know from research about the effects of single-parent families on children's development? And then, third, of course, What should we do—what should Congress do?

So, let me dispense with the first two pretty quickly. The record is very clear on both these issues. The answer to how we got in this situation is, just about every possible way you could. And I show, in my testimony, charts that show that the divorce rate increased rapidly, that the marriage rates dropped off precipitously, especially in the 1970s, and that we have a very large nonmarital birthrate. So, almost every way you could get to a single-parent family, we figured out how to do it, as a culture.

I would point out to you that both the divorce rate and the marriage rate, if they have not stabilized, they have come very close. In fact, our—we have problems with the divorce rate, because the data is not very good, but it appears to be actually declining.

And the other point I would make to you about all of these rates is that they are higher among—so marriage rates are lower, nonmarital birth rates are higher, and divorce rates are slightly higher among low-income families, among minority families, and among families of low education. So, exactly the group that we want to help with Government policy is—policy is the group that has the most difficult because of the family composition. And the outcome, of course, that you can see right here in this chart, is that an astounding increase in the percentage of our kids in single-parent families. So, now we have 28 percent of our children—at any given moment, Mr. Chairman; so, over time, this figure is probably more like 50 percent spend some part of their childhood in a single-parent family—but, at any given moment, 28 percent are in a single-parent family.

Senator BROWNBACK. That's the figures I'd seen nationwide, that we're at 50 percent now. A child under the age of 18 will spend a significant part of his or her childhood in a single-parent household.

Mr. HASKINS. It varies greatly. Some spend their entire childhood in a single-parent household, but, yes, that's correct.

So, I just wanted to point out this is a little misleading, this 28 percent. Even though that's a huge figure—at any given moment, nearly one out of three of our kids.

And then, so the next question is, Well, so what? And the answer is that we now have almost unanimous agreement in the social science community that marriage is positive for children. The best rearing circumstance for a child is a married, two-parent family.

The academic world was in considerable conflict about this issue until 1994, when Sarah McLanahan, of Princeton, and a colleague of hers named Gary Sandefur, published a book called "Growing Up A Single Parent," and they showed very clearly that there were deficits suffered by children who were reared in single-parent families. And since then, there's been an onslaught of the literature. Since you last held a hearing, we published a book—we published a journal jointly with Princeton University—Brookings does—and Sarah McLanahan, interestingly, is one of the editors. She's the senior editor of this journal. And this summarizes the social science evidence. And if anybody looked at this, they could not help but come away with the conclusion that, (*a*) there are substantial effects, and, (*b*) the social science community, the community that actually does the research, thinks that there are substantial effects.

If you look at the next chart, I'll be able to show you. Can you move—can you move the chart there? Thank you.

This is simply from the—study, and it shows—these are the actual number of kids that—adolescents that have these various afflictions—repeating a grade, suspend from school, and so forth. And then, this is projected. If we could change the marriage rate—just equal the marriage rate that we had in 1980, so not some pie-in-the-sky thing, but the rate that we actually had in 1980, which would increase the percentage of kids in two-parent families and would have—would reduce these—all these negative outcomes for adolescents—and this was done by Paul Amato, of Penn State University. It's a very creative analysis. And I think it shows you right away not only the impacts, but you can immediately imagine the money that we spend as a society, and that individual families spend, to deal with these problems. So, you can see that we would save a great deal of money.

And, finally, the last part of my testimony is to talk about—can you do the next chart?—and I would like to just do two things here, in talking about what Congress can do. I think there are two broad categories. One, of course, is the Tax Code. And I would include the earned income tax credit in that. And the other are the transfer programs that you are so interested in. This is an actual—this is a study based on actual people of random—a nationally representative sample by The Urban Institute, by Greg Acs and Elaine Maag. And what I want to call your attention to is that the—first of all, it's divided into two groups. These are the families that were on TANF—only 14 percent—notice that—and 86 percent that were not on TANF. These are cohabiting couples with children, under 200 percent of poverty. So, most of them are not on TANF. Now, if you did this for food stamps, many more would be on it, and there would be bigger penalties. But for the ones on TANF, they really get a whack. They lose—in this group, they lose $1,800 in benefits; in this group, $2,000 in benefits. But because they get a bonus from the EITC, because their income goes up when they get married, when you combine their incomes, they get—the net impact is that they still do better by getting married, but they still get hit,

both groups, by TANF. And I think if you did this carefully for many other examples, like the food stamps, Medicaid, and so forth, even though it's very complex, as Wade pointed out, and—you won't get this kind of information just from one State. It's a matter of all the States.

So, here's what I would suggest that you do. I would suggest that this subcommittee work with the Congressional Budget Office, the Congressional Research Service (CRS), using this new tool that Wade has come up with, and the Department of Health and Human Services, and develop models, perhaps working with outside contractors, to get good estimates of what it really would cost the Nation to completely remove the marriage penalty from TANF, from food stamps, from Medicaid, from housing, and from a whole series of benefits. I think the numbers are going to be very large. They might be somewhat discouraging, but we might be able to take small steps in the next, say, decade, to do it, especially in view of the Federal deficit.

So, Mr. Chairman, I would—I think we need a lot more information, but I think there's no question, we know now, that the—these benefit programs definitely have a major impact, and that they will cost families money, and they, therefore, serve as a negative incentive for marriage. And the Tax Code apparently for these lower-income families, not a higher-income family, but for lower-income families, there are lots of tax incentives to get married.

Thank you, Mr. Chairman.

Senator BROWNBACK. Thank you very much.

[The statement follows:]

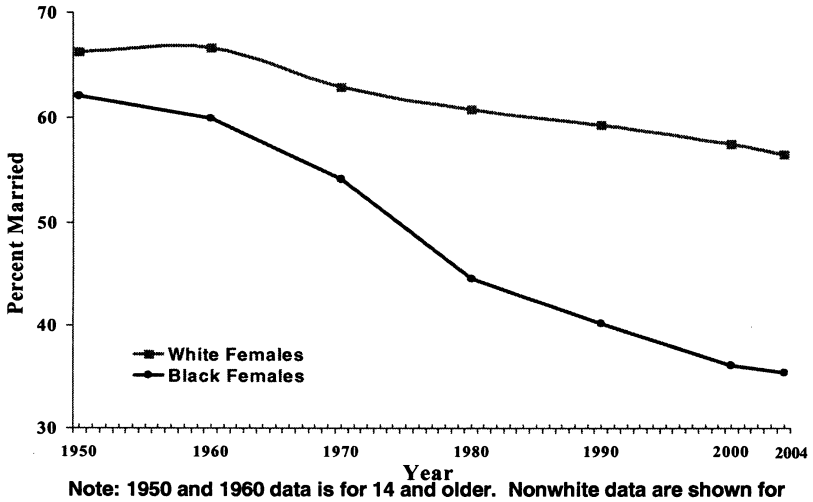
PREPARED STATEMENT OF RON HASKINS

Chairman Brownback and Members of the Subcommittee: I have been asked to testify on three issues that are related to this Subcommittee's goal of promoting an environment conducive to marriage in the District of Columbia. These issues include a review of trends in family composition, a summary of research on the importance of marriage to children, and evidence on marriage bonuses and penalties in government programs.

TRENDS IN FAMILY COMPOSITION

Children do best when reared by their married parents. From this perspective, the trends in family composition in recent decades have been disastrous for children. Although most of the trends have stabilized in recent years, in previous decades marriage rates fell, divorce rates rose, and nonmarital birth rates soared. The basic building block of married-couple families, of course, is marriage rates. As shown in Chart 1, in the three decades between the 1960s and 1990s, marriage rates fell dramatically, especially for blacks. Over this period, the marriage rate for whites and blacks fell by 11 percent and 33 percent respectively. Since then, both rates have been relatively stable, although both continue to decline slowly.

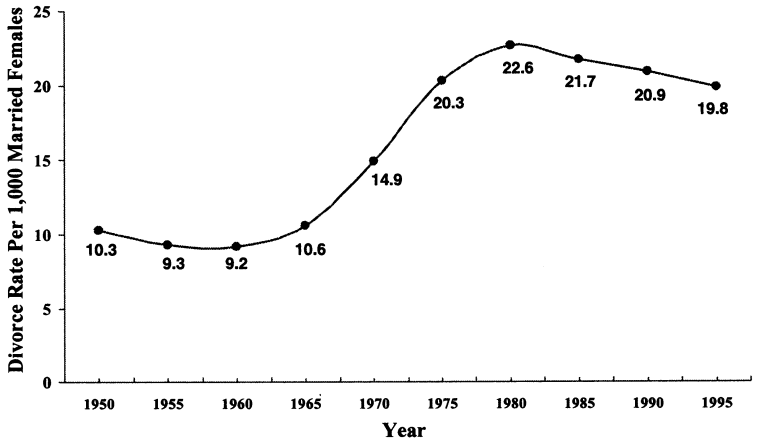
Chart 1
Marriage Rates for White and Black Females 15 Years and Older, 1950-2004



Note: 1950 and 1960 data is for 14 and older. Nonwhite data are shown for Black for these years.
Source: U.S. Census Bureau

Especially during the 1970s and 1980s, while marriage rates were falling, divorce rates were rising. After doubling between 1965 and 1975, the rate increased slightly until 1980 but has been stable or falling since then (Chart 2).

Chart 2
Trends in Divorce, 1950-1995

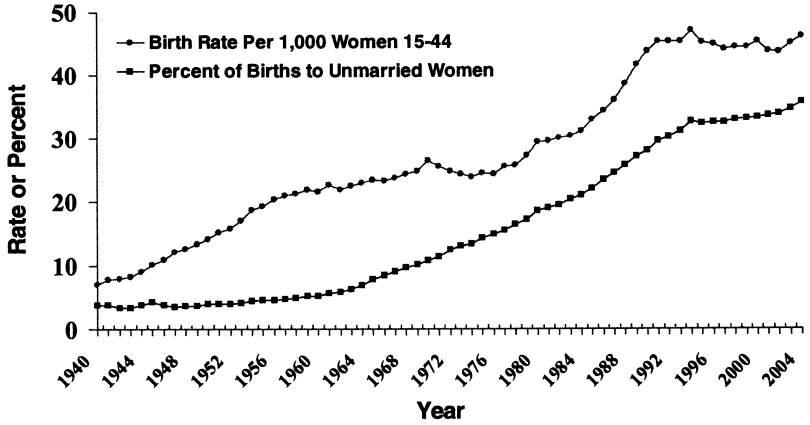


Source: *Historical Statistics of the United States*, Millennial Edition 2006, Vol. I, p. 688.

A third important trend in understanding the living arrangements of children is the nonmarital birth rate. Hollywood couples that have babies outside marriage,

such as the recent case of Tom Cruise and Katie Holmes, get widespread attention in the media. This attention to celebrity births outside marriage has led many people to believe that "everyone is doing it." But this conclusion is largely incorrect. Nonmarital births occur primarily among poor and minority women. In fact, children born to unmarried mothers are likely to live in poverty and to require support from the welfare system. Mothers who give birth outside marriage are also more likely to be high school dropouts, to live in poverty, and to be unemployed, all of which are correlated with poor developmental outcomes for children.[1] Given the consequences of nonmarital births, it is alarming to review statistics showing that until recently the nonmarital birth rate has been rising relentlessly since roughly the 1950s. Chart 3 shows that the percentage of babies born outside marriage rose from under 5 percent in the 1950 to about 33 percent in 1995 before falling for the first time in decades. Since 1995, the rate has been rising again, but at a greatly reduced pace as compared with previous decades. There are enormous differences between ethnic groups in the incidence of nonmarital births. In 2000, for example, the share of babies born outside marriage for whites, Hispanics, and African Americans were 22 percent, 43 percent, and 69 percent respectively. There is no doubt that the negative consequences of nonmarital births fall most heavily on minority groups. Indeed, to the extent that marriage rates could be increased, minority groups are likely to reap disproportionate advantages.

Chart 3
Birth Rate and Percent of Births to Unmarried Women, 1940-2004

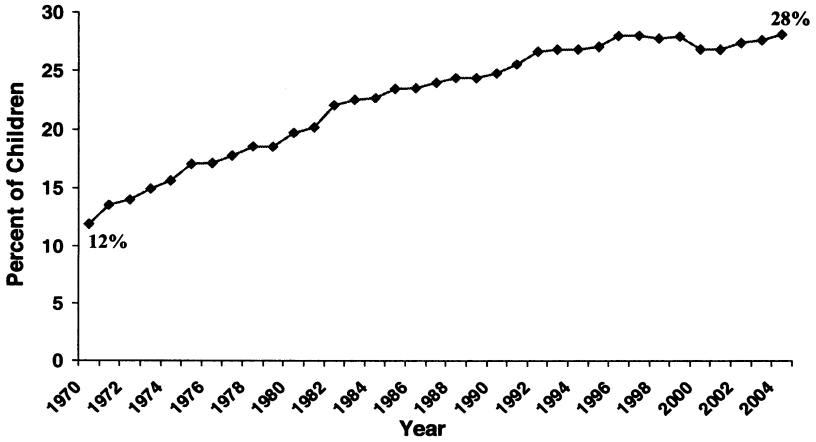


Source: National Center for Health Statistics

The outcome of all these trends is that a historically high percentage of our children live with a single parent. As shown in Chart 4, the share of children in single-parent families has more than doubled since 1970, from 12 percent to about 28 percent. As was the case with the trends in marriage and nonmarital births, the trend toward single-parent families stopped rising in the mid-1990s and actually fell in some years. However, in recent years the trend has been rising again, although not as rapidly as during previous decades. The bottom line is that the nation is at a historic high in the share of our children being reared by single mothers.

[1] Elizabeth Terry-Hunen, Jennifer Manlove, and Kristin A. Moore, *Playing Catch-Up: How Children Born to Teen Mothers Fare* (Washington, D.C.: National Campaign to Prevent Teen Pregnancy, January 2005).

Chart 4
Percent of Children
Living in Single-Parent Families, 1970-2004



Source: U.S. Census Bureau Current Population Survey
http://www.census.gov/population/socdemo/hh-fam/ch1.xls

MARRIAGE AND CHILD WELL-BEING

These trends are of great importance to policymakers and the public because social science research now shows strong links between child well-being and family composition. A recent issue of the *Future of Children*, published jointly by Brookings and Princeton University, was devoted entirely to marriage and child well-being. The editors' overview of several decades of social science research on marriage is notable:

"In the early 1970s the prevailing view among scholars was that, aside from the problems of low income, single motherhood was an acceptable alternative to marriage. But the empirical evidence compiled during the 1980s and 1990s suggested otherwise."[2]

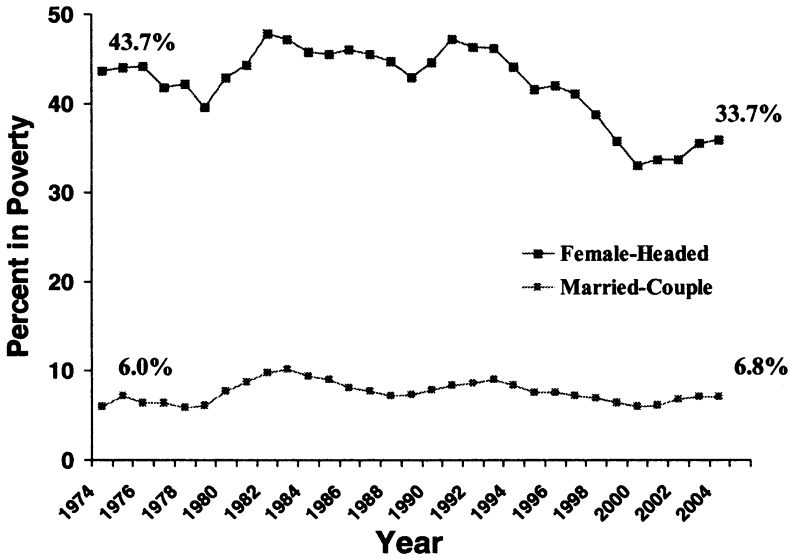
The editors then go on to point out that the "multiple benefits for adults and children [include] better health and greater socioeconomic attainment."

One effect of marriage has never been doubted. Marriage reduces poverty and increases financial stability. In 2002, the median income of married-couple households was about $61,000 as compared with less than $26,500 for female-headed households.[3] Even more important for policymakers interested in policy for poor and low-income families, as shown in Chart 5 children in female-headed families have much higher poverty rates than children in married-couple families. In most years, children in female-headed families have poverty rates that exceed those of children in married-couple families by a factor of five or more.

[2] Sara McLanahan, Elisabeth Donahue, and Ron Haskins, "Introducing the Issue," *The Future of Children*, vol. 15, no. 2 (Fall 2005): 3–12.

[3] U.S. Census Bureau, *Statistical Abstract of the United States: 2005–2005*, 124th edition (Washington, D.C.: Author, 2004), p. 448, No. 674.

Chart 5
Poverty in Female-Headed Households and Married-Couple Households, 1974-2004



Source: U.S. Census Bureau

Economists Isabel Sawhill of Brookings and Adam Thomas of Harvard have conducted a fascinating analysis of whether higher marriage rates would reduce poverty in the United States.[4] Employing statistical modeling, they analyzed data from the Census Bureau to determine how poverty would be affected if poor people behaved differently. In particular, they modeled the effect on poverty rates of more work, more marriage, more education, and fewer children by poor adults. In the case of marriage, they simply matched unmarried people by age, education, and race until the marriage rate for the nation equaled the marriage rate in 1970. This exercise showed that if we could turn back the clock and achieve the marriage rate that prevailed in 1970, poverty would be reduced by well over 25 percent. This remarkable reduction of the national poverty rate by one-quarter would be achieved without any government action and without the expenditure of any public funds. In the Sawhill and Thomas analysis, only work was more effective in reducing poverty than marriage. By way of comparison, doubling cash welfare would reduce poverty by less than one-third as much as increasing marriage rates.

But the effects of marriage on children go beyond just reducing their poverty rate. Although a host of studies, reviewed in several of the chapters in the *Future of Children* volume referred to above, show that children reared by one parent have high levels of problems related to growth and development, an analysis by Professor Paul Amato of Pennsylvania State University illustrates marriage effects in an especially graphic way. Using data from the National Study of Adolescent Health, Amato examined the number of adolescents that had one or more of eight behavioral problems and then, based on a comparison of the occurrence of each problem in married-parent and single-parent families, calculated the number that would have the prob-

[4] Adam Thomas and Isabel V. Sawhill, "For Richer or for Poorer: Marriage as an Antipoverty Strategy," *Journal of Policy Analysis and Management*, vol. 21, no. 4 (2002): 587–599; and Ron Haskins and Isabel Sawhill, "Work and Marriage: The Way to End Poverty and Welfare," Welfare Reform & Beyond Policy Brief, Brookings Institution, 2003.

lem if marriage rates were increased.[5] As shown in Chart 6, adolescent well-being would be greatly improved if more children were living with their married parents. If the same share of adolescents were living with their married parents in 2002 as in 1980, nearly 300,000 fewer would have repeated a grade in school, 216,000 fewer would have been delinquents, and nearly 29,000 fewer would have attempted suicide. Again, it is worth emphasizing that these highly desirable effects would be achieved without government action and without use of tax dollars. Indeed, a moment's reflection on the numbers in Chart 6 shows that reducing the incidence of these problems among adolescents would have the effect of substantially reducing public expenditures.

CHART 6.—WELL-BEING OF ADOLESCENTS IF MORE LIVED WITH THEIR MARRIED PARENTS

Behavioral Problem	Actual (2002)	Projected
Repeated grade	6,948,530	–299,968
Suspended from school	8,570,096	–485,165
Delinquency	11,632,086	–216,498
Violence	11,490,072	–211,282
Therapy	3,412,678	–247,799
Smoked in last month	5,083,513	–239,974
Thought of suicide	3,692,358	–83,469
Attempted suicide	636,164	–28,693

Note: Based on comparison of rates of behavioral problems in married-couple families and single-parent families from the National Longitudinal Study of Adolescent Health, 2002. The "Projected" column extrapolates the incidence of each behavioral problem if the same percentages of adolescents had lived in married-couple families as in 1980.

Source: Paul Amatory, *Future of Children*, p. 89 (See footnote 5).

MARRIAGE AND PUBLIC POLICY

Given the benefits of marriage to children, adults, and society, it would seem wise for policymakers to focus their attention on the impact of public policy on the troubling trends in family composition. In this regard, passage of the 1996 welfare reform law was something of a landmark. Prior to 1996, the design of both tax provisions and welfare programs contained incentives that rewarded and punished marriage. But as Gene Steele and Adam Carcass of the Urban Institute have pointed out, these incentives were unintentional and occurred primarily because policymakers enacted both tax laws and transfer programs in piecemeal fashion and seldom stopped to determine whether the programs were creating incentives or disincentives for marriage.[6] On the other hand, there was nothing unintentional about the pro-marriage goals of the 1996 welfare reform law. The centerpiece of the law was the Temporary Assistance for Needy Families (TANF) program that provided states with a block grant of $16.5 billion per year to achieve four goals. One of the goals was to provide financial support to needy families to rear their children at home, but the other three goals addressed family composition. More specifically, states were to spend block grant funds to reduce non marital births, encourage marriage, and increase the share of children in families headed by married parents.

Thus, as a nation, we are already a decade into an era in which policymakers and administrators at the federal, state, and local level have been encouraged by federal policy to search for ways to increase the share of children in married-couple families. Moreover, the TANF block grant provides states and localities with the resources to implement policy initiatives to achieve the family composition goals. Although several states have taken advantage of these resources to launch marriage initiatives,[7] some might wish that policymakers and administrators had been more aggressive in taking up the federal challenge to reduce non marital births and promote marriage. But if the gradual move toward work rather than welfare, which was initiated by the federal Work Incentive (WIN) program in 1967, is taken as an example, it may take decades before the goal of promoting marriage is widely accepted and practiced.

[5] Paul R. Amato, "The Impact of Family Formation Change on the Cognitive, Social, and Emotional Well-Being of the Next Generation," *The Future of Children*, vol. 15, no. 2 (Fall 2005): 89, Table 2.

[6] Adam Carcass and C. Eugene Steele, "The Hefty Penalty on Marriage Facing Many Households with Children," *The Future of Children*, vol. 15, no. 2 (Fall 2005): 157–175.

[7] Theodora Booms, Stacey Boucher, and Mary Parker, *Beyond Marriage Licenses: Efforts in States to Strengthen Marriage and Two-Parent Families* (Washington, D.C.: Center for Law and Social Policy, April 2004).

For federal policymakers who wish to push the envelope and take actions to promote marriage, I would say that three broad types of policies should be their focus. First, as pointed out above, they should attempt to reduce the negative incentives for marriage in federal tax and transfer policy. Second, they should provide states with funds to experiment with a wide variety of programs that could reduce non marital births, promote marriage, and increase the involvement of fathers with their children. Third, they should provide funds to evaluate programs that show promise. In recent years, federal policymakers have taken actions in all three of these areas.

As Adam Carcass and Gene Steele of the Urban Institute point out in a recent article, marriage penalties and subsidies arise in the tax code because tax rates vary in accord with income and because married couples file jointly for both transfer programs and taxes.[8] Pursuing the worthy goal of promoting equity, policymakers enact higher income tax rates for workers with higher incomes and provide welfare benefits for destitute families. Thus, as income rises, taxpayers often move into higher tax brackets and are subjected to a higher tax rate. Similarly, as income rises families on welfare see their benefits reduced and eventually terminated. If the tax code had a single rate and if all transfer programs were universal, there would be no marriage penalties. But in the real world created by the nation's tax and transfer system, marriage requires couples to combine their income, thereby occasionally moving them into a higher tax bracket. Further, combining income can cause low-income families to lose cash from the Earned Income Tax Credit (EITC) and to experience reduced or even terminated benefits from transfer programs. Consider an extreme case. If a mother with two children earning $15,000 lives with a man who earns $25,000, she would lose her entire EITC of over $4,500 if she married the man. With combined income of $40,000, the couple would be beyond the phase-out range of the EITC. Similarly, if this mother earned just $5,000 and still qualified for welfare benefits and food stamps of $3,000, her marriage to the $25,000 earner would eliminate all her welfare benefits, and would be close to losing Medicaid for the parents in some states. By contrast, if the mother had no earnings and married the man with $25,000 in earning, she would lose welfare benefits but would gain over $4,500 in cash from the EITC.

As these examples suggest, the actual marriage penalties in the tax code and the transfer system depend on the particulars of each family's or couple's situation. Moreover, unless we know how many couples have characteristics that would result in specific levels of penalties and incentives, we cannot make judgments about the extent of these penalties and incentives nor can we make judgments about needed policies. Fortunately, the Urban Institute, with support from the Annie E. Casey Foundation and other sources, has collected data from a nationally-representative sample of households that contains this information plus extensive information on taxes and transfers.[9] The 2002 sample from the Urban Institute survey contained 744 cohabiting couples with income below 200 percent of poverty (about $40,000 for a family of four in 2005), most of whom were participating in either transfer programs or the EITC or both. Economists Gregory Acts and Elaine Mag conducted extensive analyses on these couples to determine the extent to which they would be subject to tax or transfer penalties or incentives if they decided to marry.[10] They conducted their analyses separately for families receiving and not receiving benefits from the TANF cash welfare program.

The Acts and Mag results are summarized in Chart 7. A first surprise is that so few cohabiting couples with children are on TANF. But for the 14 percent that are on TANF (see top panel of Chart 7), virtually all suffer a steep penalty from TANF transfer payments. As shown in the second column of figures, regardless of whether the couples receive a tax penalty or tax bonus, on average they lose considerable sums in TANF cash payments ($1,800 for those with tax penalties; $2,096 for those with tax bonuses). By contrast with the predominance of TANF penalties, notice the prevalence of tax bonuses. Only 3.7 percent of families receiving TANF experience a tax penalty; the penalties average $1,511. But over 71 percent of families receiving TANF experience a tax bonus, and the average bonus is a whopping $3,390. Similarly, most couples not receiving TANF (see bottom panel of Chart 7) also enjoy a tax bonus. In this case, only a little under 12 percent of families experience a loss (averaging $1,754) while more than 75 percent of families experience a tax bonus that averages $2,271.

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[8] Carasso and Steele, "The Hefty Penalty on Marriage."

[9] Alan Wail and Kenneth Fine gold, editors, *Welfare Reform: The Next Act* (Washington, D.C.: Urban Institute, 2002).

[10] Gregory Acts and Elaine Mag, "Irreconcilable Differences? The Conflict between Marriage Promotion Initiatives for Cohabiting Couples with Children and Marriage Penalties in Tax and Transfer Programs" Series B, No. B–66, (Washington, D.C.: Urban Institute, April 2005).

CHART 7.—MARRIAGE PENALTIES AND BONUSES FROM THE TAX AND TRANSFER SYSTEMS FOR LOW-INCOME COHABITATING COUPLES WITH CHILDREN

Group and Penalty or Bonus	Change in Income from Penalty or Bonus	Loss in TANF Cash	Net Change
TANF Families (14 percent):			
Tax Penalty (3.7 percent)	–$1,511	–$1,800	–$3,311
Tax Bonus (71.1 percent)	3,390	–2,096	+1,294
Non-TANF Families (86 percent):			
Tax Penalty (11.6 percent)	–1,754	.....	–1,754
Tax Bonus (75.4 percent)	2,271	.....	+2,271

Note: Figures based on representative sample of 744 cohabitating couples with children under 200 percent of poverty. Based on tax law when fully implemented in 2008. Percentages in parentheses indicate the share of cohabitating couples fitting each category.

Source: Modified from Table 2, p. 6 in Gregory Acs and Elaine Maag, *Irreconcilable Differences? The Conflict between Marriage Promotion Initiatives for Cohabiting Couples with Children and Marriage Penalties in Tax and Transfer Programs.* Washington, D.C.: Urban Institute, April 2005.

The Acs and Maag work is one of the first studies to estimate tax and transfer incentives for low-income couples based on a nationally-representative sample. Two obvious conclusions from the study are that TANF marriage penalties are substantial but occur infrequently because so few families receive TANF and that the EITC is much more likely to provide marriage bonuses than penalties for this group of families. Given that cohabiting couples with children are a major target group for marriage initiatives, we can take heart from the frequent and substantial bonuses provided by the EITC.

A related lesson for policymakers is that in the case of low-income couples contemplating marriage, the most serious marriage penalties are likely to occur in transfer programs. Although there are exceptions to almost any generalization, for couples with combined earnings of around $30,000 or so, it seems clear that the biggest problem is penalties in transfer programs and not the tax system. For higher-income couples, the opposite is likely to be true.

To the extent that the most serious penalties for low-income couples are in the transfer programs, and that a major goal of public policy is now to encourage marriage among precisely this group of young couples, it follows that policymakers intent on increasing marriage rates among this group should focus their attention on transfer programs. The Urban Institute has examined the effects of the TANF program as a disincentive to marriage, but other transfer programs undoubtedly provide disincentives as well. Three of the important transfer programs that need further study are food stamps, housing, and Medicaid. Millions of families participate in these programs, with single mothers overrepresented. Even without carrying around a calculator to compute the precise impacts of marriage on her transfer benefits, a young mother receiving food stamps, housing, and Medicaid can know that marrying a man with even a modest income of $15,000 or $20,000 can have substantial impacts on her benefits. The housing program alone would impose an immediate 30 percent "tax" on the earnings of a potential spouse for this mother because the family would be required to pay 30 percent of its income toward the cost of rent.

The marriage calculator that the Department of Health and Human Services (HHS) plans to release today will provide every state with a reliable method of calculating marriage penalties in their transfer programs. Given that both Medicaid and TANF vary substantially from state to state, a method of calculating marriage penalties that accounts for the specifics of the transfer programs in each state is a must. My guess is that by using the marriage calculator, states are going to discover what the Acs and Maag research showed so clearly; namely, that their transfer programs create substantial disincentives to marriage.

Thus, an important goal of both federal and state policymakers should be to reduce these marriage penalties in transfer programs. This goal can be achieved in at least three ways: making all transfer programs universal, increasing the income at which the phase out range begins, and reducing the rate at which payments phase out. The first approach I take to be impractical because taxpayers would not support, nor can the government afford, making all transfer payments universal. The annual cost of providing TANF cash, food stamps, housing, Medicaid and so forth to every family would be in the hundreds of billions of dollars. It follows that policymakers should focus their attention on raising the point at phase outs begin and reducing the rate at which transfers phase out for couples who marry. Costs could be somewhat contained by allowing couples who marry to enjoy the more generous phase out for a year or two after they marry.

Even so, the costs of these changes in transfer programs are likely to be great. The Congressional Budget Office can provide the Subcommittee with estimates of costs of various approaches to reducing the marriage penalty in transfer programs, but I believe that with the information at hand their estimates might be somewhat rough. In this regard, I would recommend that the committee encourage HHS to fund research like that conducted by Acs and Maag of the Urban Institute to provide better estimates of how many couples who are contemplating marriage would experience penalties in food stamps, housing, Medicaid, and perhaps other programs. This research would provide a basis for producing much more accurate estimates of the costs of various approaches to reducing marriage penalties in the nation's transfer programs. The research would also provide a basis for examining the nature and extent of marriage penalties in the various transfer programs as well as the cumulative penalties in families receiving benefits from more than one program.

In addition to reducing marriage disincentives in transfer programs, a second approach policymakers can take to encouraging marriage is to invest funds in demonstration programs aimed at increasing marriage rates, especially among low-income couples. Last year, Congress took two commendable actions to advance this agenda. The first was the provision in the budget reconciliation bill that appropriated $100 million a year for five years to fund programs designed to encouraging healthy marriage. HHS is now writing the regulations for a competitive grants program that will ultimately award most of this money to model healthy marriage programs. It is anticipated that state and local governments, private non-profit organizations, and faith-based organizations will compete for these funds. The result will be a mosaic of innovative programs conducted by a wide range of organizations that, taken together, hold promise to greatly increase our knowledge about marriage promotion.

The second important provision enacted last year to advance the marriage agenda was the marriage encouragement program established in the District of Columbia by this subcommittee. I have had the opportunity to meet with the fine team of program operators that planned and is now implementing this program. In effect, the team is conducting three intervention programs designed to encourage healthy marriage. These include a community-wide initiative that attempts to make citizens of the District aware of the importance of marriage, especially for the healthy development of children; a marriage education program that aims to equip married couples and couples contemplating marriage with the skills necessary to negotiate a permanent and loving relationship; and a highly innovative program that provides couples with matching funds to encourage savings. In the case of participating couples who are engaged, the matched savings program serves as a marriage incentive because the couple does not get the accumulated matching funds unless they marry. In addition to these three distinct programs, the planners are taking the wise step of working directly with fathers on a host of issues—including employment problems and child support—having to do with meeting their commitments to their family.

These new programs promise to augment what I see as a growing nation-wide movement to encourage and support marriage. But if we are to reap the full benefit of what these various programs can achieve, we must conduct careful evaluations of as many of the programs as possible. HHS has already set a high standard with its funding of gold standard evaluations, being conducted by the leading program evaluation organizations in the nation, on a wide variety of marriage education and community-wide programs. Similarly, I know the team running the marriage programs in the District has devoted a great deal of attention to evaluation and anticipates hiring a first-rate organization to conduct its evaluation in the near future. I hope that the subcommittee will continue to encourage strong evaluation of its remarkable marriage program for the District.

As a nation, we are at the beginning of a growing movement to reduce nonmarital births, encourage marriage, and increase the share of our children being reared by their married parents. The goals of Congress now should be to study and then take action to reduce marriage penalties, to ensure the aggressive implementation of the marriage programs being supported by the money from this subcommittee and from last year's reconciliation bill, and to insist that as many of these programs as possible be subjected to the kind of gold standard evaluations that will increase our knowledge of what works. Nothing on the public agenda will contribute more to the nation's future than ensuring that more and more of our children live with their married parents.

Senator BROWNBACK. Dr. Steuerle.

STATEMENT OF C. EUGENE STEUERLE, SENIOR FELLOW, THE URBAN INSTITUTE

Dr. STEUERLE. Thank you, Mr. Chairman, Mr. Allard.

Let me add that I have—privileged to have worked with both the gentlemen at this table, both currently and in past occupations or professional lives, on this subject. And I really appreciate working with them.

And I'd also like to mention two of my colleagues who—from whom I've still learned a great deal, Mr. Carasso, who was a coauthor of the study that I did, and Mr. Acs, whose name has been mentioned several times, with respect to mentioning this—developing this marriage calculator and with respect to the study that Ron just mentioned.

For several decades now, policymakers have created public tax and transfer programs, really with very little attention to this—severe marriage penalties that they're—are being created. That's actually one of the primary reasons, Mr. Brownback—you asked this question—why these penalties have arisen. As a consequences, couples today really face literally hundreds of billions of dollars of increased taxes or reduced benefits if they marry. Cohabitating or not getting married has become the tax shelter of the poor.

Now, these developments are in no small part the consequence of a half century of social policy enactments of roughly similar design. Liberals wishing to keep programs very progressive, and conservatives wishing to constrain budget costs, have, together, put together a substantial portion of household subsidies and assistance programs and tax programs onto a platform that creates very high effective marginal tax rates—that is, tax rates on additional earnings—for low-to moderate-income families.

Now, if you look at this first graph here—may I borrow this?—you'll actually see one way that this works. Let me just take the graph on the left here. A family with very low income starts achieving or having eligibility for a number of benefits. Dr. Haskins pointed out how at certain income ranges you actually get an increase in benefits because of the earned income credit growing here. But as soon as you get to about $10,000 of income, what happens, you start earning more when you go from about $10,000 to $40,000, and your income—or benefits start falling off quite dramatically. Not only do you start losing food stamps, in several cases you can, just for earning one more dollar, lost Medicaid or the State children's health insurance program (SCHIP) which is a health program for low-income people.

Now, if you add all programs together—and that's the right-hand graph here—and this is—would be a very unusual circumstance to find households in this—if you start adding in households that not only get these benefit programs, but start getting TANF, start getting housing assistance, and even get the child benefits that are often associated with TANF, and you see what happens above $10,000, you can—you can, from—a range from about $10,000 to $40,000, you can start off with about—close to $30,000 of benefits and end up with about $5,000 quickly, just by falling off all—basically falling off this cliff, in terms of—in terms of the benefits that you get.

Let me turn to figure 2. Taking an average from that $10,000 to $40,000 range here, this shows you what happens, in terms of what you have left. If you had earned $30,000—if you would marry—say, you moved from a $10,000 household to basically a $40,000 household, your tax rate—essentially, this is the tax rate and the phase-out rate from losing benefits—is roughly about 36 percent. You lose about—whatever you earn, you lose about 36 percent of it, if you go in that income range.

If you're on food stamps, Medicaid, and SCHIP—and, by the way, these are fairly universal programs; these are programs that households—almost all are eligible for if they're in this income range, so this is not just people who might qualify for welfare or for housing assistance, which are queued programs, these are programs that are fairly universal—if you take their tax rate in this income range, it goes up to about 60 percent. So, in a sense, all of us, as households, if we—since we could fall in this income range, face this average tax rate. If you happen to get into TANF and public assistance programs, your average tax rate for—in this range goes up to about 90 percent. You might compare that, by the way, with people making more than $90,000 of income, for whom the average tax rate, 33 percent, is lower than we apply to all these low- to middle-income——

Senator BROWNBACK. Let me——

Dr. STEUERLE [continuing]. Households.

Senator BROWNBACK. I want to make sure I'm following you. You're saying, if you're in these assistance programs, and you go from $10,000 to $40,000 income, you're effectively being taxed at nearly a 90 percent rate by going from $10,000 to $40,000? Is that——

Dr. STEUERLE. That's right.

Senator BROWNBACK [continuing]. Correct?

Dr. STEUERLE. That's right. If you look back at—if you—do you mind putting back—figure 1 back up?

Senator BROWNBACK. I thought we did away with 90-percent tax rates under President Reagan.

I guess that was on one end of the income chart, huh?

Dr. STEUERLE. I mean, this partly has to do with the whole way we——

Senator BROWNBACK. I see what you're saying.

Dr. STEUERLE [continuing]. We——

Senator BROWNBACK. That's when you hit the cliff, isn't it?

Dr. STEUERLE. Right. But we've built this social welfare structure by just stacking one program after another on top of each other, with—often with little coordination. In this extreme case, the 90-percent rate, which is an extreme case, because most households are not in this category, you start losing everything. And among the big things you lose, by the way, is the Medicaid and the SCHIP, which we've put a value on, at Government cost. Some people might want to put a different value on it. And also the child benefits—I mean, even the question of whether you get child benefits for being in welfare—you get childcare if you work—and, in some cases, you basically just—you just lose the stuff. So, it's sort of losing all these programs that sort of fall—has you falling off of this cliff, and effectively gives you this tax rate.

Now, the question you might ask is, okay, well, I've got this tax rate. How does that then create marriage penalties? Because I'm talking about this tax rate being there, even without marriage penalties. Well, take a case of a single male who's working and roughly paying income taxes and Social Security taxes of about 30 percent. That's roughly—crudely—for an additional dollar of earnings—what essentially happens is, if this male happens to marry—and I'm using this as an example—would happen to marry, say, a female who's on different welfare programs, his tax rate will rise up to those 50, 60 to 80 percent tax rates that you just saw. So, that's the marriage penalty. The tax rate he faces when single jumps up by 10, 20, 30, 50, 60 percentage points just for marrying, not for doing anything else other than marrying.

And what Adam Carasso and I have done, in a variety of different ways—and we can provide you many more examples—is, we show what the various penalties are. This is for a household, combined income of 30 percent. And it's somewhat complicated, because a lot depends upon whether the income is split evenly between the two partners getting married or whether the income is very unevenly split. So, the tax system alone doesn't really create marriage penalties until you get essentially well above $10,000. And that's, again, because of the earned income credit phasing in. However, if you're on—and this is the example using these more universal programs—if you happen to be on food stamps, Medicaid, and SCHIP, you're going to lose roughly $2,500 to, you know, $4,500 in income simply for marrying. And that's because you're going to start losing a lot of these various benefits. So, that's what essentially causes the marriage penalties.

Now, your staff also asked me to just spend a minute—I'm slightly over time here, Senator. I——

Senator BROWNBACK. Please keep going.

Dr. STEUERLE [continuing]. Asked me to spend a minute just saying what—how we can reduce these various penalties. And I'll just mention them here, and then we can—we can spend time discussing them in the questions and the answers.

Most promising, in my view, are two strategies. First, I think Congress could try to set some maximum tax rate—marginal tax rate for low- and moderate-income families closer to the rate that we apply to richest individuals in society. Typically, middle- and upper-income families no longer face much in the way of marriage penalties—in part, because you removed them for that group of people——

Senator BROWNBACK. Right.

Dr. STEUERLE [continuing]. In the tax reform. So, that's one way, is to cut that maximum tax rate.

Senator BROWNBACK. Almost a reverse alternative minimum tax (AMT).

Dr. STEUERLE. Well, I could give the details. It's quite—if you reduce the tax rate, you've got the question of, are you going to make the program more universal and spend more, or are you going to reduce benefits? As I mentioned, this is a—this is sort of a liberal/conservative compromise that's got us here. So, if you go in the opposite direction, you face the dilemma that liberals will say, "Wait a second, if you make the program more universal, it's not going

to be as progressive." And conservatives are going to say, "If you make the program more universal, it's going to cost more, or you reduce the size of the program." So, I don't want to say that this is an easy issue to deal with, but——

Senator BROWNBACK. Right.

Dr. STEUERLE. I think we could start at least by trying to cut the very top rates, that doesn't cost much.

Now, a second innovative strategy I should mention, and one that I think really has a lot of promise, has to do with trying to create a wage subsidy that would not be based on the household income, but on the individual income. And this would be, by the way, a backdoor way, or perhaps a frontdoor way, of confronting another issue, which is that we—and many people, including the First Lady, have been raising questions as to what's been happening to essentially the forgotten young male in our welfare system, who essentially typically only has access to a social welfare structure or support if they—if they're in the justice system.

Now, two other approaches, both of which have been tried somewhat successfully on a smaller scale, would be to make programs more universal, as I discussed, as with the child credit, we did in the Tax Code, and as we have with public education, which doesn't create a marriage penalty, or Medicare, which doesn't create a marriage penalty. And a final option is to move more toward optional individual filing rather than requiring returns to be basically be filed on a joint basis, because it's the requirement you have to file on a joint basis that creates the marriage penalties.

Let me stop there, Mr. Chairman, because I would like to open it up to time to questions.

[The statement follows:]

PREPARED STATEMENT OF C. EUGENE STEUERLE

Mr. Chairman and members of the Subcommittee: Thank you for the opportunity to testify today on marriage penalties and bonuses in government programs. Today, literally hundreds of billions of dollars in government taxes and social welfare benefits are at stake for tens of millions of couples depending on whether they are married. While my primary focus today will be on tax and social welfare programs for low- to moderate-income households with working parents and children, penalties and subsidies are also writ large in other programs such as educational grants and Social Security and affect most Americans at different points in their lives.

How the Penalties and Subsidies Work

Citizens pay an overall marriage penalty when their combined social welfare benefits less taxes are lower when they are a married couple than when they are two single individuals. Because marriage is optional, marriage penalties or subsidies are assessed primarily for taking wedding vows, not for living together with other adults (although there are some exceptions).[1]

How much tax and transfer program penalties and bonuses are worth and the rate at which their value falls as family income rises varies by state, by family size, by the age of the children, by additional factors like the cost of rent and child care, and by what other transfer programs the family may be enrolled in.

—*Example 1: An EITC penalty.* A single parent with two children who earns $15,000 enjoys an EITC benefit of about $4,100. The credit decreases 21.06 cents for every dollar a married couple earns above $15,040. Based on that

[1] By law, some transfer programs would treat a couple that admits to cohabiting (for an appreciable period of time) just as they treat a couple that marries. In practice, however, administrators seldom go knocking on doors to check on cohabitation, often cannot find proof of round-the-clock cohabitation, as opposed to several days or nights a week, and are unlikely to require joint filing unless the couple has been together a long time. In the few cases where officials do determine that a couple is cohabiting, many of the same issues arise anyway: what we describe as "marriage penalties" then become "marriage and admitted cohabitation penalties."

phase-out rate, if the single parent marries someone earning $10,000, for a combined income of $25,000, their EITC benefit will drop to about $2,200. They face an EITC marriage tax penalty of $4,100 minus $2,200, or $1,900.

—*Example 2: A Medicaid penalty.* A mother of two children in Pennsylvania in 2004 who earns $20,000 qualifies for Medicaid (with an insurance value estimated at $3,424). If she marries someone making just $6,000, resulting in a combined income of $26,000, her children lose their Medicaid. Unlike tax programs like the child credit and EITC, which contain marriage subsidies for some couples, most transfer programs for low-income families with children contain mainly marriage penalties—the additional income introduced by a spouse generally reduces or even cuts off benefits received before the marriage.

—*Example 3: An EITC bonus.* A nonworking mother with two children in Pennsylvania on TANF marries someone without children who earns $5,000. Their marriage bonus derives mainly from an increase in EITC of about $2,000 and no loss of TANF or Medicaid benefits.

Penalties and Subsidies: A Policy Accident

Today, most households with children who earn low or moderate incomes (say, under $40,000) are significantly penalized for getting married. Elected officials seldom engage the issue consistently or rigorously, primarily because they typically enact programs piecemeal, with little coordination or thought to how each new program affects married couples. Congress enacted Social Security, Aid to Families with Dependent Children (AFDC), and various housing programs in 1935; the Food Stamp Act in 1964; Medicare and Medicaid in 1965; the EITC in 1975 (and subsequent expansions of the credit in 1987, 1990, 1993, and 2001); the Child Care Development Block Grant in 1990; welfare reform in 1996 (which replaced AFDC with TANF); the State Children's Health Insurance Program (SCHIP) in 1997; and the child tax credit in 1997 (expanded and made refundable in 2001). The list could go on. Because the programs were put into place one by one over many years, lawmakers who now wish to rationalize the way government treats marriage must radically restructure much of the modern social welfare state.

Why should we care about marriage in the first place? Many findings imply that "intrinsic" benefits accrue to the spouses and children in a marriage regardless of a couple's employment and education. In fairness, these findings are inconclusive as to whether the penalties had a large impact on marriage rates. Both quantitative and ethnographic research suggest that people's decisions to marry or divorce are governed much more by such considerations as a potential spouse's suitability as a partner and as a parent, the desire for a fulfilling relationship, and the risk of infidelity, than by the tax and transfer program consequences. Still, a very large difficulty is determining how group effects unfold over time. For example, if incentives change the behavior of a few households, and other households follow suit, then a group effect like "copycat" behavior may wind up playing a big role in this jerry-rigged system. Finally, whether couples figure out marriage penalties before they marry offers only limited evidence about the effect of the penalties on decisions to marry. People may react to incentives even when they do not calculate them, as when partners choose to cohabit or people remain single simply by observing that unmarried couples have a higher standard of living than those who marry—without necessarily understanding how rules in public programs create this result.

Finally, a warning is in order. Most current proposals to deal with health care for the non-elderly would impose very large marriage penalties on much of the population, expanding dramatically the penalties already demonstrated in this testimony.

Reducing Marriage Penalties

In recent years lawmakers have tried to reduce marriage penalties in various ways, primarily by reforming welfare and cutting taxes. Although the penalties and subsidies that remain are huge, at least policymakers have taken note of the problem and taken some initial steps to address it. The jury is still out on whether welfare reform has reduced the marriage penalty. To the extent that fewer families are on welfare, fewer face its marriage penalties, but combined benefit levels are higher for some recipients, which means their marriage penalties likely increased. Recent tax cuts also significantly reduced marriage penalties (or increased marriage subsidies) for most middle-income families that filed taxes. My research with Adam Carasso shows that the expansion of the child credit itself had a particularly strong effect on reducing marriage penalties for low- to middle-income families. For higher-income families, marriage bonuses were increased by the ways that the tax brackets were adjusted for joint returns. These various provisions are scheduled to expire, and the child credit erodes every year, as it is not indexed for inflation.

How Marriage Penalties and Subsidies Arise

Two conditions are necessary to cause marriage penalties and subsidies, and neither is sufficient by itself: variable tax rates and joint (or household, rather than single) filing. Understanding the conditions helps us understand what steps are necessary to reduce or eliminate these penalties.

DUAL CONDITIONS REQUIRED FOR MARRIAGE PENALTIES

Tax rates or phase-out rates that vary based on income.
Joint filing by married couples for benefits or taxes.

In many ways, high marriage penalties are the result of several decades of liberal-conservative compromise. Policymakers have pursued the dual objectives of progressivity—giving greater tax and welfare benefits to those with lower incomes—and cost containment. As a result, programs like the earned income tax credit or food stamps restrict benefits to lower-income citizens by reducing or "phasing out" the benefits at steep rates as households earn more income. A household's loss of means-tested transfer benefits as earnings increase affects it in much the same way that higher direct tax rates do—both are losses of income. Indeed, economists commonly apply the term "tax rates" to transfer programs to identify how much benefit is lost (effectively taxed away) as a family's income rises. Benefits from some programs, like Medicaid and the State Children's Health Insurance Program (SCHIP), do not phase out gradually but instead fall swiftly (as off of a cliff) or end altogether as soon as a household's income exceeds some dollar threshold. In these cases, receiving one more dollar of earnings can strip a household of several thousand dollars of benefits.

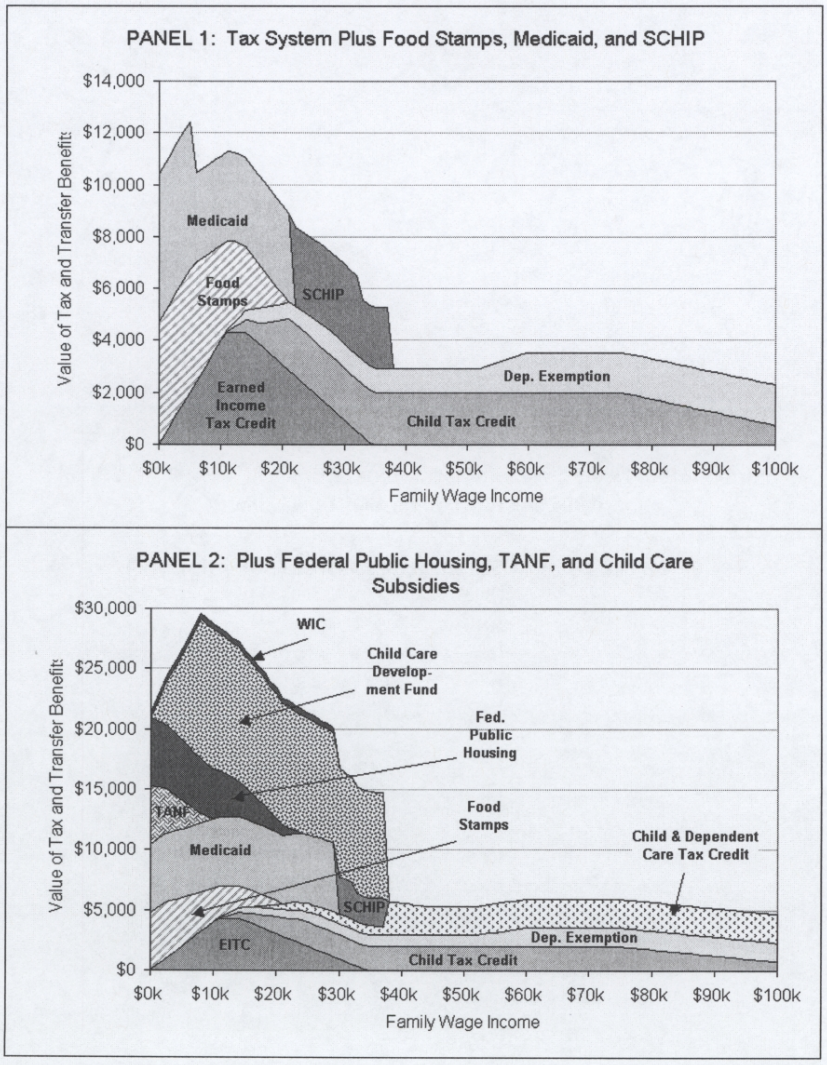
As evidenced by some examples above, the effective marginal tax rate—the rate created by steep benefit phase-out rates combined with Social Security and income tax rates—moves up and down a lot as income increases, but it is usually highest for low- to moderate-income families. This reality runs counter to the notion that marginal rates rise progressively with income, as one would be led to believe by looking only at the statutory rate schedule in the income tax.

These variable tax rates do not by themselves penalize marriage. A second, simultaneous condition is necessary to create marriage penalties and bonuses—joint filing by married couples for taxes or benefits. Policymakers often look to the household unit, or joint tax return income, rather than to each individual's income separately, to measure the need for transfer benefits or the ability to pay taxes. Their aim is to treat households with equal incomes equally, but in a system with variable rates, individuals with equal incomes will then not be treated equally. If graduated or variable tax rates were accompanied by individual filing, there would be no marriage penalties. Marriage would have no effect on any benefit received or tax paid by the individual. Alternatively, if everything were taxed at a flat rate (including zero, as in the case of a universal grant such as Medicare or public education), there would also be no marriage penalties.

Mapping the High Effective Marginal Tax Rates

Although our ultimate focus remains on penalties and subsidies related to marriage, it is best to begin by examining the tax situation of selected single parents before moving on to see in detail how the high tax rates contribute to marriage penalties when a single parent marries. Figure 1 tracks select tax and transfer benefits for a single head of household with two children, showing how these benefits generally decline as household income increases. The exact size of benefits and the rate at which they decline depends on the mix of programs in which the family is enrolled and the way these programs interact with one another.

FIGURE 1: Select Tax and Transfer Benefits for a Head of Household with Two Children in Tax Year 2004



Source: Calculations by Adam Carasso and C. Eugene Steuerle, The Urban Institute, 2005. Notes: Child ages are assumed to be 2 and 5. Tax calculations include the alternative minimum tax and assumptions on itemized deductions. Transfer programs apply rules for Pennsylvania, which is the median TANF benefit state. We assume $5,000 maximum annual child care costs. Note that in the second chart, the adults in a family previously on TANF remain eligible for Medicaid up to 185% of poverty (for up to 12 months after leaving TANF).

Panel 1 includes federal income taxes, exemptions, and credits, employer and employee portions of the Social Security tax, and state taxes, plus food stamps, Medicaid, and SCHIP. A focus on this set of programs is important because, in theory, every household with children is eligible for these programs if its income is low enough. The benefits are generally not restricted by waiting lists and are universally available as long as recipients meet certain eligibility criteria, which can vary by state. In a sense, then, the high tax rates levied by these programs apply to all

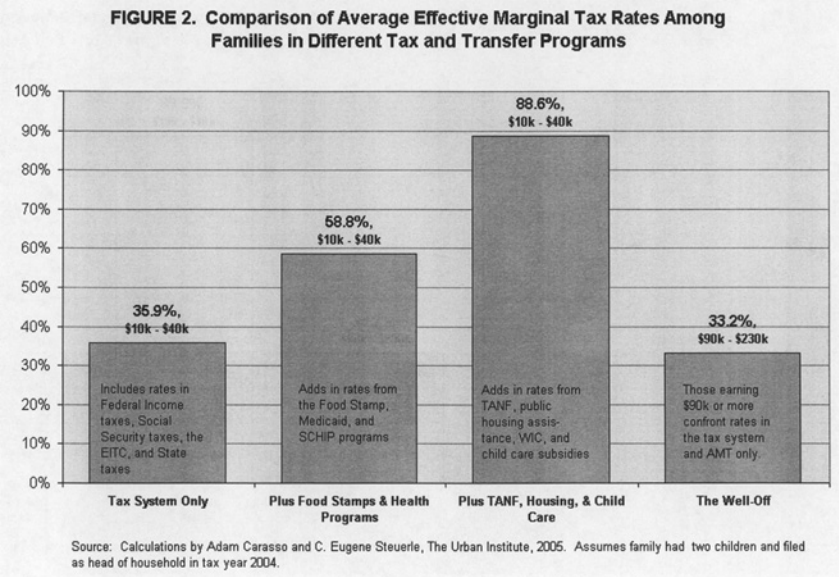
households except those with annual earned incomes higher than $40,000, which have moved beyond the income cut-offs for all or most transfer programs. Put in terms of panel 1, these latter households have moved to the right along the horizontal axis beyond, first, the high-benefit regime (which applies to earnings of roughly $0 to $10,000) and, then, the high-tax rate regime (which applies to incomes of roughly $10,000 to $40,000).

Panel 2 includes the same programs as panel 1 but also assumes the single-parent family of three is receiving welfare cash assistance (TANF), housing assistance, and child care benefits (direct expenditures for child care from the Child Care and Development Fund or deductions through the tax system from the Child and Dependent Care Tax Credit). As a general rule, these additional programs are not universal, like those in panel 1. Rather, they are parceled out either through time limits for years of eligibility or through queues as to who may participate (the modest child and dependent care tax credit is not queued, but costs of child care must be incurred). Households are much less likely to receive the programs in panel 2 than those in panel 1.[2]

In both panels, the single-parent family receives the most benefits between about $5,000 and $10,000 of earnings—mostly because the EITC is about fully phased at the higher end of that range, while most other benefits are either still phasing in or have not yet phased out. Thereafter, benefits drop off steeply as earnings exceed $20,000.

Figure 2 compares the average effective marginal tax rates of various low- to middle-income single-parent families with two young children with the rate of more well-to-do families. The first three bars focus on the average effective marginal tax rates of single-parent families with income (including benefits) averaging between $10,000 and $40,000. The rate in the first bar—35.9 percent—is based simply on federal and state direct taxes, including Social Security and the EITC. The rate rises appreciably as the family enrolls in additional transfer programs in bars 2 and 3. For a family enrolled in more universal, non-waitlisted programs like food stamps, Medicaid, and SCHIP, the average effective marginal tax rate would be 58.8 percent. Enrolling the family in additional, waitlisted programs like housing assistance and child care ratchets up that rate to 88.6 percent. The fourth bar, by way of comparison, shows that the average effective marginal rate affecting families (lumping one- and two-parent families together) earning $90,000 or more is 33.2 percent—lower than that applying to all the other groupings of lower-earning families.

[2] This example still omits some income-conditioned programs, such as school lunch and a variety of forms of college aid. Participation in multiple programs (say, four or more), although rare for the general low-income population, is not so rare for single-parent households.

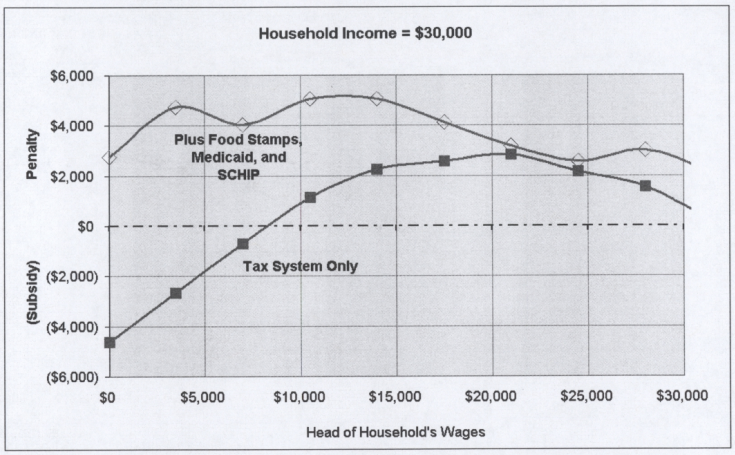


From High Tax Rates to Marriage Penalties

The extremely high effective marginal tax rates faced by low- to moderate-income adults with children, combined with the current U.S. practice of assessing taxes and benefits on the basis of household rather than individual income, lead directly to the marriage penalties. What triggers the penalty is that one spouse has his or her earnings subject to "tax" at a different rate simply because of marriage. In a very common example, a man facing combined income and Social Security tax rates of about 30 cents for every additional dollar he earns discovers that upon marrying a woman with EITC and food stamp benefits, the introduction of his income into the household also reduces those benefits, as well as causes her to lose eligibility for Medicaid.

FIGURE 3: Dollar Amount Of Marriage Penalties And Subsidies In Select Federal Tax And Transfer Programs For A Married Couple With Two Children In Tax Year 2004

(Assumes a single earner marries a head of household with two children who earns 0% to 100% of couple's income)



Note: The head of household has the two children prior to marriage. Her earnings range from 0% to 100% of household income in each example. The single earner earns the balance, and was a single filer without children, prior to marriage. Marriage penalties and subsidies include the effects of Social Security taxes (both the employer and employee portion) and state income taxes. Source: Calculations by Adam Carasso and C. Eugene Steuerle, The Urban Institute, 2005.

Figure 3 graphs one scenario showing (in dollars) the penalties and subsidies that would face a single earner and a single-parent head of household with two children and a combined income of $30,000 if they were to marry. (The penalties are much higher in the less common example when two single people, both with children, contemplate marriage.) To take into account the various ways in which those earnings can be distributed within the couple, each scenario shows the single parent, as the secondary earner, earning between zero percent and 100 percent (in 10 percent increments) of the couple's total income. Generally, as the figure shows, when spouses have similar earnings, penalties are higher (subsidies are lower). When one spouse earns significantly more than the other, penalties are lower or subsidies are higher. In the figure, the curve with solid square markers shows the marriage penalties in the tax system alone; the curve with the diamond markers shows combined penalties in the tax system and in the transfer system programs of food stamps, Medicaid, and SCHIP. Because these three programs, as noted, are almost universally available, effectively all families in these income ranges face these penalties, unless they fail to apply for the benefits. We have not included an even wider set of programs such as housing and TANF, where the penalties become very large.

In the tax system by itself low-income families generally enjoy marriage subsidies, regardless of how earnings are divided, thanks largely to the generous phase-in of the EITC, which pays 40 cents for every dollar earned up to $10,750 for households with two children. At modest earnings of $20,000 and above, however, both tax and transfer marriage penalties loom large, primarily because of the high phase-out of the EITC and the decline of food stamps, which fall several hundred dollars for every additional thousand dollars of earnings. For families not on TANF, as in this example, Medicaid becomes unavailable to parents after around $5,000 of income, though children are covered as long as parental income is relatively low. SCHIP, meanwhile, replaces Medicaid's coverage of children at incomes between 185 and 235 percent of poverty (that is, for a family of four, between $36,000 and $45,000) in Pennsylvania. In other words, in Pennsylvania, these health programs contribute substantially to marriage penalties first at very low incomes (below $10,000) and then again at moderate incomes (above $36,000).

Possibilities for Reform

Given the hundreds of billions of dollars in marriage penalties and subsidies processed each year through the nation's social welfare system, the prospects for reform may seem remote. But as recent tax legislation makes clear, elected officials are oc-

casionally prepared to take sweeping action—even if their attention so far has focused mainly on those with incomes above the median.

In my work with Adam Carasso, we offer four options for reform. The first two, in our opinion, deserve special consideration as newer, although untried, approaches. The latter two options have been applied in specific circumstances, but both would require major adjustments in benefit and tax structures if carried out on a wider scale. A combination of these approaches, nonetheless, could be used to lessen and, for many, remove current marriage penalties.

—*A Maximum Tax Rate for Low- and Moderate-Income Families.*—For high-income taxpayers, the maximum marginal tax rate has been reduced from about 70 percent to a range of 28 percent to 39 percent since 1986. Yet the maximum effective marginal tax rate for lower- to moderate-income households is often far higher—often 50, 60, 80, or even 100 percent when they earn more or marry. To implement a maximum rate would require coordination and one-stop shopping for many of the nation's social welfare programs—but this action would go far to reduce marriage penalties.

—*Individual Wage Subsidies.*—The EITC is not a true wage subsidy. Many workers with very low wages become ineligible for the EITC when their income is combined with that of a spouse. A wage subsidy based on individual wages, whether hourly or annual, would avoid this problem. Recent comments by many members of both political parties have focused renewed attention on the plight of many men, who can receive costly "public support" only if they break the law and enter the corrections system. Otherwise, most of the contact these men have with the social welfare system involves facing huge marriage penalties. Rather than being family breadwinners, many find themselves able to help their children financially only by moving out or never marrying. Individual wage subsidies would help make it possible for a low-wage man or woman to marry someone with children without losing substantial income and welfare, as now happens.

—*Universal Programs.*—A universal program or tax credit—one that goes to households with children without diminishment of benefits regardless of marital status or income—would clearly avoid a marriage penalty. Many government spending programs such as public education and Medicare fall into this category because they are not means-tested. The recent adoption of a more universal child credit in the tax code reduced marriage penalties in exactly this manner.

—*Mandatory Individual Filing or Choice of Filing.*—If married individuals were either required or given the option to file as single individuals, they could avoid marriage penalties. Many other nations, such as Canada, Australia, Italy, and Japan, allow or require individual filing for married couples for income tax purposes.

Conclusion

For several decades now, policymakers have created public tax and transfer programs with little if any attention to the sometimes-severe marriage penalties that they inadvertently impose. The expanded public subsidies thus put in place by lawmakers came at the expense of higher effective marginal tax rates, as program benefits often had to be phased out beginning at fairly low incomes to keep overall program costs in check. The combined effective marginal tax rates from these phase-outs and from regular taxes are very high—sometimes causing households to lose a dollar or more for every dollar earned and severely penalizing marriage. In aggregate, couples today face hundreds of billions of dollars in increased taxes or reduced benefits if they marry. Cohabitating or not getting married has become the tax shelter of the poor.

These developments are in no small part the consequence of a half-century of social policy enactments of roughly similar design. Liberals wishing to keep programs very progressive and conservatives wishing to keep budget costs low have together put a substantial portion of household subsidies and assistance onto this platform.

These penalties can be reduced in various ways. Most promising, in our view, is to establish a combined maximum marginal tax rate for low- and moderate-income households similar to the rates applying to the richest individuals in society. Another innovative strategy would be to provide a wage subsidy on an individual rather than family basis for low-wage workers. Two other approaches, both of which have already been tried successfully on a smaller scale, would be to make some programs more universal, as with the child credit and public education, and to move toward mandatory or optional individual filing for benefits and taxes.

In recent years, couples in the United States have increasingly regarded marriage as an option, one among many ways of creating a household. This declining regard for marriage calls into question government's continued use of marriage vows as the

primary mechanism by which to enforce household filing for benefits and to raise taxes or lower benefits. Whether Americans' changing views on marriage eventually lead to the radical restructuring required to reduce the very high level of marriage penalty facing most low- and moderate-income individuals remains to be seen.

Senator BROWNBACK. Let me ask you, just on that last point, optional individual filing. That might be one of the simpler ways, actually, of doing it—where you'd allow people to get married, but they wouldn't have to file jointly if they're below a certain income level, to keep away from this sort of penalty that we're talking about. Is that what you're——

Dr. STEUERLE. Well, again, I want to point out, these are big, big dilemmas we're facing. But if you think about the way society has gone, the marriage penalty is essentially a tax on the marriage vow. In some ways, it's not even a tax on living as a married couple, it's a tax on taking a vow. That's administratively, for the most part, how the welfare and tax systems determine that they're going to require you to file as a joint return or as a household. Now, technically, some of these systems say, if you're cohabitating, you have to file jointly, as well. But we really have very little in the way of enforcement to be able to achieve that, except in some cases. So, the taking of the marriage vow is an optional system already. So, for people for whom vows are not important, they're already in an optional system. They can essentially behave as single individuals. What we do is——

Senator BROWNBACK. That's what's happening.

Dr. STEUERLE. Right. We force people, who believe in taking vows, to live in an alternative system, where they're not in an optional system. We say, "You take that vow, we've got you. You don't get this particular set of benefits." In some countries around the world, on the tax system, not necessarily on the welfare system, they've already gone this direction with respect to how they assess taxes. They've actually thrown in the towel, and they've said, "We'll basically allow people to opt to file as individuals rather than to file as joint returns." But, again, I want to be clear, to go in this direction disrupts a lot of systems. I mean, there's a lot of other changes one would have to think about doing at the same time. It's not quite so simple. If you have—if you just allow, say, a middle-income couple to file individually, and a nonworking spouse all of a sudden can become eligible for food stamps, because her income—or his income is low, and the working spouse is making substantial money, you would end up having to pay a lot of money. So, you'd have to make a lot of other changes at the same time to move in that direction.

Senator BROWNBACK. Some of the press accounts on the marriage issue are saying, "Hey, look, a lot of couples don't pay attention to this benefit or this tax rate. That's not impacting their decision whether or not to get married." What's your experience with that? Is this impacting people's decisions on whether to get married or not?

Dr. HORN. Well, if you look at the welfare system historically, the welfare system sent a message to mothers. They said, "We'll give you cash, as long as you don't do two things, as long as you don't go to work and you don't marry somebody who's working." And that was part of the aid to families with dependent children (AFDC)

system for a long time. And it—I don't think it's any coincidence—mere coincidence that you see, with the advent of a welfare State—particularly a means-tested welfare State that had those kind of messages, that you also saw a retreat from marriage in low-income communities.

So, I don't think that you have a whole bunch of mini-economists in low-income communities calculating precisely how much benefits they would lose if they got married. But I do think that in low-income communities they have a sense that you "lose stuff" if you get married, that it's not a good deal to get married. And so—and even if they're not, why should they be surprised, because they've done something that society says we want them to do—that is, to get married—to suddenly discover that they've lost all these welfare benefits?

It seems to me that what we ought to do is pay attention to what I think Ronald Reagan talked about—that is, you get less of what you tax and more of what you subsidize. And what we've been taxing is marriage and subsidizing is single parenthood. And what the calculator is meant to do is to be a starting point for us to see just precisely where these marriage penalties are and how they interact, how these various benefit and tax programs interact with each other, so we can start to formulate effective ways to try to reduce that marriage penalty.

Senator BROWNBACK. Mr. Haskins, you were involved in the welfare reform of 1996—deeply involved in that. And I thought that was a very successful reform: getting more people working, getting fewer people on public assistance, putting more dignity into the system. Did you look at this issue at that point in time, about the impact of public assistance on welfare and the taxing of marriage?

Mr. HASKINS. Not so much that, although family—I believe it was the first major debate in Congress where family composition was a huge issue. In fact, if you look at the goals of the welfare reform, the TANF—the title 1 of the welfare reform bill is the temporary assistance for needy family programs. It has four goals, gives the States a block grant of $16.5 million and says, "Figure out how to achieve these four goals." Three of the four have to do with family composition, including marriage, reducing single-parent families, and increasing the percentage of kids in two-parent families. And, in addition to that, we had a huge fight, including on the Senate floor, where the fight was really lost by conservatives, to try to do something to the welfare system to address the issue that Wade just described, of actually removing the incentive for young moms to have babies outside marriage. We were going to completely end the cash benefit. The House did that for moms under age 18, and the Senate—it was defeated on the Senate floor, so it was taken out.

So, the answer is, yes, we had this debate. We were—I think there's no question it was the first major national debate, provoked by Republicans primarily, that family composition is really the biggest problem in the country, and welfare causes the problems of family composition, so we need to change the nature of welfare.

I would point out to you, Senator, that since the welfare reform bill passed, I think it's good we have made some progress, especially on nonmarital births. I think their messages are changing,

the kind of messages that Wade talked about. The mothers have to work, that it's more difficult now to get welfare. You saw it in the actual data of how many people get TANF who are cohabiting. Only 14 percent of cohabiting couples below 200 percent of the poverty level even get TANF. So, there's some—I think there may—we may have re-stigmatized welfare.

In any case, those nonmarital birthrates that increase every year, and, for blacks, reach 70 percent, for the country as a whole, reached 33 percent, leveled off. If you look at the graph in my testimony, you can just see, it levels right off in 1995. It's increased a little bit, so we haven't solved the problem. We need to get it to go the other way.

Senator BROWNBACK. But it just seems like the real success was that people left welfare and went to work.

Mr. HASKINS. Right.

Senator BROWNBACK. But I can't track in the system any change in family formation.

Mr. HASKINS. There is some. And I will be happy to send it to you.

[The information follows:]

THE BROOKINGS INSTITUTION,
Washington, DC, December 13, 2006.

The HONORABLE SAM BROWNBACK,
United States Senate, 303 Hart Senate Office Building, Washington, DC 20510.

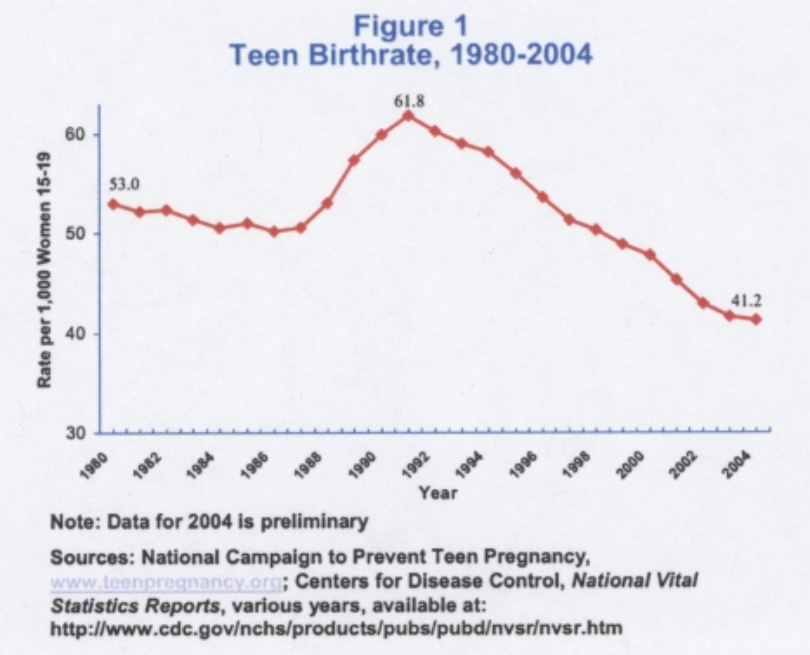
DEAR SENATOR BROWNBACK: This letter responds to your request for information on changes in family composition since the welfare reform law was enacted in 1996. Before getting into the data on changes in family composition, I would call your attention to two points. First, nothing in this letter is intended to claim that welfare reform was the cause of any changes in family composition. At most, examining trends before and after 1996 might be thought of as suggestive, but without more careful work it is unwise to conclude that any particular event caused any of the observed changes in family composition trends. Second, in order to examine trends, it is best to start long before the welfare law passed in 1996.

Let me clarify my biases. I believe that strong scientific evidence shows that children raised by their married parents do better on a wide variety of measures of growth and development than children reared in other family or household forms. I do not condemn single parents (I was a single parent for five years), but the evidence is very strong that children, adults, and society benefit if children are raised by their married parents.[1]

If we could raise the share of American children reared by their married parents, poverty would fall, children would complete more years of schooling, teen pregnancy would drop, juvenile delinquency would decline, and several other child outcomes would be improved. Based on research by Adam Thomas and Isabel Sawhill at Brookings, it could even be claimed that increasing marriage rates would be more effective than increasing welfare payments in reducing poverty.[2] For all these reasons, I'm a fan of anything that would increase the share of our nation's children being reared by their married parents.

[1] "Marriage and Child Wellbeing," *Future of Children*, vol. 15, no. 2 (Fall 2005).

[2] Isabel Sawhill and Adam Thomas, "A Hand Up for the Bottom Third: Toward a New Agenda for Low-Income Working Families," Working Paper, Brookings Institution, May 2001; Ron Haskins and Isabel Sawhill, "Work and Marriage: The Way to End Poverty and Welfare," Welfare Reform & Beyond Brief, No. 28, Brookings Institution, September 2003.

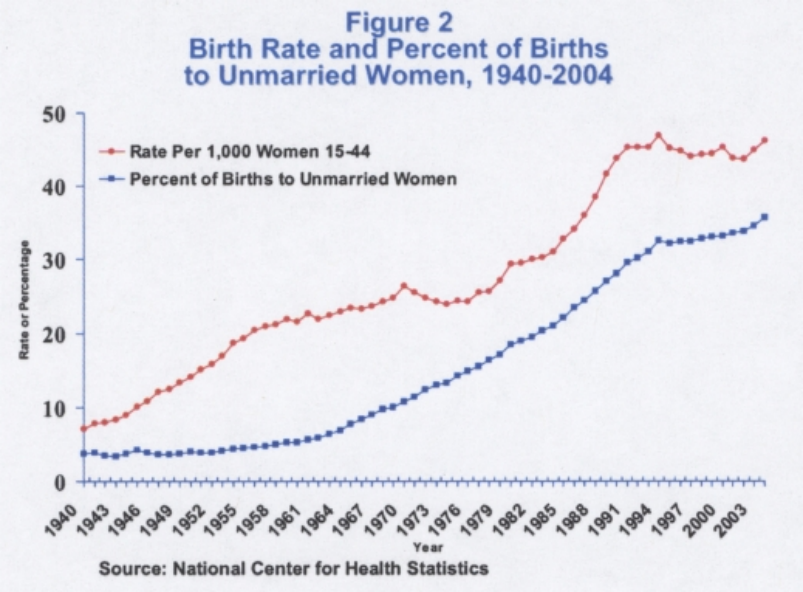


I begin with teen births because over 80 percent of teen births are outside marriage and thereby create a single-parent family. In addition, good evidence shows that teen births reduce the likelihood that the mother will ever marry. Fortunately, perhaps the clearest and most hopeful trend in measures of family composition is the trend in teen births. As shown in figure 1, teen births began declining in 1991 and have declined every year since then. Over the period between 1991 and 2004, teen births declined by one-third, a truly remarkable development.

Although the causes of these declines are not well understood, a recent study, based on the National Survey of Family Growth, concludes that the fall in teen births is attributable, at least in part, to both increased abstinence among teens and more effective use of contraception.[3] There have also been a few quality studies of programs designed to reduce teen pregnancy that show good, although modest, results.[4] It seems reasonable to conclude that if we want teen births to continue falling, we should continue programs that emphasize abstinence, we should make birth control available to sexually active teens, and we should encourage programs that aim to involve youth in constructive activities, especially mentoring, during after school and weekend hours.

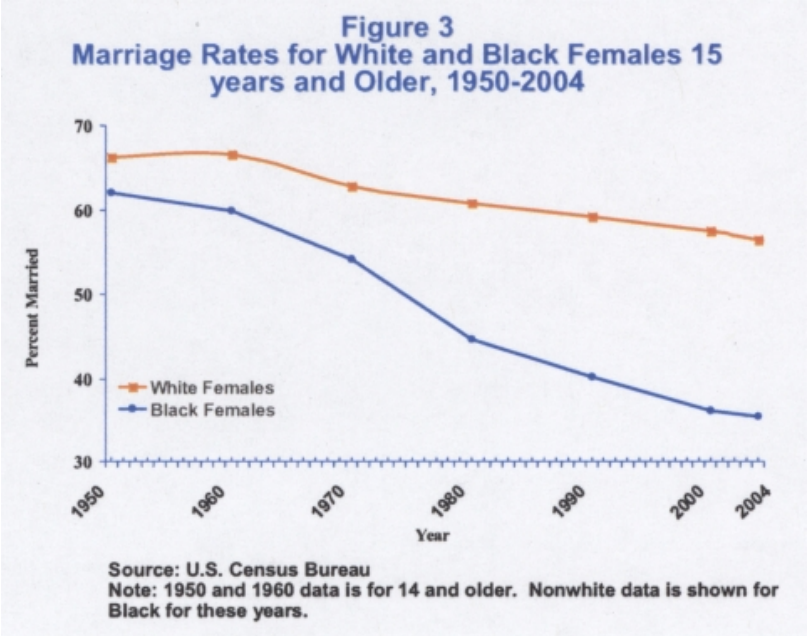
[3] John S. Santelli and others, "Can Changes in Sexual Behaviors Among High School Students Explain the Decline in Teen Pregnancy Rates in the 1990s?" *Journal of Adolescent Health* 25 (2004): 80–90.

[4] Julia B. Isaacs, "Cost-Effective Investments in Children," Unpublished Working Paper, Brookings Institution, September 2006; Douglas Kirby, *Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancy* (Washington, D.C.: National Campaign to Prevent Teen Pregnancy, 2001).

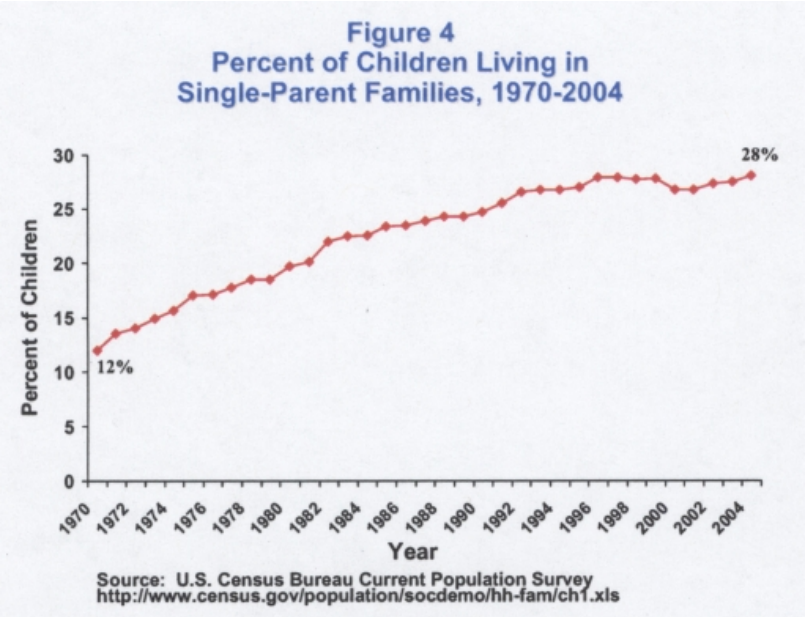


If we broaden the scope and consider nonmarital births among women of all ages, the picture is not as positive. Figure 2 shows the dramatic rise in nonmarital births both as a rate per 1,000 women of child-bearing age and as a percentage of all births. These data show that after several decades of rising rates, during which the share of all births outside marriage rose to about one in three, both measures either stabilized or increased at a much slower rate beginning in the mid-1990s. Some people have interpreted this welcome development to be a result of welfare reform, but the fact that the two measures changed course at about the time the welfare reform law passed is only weak evidence of a causal relationship. It also appears that both measures have started to increase somewhat in the last few years.

Figure 2 does not show the remarkable differences between ethnic groups in both measures. For example, in 1995 about 70 percent of black babies, 45 percent of Hispanic babies, and 25 percent of white babies were born outside marriage. These differences are correlated with ethnic differences in poverty and many measures of child development, and some scholars believe that nonmarital births are causally related both to the negative outcomes that characterize individual children as they grow older and to the substantial differences in development between children from these three ethnic groups.



Another trend bearing directly on family composition is the change in marriage rates. Figure 3 shows marriage rates for white and black women since 1950. Marriage rates for both blacks and whites declined from the 1960s until roughly the mid-1990s, although the decline for blacks was steeper than the decline for whites. By the mid-1990s, about 40 percent of black women, as compared with over 60 percent of white women, were married. The decline in marriage rates plays a role in the rise of nonmarital births because more women are "at risk" for more years of having a baby outside marriage.



The combination of these trends leads to what is arguably the most important trend for the nation's future; namely, the percentage of children living in single-parent families (figure 4). Between 1960 (not shown in figure 4) and the mid-1990s, the percentage of children in single-parent families at a point in time rose almost every year and by 1995 had nearly tripled, rising from 9.4 percent to 27 percent. Over the next decade, however, the trend slowed dramatically, increasing only 1 percentage point over the period and actually declining in some years.

Although trends since the mid-1990s are more favorable, all the measures of trends that contribute to single-parent families are at historically high levels. If we think of investments in children as the key to the nation's future, it is doubtful that any action taken by public officials could have as much impact on the well-being of children or the nation's future as substantially increasing the share of children being reared by their married parents.

I would be happy to respond to any additional requests for information or for clarification of information summarized in this letter. Thanks for the opportunity to expand on a major point of my testimony.

Respectfully,

RON HASKINS,

Senior Fellow and Co-Director, Center on Children and Families, The Brookings Institution.

Mr. HASKINS. In fact, there are actually studies that—we're making Maag famous here, Greg Maag, who happens to be in the audience. You could ask him some of these questions? What?

Dr. STEUERLE. Greg Acs.

Mr. HASKINS. I mean, Greg Acs and Elaine Maag. The same Acs that did this study that I showed you before on the chart also did a study looking specifically at the impacts on family composition. And he shows that, for low-income families, that there was a—somewhat of an increase, about a percentage point, in the—in the percentage of kids who were in two-parent families. He—and some people think that's because of marriage, some think it's because of cohabitation. But it was focused on low-income families, the kind of families that would be affected by welfare. So, there's——

Senator BROWNBACK. Okay.

Mr. HASKINS [continuing]. Some evidence.

Senator BROWNBACK. We cut the welfare rolls in half by people working, and if we only increased the marriage rates by 1 percent, it seems like, there was one major success, and there was one that was left undone.

Mr. HASKINS. But I would point out to you, Senator, that Congress started passing work legislation——

Senator BROWNBACK. I voted for this change. I'm not casting aspersions on you, I'm just saying it looks like we got only part of it right. And we got a big part of it wrong.

Mr. HASKINS. Okay.

Senator BROWNBACK. Or we didn't address a big part of it, would be a better way to put it. And, to me, that's the real next step. If we're concerned about family formation, we've got to really go at this issue of penalties. And I would be one that would be willing to say, "If you're willing to get married, I'll give you more benefits, not take them away," to try to encourage this, because it's such a critical issue.

Dr. HORN. Senator, I agree with you. I think that the unfinished business of welfare reform is, in fact, tackling the problem of family formation. Congress made a really big step in this regard in the Deficit Reduction Act by appropriating, for the first time, a dedicated funding stream for healthy marriage initiatives. And I know that you were a strong supporter of that. But one of the things that this calculator does is, it adds clarity to this policy discussion.

Senator BROWNBACK. Yes.

Dr. HORN. In West Virginia, up until 2004, they used to give an extra hundred dollars, for a limited period of time, to couples who previously had qualified for welfare—they added a $100 benefit to their—what they now were getting under the fact—under the—their eligibility now that—based on the fact that they're married. Many people labeled that a "marriage bonus." And the—and what that gave is the impression that somehow the couple got $100 more than they would have gotten if they didn't get married. That is completely false.

What the calculator shows is that, in 2003, for example, in the example that I gave in my opening statement, that couple in West Virginia, even the $100 extra money in their TANF benefit, actually had a reduction, in their overall benefits, of $343 a month.

Now, I daresay that if one of your staffers came into your office, and you said, "I—hey, I've got good news and bad news. Good news is, I'm giving you a $5,000 bonus. Bad news is, I'm giving you a $10,000 pay cut," they wouldn't go home and brag about the additional money they got. And that's precisely what was happening in West Virginia, is that we were pretending as if this was a bonus for marriage, when, in fact, I would label it a marriage penalty rebate system.

Senator BROWNBACK. Dr. Steuerle and Mr. Haskins both point out the difficulty in correcting this situation. And I appreciate that. And I like your idea, Mr. Haskins, of a CRS study. Let's really dig into this. And we'll request one. We'll do that. But I'm sitting here, as a policymaker, thinking we all agree that we need more family formation among low-income persons. I can see why West Virginia

would do something like that, and that they're just trying to say, "All right, let's put some up-front cash here, because we know that if you get married, our long-term costs go down. So, we'll put up-front money to do something like that". I mean, I don't think the $100 is anywhere near sufficient. But what about that type of an idea, "If you'll get married, and you're a couple in this category, over a period of 5 years we'll make this level of cash payments to the two of you?"

Dr. HORN. The States actually have the flexibility under the TANF program to do that now if they want to.

Senator BROWNBACK. Do some of them do it?

Dr. HORN. West Virginia used to. And, in 2004, because people labeled it a "marriage bonus," they cut it out in 2004. They terminated the program. But what a State could do with this calculator is say to a couple, "If you can demonstrate that you are going to lose benefits, we—what we—because you got married—what we will do is, we will provide, for this limited period of time, some additional cash supplements, so that you are not completely disadvantaged because you've done something that we say, as a culture, we value—that is, to get married." And States have the flexibility to do that right now, under the TANF program. And my hope is that some might entertain that, once States start to look at these calculations in—using the marriage calculator, so that they, in fact, are reinforcing, as opposed to punishing, as my friend Dr. Steuerle says——

Senator BROWNBACK. Yes.

Dr. HORN [continuing]. The marriage vow.

Dr. STEUERLE. Senator, this is very close to what—the—when I listed the four ways of tackling this issue, in some ways they were logical ways, they weren't necessarily the ways—necessarily favored one over the other. But what Dr. Horn is referring to is very close to the—what I said is setting a maximum tax rate. You can say, "Okay, if you marry, we're not going to reduce your benefits as much as we might, otherwise."

And let me add that even while we're in the midst of this discussion, Congress, on both the Republican and the Democratic side, is constantly dealing with new programs they want to add to this system. Individual development accounts, not the marriage accounts you have, but separately, have——

Senator BROWNBACK. Right.

Dr. STEUERLE [continuing]. Phase-outs. A great many proposals on healthcare, some of which I even like, like in terms of vouchers, perhaps tackling some of the difficulties of the existing tax benefits, some of those proposals have phase-outs. Every time these phase-outs get added, whether it's by the Federal Government or by the State government, they tend to add these marriage penalties. And almost no one has been calculating them. And so, what Dr. Horn's calculator, developed by Dr. Acs and others, is doing is allowing us to actually look at—when people enact these programs and say, "Let's at least look at the marriage penalties that are being created," as opposed to leaving it as a nonissue.

Senator BROWNBACK. Right. Dr. Horn, Dr. Steuerle has made a series of policy recommendations for ways we can tackle this. Mr. Haskins has suggested some more in-depth study on this. Do you

have policy recommendations to make to us on how to address this topic?

Dr. HORN. Well, first of all, thankfully most people don't make decisions about whether to get married not solely based upon short-term economic gain or penalty. Most people make decisions about marriage for other reasons, because they want to be with this person for the rest of their lives, and they want to give their children a healthy, stable, married household. And so, there are other calculations, including the long-term financial benefits of being married, that clearly are reflected in the research literature.

Having said that, I do think that we should begin to explore ways to reduce the marriage penalty. One way would be—as I've suggested—is for States to use the calculator to say, "Hey, look, if you can demonstrate to us, through this calculator, that the fact of you getting married is going to reduce your benefits, then we will provide a certain amount of extra cash for a certain limited period of time to offset that reduction in the benefits." I think that would——

Senator BROWNBACK. And that's available to do now.

Dr. HORN. They could do that now under the flex plan in the TANF program. And, you know, we've got 60 percent less people on the caseloads than we used to have, and we have the same amount of money in the TANF block grant. We've got $2 billion in unspent carryover funds. There's a lot of money out there in the system. And I think an innovative State could even do this in some jurisdictions just to try it out to see if we can get higher marriage rates, more stable marriages.

Senator BROWNBACK. We could try it in the District of Columbia.

Dr. HORN. Sure. Absolutely.

Senator BROWNBACK. What kind of bonus could we provide under TANF, if we wanted a 3- or 5-year cash bonus? How big could this be? Do you know that number?

Dr. HORN. I don't. I do know West Virginia used to give $100, and it didn't bankrupt them. The bigger problem for West Virginia was using the word "bonus." It suggested we were paying people to get married.

Senator BROWNBACK. Yes. But can you get up above $1,000, $2,000, $3,000?

Dr. HORN. Oh, that was—I'm sorry, to be clear, that was $100 a month, not $100 a year.

Senator BROWNBACK. Oh, was it? Okay.

Dr. HORN. So, it was worth $1,200.

Senator BROWNBACK. All right. I thought you were just talking about $100, and I was thinking, "Ah, that seems like not very much, to get married."

Mr. HASKINS. Mr. Chairman, can I make a point about this?

Senator BROWNBACK. Yes. I'm sorry, let me finish with Wade.

Do you know the maximum amount we could get under the TANF proposal of what you're saying is currently available?

Dr. HORN. I don't. And that would depend a little bit upon the amount of money that a State has in its TANF block grant and the other benefits that are provided through that TANF block grant, both cash and noncash benefits. What——

Senator BROWNBACK. Could we ask your office, if it's not too hard to come up with this, what would be the maximum amount a State could come up with on this—because I would like to be able to get that number out, if it's not too difficult to achieve.

Dr. HORN. We could work on that.

[The information follows:]

TANF is a block grant that gives States considerable flexibility. States have broad discretion in deciding whether and how much of their TANF funds to use for cash bonuses for low-income couples to get and stay married. The actual amounts that States spend on such bonuses are not available from information that States report to ACF. The following web site provides the latest available information on how States spend their TANF grants.

Dr. HORN. And often in the calculations of the total cost, the assumption is, once you implement something, everybody gets married. That's not true. And so, when you talk about the hundreds of billions of dollars that it would cost to have every single person married that has low income, the reality is, not every single person on welfare is going to get married because you eliminate the marriage penalties.

Senator BROWNBACK. Right.

Regarding the District, I want to work with you and your office and the current Mayor, who's retiring, who I think's done an outstanding job as Mayor here in the District of Columbia, and has been very supportive of marriage. It would be interesting if we could start a pilot here in the District of Columbia, because people have been very supportive of the marriage development accounts. They want more family formations taking place here. It's a nice coalition from the left and the right, and would be a good place to take a stab at that. So, we will be working with you to see if we can do that here.

Dr. STEUERLE. Senator, if I could just add a footnote—when I said there were hundreds of billions of dollars of penalties, it's partly because couples who don't apply to be in these systems, technically, do face these penalties. In some sense, they've moved out of the systems, or they don't file as separate individuals. They don't divorce. And you do face this dilemma when you only try to take this existing structure and try to deal with it just by doing some things to get people out of it, because you're only, then—you're only, then, basically applying it to the people that are sort of—say, if you apply it to TANF parents, you're only applying it to that group, but you've got all these people who haven't applied——

Senator BROWNBACK. Right.

Dr. STEUERLE [continuing]. For TANF who technically may face the same penalties. They just live with them. So, in the longer term, I think you have to deal with the broader question of how you want this welfare structure to operate. Do you really want to have these huge phase-outs, and do you want to—basically basing it on the family circumstances, rather than, in some cases, the individual circumstances. And I think those issues still have to be addressed, long run.

And I will say that I do think that there's more hope here than meets the eye. If you go back from 1981 to—say, to the current day, 25 years, in terms of domestic policy per household, we're spending, you know, perhaps, you know, $5,000 to $10,000 more

per household than we did even when Ronald Reagan came to office. Basically, Government, over time, increases the amount it spends, just because the economy gets richer. And if you take those increased resources and think about how you want to direct them, and don't direct them in ways that create so many marriage penalties, over time you can often reduce them in the ways that you can't just by trying to just get at these programs one little nick at a time.

Senator BROWNBACK. I think it was Mr. Haskins that said the two greatest tools we've got to reduce poverty are work and marriage, if I'm correctly quoting you. And I think we've made some real progress on the work, and I don't think we've made much on marriage. And so, to me, that's our real challenge, because I think it is the long-term way to really reduce poverty in this country.

Mr. HASKINS. Could I go back for just a moment to the idea of getting the States to do more here? The first thing is, in the TANF program, the States are complaining loudly know, as Wade knows very well, that they're going to soon run out of money; they don't have enough money, because they have all these new work standards that Congress just passed. So, this—don't be surprised if you approach States and they respond that way.

But the second thing is that I think a way to do this is to engage in cost sharing with the States. I think they should spend the TANF reserves, and they should spend TANF money to do this, but, in the long run, if you make changes in programs like Medicaid, where we share the costs, or food stamps, where it's—the benefit's 100 percent Federal, the Federal Government will have to subsidize some of the cost. We should try to get the States to share us—share the costs with us, point one; and, point two, in some of the programs, we can use the Federal share and say, "If you do the right thing, then we'll pay our share of it." That gives the States at least some incentive to move in the direction that you want them to move. So, for example, giving bonuses for marriage.

Senator BROWNBACK. Well, this has been very good. And I invite you and your groups to work on this with us, because I do think that there would be a broad basis of support that we could galvanize around this topic. An outstanding job from each of you. Thank you for being here.

Call up the second panel: Ms. Kate Jesberg, Director of the Department of Human Services, District of Columbia, Mr. Curtis Watkins, Executive Director of the East Capitol Center for Change in the District of Columbia, and Mr. and Mrs. Winston Graham, recently married residents of the District of Columbia.

We do have a vote scheduled at 11 o'clock. What I'd like to do is to get this panel started and going as much as we can and see how far we can get this moving along.

Ms. Jesberg, thank you for being here. Each of your written testimonies will be submitted into the record. I would actually appreciate it, if you would summarize your thoughts.

STATEMENT OF KATE JESBERG, DIRECTOR, DEPARTMENT OF HUMAN SERVICES, DISTRICT OF COLUMBIA

Ms. JESBERG. Yes, I'd be happy to summarize. Thank you for having us here today, Senator.

The District of Columbia is extremely supportive of your efforts, and very thankful that you have pioneered the use of marriage development accounts. And my colleagues here, Mr. Curtis Watkins and Mr. and Mrs. Graham were very happy about that.

I wanted to give you some background on the District of Columbia. The department of human services runs all the major benefit programs that you just heard the prior panel discussing—food stamps, Medicaid, TANF, a wide array of social service programs. And we began funding a number of marriage initiatives and other programs that really strengthen family formation approximately 5 years ago. We started with some small grants. Someone who's prominent in the field, especially in African-American marriage is Nisa Muhammad, of Wedded Bliss; and she, in turn, led to other efforts. We currently fund a fairly large fatherhood initiative, which we find is closely linked to marriage. And we also fund what we call a family-to-family program, which is a mentor program where stable families mentor families that really need that assistance. And one of the goals is, of course, marriage. But—that's not always a goal for every family, but we believe strongly that increasing family formation is critical.

In my former position, before I was the director at human services, I actually ran the welfare programs, so I'd be happy to offer some of my thoughts on program design that you just heard the last panel discuss and where, really, some of those notch effects are.

But, at this point, I would like to simply reiterate my thanks, and I'm sure you want to hear from our newly married couple and Mr. Watkins, so, let be brief.

Thank you.

Senator BROWNBACK. Thank you. And I will, if we've got time, want to go through some more of those notches.

[The statement follows:]

PREPARED STATEMENT OF KATE JESBERG

Good morning Senator Brownback and members of the Committee on Appropriations. I am Kate Jesberg, Interim Director of the District of Columbia (D.C.) Department of Human Services. I am pleased to appear before you today to discuss the programmatic infrastructure the Department of Human Services has developed to support family formation as means of improving child well-being and reducing poverty. The Department of Human Services is responsible for the administration of a wide range of social service programs in the District including determining eligibility for cash assistance through the Temporary Assistance for Needy Families (TANF) program, Food Stamps, and Medicaid, the provision of subsidized child care, rehabilitation, homeless, and adult protective services, and administration of the Social Services Block Grant program. DHS also administers the TANF Employment Program and an array of community and faith-based efforts under the TANF program.

As you are well aware, the District faces among the highest poverty and child poverty rates in the nation, as well as one of the highest unemployment rates in the nation. The District government is committed to improving the lives of residents and addressing the challenges brought about by poverty and single-parenting. D.C. has long been involved in programs to promote stable families and, where appropriate, marriage. Through our TANF-funded Social Service Grants program, the Department supported its first marriage-focused program through Abundantly Living Services in 2002. These grants often provide a starting place for small, community-based organizations attempting to leverage other funds. This was the case in 2006 when the Wedded Bliss Foundation, led by Nisa Muhammed, received a DHS grant which allowed them to provide a weekend retreat for couples and also to train staff of other community organizations, thus serving as a springboard for the provision

of additional services. We are very appreciative of your leadership and support of family formation in the District and the Department of Human Services looks forward to collaborating with the East Capital Center for Change and the Capital Area Asset Building Corporation as we all work to strengthen families and reduce poverty in the District.

The Department's efforts to encourage and support family formation are primarily supported by the TANF and early childhood assistance programs. The District's TANF program has been recognized thirteen times for its performance in achieving the goals of welfare reform under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This recognition was in the form of high performance and out-of-wedlock birth reduction bonuses totaling more than $168 million since the inception of this bonus structure. With these additional resources, the District was able to fully embrace it's commitments to the third and fourth legislative purposes of TANF—reducing out-of-wedlock births and encouraging the formation and maintenance of two-parent families. In addition to the grants mentioned above, I would like to specifically highlight two TANF-funded initiatives which are most directly related to encouraging family formation, the Family-to-Family program and the D.C. Fatherhood Initiative.

With recognition that moving beyond welfare dependency requires personal commitment and supportive relationships, including strong and stable family ties to help individuals address the challenges associated with making major changes in lifestyle, DHS funded the Family-to-Family mentoring program. This program offers a family centered approach to mentoring with the goals of encouraging and promoting the development of individuals within strong families, and within a framework that builds upon family strengths, including marriage.

There is little question that marriage contributes to and promotes child well-being, family economic stability, and stability of communities. However, marriage conveys the full range of these benefits only if it is a healthy union based on mutual love, respect and shared goals. Family-to-Family is designed to fill what is often a void of family connections and community support which are, unfortunately, no longer the staple of many District families. Family-to-Family seeks to address challenges within the family unit by illustrating, through face-to-face modeling, a more productive way to organize and conduct family life. Thus, for the mentee family this is real-time support that offers immediate and long term benefits for both the adults and children of the unit. For the mentors, the experience reinforces life choices already made, and allows them to promote healthy relationships for the benefit of their community.

Not surprisingly, the Family-to-Family program is widely supported by our faith-based partners. Family-to-Family is a grant opportunity that touches upon all four TANF program goals. At the same time, messages of the faith community may be communicated to both the mentee family and mentor family in fulfilling the mentoring objectives. Each Family-to-Family project must be structured to maximize personal decision making that would help sustain and fortify the individual while pursuing employment and training, and long after securing employment. We believe Family-to-Family connects the individual to the true path to an end to dependency—strong functioning families, partnerships through healthy marriage, and a support network of friends and associates who reinforce positive behaviors, provide outlets to express frustration, uncertainties, and celebrate triumphs. With TANF funding of approximately $500,000, four grants were awarded in late fiscal year 2005 and have already provided services to 66 families and involved 47 mentors.

The other initiative I am pleased to share with you today is the D.C. Fatherhood Initiative. Support of non-custodial fathers is critical to not only their ability to support their children, but to efforts to unite families and encourage marriage. The D.C. Fatherhood Initiative builds on best practice models employed nationwide, the resources of government partners, and the service commitment of community-based organizations to provide an array of services including educational assistance, job placement assistance, and the life skills necessary to promote family re-unification. Among the seven grantees providing direct services two, the Hope Foundation and Reintegrating Alternatives Personal Program, provide specialized services to assist ex-offenders as they reintegrate with the community and their families. Funded at approximately $1.3 million in fiscal year 2006, these community organizations have served more than 2,300 fathers since it began providing services in fiscal year 2004.

The Department of Human Services is proud of our efforts to support family formation and marriage, and looks forward to partnering with other efforts in the community, including those of the East Capital Center for Change. I believe our program infrastructure provides a sound platform from which to facilitate usage of Marriage Development Accounts (MDAs) and pre-Marriage Development Accounts (PMDAs). I also look forward to helping our service delivery structure utilize the

full range of resources at its disposal, such as the marriage calculator presented by Dr. Horn. The combination of these community and faith-based programs, tools such as the calculator, and financial support provided through MDAs, offer a comprehensive approach to supporting healthy relationships, fostering supportive families, and developing strong communities that can overcome the challenges of poverty and ensure the well-being of children. In closing I also want to mention that the District has taken great strides to mitigate the marriage penalty through our income tax structure. By offering more filing status alternatives than the federal system, District residents can choose a status that minimizes any marriage penalty. While this structure does not eliminate all penalties in the city's tax system, it does reduce the disincentive to marriage inherent in the tax structure.

Thank you for the opportunity to appear before you today. I would be please to respond to any questions you may have.

Senator BROWNBACK. Mr. Watkins, thank you for joining us.

STATEMENT OF CURTIS WATKINS, PRESIDENT, EAST CAPITOL CENTER FOR CHANGE, WASHINGTON, DC

Mr. WATKINS. Thank you, Senator Brownback.

I'm the president of East Capitol Center for Change (ECCC), and we're a youth and family development agency serving wards 7 and 8 in the District of Columbia.

Since my last appearance before the subcommittee, in October 2005, my organization has partnered with the National Center for Fathering, the Capital Area Asset Building Corporation, and the DC Metropolitan Healthy Marriage and Relationship Coalition, and I have been very busy launching "Together is Better," the campaign to strengthen D.C. families, marriages, and communities. Over 350 people, including D.C. area residents, clergy, public officials, and civic leaders, attended a launching event last week in ward 7. I will tell you more about the progress of the campaign in a few minutes, but, in the meantime, our new web site, for everybody here, is www.TogetherIsBetter.org. You'll find this a handy tool as a reference point for activities that will continue and multiply in the future.

When we last met with you, I told you about how over the last four decades of the 20th century there's been a very large increase in nonmarital and childbearing cohabitation, as well as a higher rate of divorce and separation. This has had a direct impact, and profound impact, on the well-being of American children. As I told you how the marriage gap among American families, and particularly pronounced in the low-income African-American community who resides in the distressed communities, those in ward 7 and ward 8, where I grew up, and ECCC serves today.

A great deal of the reason for this public policy, from the national level on down, has discouraged the formation of a two-parent, low-income family, although the original architects of aid for family and dependent children and other public programs never intended to discourage the family formation, it's a intended consequence we have still living in the effects of today. As I grew up in the East Capitol dwellings, a large public housing complex that has been redeveloped under HOPE VI, I saw fathers frequently make the choice to remain unattached to mothers of their children, even when a strong bond of love was present. As any economist will tell you, people generally make rational decisions when it comes to maximizing their income. Sadly, under policies of the past, and even the present, those choices have not always been in

harmony with the maintenance of strong married coupled headed families. This truly needs to change, and change needs to happen.

The purpose of Together is Better Campaign and the marriage development accounts we promote, which matches low-income engaged and married couples savings by three to one, up to a nest egg of $12,000 to purchase an asset, is an encouraging healthy relationships of marriages in the District families. Besides organizing this very successful launch event, the campaign has already begun monthly marriage development account orientations for couples, set in motion married and relationship education workshops, we have established a tight protocol for the prevention of domestic violence and abuse, we've sparked a high-quality fatherhood training at our affiliates across the city, and we're offering WAIT abstinence and pro-marriage training for youth. And this is beginning with the very teens that we serve through our after-school programs at ECCC.

Over the next few months, we will spread this movement by offering a small grant program to residents and citywide community-based organizations who wish to join the campaign with their own workshops and innovative ideas for promoting healthy marriages in the District of Columbia.

In my testimony, I have referenced Congresswoman Norton. She made a note in reference to the institute of the black family, including that both father and mother, as the head, that have gotten American—African-American family through the unjust period of U.S. history. She also noted that even through the unfortunate public policies that have helped to make marriage less and less the norm obviously must change. Only through the dogged determination of members of the D.C. African-American community can this ultimately turn this situation around fully and restore the healthy families to its proper place in our culture.

As the son on this very community, and in solidarity with folks like Sandy and Winston, who are here today, and you'll hear from them shortly, as well as partners in Together is Better Campaign, I look forward to continuing the work that all of you here on Capitol Hill to strengthen the institute of marriage for the District residents and all races. You do your part, and we'll do ours, and together is better.

And I also would like to offer the members of the panel, and also the audience, to sign our panel here as a solidarity movement of saying that together we can change some of the cultures in our community, but it's going to take us, as a village, to do this together.

Thank you, Senator.

[The statement follows:]

PREPARED STATEMENT OF CURTIS WATKINS

Hello, my name is Curtis Watkins. I am the President of the East Capitol Center for Change, a youth and family development agency that serves Wards 7 and 8 of the District of Columbia.

Since my last appearance before this committee in October of 2005, my organization and partners like the National Center on Fathering, the Capital Area Asset Building Corporation, and the D.C. Metropolitan Healthy Marriage and Relationships Coalition have been very busy launching "Together is Better: The Campaign to Strengthen D.C. Families, Marriages, & Communities." Over 350 people—including D.C. area residents, clergy, public officials, and civic leaders—attended the for-

mal launch of our campaign last week in Ward 7. I will tell you more about the progress of the Campaign in a few moments, but in the meantime, write down www.togetherisbetter.org for a handy way to reference our activities, which will continue to multiply, in the future.

When I last met with you, I told you about how, over the last four decades of the 20th century, very large increases in non-marital childbearing and cohabitation, as well as higher rates of divorce and separation—have had a direct and profound impact on the well-being of American children. I also told you how the "marriage gap" among American families is particularly pronounced for low-income African-Americans who reside in distressed communities like those found in Ward 7 and 8 where I grew up and in which ECCC serves today. A great deal of the reason for this is that public policies from the national level on down have discouraged the formation of two-parent low-income families. Although the original architects of Aid for Families with Dependent Children (AFDC) and other public programs never intended to discourage family formation, it is an unintended consequence we are still living with the effects of today. As I grew up in the East Capitol Dwellings, a huge public housing complex that has been redeveloped under Hope VI, I saw fathers frequently make the choice to remain unattached to the mothers of their children even when a strong bond of love was present. As any economist will tell you, people generally make rational decisions when it comes to maximizing their income. Sadly, under the policies of the past and even of the present, those choices have not always been in harmony with the maintenance of strong married-couple-headed families. This has got to change.

The purpose of the "Together is Better" Campaign and the marriage development accounts we promote, which match low-income engaged and married couple savings by 3 to 1 up to a total nest egg of $12,000 for the purchase of an asset, is to encourage healthy relationships and marriage for D.C. families. Besides organizing our very successful launch event, the Campaign has already begun monthly marriage development account orientations for couples, set in motion marriage and relationship education workshops, established tight protocols for the prevention of domestic violence and abuse, sparked high-quality fatherhood training at our affiliates across the city, and offered WAIT abstinence and pro-marriage trainings for youth—beginning with the very teens we serve through our after-school programming at ECCC. Over the next few months, we will spread this movement by offering small grants to residents and citywide community-based organizations who wish to join the Campaign with their own workshops and innovative ideas for promoting healthy marriage for District residents.

During her inspiring keynote address to the attendees at the "Together is Better" kick-off last week, Congresswoman Eleanor Holmes Norton noted that it has been the institution of the Black family—including both the father and the mother at its head—that has gotten African Americans through the unjust periods in U.S. history. She also noted that—even though the unfortunate public policies that have helped to make marriage less and less the norm absolutely must change—only the dogged determination of members of D.C.'s African-American community can ultimately turn the situation around fully and restore healthy marriage to its proper place in our culture. As a son of that very community and in solidarity with folks like Saundra and Winston Graham, who you have heard from today, as well as the other partners in the "Together is Better" campaign, I look forward to continuing to work with all of you here on Capitol Hill to strengthen the institution of marriage for District residents of all races. You do your part and we'll do ours. "Together Is Better"

Senator BROWNBACK. Thank you. I love the campaign. I love the logo. And it's very encouraging and uplifting.

Mr. and Mrs. Graham, I'm seeing a beautiful picture here. I hope you got a lot of people that were supportive of that. You might want to think about running for public office with a family that looks like that.

That's nice.

Mr. GRAHAM. Thank you.

Senator BROWNBACK. Let me hear your testimony.

STATEMENT OF SAUNDRA GRAHAM, DISTRICT OF COLUMBIA

Mrs. GRAHAM. Okay. Good morning.

Senator BROWNBACK. Get that microphone closer to you, if you don't mind. Thank you.

Mrs. GRAHAM. Good morning, Senator Brownback.

Senator BROWNBACK. Good morning.

Mrs. GRAHAM. My name is Saundra Graham, and I am here to share why my family and I are participating in Together is Better, the campaign to strengthen D.C. families, marriages, and communities and why I applaud any efforts you might make to reduce barriers to marriage for low-income families.

My husband and I have been together for nearly 20 years, but we just got married November 26 of last year. We live with our four children in Benning Terrace housing complex in ward 7. We have been living in Benning Terrace for 6 years this coming August.

My husband and I have always dreamed of getting married one day. For those of you who might be wondering why we waited so long, and why we got married at all after nearly 20 years, well, there are a few reasons.

First, we started going to church, a church that we absolutely fell in love with. Peace Fellowship, located at 1601 Kenilworth Avenue, Northeast, awakened our spirit. Just seeing how husbands and wives treated each other and responded and interacted with their children was wonderful. Some of you may see healthy relationships on a regular basis and find them pretty normal, but for two people like my husband and myself, this was very abnormal. We both are—we both were raised in a dysfunctional household.

Where we live, we see single moms who are doing the very best they can, and I applaud them, because raising children is the hardest job out there. But there are few families with married parents in Benning Terrace.

Second, another reality that contributed to our delay in getting married was fear over what would happen to the public benefits we need to support our family. We live in a low-income housing project, where rent is based on our family's income. The majority of income for families in Benning Terrace comes from TANF or Social Security. In the District of Columbia, if an unmarried woman has a child, and has no income, then TANF qualifies her to receive financial assistance, which becomes her income. It is the experience of people in my community that if a woman gets married, her income from TANF and other public benefits will decrease. This is a disincentive——

Senator BROWNBACK. Do people talk about that disincentive?

Mrs. GRAHAM. It's rarely talked about, but it's just a known. It's a—it's a known. We—it's a fear that's there. It comes up every now and then, but the—but the thought is——

Senator BROWNBACK. It's just a given. People say, "Okay, you get married, you're going to lose benefits."

Mrs. GRAHAM. Exactly.

Senator BROWNBACK. Okay.

Mrs. GRAHAM. Exactly.

Senator BROWNBACK. I'm sorry. Please go ahead.

Mrs. GRAHAM. This is a disincentive to marriage, and I understand why. As a mother of four, the possibility of losing income I desperately needed to support my children altered my own judgment about marriage for so long. But with the support of my church, Peace Fellowship, and partnering organizations like East

Capitol Center for Change, the Southeast Whitehouse, and, of course, the organization which I am presently employed East of the River Clergy Police Community Partnership, or ERCPCP, I am truly stepping out on my faith. God has put some amazing people in my life who have given so much of themselves, making this journey a life-altering experience. Words cannot express the impact that this season has made in my life.

At this time, I would like to acknowledge some of those people: My pastor, Dennis and Susan Edwards; from ERCPCP, Deann Ayer, Derek Ravenell, Reverend Donald Isaac and his wife; from East Capitol Center for Change, Curtis Watkins; from DHS, Rufus Mayfield, Anthony Dialos, and Lenore Hall; from the Southeast Whitehouse, Tina Henderson; and the body of Peace Fellowship. Thank you. I applaud you today. I have had the opportunity to see what you all do in a day—day in and day out in our community. The love and the support you offer, the ways that you unselfishly give of yourself and your time, time that you don't necessarily have, but you make, thank you. Each one of you have, at one time or another, shared encouraging words, supportive suggestions, or your presence when I needed someone just to be there and listen. Again, thank you.

Now, I spoke earlier about stepping out on my faith. Well, in my community, getting married is an abnormal behavior. Folks in our community think we are crazy. They shared their thoughts with us from time to time, so we have stepped out in our faith by getting married, and we are trusting that marriage is just the first step in a better life for us, especially for our children.

In closing, there are many reasons I support Together is Better Campaign and the marriage development accounts that is offered to the District residents. Namely, I would like—I would like, one day, for my husband and I to be homeowners. Also, one day we would like to start our own business. These are our dreams. At the beginning of this journey, we didn't know whether our dreams were possible. But it is our hope that through the support from Together is Better and marriage development accounts program and a lot of hard work and continued growth on our part, we can realize these dreams, and many more.

Thank you.

Senator BROWNBACK. Thank you, Mrs. Graham. That's powerful testimony.

[The statement follows:]

PREPARED STATEMENT OF SAUNDRA CORLEY GRAHAM

Good Morning, ladies and gentlemen. My name is Saundra Graham. I am here to share why my family and I are participating in "Together is Better: The Campaign to Strengthen D.C. Families, Marriages & Communities" and why I applaud any efforts you might make to reduce barriers to marriage for low-income families.

My husband and I have been together for nearly 20 years, but we just got married November 26th of last year. We live with our four children in the Benning Terrace housing complex in Ward 7. We have been living in Benning Terrace for 6 years this coming August.

My husband and I had always dreamed of getting married one day. For those of you who might be wondering why we waited so long and why we got married at all after nearly 20 years, well, there are a few reasons.

First, we started going to a church that we absolutely fell in love with. Peace Fellowship, located at 1601 Kenilworth Ave. NE, awakened our spirits. Just seeing how husbands treated their wives and how wives responded to their husbands and how

both husbands and wives interacted with their children was wonderful. Some of you may see healthy relationships on a regular basis and find them pretty normal, but for two people like my husband and me who were raised in dysfunctional households, this was very abnormal. Where we live, we see single moms who are doing the very best they can, and I applaud them because raising children is the hardest job out there, but there are few families with married parents in Benning Terrace.

Second, another reality that contributed to our delay in getting married was fear over what would happen to the public benefits we need to support our family. We live in a low-income housing project where rent is based on a family's income. The majority of income for families in Benning comes from TANF or Social Security. In the District of Columbia, if an unmarried woman has a child and has no income, then TANF qualifies her to receive financial assistance, which becomes her income. It is the experience of people in my community that, if a woman gets married, her income from TANF and other public benefits will decrease. This is a disincentive to marriage and I understand why. Ladies and gentlemen, as a mother of four, the possibility of losing income I desperately needed to support my children altered my own judgment about marriage for so long, but with the support of my church, Peace Fellowship—located at 1601 Kenilworth Avenue NE—and partnering organizations like East Capitol Center for Change, the Southeast Whitehouse, and, of course, the organization with which I am presently employed—East of the River Clergy, Police, Community Partnership or ERCPCP, I am truly stepping out on faith.

God has put some amazing people in my life who have given so much of themselves, making this journey a life altering experience. Words just cannot express the impact that this season has made in my life. At this time I would like to acknowledge some of these people:

—My pastor and his wife, Dennis and Susan Edwards,

—From ERCPCP, Deann Ayer, Derek Ravenell, Rev. Donald Isaac, and Mrs. Isaac,

—From East Capitol Center for Change, Curtis Watkins,

—From the Southeast Whitehouse, Tina Henderson, and

—the body of Peace Fellowship. Thank you! I applaud you today.

I have had the opportunity to see what you all do day in and day out in our community—the love and support that you offer, the ways that you unselfishly give of yourselves and your time, time that you don't necessarily have, but you make—Thank you! Each one of you have at one time or another shared encouraging words, supportive suggestions, or your presence when I needed someone to just be there and listen. Again, thank you!

Now I spoke earlier about stepping out on faith. Well, in my community, getting married is abnormal behavior. Folks in our community think we are crazy, and they share their thoughts with us from time to time. So we have stepped out in faith by getting married, and we are trusting that marriage is just the first step in a better life for us and, especially, for our children. In closing, there are many reasons I support the "Together is Better" Campaign and the marriage development accounts that it offers to District residents—namely, I would like my husband and I to become homeowners. Also, one day we would like to start our own business. These are our dreams. At the beginning of this journey we didn't know whether our dreams were possible, but it is our hope that, through support from "Together is Better" and marriage development accounts program it offers—and a lot of hard work and continued growth on our part—we can realize these dreams and many more. Thank you!

Senator BROWNBACK. Mr. Graham.

STATEMENT OF WINSTON GRAHAM, DISTRICT OF COLUMBIA

Mr. GRAHAM. Well, how're you doing, Senator?

Senator BROWNBACK. Good. Good. Pull that microphone a little closer there.

Mr. GRAHAM. Hello? Oh. How're you doing, Senator?

Senator BROWNBACK. I'm doing well, thank you.

Mr. GRAHAM. Well, I agree with my wife.

Senator BROWNBACK. Always a safe place to be. You're getting used to this marriage thing pretty fast, aren't you?

Mr. GRAHAM. But—it's been a trying experience, but the together—the Better Together Program is something we both talked

about, and we really like it, and we thank the Lord we're here to be able to speak on it.

Senator BROWNBACK. Mrs. Graham, you're a mother of four children, and you talked about stepping out in faith to get married. I could sense in your voice what you were saying then is, "Look, I know how I can have the money to raise these children if I stay on the public benefits and don't get married."

Mrs. GRAHAM. Uh-huh.

Senator BROWNBACK. "I know that. I know that path. I'm not sure about this other one."

Mrs. GRAHAM. Exactly.

Senator BROWNBACK. Is that the mental calculation you were making—between what you knew you could do——

Mrs. GRAHAM. Exactly.

Senator BROWNBACK [continuing]. And what you are just not certain about can really happen?

Mrs. GRAHAM. There—at this point, financially, I am uncertain of how I am—our income is going to end up. But family is so important, Senator. Family is so important. I mean, I think that's what gave us a change. That's what wanted us—made us want better and want to start different lives and start anew. When we got in our church, we saw the families. This is something that—we saw healthy families, something that we had no idea even existed. I mean, we saw it on television, but we didn't have a piece of that. And once we got to our church, we saw the husbands and the wives, and we just really wanted some of that. We wanted some of that, and we wanted to give that to our children. And that's why I started by saying families is so important. That's why this is so important, because a lot of the families in Benning Terrace don't see healthy families. They don't see—and I think it starts there. It starts with healthy families. So, I am definitely excited about this program, and I hope that we all partner together and come together and make this happen.

Senator BROWNBACK. But, still, there must be a number of single mothers in a position like you were who know this path, they know the public assistance path——

Mrs. GRAHAM. Uh-huh.

Senator BROWNBACK [continuing]. They know it's secure, relatively secure for them, for a period of time, anyway.

Mrs. GRAHAM. Uh-huh.

Senator BROWNBACK. And the other route just seems like a gamble.

Mrs. GRAHAM. Exactly.

Senator BROWNBACK And they're not willing to gamble their children on this working. Would that be accurate?

Mrs. GRAHAM. Very accurate. But I think it's more of starting to see that they can have the same thing, too. Just in our neighborhood, now that we've been married—at the beginning of all of this, you know, people said, "Oh, you guys are crazy," you know, "You're not going to go through with this." But now when they see us, they're like, "Family of the year." They're really excited.

And I can—I see the change. They're starting to make the change, you know, of what they feel and what they think about it. So, it's just seeing it. Seeing it is a big part of it.

So, I think if they—if they realize that, yeah, there are disincentives to do this, and it's a big gamble, but, "Hey, look at them, they're doing it, they're happy," and maybe this—you know, this here—this—they—they're constantly asking us, you know, "What are you guys thinking about? What are you guys talking about?" And we're telling them about the marriage development accounts and how it could help—possibly help. And they want to know more about it. They want to see it happen. So, I think by just seeing it happen, it could take some of that gamble away from what they're thinking—from what they're thinking, that, "It's going to be hard. We're not going to do it." It could take some of that away.

Senator BROWNBACK. What if other people in the position that you were in were told: "Okay, if you get married, we're not going to take any of your benefits away for 5 years—maximum of 5 years."

Mrs. GRAHAM. Wow, that would be great. That would be great.

Senator BROWNBACK. Would that change the calculation, do you think, other single moms might be making?

Mrs. GRAHAM. I think so. I can tell you definitely, from my standpoint, if that was in place, I probably would have done this a long time ago. I think we would have gotten married a long time ago, because it was always a thought, it was always wanted, but it was just too many things to have to think about. I mean, just knowing that financially it was going to hurt in some way, it just wasn't even—I didn't even want to think about it or encounter it. So, yeah, if that was in place, we probably would have gotten married a long time ago.

Senator BROWNBACK. Because I know the power of a mother and her child and the mother's desire to take care of her children. And fathers care for their children, as well, but there's just nothing a mom won't do for that child, or put herself through for that child. And if she's risking losing some benefit for that child, most moms will back up from that, because they're just not going to put their children at risk in any way.

Mrs. GRAHAM. Yeah. Well, that's why—that's why I say, when I got to my church, the—my decision changed a lot, because I felt like I had family now. I had something that we had never experienced: Family—total support of a family that was going to be there with us no matter what. So, just knowing that just gave us the extra push of going on.

Senator BROWNBACK. What if the single moms were presented with, "Okay, if you get married, we will make a cash contribution to you for each of the next 3 to 5 years of a certain amount of money, and we're not going to make any guarantees regarding the benefits, because that's going to depend upon your income and your spouse's income, but we will put into a marriage development account $5,000 a year for the next 3 years."

Mrs. GRAHAM. Again, that sounds terrific. I mean, because before, the thought—the initial thought was, "What will be taken away?" So, yeah, that would be——

Senator BROWNBACK. Instead of, "What would be"——

Mrs. GRAHAM. Exactly.

Senator BROWNBACK. Received?

Mrs. GRAHAM. Exactly.

Senator BROWNBACK. Mr. Watkins, how should we restructure these welfare programs to encourage marriage rather than penalize it? I think Mrs. Graham was making a very rational thought. We want to encourage marriage. She wanted to get married, but was considering her own children in that circumstance. What should we change in the welfare programs to make it rational for people in Mrs. Graham's position to decide, "I want to get married?"

Mr. WATKINS. Well, I think that's a twofold question, Senator. I'd look at the Grahams as the model, because the incentives are important, but if people don't see people just like them doing this, they don't have any models to reference to. So, I think finding individuals more like Sandy and Winston, who are in the community, to really say, "Okay, this is what I'm going go to do," which—Sandy and Winston have shared stories with me about individuals who were the harshest critics of them getting married, and now they're talking about getting married. And it's only because of the steps in the walk they're taking, because they're really on a fast track, just in reference to them advancing as a productive family. And this is something they've prayed for and they have received a portion of that, and there's more to come. But I also think we need to look at how we're penalizing individuals related to—not necessarily the TANF money, but when it comes to the healthcare and things of that nature—one thing I know that TANF does do is provide the childcare, but we have to look at some of those other benefits that they're losing by becoming married couples, and make some adjustments in that area, also. And that would be also—I mean, we have to have a public awareness campaign that really puts this out to the community in a way that it comes from individuals such as Winston and Sandy.

Senator BROWNBACK. I want to thank the panel. Ms. Jesberg, I want to invite you to work with us on where those penalties come in the system, and about the possibility of using TANF benefits like Dr. Horn was talking about. We'd like to work closely with you to see if there are things there that you, the Mayor, would be interested in pursuing and doing.

This is very encouraging. I've quoted you all in a number of places around the country, Mr. and Mrs. Graham, because I do think one of the things that we've really failed in is the area of marriage, and particularly for low-income couples, that we have discouraged it in the system. And I think that's a horrific public sin on our part, to have a system that works that way. And so what I want to do is to see us change that around.

You've got my nomination for family of the year. I'll join the people in your community there that support you for that. I remember you being here last fall and saying that a number of people were telling you, "Well, you're crazy for doing this." And I sit here and think, we're the ones that are crazy, for having a system like this, that so discourages marriage. So, I'm just delighted to see you doing this, and I'm delighted for your role-model status.

I do want to tell you, there are always bumps in the road. And the higher you're up the mountain, the bigger the bumps.

So, you'll probably have more difficulties coming along, but just hang in there, and you've got a community of people, and you've

got a strong faith, and the church around you, and others that are there to help, too, and to support you as you move forward.

We're going to continue this discussion. As I mentioned, we'll probably try to get a CRS study on it. We'd like to work with you, Ms. Jesberg——

Ms. JESBERG. Thank you.

Senator BROWNBACK [continuing]. On seeing what we could do on modeling some of this in the TANF program. And as you have other thoughts of things that we ought to be doing, Mr. Watkins or others, as you're working with people, I hope I can be there to work with you.

I would like to come out sometime, to a meeting that you have, to talk with people directly, particularly single moms with children, about what is it that keeps them where they are, when they probably all want to be married in a stable family in a house and a white picket fence. But what's the problem here? What's the disincentive? I mean, I think I've got a feel for it here, but it would be nice to hear it from more people, and what particular situations are. So, I'm going to try to work with you, see if I can do some individual meetings like that.

Mr. WATKINS. We would love to have you out in the community. That would be an interesting conversation for you, very enlightening.

CONCLUSION OF HEARING

Senator BROWNBACK. This farm kid from Kansas to be here and saying, "Okay, straighten me out here. Tell me what—tell me what's right and what's wrong."

Thank you all for being here.

The hearing is recessed.

[Whereupon, at 11:22 a.m., Wednesday, May 3, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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