HEARING TO ASSESS IMPACT OF RECENT CHANGES TO PROGRAMS ASSISTING LOW-INCOME FAMILIES

HEARING

BEFORE THE

SUBCOMMITTEE ON
INCOME SECURITY AND FAMILY SUPPORT

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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CONTENTS

	Page
Advisory of February 27, 2007, announcing the hearing	2

WITNESSES

Sidonie Squier, Director of the Office of Family Assistance, Department of Health and Human Services	6
Robin Arnold-Williams, Ph.D., Secretary of the Washington State Department of Social and Health Services, Olympia, Washington	34
David A. Hansell, Esq., Acting Commissioner, New York State Department of Temporary Disability Assistance, Albany, New York	39
Nancy K. Ford, Administrator, Division of Welfare and Supportive Services, Carson City, Nevada	46
Mary Dean Harvey, Director, Georgia Department of Human Resources Division of Family and Children, Atlanta, Georgia	53
Bruce Wagstaff, Director, Sacramento County Department of Human Assistance, Sacramento, California	57

SUBMISSIONS FOR THE RECORD

American Payroll Association, statement	92
Baghboudarian, Shoushan, Child Support Officer II, letter	93
Block, RaeLynn, statement	94
Boggs, George R., American Association of Community Colleges, letter	95
Borsa-Valadez, Vera, statement	96
Chen, Li-Wen, statement	97
Department of Social Services, Asheville, NC, Buncombe County, statement	97
Domestic Relations Association of Pennsylvania, letter	98
Gilreath, Brenda, statement	98
Goodwill/Easter Seals, St. Paul, Minnesota, statement	100
Hansen, Dave, letter	101
Hill, Lawrence, Los Angeles, CA, statement	102
Illinois Department of Healthcare and Family Services, statement	102
Keesling, Gregg, Indianapolis, IN, statement	104
Kochakji, Ann, statement	104
Los Angeles County Child Support Services Department, statement	104
Marathon County Department of Social Services, statement	105
Minnesota Inter County Association, statement	105
National Association for State Community Services Programs, statement	107
National Child Support Enforcement Association, statement	111
NCSL, statement	112
New Jersey Department of Human Services, Trenton, NJ, statement	114
Ohio Child Support Enforcement Agency, Columbus, OH, statement	117
Racine County Child Support Department, Racine, WI, statement	118
Ross, Leah, Culver City, CA, statement	121
Samuels, Faredeh, statement	121
Washington County, WI, statement	122
Wells, Rob, letter	123
Wisconsin Child Support Enforcement Association, statement	124

HEARING TO ASSESS IMPACT OF RECENT CHANGES TO PROGRAMS ASSISTING LOW-INCOME FAMILIES

TUESDAY, MARCH 6, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT,
Washington, DC.

The Subcommittee met, pursuant to notice, at 11:00 a.m., in room B–318, Rayburn House Office Building, Hon. Jim McDermott (Chairman of the Subcommittee), presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT

FOR IMMEDIATE RELEASE
February 27, 2007
ISFS–2

CONTACT: (202) 225–1025

McDermott Announces Hearing on Recent Changes to Programs Assisting Low-Income Families

Congressman Jim McDermott (D–WA), Chairman of the Subcommittee on Income Security and Family Support of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing to review the impact of recent legislative changes to low-income programs within the Subcommittee's jurisdiction. **The hearing will take place on Tuesday, March 6, 2007, at 11:00 a.m. in room B–318 Rayburn House Office Building.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include a representative from the Department of Health and Human Services (HHS), as well as State officials responsible for administering the Temporary Assistance for Needy Families (TANF) program, child care assistance and child support enforcement. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Deficit Reduction Act of 2005 (DRA) (P.L. 109–171) includes a number of significant changes to programs serving low-income families, especially TANF and child support enforcement. Perhaps most significantly, the DRA effectively requires most States to increase the number of welfare recipients enrolled in federally-defined work activities or to further reduce the number of families receiving cash assistance. The DRA also applies Federal requirements to programs administered solely with State funds (if those dollars are counted towards a State's spending requirement under the TANF program). Furthermore, the DRA required HHS to issue regulations further defining how and if activities may count toward the Federal work participation requirements. As issued by HHS, these new rules restrict States from counting certain activities, such as education and training, to the extent permissible under prior law. In addition, the regulation calls for States to implement new monitoring procedures to determine compliance with the TANF work requirements.

The DRA also modifies Federal funding for various aspects of the child support enforcement system. Most notably, effective October 1 of this year, the law will prohibit States from receiving Federal matching payments when they spend incentive funds that are awarded to States based on the performance of their child support systems. The Congressional Budget Office estimated this change would reduce overall funding for enforcing child support orders and would therefore reduce the total amount of child support that would otherwise be collected by $8.4 billion over the next decade.

In announcing the hearing, Chairman McDermott stated, "Our first Subcommittee hearing looked broadly at poverty and economic opportunity in America. A reasonable second step is to assess the potential impact of recent changes to programs serving low and moderate-income families. We will hear from those running the programs to determine if these changes are helping or hurting State and local efforts to assist needy families and to promote true self-sufficiency."

FOCUS OF THE HEARING:

The hearing will focus on recent legislative changes to certain programs serving needy families.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "*110th Congress*" from the menu entitled, "*Hearing Archives*" (*http://waysandmeans.house.gov/Hearings.asp?congress=18*). Select the hearing for which you would like to submit, and click on the link entitled, "*Click here to provide a submission for the record*." Once you have followed the online instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You ***MUST REPLY*** to the email and ***ATTACH*** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **March 20, 2007**. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman MCDERMOTT. Good morning. Good to see a bunch of people here to talk about an important subject.

A few weeks ago, our Subcommittee broadly reviewed economic opportunity and poverty in America. Today's hearing is the next logical step in assessing the impact of recent changes to programs assisting low-income families.

As I listened to the testimony from those responsible for administering these programs, my bottom-line question today will be this: Are the recent changes helping, hurting, or irrelevant to the goal of lifting families out of poverty? I really think that is what this is all about.

We will specifically review changes made by the Deficit Reduction Act (DRA) (P.L. 109–171). It was signed by President Bush about a year ago. The DRA generally requires States to increase the number of welfare recipients enrolled in federally-defined work activities, or to further reduce the number of families receiving cash assistance.

Additionally, the new regulations required by law and issued by the Department of Health and Human Services (HHS) reduce the discretion of States to determine which activities may count toward the Federal requirements.

Finally, DRA also included a net reduction in Federal funding for enforcing child support orders.

I want to quickly highlight four charts that relate to the potential impact of DRA, as well as to my bottom line of helping families escape poverty.

The first chart shows that only 29 percent of poor children receive Temporary Assistance for Needy Families (TANF) today, compared to 62 percent a year ago. Or a decade ago. This precipitous decline in the percentage of poor children receiving assistance from the program for needy families, I believe, ought to concern us. In my view, encouraging future caseload declines without regard to employment and poverty is a mistake. Caseload reduction during a time of rising poverty is really not a success story.

The second chart illustrates the barriers standing between many TANF recipients and self-sufficiency. Over 40 percent, as you can see there, don't have a high school education, 45 percent have some kind of impairment or disability, and then, finally, 30 percent have been the victims of domestic violence in the last year. Now, I do not see any benefit in reducing the State's flexibility to help TANF recipients overcome these barriers to employment.

The third chart is based on a projection from the Administration's budget, and shows over 300,000 fewer children receiving child assistance by 2012. I mean, that is a line that is going down, and has gone down, for the last 10 years.

This is basically a reflection of the fact that child care funding is not keeping pace with inflation. Even with the slight increase that we had in the last DRA—I think it was about a billion dollars—someone needs to explain to me some time today how declining child care assistance is consistent with increased work requirements.

If we are asking parents—if we really care about kids, and that's what this is really all about, I mean, that's what AFDC was, aid for dependent children, and now TANF is supposed to be about children, then how can you cut the child care money and then still—and let the money not keep up—and still expect more people to go out to work?

The fourth, and final, chart highlights cost effectiveness of child support enforcement, which collects $4.58 in child support for every $1 in enforcement. I participated in the State of Washington many

years ago—this is now 25 years ago—in the increase in money we put into child support enforcement. I really think that it is hard to justify the cuts that were made in the last budget.

This is a wise investment on behalf of families. I, therefore, question any policy that reduces the Federal commitment to ensure that both parents—both parents—take responsibility for their kids. I look forward to hearing the witnesses' views on the impact that the DRA will have on other issues. I yield to the ranking Member, Mr. Weller. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman, and thank you for convening this hearing today. Too often, we in Congress pass legislation and never look back to see what works and what doesn't.

Today's hearing follows in the best traditions of the Subcommittee, in reviewing the effects of laws we help craft, whether that involves a 1996 welfare reforms, efforts by some to avoid paying unemployment taxes, or many other issues. I hope we can continue this kind of oversight, so we can hold programs accountable for achieving the goals taxpayers rightly expect.

When we passed the 1996 Welfare Reform Law, the Federal Government made a deal with the States. States were given a large amount of fixed Federal cash welfare funds each year, plus increased funds for child care, and broad targets to limit welfare dependence, and eventually engage 50 percent of welfare recipients in work and related activities.

Unprecedented declines in welfare dependence followed, which is good, because most people who leave welfare do so for work. Earnings for low-income families rose, and poverty sank to near-record lows, but States' own reports suggested that only about 30 percent of current welfare recipients were engaged in work and other productive activities, and nearly 60 percent of recipients were doing no hours of work or training for their checks.

So, the House, building on recommendations by the Administration and others, passed legislation to update and extend the TANF program. The House passed such legislation three times in 2002, 2003, and 2005, in fact.

The Senate failed to follow suit, and ultimately, a scaled-down version of this legislation was included in what became known as the DRA, which passed both houses and was signed into law. What this legislation did is the topic of today's hearing.

In short, the DRA extended and rebooted the 1996 welfare reforms. States will receive the same Federal TANF block grant as before. As in 1996, child care funding was once again increased by $1 billion. State targets to limit welfare dependance and engage 50 percent of current adults on welfare and work and other productive activities were renewed. Already, these revisions are having effects.

First, although little reference was made to this fact in the testimony I have read, I assume all States have received their share of the $400 million in increased funding for child care the DRA provided for Fiscal Years 2006 and 2007. Anyone here who has not received theirs, I certainly want to know.

I similarly assume States are putting this to good use to support more families in work, as intended. I look forward to hearing more about that. Overall, data in the President's budget suggests this

will help one million more children receive child care services in the coming years.

Second, welfare dependence is once again dropping significantly, with a decline last year surpassing any year since 2001. That will free even more resources for child care and other work supports, just like occurred after the 1996 welfare reforms.

Third, as we will hear, child support changes are encouraging States to re-engineer their programs to better serve their customers. In her testimony, Georgia's Director of Family and Children Services notes that they have taken up this challenge, and reduced the average processing time for new child support cases from 71 days to 1. That is, in Georgia, they have same-day service. That's a revolution in customer service, particularly in these programs.

Several of our guests comment on a provision that denies passports for people who owe more than $2,500 in child support. HHS reports that this has doubled child support collections associated with this effort. It has been a success.

I recognize not everyone here today is supportive of all the provisions of the DRA, and that's not surprising. I look forward to learning more about suggested improvements, but we all know that any change comes hard when you're talking about government programs. Many of those in this room, including some on this dais, opposed the original 1996 welfare reforms, which have certainly shown dramatic, positive impact.

So, perhaps it should not surprise us today that some hold a dim view about the continuization of these reforms, or their implementation in ways that hold Government more accountable for results, but that is really what we should be after. I believe the results for the family involved say more.

I welcome our guests, and I look forward to their testimony. Again, thank you, Mr. Chairman, for this hearing today.

Chairman MCDERMOTT. Thank you very much. Anybody else who has opening statements can be entered into the record. All the witnesses, your statements will be entered fully into the record.

The other thing is, when you speak—all of you—please put your microphone on, because if you don't you won't be heard on television. We might hear you, but C–SPAN is covering this, and so you really need to touch that. That is just sort of a side note.

Today we have Ms. Squier, the director of the office of family assistance from HHS. She is here to talk about this program. She is here because Wade Horn, who is ordinarily here, is dealing with a family illness, and unfortunately, is unable to be here. Our feelings are with Mr. Horn. I hope you will tell him that we wish a speedy recovery for his family member.

So, Ms. Squier, you are on the record.

STATEMENT OF SIDONIE SQUIER, DIRECTOR OF THE OFFICE OF FAMILY ASSISTANCE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. SQUIER. Mr. Chairman, Mr. Weller, and Members of the Subcommittee, I am pleased to appear before you today to discuss the next phase of welfare reform. I would like to take this opportunity to express my thanks to you, Mr. Chairman, for your leader-

ship, and to the Committee, for your continued efforts to reform the welfare system and improve the lives of low-income Americans.

The enactment of welfare reform in 1996 has had a profound, positive impact on our Nation's most vulnerable families. Many observers now consider the creation of TANF as one of the greatest social policy achievements in American history.

Despite TANF's successes—and, indeed, because of them—it was time to renew welfare reform. The key to TANF's success was work. In 2002, the minimum work participation rates have been 50 percent for all families, and 90 percent for 2-parent families, but because the statutory rates were reduced by the percentage of caseload decline since 1995, in practice, States needed very little work participation to meet the adjusted work standards.

In 2004, 17 States faced an overall participation rate of 0 percent, and nationally, the participation rate was only 6 percent. As a result, nearly 60 percent of TANF families did not have an adult with even 1 hour of reported work. It was time to revise this trend, so that all TANF recipients would have the opportunity to become self-sufficient.

The DRA of 2005 reauthorized the TANF program through 2010, with a renewed focus on work, program integrity, and strengthening families through marriage promotion and responsible fatherhood.

First, the law changed the base year of the calculation of the caseload reduction credit from 1995 to 2005. Recalibrating the caseload reduction credit has the effect of increasing the work participation requirements. For most States, we estimate that in 2007, the overall work participation requirement will be between 40 and 50 percent after the caseload reduction credit is factored in.

Second, the law added to the work participation rates families in separate State programs. These separate State programs artificially diminish the true size of State caseload, and often increased its participation rate through a simple shift in funding streams.

Third, the law replaced the high performance and illegitimacy reduction bonus with $150 million a year fund for competitive grants to promote healthy marriages and support responsible fatherhood.

Fourth, the DRA increased Federal child care spending by $200 million per year. With the State matching funds required to draw down these additional dollars, new child care funding totals $1.8 billion, over 5 years.

Congress also required HHS to do a number of things through regulation: to define each of the 12 work activities, to ensure that participation rates were comparable across States; to clarify who is a work-eligible individual; to ensure that State and internal control procedures result in accurate and consistent work participation information; and to establish a new penalty for failing to maintain adequate procedures to verify reported work participation data.

On June 29, 2006, HHS issued an interim final rule, implementing key provisions of the DRA. This rule has five key components.

First, they create uniform common sense definitions that count only those activities that actually help move people into jobs. These new definitions are necessary, because the 1996 TANF legislation allowed each State to define work, which may have allowed for cal-

culations of work participation rates to vary. Defining work activities is necessary for consistent measurement, and ensures an equitable and level playingfield for States.

Second, the interim final regulation requires uniform methods for reporting hours of work. They continued to require States to count only actual hours of participation. However, we build in more flexibility by allowing States to receive credit for the first time for excused absences and holidays.

Third, the new regulations require supervision for all activities. Daily supervision means that a responsible party has daily responsibility for oversight of the individual's participation, not necessarily daily contact with the participant. The goal of such supervision is to ensure that individuals are participating and making progress in their assigned activities.

Fourth, the new regulations add some child-only cases to the work participation requirements, primarily those in which the needs of the parents have been removed from the grant, due to a sanction or time limit. The vast majority of child-only cases, however, remain exempt from work participation rates.

Finally, the new regulations require States to establish and maintain work participation verification procedures and internal controls to ensure compliance with the procedures. States must have in place by September 30th of this year a work verification plan to validate work data.

Mr. Chairman, I am sure you will agree with me that it's our shared desire to improve the lives of the families who have—or would otherwise become—dependent on welfare. The Secretary, the Assistant Secretary, and I stand ready to work with you, our State and community partners, to make economic independence within the reach of America's neediest families. I would be happy to answer any questions you have.

[The prepared statement of Ms. Squier follows:]

Statement of Sidonie Squier, Director of the Office of Family Assistance, Department of Health and Human Services

Mr. Chairman, Mr. Weller, and members of the Subcommittee, I am pleased to appear before you today to discuss the next phase of welfare reform. I would like to take this opportunity to express my thanks to you, Mr. Chairman, for your leadership and to the Committee for your continued efforts to reform the welfare system and improve the lives of low-income Americans.

Temporary Assistance for Needy Families

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 has had a profound, positive impact on our nation's vulnerable families. In particular, the Temporary Assistance for Needy Families program—TANF—is a remarkable example of a successful Federal-State partnership. With heightened expectations of personal responsibility and greater opportunities for improving their economic circumstances, millions of families have moved from dependence on welfare to the independence of work. We have provided the necessary work supports, child care, and transportation to ensure that parents can get to work and stay there without worrying about the safety and well-being of their children. Many observers now consider the creation of TANF just over 10 years ago as one of the greatest social policy achievements in American history. Of particular significance since 1996:

- Welfare rolls have declined by 60 percent between August 1996 and September 2006, from 4.41 million to 1.76 million families. The number of families on welfare is now lower than at any time since 1969.

- Unprecedented numbers of former recipients have gone to work. Employment among single mothers has increased. The percentage of never-married working mothers increased from 49.3 percent in 1996 to 62.0 percent in 2005.
- Child support collections have nearly doubled.
- Overall child poverty rates declined from 20.5 percent in 1996 to 17.6 percent in 2005, with 1.6 million fewer children in poverty. The poverty rate among African American children declined from 39.9 percent to 33.5 percent. The poverty rate among Hispanic children declined from 40.3 percent to 28.3 percent. Although the poverty rate has increased some since 2000 as a result of the 2001 recession, the addition of nearly 7.5 million new jobs since August 2003 portends favorably for renewed improvement in poverty rates.
- Out-of-wedlock childbearing among African-American teens has declined nearly 20 percent from 1996 to 2005.
- The unwed birth rate for all teens age 15–19 has declined since its peak in 1994.

Despite TANF's successes, and indeed, because of them, it was time to renew welfare reform. The key to the success of welfare reform was work. In theory, since FY 2002 the minimum work participation rates had been 50 percent for all families and 90 percent for two-parent families. But because the statutory rates were reduced by the percentage of caseload decline since FY 1995, in practice States needed very little work participation from their caseload to meet these adjusted work standards. As a result, in FY 2004, 17 States and two Territories faced an effective overall participation rate of 0 percent, and nationally the effective participation rate was only 6 percent. Only 32 percent of TANF families with an adult participated for enough hours to count and almost three-fifths of TANF adults had no reported hours in work activities, nevertheless using up their time-limited benefits. It was time to reverse this trend so that all TANF recipients would have the opportunity to become self-sufficient.

The Deficit Reduction Act of 2005

The Deficit Reduction Act of 2005 (DRA) reauthorized the TANF program through fiscal year 2010 with a renewed focus on work, program integrity, and strengthening families through marriage promotion and responsible fatherhood. Signed into law by President Bush on February 8, 2006, the DRA maintained State flexibility, retaining many provisions of the original TANF law, but included important changes to improve the effectiveness of the program.

What Stayed the Same?

The Deficit Reduction Act kept nearly all of the TANF provisions enacted in the original welfare reform law. Of particular note, the law retained the requirement that a State must achieve a 50-percent overall work participation rate by engaging adults in the 12 allowable work activities for specified hours each week and that it must also achieve a 90-percent two-parent rate by similarly engaging families in work activities for certain, specified hours. The work activities and the hours needed to count a family toward the work participation rates also did not change. The DRA maintained the penalty associated with failing to meet these work requirements.

The DRA also maintained other key provisions of prior law. It:

- Fully funded the TANF block grant through FY 2010 at $16.6 billion per year.
- Continued to require States to make maintenance of effort (MOE) contributions to support families and children.
- Preserved the $2 billion Contingency Fund to help States in the event of an economic downturn or recession.
- Extended the Supplemental Grants for the 17 States with historically low grants per poor person and/or high population growth in the amount of $319 million through FY 2008.
- Retained the five-year cumulative lifetime limit on Federal TANF cash assistance to ensure that welfare is temporary and does not become a way of life.

What Changed?

Despite the fact that it retained the existing structure and many fundamental aspects of the original TANF law, the DRA did make important statutory changes to promote work and accountability by requiring States to engage more TANF families in productive work activities leading to self-sufficiency. The new law also required HHS to promulgate rules in several of these areas.

First, the law changed the base year of the calculation of the caseload reduction credit from FY 1995 to FY 2005. The caseload reduction credit had inadvertently undermined TANF work requirements. While the statutory work participation rates

did not change, recalibrating the caseload reduction credit has the effect of increasing the work participation requirements. Without the benefit of the built-up credit, States must engage 50 percent of all cases with adults and 90 percent of two-parent families in work activities. For most States, we estimate that in FY 2007, the overall work participation requirement will be between 40 and 50 percent, depending upon the amount of caseload reduction they had over the course of FY 2006 compared to the new baseline of FY 2005.

Second, the law included in the work participation rates families in separate State programs, which were previously excluded from the rates. Under prior law and rules, some States moved families to programs essentially identical to their TANF programs but funded with State money used toward the MOE requirement. In such cases, these separate State programs artificially diminished the true size of a State's caseload, thus increasing a State's participation rate through a simple shift in funding streams. Now, those families are part of the participation rate, giving a more realistic picture of the State's work achievement with its whole caseload.

Third, the law eliminated provisions for the High Performance Bonus and the Illegitimacy Reduction Bonus and replaced them with a $150 million-a-year research, demonstration, and technical assistance fund. This fund is for competitive grants to strengthen family formation, promote healthy marriages, support responsible fatherhood, and improve coordination between Tribal TANF and child welfare services. We know that programs and solutions work best when they are designed to address local needs. These funds will enable neighborhoods, community, and religious groups to try innovative approaches to encourage healthy marriages and promote involved, committed, and responsible fatherhood.

Fourth, the DRA expanded a State's ability to meet its maintenance-of-effort (MOE) requirement. States may now count expenditures that provide pro-family benefits and services to anyone, without regard to financial need or family composition, if the expenditure is to prevent and reduce the incidence of out-of-wedlock births (TANF purpose 3), or encourage the formation and maintenance of two-parent married families (TANF purpose 4).

Fifth, it increased Federal child care funding by $200 million per year, $1 billion over five years. With the inclusion of State matching funds required to draw down these additional dollars, new funding for child care totals $1.8 billion over five years. This expanded support for child care, despite dramatically smaller TANF caseloads across the country, means that the DRA's renewed focus on work can be put in practice in the labor market, ensuring that TANF recipients can find and keep employment without having to worry about child care needs.

Congress also required HHS to do a number of things through regulation:

- To define each of the 12 countable work activities. This came about primarily because a U.S. Government Accountability Office study reported that there was great variation in State definitions of work activities. As a result, State participation rates were not comparable. Of the activities, the underlying statute also specified which nine or "core activities" count towards meeting the first 20 hours of a 30-hour requirement. Any additional hours needed to meet the requirement can come from any of three "non core activities" or from "core activities." Under the statute, non-core activities may not count in core hours.
- To clarify who is a work-eligible individual. In addition to families with an adult receiving TANF assistance, who were already a part of the work participation rates, the DRA required us to include such families receiving assistance under a separate State program and to specify the circumstances under which a parent who resides with a child receiving assistance should be included in the work participation rates. This effectively adds selected child-only cases to the rates. To ensure that State internal control procedures result in accurate and consistent work participation information. States must establish and maintain work participation verification procedures that are based on regulations promulgated by the Secretary. To establish a new penalty in the event that a State fails to establish and maintain adequate procedures to verify reported work participation data.

The Interim Final Rule

On June 29, 2006, HHS issued an interim final rule implementing key provisions of the DRA. During the comment period we received many comments on those regulations including 470 individual letters; some were lengthy submittals addressing a host of different specific topics. Comments also included transcripts from five listening tour stops that we conducted around the country last summer. These sessions offered an opportunity for representatives from State agencies, legislators, and other stakeholders to provide formal comments and to engage in a dialogue with ACF staff about the law and interim rules. We are now considering all the comments we

received during our formal comment period and are not at liberty to discuss the specific aspects of how the final regulations may or may not change in response to those comments. However, I would like to say a few words about the interim final rules and would be happy to answer questions specifically about them.

The interim final regulations have five key components. Within each area, the rules provide States expanded flexibility to help meet their work participation rates and other requirements of the law.

First, they create uniform, common-sense definitions of work that count only those activities that actually help move people into real jobs. These new definitions are necessary because the 1996 TANF legislation allowed each State to define "work," which may have allowed for inconsistent calculations of work participation rates. Some States included activities in their definitions of work activity that others did not, such as:

- Bed rest;
- Physical rehabilitation, which could include massage and regulated exercise;
- Activities to promote a healthier lifestyle that will eventually assist the recipient in obtaining employment, such as personal journaling, motivational reading, and weight loss promotion;
- Helping a friend or relative with household tasks and errands.

It is important to remember that the DRA did not instruct HHS to add, delete, alter, or change these 12 activities. Nor did Congress direct HHS to comment on the completeness of this list or whether some core activities should be non-core activities. Defining work activities is necessary for consistent measurement and ensures an equitable and level playing field for the States. Because the statute provides 12 distinct activities, we tried to define them as mutually exclusive, while still leaving flexibility for States to address the critical needs of families.

Here are some examples of the new definitions in the Interim Final rule:

- "Employment" is defined as full—or part-time paid work.
- "Work experience" (or working "off the grant") means performing work for an employer that provides job skills and work habits in exchange for the TANF grant.
- "Job search and job readiness assistance" means seeking or preparing for employment which could include short-term substance abuse treatment, mental health treatment, or rehabilitation activities.
- "Community service" is structured work that directly benefits the community via public or nonprofit organizations.
- "Vocational educational training" means training that is directly related to employment that does not require a college degree, but which could include remedial and basic education in a work context.

These definitions clearly tighten the focus on work. For example, they require daily supervision in all activities used to satisfy work requirements. They also require that education and training activities relate directly to a specific job or occupation.

At the same time, they also allow States to count participation in activities that many States previously did not count. For example, the interim final rule included as part of the definition of job search and job readiness assistance, substance abuse treatment, mental health treatment, and rehabilitation activities for those who are otherwise employable. Although a few States included some or all of these activities in the past most did not count participation in such treatment or services toward the participation rates before. (A review of State plans by the Congressional Research Service found that just 14 States counted these activities at all and five of them did so as part of the job search and job readiness assistance activity.) Job search and job readiness assistance is a time-limited activity under the law, so States cannot get participation credit for them without limit, but from what we have heard, many more States than ever did before will be counting these activities now that we have added them to the definition. We included them as job readiness activities (as opposed to some other activity that is not subject to a time limit) because it was the only place we thought it made sense to include them. In fact, these services do help individuals become ready to work and thus fit well within that work component.

Second, the new regulations require uniform methods for reporting hours of work, as required by the DRA. They allow States to count only actual hours of participation, but, for the first time in the history of the TANF program, the interim final rule grants States credit in the work participation rates for holidays and additional excused absences for individuals in unpaid activities. The original TANF rules that came out in 1999 let States count paid leave days as participation, but not unpaid

days or days in unpaid activities. This is a significant change from past policy and will make it considerably easier for States to meet the work participation rates.

Another new innovation that enhances State flexibility in meeting work participation rates is the provision in the interim final rule for "FLSA deeming." Under this provision, if a work-eligible individual participating in work experience or community service program—two activities that are subject to the minimum wage under the Fair Labor Standards Act—works the maximum hours permitted without incurring a minimum wage violation under that law but falls short of the hours needed to meet the TANF core activities requirement, we "deem" them to have met that requirement. This is likely to be particularly important for families in the two-parent rate, since the hours requirement is higher there.

Third, the new regulations specify the type of documentation needed to verify reported hours of work and require daily supervision. Daily supervision means that a responsible party has daily responsibility for oversight of the individual's participation, not necessarily daily contact with the participant. The goal of such supervision is to ensure that individuals are participating and making progress in their assigned activities. A work site sponsor, classroom instructor, contracted service provider, community-based provider, job search instructor, treatment provider, or even a TANF agency employee could fulfill that role. In addition, the supervision need not involve in-person contact, but can be by telephone or electronic contact where those methods are suitable.

We established a range of documentation guidelines that vary by type of activity. We believe the rule provides a reasonable balance between the need for accurate information and the burden of reporting and verifying hours of participation. In particular, we have allowed States to project up to six months of actual employment, reducing the documentation burden for an activity that has accounted for over half of all countable hours of participation under TANF. For unpaid activities, we allow States to document reported information through attendance and time sheets of providers and other methods beyond client self-reporting, requirements that have been a part of the program all along. It is important to recognize that States have always had to document work participation hours and most have used sources such as these, so we think these new regulations do not pose a special or new burden on States, employers, or clients.

Fourth, the new regulations broaden the pool of individuals subject to the State work participation requirements by determining the circumstances under which a parent who resides with a child receiving assistance should be included in the work participation rates. This means that States must include certain child-only cases, primarily individuals in about a dozen States that remove the parents' "needs" from the grant due to a sanction or time limit. The rules include a case-by-case State option to include a parent who receives Supplemental Security Income (SSI) and works or participates in the Ticket to Work program. The vast majority of child-only cases remain exempt from work participation requirements, including those headed by

- Grandparents and other non-parental caretakers;
- Undocumented immigrants and immigrants under the five-year ban;
- Parents receiving SSI who are not included under the State option.

Under our interim final rule, we excluded from the definition of "work-eligible individual" a parent providing care for a disabled family member living in the home who does not attend school on a full-time basis, as long as the need for such care is supported by medical documentation. This means that families that include such individuals are not part of the participation rate. Again, this is an area where we expanded State flexibility.

Finally, the new regulations require States to establish and maintain work participation verification procedures and internal controls to ensure compliance with the procedures. They also require States to have in place by September 30 of this year a Work Verification Plan to validate work data and implement new penalties for non-compliance with work verification procedures starting October 1, 2007. The penalty consists of a one percent reduction in the State grant for each year a State is out of compliance, up to a maximum penalty of five percent. The full five percent penalty will be imposed if a State fails to submit a Work Verification Plan.

Eliminate the Two-Parent Rate

I would like to remind the Subcommittee of another critical point. The Administration has proposed ending the separate participation rate for two-parent families; the same participation rate would apply to both single-and two-parent families. This would remove a disincentive to equitable treatment of two-parent families. Under current law, two-parent families have a far more rigorous work participation rate

requirement than do single-parent families (90 percent compared to 50 percent). Less than five percent of TANF and SSP families are two-parent families. However, if a State meets its overall work participation rate but fails the two-parent rate the law requires that a State must meet an 80-percent maintenance of effort requirement, causing a State to spend significantly more. We believe that attaining a 90-percent participation rate for two-parent families poses substantial challenges for States and presents potentially significant administrative hardships. Even if this rate were eliminated, the family would still have an adult required to participate constructively and at levels that would lead to self-sufficiency.

Meeting the Challenge

We understand and acknowledge that helping States increase the number of welfare recipients participating in work activities will be a challenge. Some question whether it can be done. We believe that this challenge is not only feasible, but must be met if we are to continue our progress in reforming welfare and moving families to self-sufficiency. A fair and objective evaluation of this challenge is necessary. Such an evaluation should consider a range of relevant factors including the following:

- What States achieved in 2005 does not determine what they can achieve in the future. When States have a zero or near-zero work participation requirement, they operate programs within that context. If they have a higher work participation requirement, they will operate their programs accordingly.
- Existing participation data understate the actual level of participation. Some States do not report all participation that could count because they have already satisfied the participation requirements due to the caseload reduction credit. Data from the National Directory of New Hires (NDNH) indicate that more TANF adults are employed than is reported.
- It is possible for States to achieve rapid increases in their work participation rates. In two years, Georgia raised its work participation rate from 10 percent to 57 percent. This came about once the State made a concerted effort to increase participation rates.
- States have the resources to do the job. The dramatic decline in welfare caseloads since the 1996 welfare reform has produced savings that far exceed any additional costs from new work requirements. For example, TANF funding, measured on a per TANF family basis, was $9,100 in 1996 (inflation-adjusted) compared to $15,977 in 2007 (projected), an increase of $6,877 per family, representing a 76 percent increase in capacity to meet the challenge of welfare reform.
- If caseloads continue to decline, even the new "recalibrated" credit can substantially reduce the required participation rate target. Based on a preliminary estimate of the caseload reduction credit for FY 2007, the average target for FY 2007 will be reduced to 45 percent, and in 12 States the new target will be under 40 percent.
- Meeting work participation requirements will increase employment and further reduce caseloads, freeing up more TANF funds that could be used for work activities and child care.
- Finally, since 1996, Federal and State spending for child care in just these programs—TANF, CCDF, and SSBG—has increased more than 3 fold from $3.6 billion in 1996 to $11.7 billion in 2006.

In summary, we sincerely believe that virtually all States have the flexibility they will need to meet the new work participation requirements. We hope that they do this by helping needy families find appropriate work activities and increasing support services to them.

Conclusion

Mr. Chairman, I'm sure you will agree with me that it is our shared desire to improve the lives of the families who have or would otherwise become dependent on welfare. In his second inaugural address, President Bush stated that in America's ideal of freedom, citizens find the dignity and security of economic independence. He expressed the vision of an ownership society, making every citizen an agent of his or her own destiny. These ideals certainly fit within the reauthorized welfare program. Secretary Leavitt, Assistant Secretary Horn, and I stand ready to work with you and our State and community partners to make economic independence within reach of America's neediest families. I would be happy to answer any questions you have.

Chairman MCDERMOTT. You can now take a breath.

Ms. SQUIER. Thank you.

[Laughter.]

Ms. SQUIER. It was close, those 5 minutes.

[Laughter.]

Chairman MCDERMOTT. I said to Mr. Weller how I was sure you were going to make it to the end.

Ms. SQUIER. I was going to make it.

Chairman MCDERMOTT. We thank you for that testimony, and I realize that you feel under some pressure, not having written this law, and you being up here to defend it, or to answer questions about it, but current law now counts a welfare recipient participating 25 hours a week in constructive activities as someone doing nothing. They have to make the mark of 30 hours, or they get nothing.

I wonder if the Administration would be open to supporting a partial credit for partial hours under the TANF work requirement.

Ms. SQUIER. You will probably remember, the Senate had such a proposal that didn't make it through, for various and sundry reasons.

However, the Administration does not support partial credit, because we believe that people need to meet a specific work participation standard of either 20 hours—which about 50 percent of the population only has to meet 20 hours—or 30 hours, if you have a child over 6. We believe that it's important. It's important for the child. It's important to establish work procedures, that you get up every day and you work a certain amount of hours, that show children that work is part of everyday life. So, the Administration did not support partial credit.

Chairman MCDERMOTT. So, there is no flexibility on that issue, in your mind?

Ms. SQUIER. Well, there is always flexibility. There is nothing that I can say today that I would say for a surety that will or will not be in the final rule because it is still under consideration. So, you just have to keep in mind that I am not at liberty to tell you what will be included in that final rule.

Chairman MCDERMOTT. I understand that. The final rules, you think, will come out when?

Ms. SQUIER. My best estimate is that they will come out in September. That is an estimate.

Chairman MCDERMOTT. To be implemented 6 months later, the—March/April of next year?

Ms. SQUIER. Well, in fact, the work participation part of it is already being implemented. The work verification plan, and how they set up their systems, is due to be implemented October 1, 2007.

I would say today, though, that I came from a State, I worked in four of them, I bet money I end up going back to a State. If I were in a State, I would be concerned about the challenge of perhaps only getting this final rule, and then only having months or weeks to set up my systems.

So, we are very sympathetic to the challenge that the States have, and we are going to do everything we can to work with the States as partners, and keep them out of any kind of penalty. This

is not a "Gotcha" situation. We really want to work with them as partners, to try to get them to meet the goals that they have to meet under the work participation requirements

Chairman MCDERMOTT. That is one of my concerns about this, is that the rule-making—having been in the State legislature for a long time, and having been on the receiving end of this pipe, when legislatures only meet once every—they meet for 3 months and then they're gone, and then they come back the next year and meet, sometimes they can't make the changes as quickly as necessary to meet the Federal rules.

So, I would hope that you would build in some flexibility in the rule that would allow States to at least let the next legislative session pass, or something, so that they could make whatever changes are necessary.

Ms. SQUIER. Well, Mr. Chairman, my boss, Wade Horn, went to five different areas of the country, and did tours about implementing the interim final rule. He said in every single one of them, that if a State can show that they cannot meet the work participation rates, or get up and running because their legislature couldn't take action in time, that he would take that under consideration as good cause. He asked for States to put that in their work verification plans, or to contact him directly.

To date, to my knowledge, no State has come back and said that they cannot meet this because of that reason.

Chairman MCDERMOTT. Well, the other question I have is would you support creating a TANF work participation category that specifically addresses the whole question of removing barriers to employment?

One of the things that I have trouble with the law is the fact that the training, or programs like drug abuse treatment, are put in a category where they have a very short period of time, and then they are done. Whether the program and treatment is done is irrelevant. They are done, as far as being counted, or being given any kind of an exemption.

I wonder if you are willing to talk about that a little bit.

Ms. SQUIER. Sure. We were required by the DRA to define the 12 activities. The statute didn't include substance abuse, mental health, or rehabilitation treatment as any one of the 12 activities to count. So, we used what we thought was a very common-sense definition, and put it under job readiness, which we believe is really the only place that it actually fits, because you are getting ready for a job.

It is very interesting to note that only 14 States ever counted those activities—substance abuse, mental health, or rehabilitation services—toward the work participation rate at all in the past. Five of them counted it under job readiness. So, we only have nine States that counted any of these activities someplace else at all.

So, we actually think that we are expanding. Now, 36 States will be able to count these people in some sort of work participation for 6, and possibly up to 12, weeks. I would finish by saying that I completely agree with you, that if a participant in substance abuse treatment or mental health treatment needs more work, then the States should allow them to stay in the treatment program; I think

that's the very reason that Congress allowed us the 50 percent work participation.

Chairman MCDERMOTT. I think we will have some more discussion on this issue. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman. Ms. Squier, thank you for joining us this morning, and participating as our first witness.

Ms. SQUIER. Thank you.

Mr. WELLER. The changing nature of households in America has an impact on poverty. We have seen the statistics, that if a child is born outside of marriage, they are more likely to be in poverty, less likely to complete a full education, and their future prospects are less than those that are born into a family of traditional marriage, a mom and dad.

Right now, today, about 37 percent of all births in the United States today are outside of marriage, so that represents about 1.5 million children out of 4 million that are born each year. Again, statistics show that they are at a higher level of risk, particularly of living in poverty, than those who are born into married households. In fact, experts suggest as much as 80 percent of long-term child poverty is associated with family breakdown.

In the DRA, we in the congress last year reprogrammed some Federal welfare funds to be used to promote marriage and fatherhood, about $750 million. Can you give us a report on the status of how this process is going, and when we are likely to begin seeing the results, positive or negative, from this initiative?

Ms. SQUIER. Absolutely. We were very fortunate last year to award 225 grants in marriage and fatherhood in 47 States and 2 territories. These grantees are now getting up and running, and we are providing technical assistance to them.

We have to give them a little time to implement and see results. So, I suspect we are going to have to wait a year or so to actually see results, but the whole objective behind this, as you alluded to, is that the research indicates that children of families with happy, healthy, married parents, or who have a strong connection to the father, come out ahead on a whole slew of socio-economic indicators. Our goal is to increase the well-being of children through the marriage and fatherhood programs.

Mr. WELLER. Since States were given the opportunity to develop programs with their own initiative as part of this, do you have any success stories where you see as examples, where they have been able to increase the likelihood——

Ms. SQUIER. Well, I think it is a bit early for that.

Mr. WELLER. Okay.

Ms. SQUIER. They really didn't get their money until October. So they have to gear up. That's one of the biggest problems, I think, when you have grants of this level, where people—like I do—really want to see results, and really want to come here and tell you that I can show you 10, 20, 50 places where we're seeing results. It is just a bit premature.

Mr. WELLER. My other question is, before the effective date of the TANF changes that were in the DRA, we saw a drop in welfare dependence, a significant drop. In fact, in 2006, we saw the biggest drop in 6 years, which was a 6 percent drop in welfare dependence.

Can you explain why—of course, this is all a result of reforms prior to the DRA.

Ms. SQUIER. I think there were several years where people who ran TANF programs in States were seeing the proposed changes, and what was going to be in, and what was going to be out, and where the Senate and the House agreed on things, and where they didn't.

I believe that, in preparation for the legislation, where States saw things were going to be tightened up, or they saw things were going to be different than they are with their current programs, that they took that into consideration, and they geared up their programs. So, we started seeing results before the legislation was actually passed.

Mr. WELLER. In terms of poverty, what percent of families on welfare live in poverty?

Ms. SQUIER. Well, I would say all families that are on welfare live in poverty.

Mr. WELLER. Then, does the same go for families who leave welfare most often for work? Do any of them escape poverty?

Ms. SQUIER. Yes, they do. Most welfare or TANF recipients who go to work, go to work for more than minimum wage, but if you had a family with a parent who went to work for $5.15 an hour, minimum wage, worked full time, received food stamps and the earned income tax credit, they would be lifted out of poverty. That doesn't count any other programs that they might be receiving.

Mr. WELLER. In some of the programs they receive, do they count, as part of their income, when we determine whether or not they live in poverty?

Ms. SQUIER. No, sir. They do not.

Mr. WELLER. Which are the ones—which are the programs where they receive benefits that are not considered as part of their income when we——

Ms. SQUIER. Well, there are several programs that are not considered. For example, food stamps, and housing assistance. Let me put it this way, what gets counted is cash. If you are not getting cash, if you received child care or transportation assistance, or training and employment services, if it isn't cash, it's generally not counted in poverty.

So, what you have are people who are getting a lot of services that they are not counting in poverty. If you counted the services, the cash value of the services that people got, you would see a much different poverty level in America.

Mr. WELLER. Thank you. Thank you, Mr. Chairman. I see my time is up. Thank you, Ms. Squier.

Chairman MCDERMOTT. Mr. Lewis?

Mr. LEWIS OF GEORGIA. Thank you very much, Mr. Chairman. Thank you so much for holding this hearing. Madame Director, thank you for being here this morning.

As you saw in one of the Chairman's charts, the percentage of poor children receiving assistance from TANF has dropped from 62 percent in 1995 to 29 percent in 2005. Do you think this trend is positive or negative?

Ms. SQUIER. Well, I never think that when you have an increase in any kind of poverty rate, that would be a positive. I do

think that one interesting thing is, Mr. Lewis, is that about the time that the child poverty rate started to inch up a little bit more, was about the same time that work participation rates became basically meaningless in the States, because they had such a precipitous caseload decline, most States only had a zero work participation rate, and the national average was only 6 percent.

So, I do think it's kind of an interesting correlation that when States stopped having to meet a participation rate, child poverty then began to inch up again.

Mr. LEWIS OF GEORGIA. Well, I guess that's the question that I was trying to ask. In other words, you believe reduction in the TANF caseload is beneficial, even if such a decline occurs while poverty is still rising?

Ms. SQUIER. I think——

Mr. LEWIS OF GEORGIA. We have this unbelievable gap, and it's not narrowing, but it's—poverty is increasing, all across America.

Ms. SQUIER. Well, I——

Mr. LEWIS OF GEORGIA. In our large urban centers, in our rural areas.

Ms. SQUIER. I understand. I do think that, from the inception of welfare reform in 1996 to present, that child poverty has decreased. It fell from 20 percent to 17.6 percent, and that reflects 1.4 million fewer children in poverty today than when welfare reform began.

Mr. LEWIS OF GEORGIA. I think there is data, I think there is all type of data. Many studies tend to indicate that during the past 5 years we have seen a dramatic increase in poverty in America. I don't think that can be denied.

Ms. SQUIER. I don't know about a dramatic increase. There have been some incremental increases in poverty in America in the last 5 years. However, I don't think you can hold the TANF program solely responsible for reducing poverty, because it's a very small part of all the means tested programs that this country offers.

If you look at the issue in terms of TANF, any increase may be in part because States no longer had to engage people—to put them into work activities, not just to get them off the TANF rolls, but to get them into work activities, which is clearly the goal of the TANF program.

Mr. LEWIS OF GEORGIA. Madame Director, let's take a close look at the State of Georgia. In the last 4 years in Georgia, unemployment is rising. Three times as many people receiving food stamps, and the number of people on Medicaid are rising, are increasing. Where are these people going when they leave TANF?

These numbers tend to say something very different. They are unemployed, they are still living in poverty, in need, food stamps, Medicaid. Can you really—do you have any idea about what is happening to these people? Where are they going?

Ms. SQUIER. Well, I think that many of them are going into work, and they are working some hours. They are not necessarily making enough to move them out of poverty immediately. I think this is an area where States have to work very hard. A lot of States work at meeting the participation rate, which means that they

bring people off the rolls and into the work force, but then they cannot stop there.

I would submit to you today that this Administration agrees that you need to help support those families to move them up the ladder—which takes a little bit more time—but it can be done. States need to spend a little bit more time, and a little bit more TANF money, doing just that.

Mr. LEWIS OF GEORGIA. I know with a program, it's the idea that you got to reduce the caseload. Do we reduce the caseload and bringing down numbers and people are—try to meet a magic goal, or—what's happening?

Ms. SQUIER. I don't think that just bringing down the numbers is the outcome that we're looking for. We have always been looking for an outcome of self-sufficiency. Self-sufficiency is better for the child—that's better for the family, and that's better for the child.

So, I don't think that we are just trying to say, "Whatever you need to do to bring down, or to put 50 percent of your people in work activities, you need to make that happen." I think what we want is for all families to be engaged.

Georgia is such a great example. I know you're from there, and I'm glad you brought that up. Georgia is one of my favorite places to talk about.

Mr. LEWIS OF GEORGIA. So, you are prepared to use the State of Georgia as a model for the rest of the Nation?

Ms. SQUIER. I am prepared to tell you that a couple of years ago the State of Georgia had a work participation rate of about 6 percent. Now, just 2 years later, they have, without any resources from the Federal Government, raised that work participation rate to 57 percent.

I think a person from Georgia is here, and he or she is going to tell you that I am completely wrong on that, that it's far more than 57 percent that they have raised their work participation rate.

So, somehow, they are engaging these clients, they are getting to people who were formerly harder to serve, or that they felt had more barriers to overcome, and they are working with these people, and getting them into work, which is far better than not having them work at all. It is the first step into moving them into better jobs.

Mr. LEWIS OF GEORGIA. Madame Director, my time is expired, but I think we are going to hear a little more from the State of Georgia. I think there are a few people around the country that have some questions about whether the State of Georgia should—I am from that State.

Ms. SQUIER. Yes, sir.

Mr. LEWIS OF GEORGIA, but I tell you, I think people will have some question, some reservation, whether the State of Georgia should be used as a model for the rest of America.

Chairman MCDERMOTT. We will get to that next. Mr. Herger?

Mr. HERGER. Thank you, Mr. Chairman. Ms. Squier, I want to commend you on the great job you are doing. We certainly miss Dr. Horn.

Ms. SQUIER. Right.

Mr. HERGER, but you are doing a very outstanding job, testifying.

Ms. SQUIER. Thank you.

Mr. HERGER. I think it should be pointed out that even though the poverty rate is raising, I think it historically has always raised after a recession. We have come out, but I think if we look at the numbers, those numbers are still lower than they were when welfare reform came out in 1996.

Ms. SQUIER. Yes.

Mr. HERGER. Just another comment. I want to commend you and Dr. Horn, the Administration, for the emphasis of getting—working to get fathers involved with their families, and with their children. Those of us who are parents know it's tough enough to raise children with two parents, a mom and a dad, let alone just where there is only a mom out there, working.

Ms. SQUIER. Sure.

Mr. HERGER. So, I commend you for that, and I think that's very important.

Also, the point that you made, I think, is one that is so very important. I want to commend you and the Administration and—I want to urge you to continue to hold tight on the importance of ensuring that these individuals are working.

We have given the caseload credit and we have gone down to the point where there is virtually no one working any more. With the reauthorization, we are back to this, but that is the key, as you pointed out, that if they are working, even at minimum wage, and with everything else they have, they can move out of poverty.

Ms. SQUIER. That's correct.

Mr. HERGER. If they are not working, no matter how well meaning it may be to have them in education, which is crucially important, and I don't want for a moment to minimize how important education is in anything else we do. As far as getting them out of poverty, nothing takes the place of ensuring that we don't allow these individuals to slip between the cracks, and not be out there doing what we can to help get them into jobs, even if they're entry-level jobs to begin with.

Ms. Squier, could you tell us how much States collectively have in unspent Federal TANF and child care funds saved from prior years?

Ms. SQUIER. Yes, I think I can. I think States have $2.1 billion in TANF unobligated funds that they could spend right now on child care, and even more importantly, they have $7.7 billion in TANF and childcare unliquidated funds that could, so a State choose, be used for child care.

Mr. HERGER. So, could some or all of those funds be spent—I believe you have answered that—for child care or other work support?

Ms. SQUIER. I believe they can.

Mr. HERGER. So, in other words, we are talking about dollars that are out there right now that haven't been used, that are available.

Is it reasonable to expect States to reduce their own TANF and child care savings before they ask for additional TANF and child care funds beyond the increase it provided in the TANF Reduction Act?

Ms. SQUIER. Yes, sir.

Mr. HERGER. So, would you like to say—make any other comments?

Ms. SQUIER. Well, actually, you are doing so well for me that I would like to just have you talk for the rest of the hearing, if you don't mind.

[Laughter.]

Ms. SQUIER. Those are big numbers, and I think important funds that States could be using, but if you take just three programs, TANF, the social services block grant, and the child care development fund, just those three programs alone for child care, child care has increased from 1996 to 2006, child care spending, 225 percent, from something like $3.6 billion to $11.7 billion.

So, that doesn't even count other programs that are out there, like pre-K programs, or Head Start programs that most States have. If I looked through my notes, I could find you some other child care programs that are out there, which aren't included in the $11.7 billion total.

I think we are also discounting the number of people who may be eligible for government child care that don't want or necessarily need it. This is a portion of the population who prefers to not use regulated day care, and prefers to use friends and family, which works better with their schedule, work schedule, and they feel comfortable putting their child there.

I do not have a way to give you an exact figure of how many people that is, but in low-income families, that's a very traditional way of getting child care. We believe this encompasses a substantial number.

Mr. HERGER. Thank you, Mr. Chairman. Thank you.

Chairman MCDERMOTT. Thank you, Mr. Herger. Mr. Stark?

Mr. STARK. Ms. Squier, thank you. What I thought I just heard you say is that for people who can afford day care at $200 a week, that's good, and for people who can't, they should ship it off to Granny or cousin, or aunt and uncle, is that——

Ms. SQUIER. No, I don't think that's what I said.

Mr. STARK. I think that's what you just said, but you maybe said it differently.

Let me ask you this. Is there a difference between the welfare recipient who leaves TANF and gets 1.5 times, say, the minimum wage—maybe he makes $30,000 a years before deductions—and a recipient who is sanctioned off welfare, and leaves with no source of income?

Ms. SQUIER. Well, clearly, there would be a difference between someone who has no income and someone who has $30,000 a year in income.

Mr. STARK. So, why do we treat these recipients differently, or the same? Why don't we treat them—when you calculate the case reduction credit? Shouldn't we give more credit when they assist someone to become self-sufficient than we kick them off and they become homeless or dependent?

Ms. SQUIER. Well, I think that tonce they are sanctioned off, that we should still—and I think our regulations do ask for this—keep them in the work participation rate, so we still work with those families, so they're not just languishing.

Mr. STARK. How would you work with them? Faith-based initiatives? Would that be a good way to work with them?

Ms. SQUIER. That is one way.

Mr. STARK. How much money do you guys spend on faith-based stuff for children?

Ms. SQUIER. Well, the States would run the programs, so I don't know that. It wouldn't be the Federal Government.

Mr. STARK. You don't have any Federal faith-based initiatives under TANF, or for children's programs, or for family support?

Ms. SQUIER. The TANF program is a block grant, so we give the money to the States.

Mr. STARK. I understand that, but what about for day care or family preservation? You don't have any faith-based programs under your jurisdiction?

Ms. SQUIER. Well, the child care program is a block grant also, so it goes to the States. So, I would have to check to be sure, but I do not think that is the focus of our program here, in the Federal Government.

Mr. STARK. Now, you talk about increasing funding for child care. There is some new money, but based on the estimates of what is needed, the new money is going to amount to $70 a month for the new participants. The President's budget requests a freeze in discretionary child care funding, which by his own estimate, leads to 300,000 fewer families receiving the assistance.

Is there anywhere that you know of that you can get safe child care for $70 a month?

Ms. SQUIER. There may be. I don't work in the States, so I do not know.

Mr. STARK. Come on, let's stop a minute.

Ms. SQUIER. I do not know the answer to that, Mr. Stark.

Mr. STARK. You don't?

Ms. SQUIER. I do not know.

Mr. STARK. Well, I would commend you to look at it, and decide what you think is a minimum amount that you—under which you could provide child care in this country. I think you're going to find it's far north of $70 a month.

It seems to me that it is—you are right up there with Jonathan Swift. At $70 a month you might as well go to his suggestion. If you haven't read it, I would commend that to you, because it outlines the Republican theory. It's called "A Modest Proposal." Go back to your high school English and look at it.

What programs do you think the States should cut to provide child care funding?

Ms. SQUIER. I don't think States need to cut any programs. I think there is enough money out there in child care, and in their unobligated and unliquidated funds to provide child care. Money should not really be an issue here.

Mr. STARK. So, they should take it out of nursing homes and other areas, and put it into child care?

Ms. SQUIER. I don't even think that is necessary. I think when you have the TANF block grant that has not been cut at all over the years, and you have a 60-percent decline in caseload, then——

Mr. STARK. Yes, but——

Ms. SQUIER [continuing]. There is money to spend there.

Mr. STARK [continuing]. Any idiot can get 60 percent. You just kick people out.

Ms. SQUIER. I don't think that's what happens——

Mr. STARK. Without reason, without care. That's what this Administration has done.

Ms. SQUIER. Well, I don't agree with that——

Mr. STARK. It just blindly has kicked people out, thinking that they can go to church, or someplace else, and get fed and clothed, and get protection. I submit to you that it's a kind of heartless approach, but if that's your approach——

Ms. SQUIER. No, that——

Mr. STARK [continuing]. You will have to wait until after 2008 to change it, won't we?

Ms. SQUIER. That's definitely not my approach. I hope after 2008 it doesn't change.

Chairman MCDERMOTT. Thank you, Mr. Stark. Mr. Camp, please?

Mr. CAMP. Thank you, Mr. Chairman. Again, Ms. Squier, how much are the unspent Federal TANF funds held by the States now, collectively?

Ms. SQUIER. Unspent, I think, is—well, I think that goes back to my $2.1 billion in unobligated, and $7.7 billion in TANF and childcare unliquidated.

Mr. CAMP. Some or all of these funds could be used for child care or other work support programs, if the States chose?

Ms. SQUIER. Yes, sir. Yes, sir.

Mr. CAMP. So, would it be reasonable to expect the States to reduce their TANF surpluses before seeking additional funds?

Ms. SQUIER. Yes, sir. They should.

Mr. CAMP. In 1996, many so-called experts predicted inadequate child care funds. In fact, some on the other side said that there were projections that would show work in child care funding $13 billion short of what was needed, but in reality, the States in 2002, at the end, had $6 billion in unspent welfare funds. So, that was about a $20 billion mistake there.

I guess since the 1996 reforms, in terms of States using TANF funds for child care, what did we see? When they needed to help recipients go to work, or obviously, to get child care to go to work, what did we see the States doing after 1996, with those funds?

Ms. SQUIER. As you know, States can transfer 30 percent of their TANF funds to the child care development fund, or they can spend TANF directly from their block grant directly on child care.

I think all States, almost all States—I would have to check, did transfer some, or spent directly. I think that stayed fairly consistent.

Mr. CAMP. I think in response to Mr. Weller's questioning, you mentioned that when you are dependent on TANF funds, you tend to be in poverty, but it's through work and leaving those programs that families find themselves getting out of poverty.

Is it true that we saw the States' dedication to TANF funds for child care actually slow down when they were having less pressure to get more welfare recipients into work, when we saw a meaningless work requirement? Did we find that the States used fewer re-

sources to help people with child care and other support programs to get to work?

Ms. SQUIER. Well, I think they didn't have to. That's the whole point of making a more meaningful caseload reduction credit, and a more meaningful work participation rate. That they didn't have to spend any more money to help people in training, education, child care, or any other place, because they had already met their work participation rate, and they were lifted outside of any Federal penalty. So there was not an incentive or motivation for them to continue to work with families. Now, you can't say that all States did that.

Mr. CAMP. Right.

Ms. SQUIER. You can't say that all States did that.

Mr. CAMP. Right, we are just talking generally. Not only was there not an incentive for them to use TANF funds, but we actually saw the States' dedication to use TANF funds for child care slow down when they were under—no longer under pressure to get more welfare recipients into the workplace before the DRA.

Not only was there not an incentive, but didn't we see the accumulation of these surpluses?

Ms. SQUIER. Yes. I would say they weren't spending them, and that's why we have these surpluses.

Mr. CAMP. All right. Thank you very much.

Ms. SQUIER. Sure.

Mr. CAMP. Thank you, Mr. Chairman.

Chairman MCDERMOTT. Mr. Davis?

Mr. DAVIS. Thank you, Mr. Chairman. Ms. Squier, let me go back to the colloquy that you had with my friend from Georgia, John Lewis. He was asking you about the number of children in poverty, and I think you compared the rate today with the rate in 1996. We have so many people here, I want to make sure the facts are accurate.

It is my understanding—and I am sure you will correct me if I am wrong—that the rate of poverty among children has gone up the last 5 years. Is that right?

Ms. SQUIER. Yes, it has increased.

Mr. DAVIS. What is of concern to me about that, Ms. Squier, is it has happened in the context of two things. We have had growth in GDP for five years in a row, is that correct?

Ms. SQUIER. Yes, we have had a great economy.

Mr. DAVIS. We have had, relatively—if this is on relatively—robust job creation for the last 3 years, is that correct?

Ms. SQUIER. That is correct.

Mr. DAVIS. So, something isn't working. I think that's the point that Mr. Lewis was driving at. If we have an economy that, by your Administration's count, is getting stronger and better and more robust, it ought to be reducing the ranks of poverty. We shouldn't see the ranks of poverty going up. That's what concerns some of us on at least one side of the dais. It suggests to me that something is not working.

So, speaking from your perspective, Ms. Squier, someone who is involved in administering the TANF program, doesn't it tell you that something isn't working about how these policies are deliv-

ered, if we are getting richer as a country, and more kids are getting poorer?

Ms. SQUIER. Yes, it does tell me something. It tells me that States aren't engaging people in work activities because they don't have to, because they don't have a meaningful work participation rate to meet. So, if you have to meet a zero work participation rate, pretty much, that's what you're going to meet. Seventeen States only had to meet 0, and again, the——

Mr. DAVIS. Ms. Squier, what does that have to do with the number of children in poverty?

Ms. SQUIER. Well, if parents work, you have less children in poverty.

Mr. DAVIS. Well, all right. Let me take that premise. First of all, it's not necessarily the case, if they are low-wage jobs. Let me follow up on that.

Take the number that you gave Mr. Lewis, going from a 6 percent job participation rate to a 57-percent rate. How many of those jobs are—well, give me a sense of the wage classification of those jobs. How many of those jobs are low-wage jobs?

Ms. SQUIER. Well, I can't speak necessarily to Georgia, but I do know that most TANF recipients go into their first job and make about $7 or $8 an hour.

Mr. DAVIS. That would translate to how much a year?

Ms. SQUIER. You're going to make me do math under this kind of pressure?

[Laughter.]

Mr. DAVIS. Well, would you agree that it's a fairly low amount?

Ms. SQUIER. What does that come up to, do you know?

Mr. DAVIS. $14,000?

Ms. SQUIER. $14,000 to $16,000.

Mr. DAVIS. Do you consider that to be a middle-income job?

Ms. SQUIER. I do not. I do think, though, that you have to——

Mr. DAVIS. It's just poor, it's not that poor.

Ms. SQUIER. You have to consider all the other benefits that they get.

Mr. DAVIS. Well, Ms. Squier, you make my point, though. One of the things that you are touting is more people working.

Ms. SQUIER. Yes, sir.

Mr. DAVIS. That sounds like a good thing, but, again, because we have a lot of people here, and I don't want them to be misinformed, if a lot of people are working, but they are abysmally low-wage jobs, that probably means they still can't purchase things for their families. It means that they are still very much behind the eight ball.

So, Mr. Lewis and I are trying to make the point to you, you can't just judge the efficacy of this program by whether or not people are working. You have to look at the quality of the work, and the most important is quality—is whether it pays you enough to feed your family.

Ms. SQUIER, but they——

Mr. DAVIS. Now, the second point that I want to make to you is I understood TANF, when President Clinton pushed it through 11 years ago, there was a very simple goal, to encourage better con-

duct on the part of a lot of welfare recipients, to get them to move toward more productive activity. Is that one policy goal of TANF?

Ms. SQUIER. Sure.

Mr. DAVIS. Now, if that's the case, it would seem to me that the work requirements make sense for that reason, but it would also seem, for example, if someone is attempting to go to college, that that is a productive activity. Is it not correct that under the regulations that you have adopted, that States have less flexibility now to count BA classes toward vocational training? They have less flexibility now than they did before, is that right?

Ms. SQUIER. Well, actually, we do say under vocational/educational training, that there is not a road there to a baccalaureate degree.

Let me just tell you how we got there, if you don't mind.

Mr. DAVIS. Well, no, but this is what I want you to respond to. Why isn't any kind of education good, productive activity, that gives these people a chance at a better life?

Ms. SQUIER. I disagree that we don't allow education and training——

Mr. DAVIS, but you make it harder, and you give States less flexibility than they had.

Ms. SQUIER. I think only for a baccalaureate, and I will say——

Mr. DAVIS. You don't think a baccalaureate degree is a productive thing for a person to have?

Ms. SQUIER. We received many comments, just on this subject. While I won't tell you what is in and what is out of the final rule, we received——

Mr. DAVIS. Ms. Squier, respond to my observation.

Ms. SQUIER [continuing]. Many comments, and this is under consideration.

Mr. DAVIS. Respond to my observation. I am talking about the status quo, not what happens after the commentary. Don't you agree with me, that getting a college degree is a very important thing to help lift someone out of poverty?

Ms. SQUIER. If they could do it, yes.

Mr. DAVIS. Well, if they could do it? Isn't the premise that anybody should be able to get a college degree, if they apply themselves and work hard enough?

Ms. SQUIER. That may be true.

Mr. DAVIS. So, why shouldn't the policies encourage people to try to do that?

Ms. SQUIER. We got many comments on that, and we are considering it——

Mr. DAVIS. Why shouldn't the policies encourage people to do that, Ms. Squier?

Ms. SQUIER. They may, in the final.

Mr. DAVIS. Well, why are you agnostic about it? Why not just agree with me on that?

Ms. SQUIER. We took the definition that the Department of Education had for vocational/educational training in order to keep it consistent across the Administration. They did not include baccalaureate.

Since we put out the interim final rules, the Department of Education has come around and changed their definition, and they

have taken out any reference to not being able to get a baccalaureate. So, that's why I think that—along with the comments I received—we may have some consideration for this.

Chairman MCDERMOTT. We will probably have some more discussion on this one, too. Thank you, Mr. Davis. Mr. Porter?

Mr. PORTER. Thank you, Mr. Chairman, and thank you for being here. We appreciate your testimony.

I would like the record to reflect that President Clinton vetoed TANF twice, prior to its passing in 1996. I just want to make sure that that's for the record.

If we're looking at 1995, there were 5 million families unemployed in the United States. If you look at 2005, 2006, there is about 1.7 million families that are not working. So, there has been a substantial improvement. Although not perfect, there are a lot of families now that have an opportunity. We could talk about the hourly wage—and certainly there are areas that needs to be adjusted—but compared to where we were in 1995, I think we have come a long way.

Unfortunately, they are not making more. It would be great if they could, but at least now they are having an opportunity—almost four million more families have opportunities they didn't have before, although not perfect.

That really begs my question. We are spending about $600 billion a year on welfare in this country. Depending on the day—and I hate to use statistics, because we're talking about real kids, real families, and real problems, but for the moment, we are talking in statistics—15 to 25 million kids at one time that are on welfare in the country.

If my math is right, we are spending about $30,000 per poor child a year in our country. Now, this is facetious, but someone might suggest we should give each one a check for $30,000 and let them put it in the bank and live off of that. It would probably be a lot better lifestyle than some kids have today.

The problem is, when we're spending so much per child, the money is not getting to the kids in all cases. I know we try to give States more flexibility, but what can we do to make sure more of that $30,000 we're spending per child under the age of 3 in this country to receive more benefits? What can we do to help streamline the process?

The moms and dads out here that need help complain about access, and what they could do to make it easier? What would you suggest?

Ms. SQUIER. That's actually a tough question for me. As you know, the whole design of a block grant program is for States to have flexibility to design their own programs, to look at their populations, and to say, "This is where we need to expend funds, because this is where we have the greatest need."

I don't think any of us here really want to take that kind of flexibility away from States. So, I think that's a question that we really would need to ask to the States, what do they think they need to do to work with the population of children that are under three; they would be in a better situation than I to answer that.

Mr. PORTER. What do you hear from States when you're out? What are some of their number one complaints?

Ms. SQUIER. Since the interim final rule came out?

Mr. PORTER. Yes.

[Laughter.]

Ms. SQUIER. What was happening before is that many States defined work activities very broadly—some bed rest, motivational reading, exercise, smoking cessation, journal writing—and they got credit toward work, while other States defined work in a more traditional sense. They didn't get credit for all those things. So, in a sense, you had some States that were penalizing themselves.

What we were directed to do under the DRA, is get rid of that, so that States have an equal playingfield. I think some States do not particularly like the fact that they can't count anything they want as work. We put in there common-sense definitions of what we believe counts as work, and some of the other things that some States were counting no longer count toward work. I think States—that is one of the things that they don't like.

Mr. PORTER. We have had challenges in Nevada, because of our massive growth. We are growing, depending on who you ask, 7,000 to 8,000 people a month. I know that you have made some adjustments for fast-growing States. We appreciate that. Is there any other areas for fast-growing States that you would suggest, to help with our massive growth, and cutting through the bureaucracy?

Ms. SQUIER. You're not supposed to be this hard on me. That's not supposed to happen from you.

[Laughter.]

Ms. SQUIER. I really would have to put some thought into that, and I actually will put some thought into that and share a response for the record. I don't exactly know what to tell you right here and now of what I think States could do with a faster-growing population that would make a difference, other than what good welfare work programs are doing now.

[The information follows:]

Nevada has received a supplemental grant for population increases sin FY 1998. Since 2001, it has received $3.734 million each year in addition to its TANF grant of $43.977 million

Although Nevada's population is growing rapidly, its TANF caseload declined 62.1 percent between August 1996 and Septemeber 2006. This indicates they should have sufficient TANF savings to fund any added costs associated with welfare reform. Moreover, the caseload decline from FY 2005 to FY 2006 has been 11 percent. In addition, the interim TANF rule gives States new flexibility to exclude parents caring for a disabled family member from the work participation requirements as well as gives states credit to count excused absences and holidays. In light of this information, we believe that Nevada should be able to meet the new program requirements despite the fact that it is a growing State.

In regards to programmatic suggestions or recommendations, I would like to refer you to our Peer Technical Assistance website. Here you can find samples of Success stories and best practice methods used by many States.

Mr. PORTER. Well, we are blessed in Nevada, that our unemployment rate is the lowest it's been in four decades, and I think we employed 90,000 people last year, but the problem is we still have kids that need help. So, I would appreciate it if we could get together to talk about some of those solutions.

Ms. SQUIER. Great.

Mr. PORTER. Thank you.

Ms. SQUIER. We will put some thinking into that, and get back to you.

Chairman MCDERMOTT. I don't know how many times in 30 years I have heard a witness say, "I don't know."

Ms. SQUIER. Well, I am unique and unusual.

Chairman MCDERMOTT. Well, Ms. Berkley from Nevada.

Ms. BERKLEY. Thank you very much, Mr. Chairman, and welcome to the Subcommittee.

Ms. SQUIER. Thank you.

Ms. BERKLEY. Appreciate you being here. I represent southern Nevada, which is the fastest growing district in the United States of America. While it is true that we have an extraordinarily robust economy, and we do, and our unemployment rates are relatively low, we have a growing problem with poverty in our community, and low-income wage earners. Consequently, the issues that we are talking about today are very important for the people that I represent.

Ms. SQUIER. Sure.

Ms. BERKLEY. Now, in the second panel, we have somebody from Nevada, who is going to enlighten the Committee Members on how serious this issue is, but when you're talking about a State that is growing as rapidly as the State of Nevada, whatever adjustments you have made are not helping. The reason that you can't give an answer to my colleague from Nevada is because there isn't one, unless we adequately fund these programs.

Now, if the States use TANF reserve for child care, what do they possibly have to fall back on? Let me tell you why I'm asking.

After 9/11, we had massive lay-offs in the State of Nevada, obviously in southern Nevada. People come to Las Vegas for a good time. After 9/11, nobody was flying, and nobody was coming for a good time. There was a national tragedy we were all dealing with. We lost 1 year's worth of business in the aftermath of 9/11. We had—because of massive lay-offs in the gaming industry, our TANF caseload almost doubled. We went through the reserve. There was nothing left. We went past the skin, past the muscle, into the bone.

Now, if we're talking about using the TANF reserve money for child care, but Nevada needs that money for other parts of TANF, what do we do in—when we have a State with an enormous—a rapidly growing population? Your block grants don't cover our needs, and there is no way that we could use those TANF funds for child care when we need it for other things as well.

Let me mention something else. We have one of the one of the blessings in southern Nevada is that our management of our gaming casinos—which a majority of people work in our gaming industry—and our labor unions work very closely together.

We have the culinary training center that is funded by the gaming industry—pretty much funded by the gaming industry. When I meet with these welfare-to-work mothers, and I do on a period basis, what they tell me—and they are training for those $7 and $8-an-hour jobs—is that the two things they need more than anything else are child care and transportation.

It doesn't do us any good to train these women to get off welfare and go to work, if they have got children at home that need caring for. If their money that they make, the $7 and $8 an hour, is going to get eaten up by child care costs—and let me tell you, if you don't know how much child care costs, let me tell you. The idea of $70

a month is a joke. It's twice that, minimum, if you're going to get anybody that you can trust with your children.

Second thing they needed was transportation. Doesn't do any good if you have a job and you can't get there. So, your cuts, even if the President's budget maintained what it did this year, maintained funding, we still lose out. Any cut is detrimental to pro-growth States. So, what do we do?

Ms. SQUIER. Well, first of all, I don't believe that you are getting a cut in child care.

Ms. BERKLEY. How much are we getting in increase?

Ms. SQUIER. The DRA contained an increase of about $1 billion over 5 years.

Ms. BERKLEY. Okay. If it costs us twice that much to take care of our needy?

Ms. SQUIER. Well, I can't speak directly to your statistics in Nevada.

Ms. BERKLEY. I can.

Ms. SQUIER. Of course, and you're very knowledgeable about your State, but, overall, with the caseload declines that have occured in this country—and I don't have it, State by State——

Ms. BERKLEY, but we are not having a caseload decline in Nevada. So, what do we do?

Ms. SQUIER. Well, I was under the impression that Nevada was making a fabulous comeback.

Ms. BERKLEY. Nevada is making a fabulous comeback, but we still aren't where we need to be. So, what do we do?

Ms. SQUIER. Well——

Ms. BERKLEY. What if we take the TANF funds and put it into child care, and we don't have enough in the reserve, in case there is another, God forbid, 9/11 in this country?

Ms. SQUIER. These are decisions that the people in your State have to make. Maybe they are very tough decisions. I can appreciate that they could be very tough decisions to make, but unless Congress——

Ms. BERKLEY. Do you not feel that the Federal Government has any obligation whatsoever to the people of this country?

Ms. SQUIER. Of course I do.

Ms. BERKLEY. To lift people out of poverty, give them these opportunities?

Ms. SQUIER. Of course I do, and I think that's exactly what the TANF program is set up to do, exactly those things that you're saying.

Ms. BERKLEY. Not if it is not adequately funded. A program doesn't make—we also have Leave No Child Behind, but if you cut it by $71 billion, you're leaving a lot of children behind. Same thing here.

Ms. SQUIER. Well, Congress, I think, generously has chosen to not cut the TANF block grant, even though there has been, nationwide, a huge caseload decline. So, I——

Ms. BERKLEY. So, in——

Ms. SQUIER. I just——

Ms. BERKLEY. I would like you to report back to me, if you don't mind. In a State like Nevada, where we have an increasing population, an extraordinary—our economy couldn't get any better,

everybody that is employed and wants to be employed, is employed. So, what do you do in a case like the State of Nevada?

[The information follows:]

Nevada has received a supplemental grant for population increases sin FY 1998. Since 2001, it has received $3.734 million each year in addition to its TANF grant of $43.977 million

Although Nevada's population is growing rapidly, its TANF caseload declined 62.1 percent between August 1996 and Septemeber 2006. This indicates they should have sufficient TANF savings to fund any added costs associated with welfare reform. Moreover, the caseload decline from FY 2005 to FY 2006 has been 11 percent. In addition, the interim TANF rule gives States new flexibility to exclude parents caring for a disabled family member from the work participation requirements as well as gives states credit to count excused absences and holidays. In light of this information, we believe that Nevada should be able to meet the new program requirements despite the fact that it is a growing State.

In regards to programmatic suggestions or recommendations, I would like to refer you to our Peer Technical Assistance website. Here you can find samples of Success stories and best practice methods used by many States.

Chairman MCDERMOTT. Mr. Weller has asked for the opportunity to ask a brief question.

Mr. WELLER. Thank you, Mr. Chairman. Ms. Berkley raised, I thought, an important point. That is that Nevada is a very rapidly growing State, compared to States like Illinois, where everyone is trying to move somewhere else, it appears, including to Nevada.

[Laughter.]

Mr. WELLER. Particularly with the kind of weather we have been having, with the ice and snow these last few weeks.

Chairman MCDERMOTT. Enough advertisement, Mr. Weller.

[Laughter.]

Mr. WELLER. Ms. Squier, a former Member of this Committee, John Ensign, now a Member of the Senate, as I recall created something called a TANF supplemental grant to provide additional TANF funds to States like Nevada, that are dealing with rapid population growth. Are you familiar with that?

Ms. SQUIER. Yes.

Mr. WELLER. Could you explain that to the Subcommittee?

Ms. SQUIER. There is $319 million for States that experience rapid growth, and I—that's a very good point. I am not sure why that would not be available to the State of Nevada.

Mr. WELLER. So, those funds are being made available, in addition to the regular TANF?

Ms. SQUIER. Yes, they are in addition to the regular TANF.

Mr. WELLER. Would you provide to the Committee, some specifics, how much Nevada receives from this program?

Ms. SQUIER. How much they would receive? Sure.

Mr. WELLER. Thank you.

Chairman MCDERMOTT. You can submit it in written form.

Ms. SQUIER. Okay. I would be more than happy——

Ms. BERKLEY. Can I have a point of clarification? Those—thank you for bringing that up, Mr. Weller, but I think it just emphasizes my point, because the grants are based on population numbers in the early nineties.

Mr. WELLER. Right.

Ms. BERKLEY. Since then, we have gotten an additional congressional seat, and that's why Mr. Porter is sitting here. That's how fast our growth is, and that's why we need help.

Chairman MCDERMOTT. Mr. Van Hollen?

Mr. VAN HOLLEN. Thank you, Mr. Chairman. Thank you for your testimony here today.

Ms. SQUIER. Sure.

Mr. VAN HOLLEN. I had a question about the work requirements, as it relates to individuals with disabilities.

Ms. SQUIER. Sure.

Mr. VAN HOLLEN. Whether there be an opportunity to provide greater flexibility. One of the questions that obviously faces the States is making sure people meet the work requirements. Obviously, individuals with disabilities, especially more severe disabilities, may have difficulty meeting some of those requirements.

So, my question, first question, relates to individuals who fall under the Americans with Disabilities Act (ADA) (P.L.101–336), and whether or not there is any provision made for providing flexibility for how they are expected to meet the requirements.

Ms. SQUIER. The regulations meet the ADA, and States must also meet the ADA. There is no wiggle room there. It is a law, and they have to meet it.

While there is no provision for a different level of work—30 hours, 20 hours, what we are saying to States is that, "Now you have to pay attention to this population." What was happening before, in my opinion, is States were taking people that were disabled, and they were putting them into separate State programs where they weren't part of the work participation rate.

Some States did that. Or, they had a very, very low participation rate and there was no incentive to work with people with disabilities.

So, if anybody was remotely hard to serve, as you might call someone with a disability, they were languishing in welfare without benefits and services. What we really believe that this regulation does—and the law allows for—is to engage States to work with people with disabilities, so that they get the same benefits and services as anybody would that is not disabled.

Mr. VAN HOLLEN. No, I—look, I believe we obviously need to provide as many opportunities for individuals with disabilities as possible. I guess the question is, in those cases where States feel that the have provided every opportunity possible, and are unable to meet those requirements—let me ask you, for example, individuals who apply for Social Security Insurance (SSI) benefits.

Ms. SQUIER. Sure.

Mr. VAN HOLLEN. Those, as you know, that receive those disability benefits under SSI are people who are determined to be fairly disabled. That's why they are receiving that particular benefit. My understanding—I don't know the exact figure—of how many people who apply ultimately receive them, but I think it is at least 35 percent, maybe more.

I guess the question is, if you have got somebody going through that process—and this is a question that has been raised by some of the States—if you've got somebody going through that process, prior to them being determined eligible—because I know, and I think a lot of us know, this process can drag out sometimes as long as 2 years.

Ms. SQUIER. Sure, it can.

Mr. VAN HOLLEN. Why not consider some flexibility, with respect to allowing them to be counted?

Ms. SQUIER. Well, this is a problem for States, but the bigger problem is that 60 percent of those people that apply don't get SSI.

So, what they have done is they sat there for 2 years, without any benefits or services, eating up their time clock. I think that's the bigger problem. We can't afford to let people, of which a majority will not get SSI, sit there without any help to move them into some sort of self-sufficiency.

Mr. VAN HOLLEN. No, and I understand that issue. I guess the question is whether or not—I mean, this is—35 percent is obviously still a significant number. I don't know if there is any way to try and sort out or provide some accommodation or assumption that about a third of the people will get it, and make some accommodation based on those lines.

Ms. SQUIER. I don't know how you would predict who would be the ones to get it, and who wouldn't.

Mr. VAN HOLLEN. Right.

Ms. SQUIER. This is another area where I think if the State truly believes that they have someone who is going to qualify, then they ought to put that person in the 50 percent of their population that doesn't have to meet work participation rates.

Mr. VAN HOLLEN. All right. Thank you, Mr. Chairman.

Chairman MCDERMOTT. Thank you. Thank you very much, Ms. Squier. I will tell Dr. Horn you did very well today.

Ms. SQUIER. Thank you.

Chairman MCDERMOTT. You survived an hour and 10 minutes of this?

Ms. SQUIER. I did. That's just the way I looked at it, too.

[Laughter.]

Chairman MCDERMOTT. Thank you.

Ms. SQUIER. Thank you very much.

Chairman MCDERMOTT. You are welcome. The next panel,—if you will come up to the table, and we will quickly move on, here—we will now hear from the States. I would—I think all the Members of the Committee would appreciate hearing from you those—answers to those questions that you heard posed to the Federal Government.

This is your opportunity to make us informed what it feels like, from your level. I hope that you will avail yourself of this opportunity.

Our first witness on the second panel is Robin Arnold-Williams, who is from the State of Washington. My staff gives me a biography of everybody, and if I am going to go through all this—no, no, I'm not going to, except to say that Ms. Williams was with Governor Leavitt in Utah for 11 years before she came to the State of Washington. So, she has operated in a blue State and a red State, and has a balanced background. So, Ms. Williams?

Of course, as I said earlier, your entire testimony will be put in the record, so we would like you to summarize, and then we will move to questions.

Ms. ARNOLD-WILLIAMS. Be happy to do that.

STATEMENT OF ROBIN ARNOLD-WILLIAMS, PH.D., SECRETARY OF THE WASHINGTON SATE DEPARTMENT OF SOCIAL AND HEALTH SERVICES, OLYMPIA, WASHINGTON

Ms. ARNOLD-WILLIAMS. Good morning, Mr. Chairman and Members of the Subcommittee. I am Robin Arnold-Williams, and I am the secretary of the Washington State Department of Social and Health Services, and I appreciate the opportunity to be here today, to testify on behalf of Washington State, where we created WorkFirst in 1997, with very clear goals: work; personal responsibility; and accountability.

We have succeeded. Our caseloads are down 45 percent, 160,000 parents went off and stayed off welfare, and we now have 2.3 percent of our population on welfare, which is the lowest level in 30 years. The DRA provisions are impacting how we operate our program, and our ability to support families.

Discussions have turned to "take out" and "keep in" strategies, to achieve the best rate and avoid penalties not to best serve families.

The TANF caseload reduction credit did need updating, but States should also get credit for moving parents into sustainable employment, for diversion, based on employment, and partial credit for families who are participating, but short of the Federal standard.

Deeming of participation in activities governed by the Fair Labor Standards Act (P.L. 75–718) is very positive, particularly for Washington, where have the highest minimum wage, but they also should be expanded to the full 30 hours of participation, where required—or where appropriate.

We believe HHS has too narrowly defined populations excluded from work eligibility. In addition to SSI recipients, others with medically certified disabilities should be excluded, including SSI applicants and SSDI recipients. We are also home to a large population of legal immigrants and refugees in our State, and we love that it adds to our cultural diversity and richness.

The regulations provide inadequate allowance for us to address the barriers for those who can't speak English, have little education, or low levels of literacy.

TANF parents do face significant barriers that have to be addressed, if they're going to be successful in the work force. Barrier removal services are not fully countable, and are, instead, under the very time-limited job search category. I encourage Congress to clarify that this was not your intent.

In our State, research shows that there is a 13 percent higher employment rate, and 17 percent higher median wage for TANF parents who complete a full year of vocational training, but since many of those programs have pre-requisites, the 12-month lifetime limit really shuts some people out from participating in that full 12 months, and getting a credential.

So, we do believe that an additional time period—and allowing up to two years—would ensure more parents are prepared to benefit, and can take advantage of that training. Basic skills education and English as a Second Language should be allowable, as part of vocational education.

The new child support pass-through options are very positive, but prohibiting States from using incentive funds to draw down 4D shifts costs to States when we are also being directed to take on new responsibilities, like medical support enforcement. The result for my State is a loss of $27 million a year. It will affect our ability to establish paternity, and establish and enforce support orders.

States were required to submit work verification plans last fall, received generic feedback, and submitted revised plans at the end of February. States' specific feedback will not come until the end of April. TANF rules remain in the early stages of clearance. Yet States are going to be subject to the new penalty in just 6 months.

So, we can choose to expend resources revising our policy manuals, making systems changes, training staff, doing all those things now, to meet the deadline, and risk having to do it all over again, or we can we wait until we get final feedback and direction, and risk not having sufficient time to get it done.

So, we would ask that you would give consideration to modifying the effective date to 12 months from the publishing of the final regs, which you heard from Sidonie, may not come until September. Yet October, right now, is the date that the penalties—we are held accountable for the penalties.

So, I want to thank you for the opportunity to testify today, and I urge you to take steps to return greater flexibility to the States to operate our TANF program, while holding us accountable for true outcomes. Allow us to return our focus to connecting parents to the labor market, so they can increase their family income, support their children, and build a better life for themselves and their family. Thank you.

[The prepared statement of Ms. Arnold-Williams follows:]

Statement of Robin Arnold-Williams, Ph.D., Secretary of the Washington State Department of Social and Health Services, Olympia, Washington

Good morning, Chairman McDermott and members of the sub-committee. I am Robin Arnold-Williams, Secretary of the Washington State Department of Social and Health Services. Thank you for the opportunity to testify today on behalf of the State of Washington regarding the impact of recent legislative changes on critical programs serving low-income families.

BACKGROUND

In 1996, Congress approved the nation's first major welfare reform overhaul in decades. Preceding enactment of the Temporary Assistance for Needy Families (TANF), 48 states including Washington State, were operating their welfare programs under federal waiver. No two of those 48 state waiver programs looked exactly alike and yet all were successful in their own right. Congress and the states struck a deal—states were challenged to achieve new goals surrounding work participation requirements and time limits within capped block grant funding and in return, states were granted unprecedented flexibility to design and operate their programs.

I have had the opportunity to watch this flexibility spur innovation in two states. I have been with the State of Washington for two years and prior to that with the State of Utah. Washington created WorkFirst in 1997 with a motto of "a job, a better job and a better life". WorkFirst is clear about its program goals and target outcomes:

- Work is better than welfare—paid work offers the best opportunity for families to escape poverty;
- Personal responsibility—parents have primary responsibility in supporting their children;
- Program accountability—our state constantly assesses WorkFirst performance and results, particularly in how it affects low-income families; and

- Making the best use of limited resources—we safeguard the public's money by using limited government resources to help those most in need.

WorkFirst is implemented collaboratively by five state agencies—my Department of Social and Health Services, the Employment Security Department, State Board for Community and Technical Colleges, the Department of Community, Trade and Economic Development and our newly created Department of Early Learning. 32 local planning area networks cross the state comprised of businesses, community agencies, tribal governments, Workforce Development Councils, and faith based providers address local issues and needs. Washington State is also proud to have the largest number of Tribal TANF and Tribal child support programs in the nation.

The TANF program in Washington has succeeded far beyond original expectations. The number of families on welfare in Washington has dropped 45% since 1997. Nearly 160,000 parents went off and stayed off welfare. Less than 2.3% of Washington's population is on welfare—the lowest level in 30 years. Our success is best measured by the number of TANF families who entered employment. WorkFirst has helped over 250,000 parents get jobs. The birth rate among women on welfare has dropped by nearly one-third. We received high performance bonuses in 1999, 2001, 2003 and 2005 for job placement, job retention, and increased earnings—exactly the desired outcomes of a program seeking to help struggling families, especially single parent households increase their incomes and create better opportunities for their children.

Given the success of Washington State, and all other states, expectations were high that TANF re-authorization would retain maximum state flexibility and control with any major changes focused on helping states address the serious barriers to employment faced by families remaining on assistance. Unfortunately, lack of consensus and compromise on issues related to work participation requirements prevented enactment of a stand alone TANF bill.

With the passage of the Deficit Reduction Act (DRA) in 2005, states were disappointed that transition to measuring and rewarding states based on employment outcomes was not included, we remained hopeful, however, that implementing regulations would at least not take us backwards. We were again disappointed.

Specific DRA provisions related to TANF and child support are having direct impact on how Washington State operates it WorkFirst program and our ability to support low-income families. In the past year, policy and service discussions have turned to "take-out" and "keep-in" strategies to achieve the best participation rate and avoid penalties, not to best serve families. Scarce federal and state resources are being diverted into new services to "fill" hours and meet new restrictive definitions rather than to further an individualized approach to achieving self-sufficiency. State legislatures are being asked to direct new state resources to fund those strategies and continue programs that can no longer count as maintenance of effort (MOE) but which provide a critical service to struggling families.

PARTICIPATION REQUIREMENTS, RATES AND CREDITS

Separate State Programs (SSP). To date in Washington State, the only SSP is our food assistance program for legal immigrants not eligible for federal food assistance due to PRWORA. Prior to the DRA, Separate State Programs were allowed to count as MOE and not subject to TANF work participation requirements. The DRA reversed this long-standing policy. It is proper for Congress to regulate the use of federal TANF dollars but not the use of what are exclusively state funds.

Two-Parent Families: Two-parent families are held to a 90% work participation standard, compared to the 50% "all-family" rate. With the loss or drastic decline in the caseload reduction credit, few if any states are expected to meet the two-parent rate for the foreseeable future, guaranteeing significant financial penalties that states can ill afford. Within Washington State, we now have to allocate state funds to finance our Working Connections Child Care program for two-parent TANF families to reduce the weekly two-parent work participation requirements from 55 to 35 hours per family in order to attempt to meet the rate. There has long been bi-partisan support for abolishing the separate two-parent rate, reflecting recognition that many of these families face barriers to employment as serious as those facing single parent families. Despite this consensus, the DRA retained the two-parent rate and I encourage you to act to change that.

Employment v. Caseload Reduction Credit: While no one can quarrel with the need to update the TANF caseload reduction credit, we were disappointed that Congress did not take this opportunity to substitute a credit more in keeping with the underlying purpose of TANF—moving families into sustainable employment. Several proposals for an "employment credit"—giving states credit against their participation rate targets for successfully moving parents into jobs—were floated during the TANF reauthorization debate, and these deserve to be reconsidered. The current

rule makes little sense from a public policy perspective—states should get credit for moving parents into employment, not just for reducing the caseload. Congress should also consider giving states credit for "diversion" from TANF when it is based on employment.

Partial Work Participation Credit: Another common sense proposal that was on the table prior to the passage of the DRA was to offer states partial credit for families who are participating in earnest but falling short of the federal standards. The current "all or nothing" approach means that a family participating just an hour or two shy of the standard is considered "not participating" for federal reporting purposes. This makes no sense, either for the families themselves who are clearly making a good faith effort, or for the states which are investing significant resources in these families.

"Deeming" Issues: One very positive feature of the DRA interim final regulations is the provision to "deem" hours of participation in certain unpaid work activities governed by the Fair Labor Standards Act (FLSA). This means that parents in unpaid work activities who are restricted to less than 20 hours under the FLSA still get credit for 20 hours of "core" activities. This is a critical provision for Washington State where we have the highest minimum wage in the country. We believe this "deeming" should be expanded to the full 30 hours of federally required participation, where appropriate.

Parents or Dependents with Disabilities: The DRA directs HHS to define "who is [and is not] a work-eligible individual" for purposes of calculating federal participation rates. HHS has too narrowly defined those populations excluded from "work-eligibility", particularly with regard to parents with disabilities. In addition to SSI recipients, other individuals with medically certified disabilities should be excluded from the definition, including SSI applicants and SSDI recipients. SSI applicants sometimes wait two years for approval. There seems no logical reason to exclude from participation requirements some individuals with medically certified disabilities and not others.

Other "Work-Eligible" Exclusions: Washington State is home to a large immigrant population which adds greatly to our cultural diversity and richness. Some of these refugees and other legal immigrants need TANF assistance until they can get on their feet economically. Unfortunately, the DRA regulations make inadequate allowance for addressing the barriers to self-sufficiency experienced by people who cannot speak English and have little education and low levels of literacy. It takes time for these individuals to bring their English skills up to a level that allows them to compete for unsubsidized jobs. This is an even more significant problem for refugees, as they often enter the U.S. with this same lack of English and literacy levels and must also learn to navigate an unfamiliar culture without the benefit of having family and friends already here.

Washington State has proposed two amendments to the DRA regulations to accommodate the needs of these individuals: 1) for refugees (and others of comparable status, such as victims of human trafficking), we propose they not be considered "work-eligible" for up to 12 months; 2) for other legal immigrants, we propose that those who score below a certain level of English proficiency and literacy be excluded from the definition of "work-eligible" for up to 12 months. States should be allowed to apply these exclusions on a case-by-case basis.

DEFINITION OF WORK ACTIVITIES

Activities to Address Employment Barriers: Many of the parents currently on assistance face significant barriers to employment, including mental health problems, substance abuse, domestic violence, and homelessness. While these issues clearly need to be addressed before parents can be successful in the workforce, the new interim final TANF regulations issued in June actually hinder state efforts to help these families. This is because services to address these issues are not fully countable under the new regulations but are instead included under the very time-limited job search/job readiness category.

HHS overstepped its mandate in restricting the counting of barrier removal activities in this way and I encourage Congress to step in and clarify in statute that this was not its intent. The most straightforward solution would be to create a separate "core" participation category for these and other barrier removal efforts. Short of creating a new category, HHS could allow states to "blend" barrier removal activities into existing categories where appropriate, including subsidized employment, community service, and training or education directly related to employment. For example, Washington State currently runs a very successful transitional (subsidized) jobs program—Community Jobs—which integrates barrier-removal activities into total activity hours. This is exactly the kind of flexibility that has allowed

states, including Washington, to be so successful in moving families from welfare to work.

Adult Basic Education: TANF reauthorization was an opportunity to recognize and accommodate the importance of education in preparing families for the living wage jobs that will enable them to become truly independent of public assistance. This opportunity was not taken. Basic skills and English as a Second Language programs are key components of training necessary for lower-skilled individuals to succeed in the labor market. Unfortunately, those TANF recipients with the lowest skills often get stuck in low-wage jobs with little opportunity for advancement. Adult Basic Education should be added as a "core" countable TANF activity.

Expanding Vocational Education: Research indicates that in order to reach the "tipping point" to economic self-sufficiency, a minimum of one year of college-level work and a credential are required. Since most vocational education programs have several pre-requisite courses that must be completed prior, the current one-year lifetime limitation on vocational education inhibits access to these programs. Expanding vocational education to two years as a "core" countable activity would ensure that parents are prepared to benefit from this training and that the largest number possible can access it. Contrary to the restrictive language in the TANF interim final regulations, basic skills education and English as a Second Language should be allowable as part of vocational education if a necessary or regular part of the program or if necessary for a TANF parent to access the training.

FINANCING AND ADMINISTRATION

Child Support. While we are pleased that states have new options to pass through child support to families—we are seeking legislative funding and authority to implement this provision in Washington State—other child support provisions are concerning. Prohibiting states from using dollars earned from the federal Child Support Performance Incentive award toward the federal Title IV–D match clearly amounts to an "unfunded mandate" and should be rescinded. This provision effectively shifts costs to the state at a time when we are also being directed by the federal government to take on new responsibilities (i.e. medical enforcement against custodial parents, and collection of annual user fees). We estimate this provision alone will cost our child support enforcement program about $27 million annually and impede our ability to establish paternity, and establish and enforce child and medical support orders. This can only result in foregone child support collections, which families leaving or avoiding TANF depend on for economic survival.

Work Verification Requirements. The DRA institutes a whole set of work verification requirements which amount to a dramatic shift toward federal micromanagement and focus on process and away from the state flexibility and client outcome focus of the original TANF legislation. This is the wrong direction for TANF and will only force states to pour precious resources into verification that could be better spent on strategies and resources that will actually move families towards self-sufficiency. At the very least, states need a clear "tolerance level" for compliance with verification requirements, so they are held to a reasonable and common standard and have some assurance federal penalties will not be assessed for minor "errors".

The requirement for supervised and documented study time in the DRA interim final TANF regulations is a good example of verification gone overboard. If a TANF recipient is progressing in school, it is evident she is spending time studying. It is burdensome to the student and to the institution to devote time and resources to such verification, especially for single parents and for those facing transportation barriers or living in rural areas. States should have the option to replace the supervised study time requirement with an allowance of two hours of unsupervised study time for one hour of class time (the commonly accepted standard) if a TANF recipient is making satisfactory progress.

Effective Dates and Penalties. States were required to submit work verification plans by the September 30, 2006 deadline established by HHS. While all states have received generic feedback on our plans and were required to submit revised plan by the end of February, we now understand that we will not receive direct, state-specific feedback until the end of April. We also understand the final TANF rules remain in the early stages of clearance. Most if not all states are engaging with their Legislature to modify state law and budgets without having a final sense of what will be required. Considering that states are to be subject to the new work verification penalty beginning in just six month—October 1, 2007—we are faced with two options, neither of which are desirable. We can choose to expend staff and financial resources revising policy manual, making computer system changes, modifying contracts, and re-training staff in order to have a chance of making the October deadline and risk having to re-do some or all of that depending on final rules

and work verification requirements OR we can wait to receive final feedback and direction and risk not having sufficient time to make these changes. Consideration should be given to modifying the effective date to 12 months from the publishing of the final regulations.

TOTALITY OF FEDERAL CHANGES

As the head of a comprehensive state social and health services agency, I also have to call attention to the fact that TANF and child support changes are only one piece of the numerous federal legislative and administrative changes that have been enacted in the past two years. While not all of these are within the jurisdiction of this sub-committee, they all impact services and supports for vulnerable children and adults and struggling families. Washington State can provide you with a snapshot of the fiscal impact on the states of these changes. The totality of federal changes equates to a biennial request from my Department of nearly $80 million in new state funds to "back-fill" loss of federal funds, add staff to meet new administrative requirements, and implement changes to our TANF program. Questions can and should be asked whether this is the best use of scarce resources. More importantly, whether intentional or not, some of these changes are creating new barriers for individuals requesting and receiving needed services.

Thank you for the opportunity to testify today. I urge you to take steps to return greater flexibility to the states to operate our TANF program while holding us accountable for true outcomes. Allow us to return our focus to connecting parents to the labor market so they can increase their family income, support their children and provide a better life for themselves and their family.

Chairman MCDERMOTT. Thank you. Mr. Hansell is the acting director—or acting commissioner—for the New York State office of temporary disability assistance. I think you are acting only because the state senate has not yet confirmed your appointment.

Mr. HANSELL. That is correct.

Chairman MCDERMOTT. You have lots of experience. We welcome you.

Mr. HANSELL. Thank you very much.

STATEMENT OF DAVID A. HANSELL, ESQ., ACTING COMMISSIONER, NEW YORK STATE DEPARTMENT OF TEMPORARY DISABILITY ASSISTANCE, ALBANY, NEW YORK

Mr. HANSELL. Thank you very much. Good afternoon, Mr. McDermott, Mr. Weller, and Members of the Committee. Thank you for the opportunity to testify on the impact of DRA child support and TANF changes.

Today's New York State TANF caseload of 280,000 represents a 75 percent decrease since 1996. In this Administration, we intend to continue New York's focus on rapid work engagement.

In 2006, we collected a record $1.558 billion in child support. Only 15 percent of our child support caseload is currently receiving TANF assistance; 50 percent were former TANF recipients; 35 percent never received TANF assistance. These numbers suggest that successful child support programs keep many children and families from sliding back onto TANF assistance.

However, we fear that our continued ability to help individuals move from TANF to employment may be undermined by some of the requirements of the DRA and the regulatory interpretations of HHS.

I should first note that some of the DRA child support changes will help strengthen our program. Decreasing the amount of arrears triggering passport enforcement has made 44,600 more child support obligors in New York State subject to this enforcement

mechanism, which is a good thing. The simplification of child support distribution rules, and the increased pass-through for TANF families are also important and positive changes.

The elimination of Federal match for earned incentives will hurt our child support program. New York typically earns about $25 million, at a minimum, each year in incentives. We pass on 60 percent of them to our counties, which carry out program activities on our behalf. Eliminating the Federal match for earned incentives will cost New York State and its counties at least $17 million, annually.

In a difficult fiscal environment, as Robin indicated as well, the State and our counties are not in a position to fill this gap and to meet all the other new costs associated with DRA. Staffing reductions in the child support program are likely. The elimination of incentives may jeopardize our progress in increasing collections, and perhaps our ability to take advantage of the other DRA provisions to increase distributions to families.

We are equally concerned about five significant TANF provisions in DRA that have undermined our efforts to increase participation rates.

First, the interim TANF regulations prohibit States from counting toward the participation rate any time a participant spends in job search activities after six weeks in a given year, or 4 weeks in a month. Even worse, under HHS's interpretation, a single hour of job search constitutes a full week of participation.

We find it counterintuitive that Congress intended to make major investments in job skills development and training, and then forbid TANF clients to look for work after 6 weeks. I hope you will clarify that Congress had no intention to restrict job search so drastically, and that job search can continue beyond the 6-week period, if combined with at least 20 hours of core work activity, or as a component of a more comprehensive activity.

Second, the interim regulations dictate that an individual can be absent from work activities no more than 10 days a year for any reason, or 2 days in a month. Most of us work in our own jobs under far more reasonable allowances for sick time, vacation time, and personal leave. Under HHS limitations, if a mother needs to care for a child too sick to attend school for more than 2 days in a month, she would not meet the participation rate.

Third, the reason many parents require TANF cash assistance is that they are temporarily unable to work, for health reasons. Under the interim regulations, HHS has permitted treatment activities to be considered only as job readiness subject to the same 6-week limitation as job search. This unnecessarily restricts State discretion to set reasonable timeframes for treatment for physical or mental health problems, alcohol, or substance abuse.

Moreover, the HHS regulatory construct would then preclude any attempts to look for work following recovery from counting toward the participation rate for the remainder of that year.

Fourth, some TANF parents are unable to meet the full 30-hour weekly requirement for a variety of reasons, including documented medical limitations. Reasonable partial credit for significant participation would create incentives for States to focus engagement efforts on all parents.

Partial credit for part-time employment would also let us reconcile, in individual cases, the requirements of TANF with those of the ADA.

Fifth, in New York we exempt clients from work for disability reasons only when the social services district has required them to file a Federal disability application as a condition of TANF eligibility. We should not be penalized by having to include them in our participate rate while their applications are pending.

I would also like to mention a few areas of welfare reform not addressed in the ADA. First, we also strongly support the elimination of the 90 percent participation rate for 2-parent families, as the President has proposed.

Second, States should be allowed to exclude cases from the rate during the first month of assistance, when we must put child care and transportation in place before we can engage them in work activities.

Third, the Senate-passed TANF reauthorization bill would have provided $6 billion in additional child care funding over 5 years. Quality and affordable child care is one of the most significant supports that enables low-income parents to work on or off TANF. The demand for child care will only grow with increases in participation rates, and I urge you to provide additional child care funds to meet this need.

Given that the final regulations are not expected soon, I agree with my colleague, we need additional time to implement these rules. We would ask that any penalties, in particular, be forestalled at least until Federal Fiscal Year 2009.

Finally, the President's budget includes funding for a new TANF quality control program. We appreciate the need for accountability, but this proposal is fundamentally inconsistent with the concept and goals of a block grant program like TANF, which has produced successful results by encouraging State creativity and flexibility. It suggests a mistrust of States, despite 10 years of success, and inappropriately focuses resource on process, rather than outcomes.

Thank you for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Hansell follows:]

Statement of David A. Hansell, Esq., Acting Commissioner, New York St2te Department of Temporary Disability Assistance, Albany, New York

Good morning, Chairman McDermott and distinguished members of the Income Security and Family Support Subcommittee of the Committee on Ways and Means. My name is David Hansell and I am Governor Spitzer's appointee as Commissioner of the New York State Office of Temporary and Disability Assistance (OTDA). Thank you for the opportunity to testify on the impact on states of changes affecting low-income families contained within the Deficit Reduction Act of 2005 (DRA).

OTDA is the New York State agency responsible for promoting greater self-sufficiency of the State's residents through the delivery of a range of economic benefits and supportive services. New York, through a combination of these supports and through the State's emphasis on work engagement, has had great success in its TANF program, and has seen unprecedented declines in the number of families receiving cash assistance. The New York State TANF caseload of approximately 280,000 at the end of 2006 represents a decrease of about 75 percent from the historic high of 1.1 million in 1996. We project a further caseload decline of 5.6 percent in this current year. In this administration, we intend to continue and strengthen New York's focus on rapid work engagement.

We are also proud of New York's accomplishments in the area of child support. We collected a record $1.558 billion in 2006. Over 92% of these collections were dis-

tributed directly to children and families, making a critical contribution to economic self-sufficiency for many. In 2006, we continued to improve our paternity establishment percentage to 91%, our support order establishment percentage to 81%, and improved our cost-effectiveness, collecting $4.75 for every federal/state/local dollar spent administering our child support enforcement program.

Our overall success rests on a package of work supports that complement these programs, including: the recent increase in our state minimum wage to $7.15 an hour; our robust state earned income tax credit; our increasing number of families who take advantage of federal food stamp benefits; and our substantial investments in subsidized child care. However, we fear that our continued ability to help individuals move from temporary assistance to long-term work engagement may be undermined by some of the requirements contained within the DRA and the regulatory interpretations of the U.S. Department of Health and Human Services (HHS).

Child Support

Our Division of Child Support Enforcement supervises the child support enforcement program, but program activities are carried out by our fifty-eight local social services districts, which include the City of New York and the fifty-seven other counties. The child support enforcement program helps strengthen families and reduce welfare spending by placing responsibility for supporting children on those parents with the financial resources to provide such support. For families receiving public assistance, the establishment and enforcement of support obligations provides an important step towards self-sufficiency. By providing child support enforcement services to families not in receipt of public assistance, future dependence on public assistance is avoided.

At the end of 2006, only 15% of our child support caseload was receiving TANF assistance, 50% were former assistance clients and 35% had never received assistance. These statistics demonstrate that successful child support enforcement programs provide significant economic support to children and families on the path to greater self-sufficiency, and keep many children and families from sliding back onto TANF assistance.

The DRA made many child support changes, some of which will assist us to further improve the child support enforcement program in New York. For example, decreasing the amount of child support arrears triggering passport enforcement from $5,000 to $2,500 increased by 44,600 the number of child support obligors in New York subject to this enforcement mechanism. This change holds great potential for increased collections. In addition, the DRA provisions to increase child support payments to families and simplify child support distribution rules, including the pass-through provision for TANF families, are important and will be carefully considered by New York.

However, I would like to share with you our sense of how the misdirected DRA elimination of the federal match for earned incentives will negatively impact our child support program in New York State.

Child support is a results-oriented program. Federal child support incentives are earned by states for meeting program performance requirements in five core areas (paternity establishment, support order establishment, current support collected, arrears collected, and cost effectiveness). The child support program's strong mission, effective management, and demonstration of measurable progress toward meeting annual and long—term performance measures earned OMB's recognition as "one of the highest rated block/formula grants of all reviewed programs government-wide."

Over the last several years, New York has earned amounts ranging from $25 to $30 million annually in federal incentives based on our strong program performance. We pass on sixty percent of our earned incentives to our counties, to reward their local performance efforts and provide motivation for them to continually improve their efforts. Eliminating the federal match of earned incentives will cost New York State and its counties at least $17 million annually. Sixty percent (or approximately $10 million) of this lost federal support will be borne by our county-run child support offices. To put this impact in perspective, the vast majority of county child support program costs in New York (a full 70% percent) support adequate staffing to:

- Interview child support applicants to determine if paternity and support establishment is necessary
- Build our cases through our child support management system so automated locate efforts can be initiated
- Develop petition filing packages to obtain paternity, support or judicial enforcement orders
- Build, monitor, and update child support accounts on our child support management system

- Address custodial and non-custodial parent customer service issues
- Conduct local investigation of cases and appear in court on behalf of the local department of social services
- Issue and respond to administrative enforcement actions and challenges
- Work directly with the Family Court to obtain appropriate orders
- Conduct outreach to program participants and local community-based organizations involved with custodial and non-custodial parents to improve compliance and parental involvement in their children's lives
- Report and maintain records for performance audit purposes so incentive funds can be earned

In a difficult fiscal environment, New York and its local districts are not in a position to fill the $17 million gap created by this pending reduction in federal funds, and staffing reductions are likely to result. In fact, we are fearful that the elimination of federal match on incentives will jeopardize our steady progress in increasing year-to-year collections, and perhaps our ability to take advantage of the other DRA provisions to increase distributions to families.

Because child support payments from parents reinforce parental responsibility, increase the incomes of thousands of New York families, promote two-parent involvement in their children's lives, and prevent the need for other social services spending, we urge you to undo this elimination of the federal match on state-earned child support incentives. Abundant research has linked strong child support enforcement programs to reduced poverty, decreased TANF caseloads and improved child outcomes. Retreating from longstanding federal commitments in this area—commitments that have supported a successful federal-state partnership—seems to us penny-wise and pound-foolish.

TANF

We are equally concerned about a number of TANF provisions in the DRA that work counter to the flexibility Congress had previously provided states and, therefore, hinder our efforts to operate effective work programs. There are five significant provisions within the DRA, or its interpretation by HHS, that undermine New York's efforts to achieve high participation rates and our commitment to helping individuals move to employment and economic self-sufficiency:

- *Rigid limitations on job search and job placement activities.* In its interim TANF regulations, HHS has determined, based on its understanding of statutory requirements, that states are not permitted to count toward the federal work participation requirements any time a participant spends in job search and job placement activities beyond six weeks in any given year (four weeks consecutively). Even worse, under HHS's interpretation, a single hour of job search constitutes a full week of participation. HHS has taken this position by interpreting the six-week statutory limit as applying to any job search, rather than just full time, stand-alone job search. We find it counterintuitive that Congress intended to make major investments in job skills development and training and then forbid TANF clients to look for work after six weeks. This simply makes no sense in a work-focused program.

I urge you to clarify for HHS that Congress had no intention to restrict job search efforts in this manner, and that job search beyond the six-week period is permissible, if combined with at least 20 hours of a core work activity, or as an incidental accompanying activity to other components of allowable work activities. Many of our engagement programs require one day per week of job search as part of a full-time program of work experience and training. The ability to count job search and job placement efforts throughout the year is critical to enabling states to continually help parents enter the workforce, as we have successfully done for the past ten years.

- *Limitation on excused program absences that may be counted toward the work participation rate.* Within the DRA rules, HHS has established that an individual can be absent from work activities no more than 10 days per year for any reason, with no more than two absences in any month. This requirement is overly stringent, and fails to reflect the reality of a typical workplace. Most of us are provided far more allowable absences, including reasonable sick, vacation and personal leave. Under the HHS limitations, if a mother were unable to participate full time due to her need to care for a child too sick to attend school for more than two days in a month, she would not meet the federal work participation standard. Additionally, the time parents are required to attend agency-mandated appointments, school conferences and court-mandated appointments are not countable as excused absences. While we are in complete

agreement that it is necessary for states to enforce a work absence policy, we seek your support in clarifying these provisions within the DRA to permit states to count reasonable excused absences, especially those that are beyond the participant's control, toward federal work participation standards.

- *Restrictions on the types of activities that could count toward the federal work participation rate requirement.* The reason many parents require TANF cash assistance is that they are temporarily unable to work due to health-related issues that must first be addressed. Under the interim regulations, HHS has only permitted treatment activities addressing temporary disabilities to be considered as job readiness activities, which are subject to the same six-week limit as job search. This unnecessarily restricts state discretion in determining a reasonable amount of time to permit recovery through treatment, whether for overcoming temporary physical or mental health issues or alcohol or substance abuse. Moreover, the HHS regulatory construct would then preclude any attempts to look for work following recovery from counting toward the participation standard within a year.
- *Lack of partial credit for engaging individuals in work activities, even if such participation is not full time.* Some TANF parents may be unable to participate for the full 30-hour weekly requirement for a variety of reasons, including documented medical limitations, the availability of only part-time work, or the assessment-based need for participation in activities not counting toward the federal work requirement. Providing reasonable partial credit for significant participation short of the 30-hour standard would create incentives for states to focus engagement efforts on all parents. Additionally, partial credit for part-time employment would allow us to reconcile, in individual cases, the potentially conflicting requirements of TANF and the Americans with Disabilities Act.
- *Exclusion from the work participation rate when the head of household has been determined by the state to be medically eligible for federal disability benefits.* In New York, we exempt clients from work for disability reasons only when the social services district has required them to file an SSI, SSDI or Veteran's Disability application, as a condition of TANF eligibility. We provide necessary income support to these disabled individuals as they await determination, and should not be penalized by our inability to engage them in work, particularly when doing so may jeopardize their eventual eligibility for disability benefits. This issue is frustrating to states because the length of time these parents remain on TANF assistance is extensive, as it often takes a protracted period (generally 12 to 24 months from initial application through appeals) for a final decision to be made by the federal Social Security Administration.

We believe that HHS has the authority to address these issues in regulation, but whether by regulation or statutory change, we would urge you to make sure they are addressed. I would also like to mention several key areas of welfare reform that were originally proposed but not addressed through the DRA reconciliation process. These are items that we believe Congress should reconsider in order to further the employment-related goals of the TANF program.

- *Repeal the separate 90% work participation requirement for two-parent families.* We strongly support the elimination of this provision, as recommended in the President's 2008 Budget, since a 90% participation standard has proven unachievable nationwide, represents a diversion from our overall engagement efforts, and works against two-parent family formation. Even if this is repealed, these parents would remain subject to work requirements as part of the All-Families participation rate.
- *Allow states to exclude cases from the work participation rate during the first month of assistance.* While New York is a strong supporter of rapid engagement and will continue to stress this goal, there are significant administrative difficulties associated with ensuring a participant is engaged full time immediately. Due to the typical need to put child care and transportation services in place prior to engagement, it is virtually impossible to engage every participant full time as soon as they are found eligible.
- *Additional federal funding for child care.* The Senate-passed TANF reauthorization bill would have provided $6 billion in additional child care funding over five years, to support efforts to engage additional TANF-eligible parents in the labor market. Quality and affordable child care is one of the most significant supports needed to enable low-income parents to work. Further, the demand for child care will only grow with increases in work participation rates. I urge you to provide additional child care funds to meet this need.

States also require additional time to fully implement the work-related requirements of the DRA and interim final regulations, given that the final regulations are not expected to be published for some time and that states have not yet received final approval of newly-required work verification plans. Many of the provisions require states to make substantial changes to computer systems, which require time for systems development and implementation. In particular, we request that any penalties associated with work verification plans be postponed until Federal Fiscal Year 2009.

Finally, I would like to address an item included in the President's 2008 Budget proposal that is of great concern to New York and other states. The President's Budget includes $11 million for efforts to prevent improper payments and establish error rates in the TANF program. We strongly appreciate the need for accountability; indeed, it is a hallmark of Governor Spitzer's efforts to ensure integrity and cost-effectiveness in all state programs. However, New York State believes that this proposed form of quality control and payment accuracy monitoring is fundamentally inconsistent with the concept and goals of a block-grant program like TANF, which has produced successful results through encouraging state creativity and flexibility. It suggests a mistrust of states despite their ten years of clear success in TANF, by focusing more on process than outcomes. Given the multiple and varied ways states have invested TANF dollars in moving families towards employment and economic self-sufficiency, a payment accuracy focus would be almost impossible to measure by any equitable and reasonable standard.

Again, I thank you for the opportunity to testify today and to address these very real concerns. I hope that as you review the DRA, you will look for opportunities to make changes that respect the progress we have collectively made to date in the child support and TANF programs, and that will situate us for even better results in the future.

Chairman MCDERMOTT. Thank you very much. Ms. Ford, I am going to give Ms. Berkley a chance to introduce you. So, welcome.

Ms. FORD. Thank you.

Ms. BERKLEY. Thank you, Mr. Chairman. I would like to introduce the Members of our Subcommittee to Ms. Nancy Ford, administrator for Nevada's division of welfare and supportive services.

Ms. Ford has served as the administrator since July 30, 2001. In this role, she oversees programs including TANF, food stamps, child support enforcement, child care assistance, employment and training for TANF recipients, energy assistance, and eligibility for Nevada's Medicare Program. A very daunting task.

Ms. Ford served as the chief deputy attorney general for the human resources division of Nevada's attorney general's office for 11 years before her appointment. She was in private practice before joining the attorney general's office. I would like to welcome Ms. Ford to the Subcommittee, and I look forward to hearing her comments.

Welcome. On behalf of my colleague and I, we both welcome you.

Chairman MCDERMOTT. Mr. Porter, if you would like to make—please don't do it all over again.

[Laughter.]

Mr. PORTER. I will be very brief, I promise. Welcome. It is good to see you. It was a pleasure to work with you for many years while I was in the State senate. Thank you for your work.

I think a highlight of her background is with the growth that we have mentioned in Nevada, it's a serious challenge, but Ms. Ford has been on the forefront of technology, in transitioning the State into a state of the art—our technology is one of the best in the country. So, welcome to Washington. I appreciate you being here.

Ms. FORD. Thank you very much.

Chairman MCDERMOTT. I see that you had the unusual foresight of accepting this job on July 30, 2001, about 3 months before the real problems hit.

Ms. FORD. We had a real challenge after September 11, 2001. We really did.

STATEMENT OF NANCY K. FORD, ADMINISTRATOR, NEVADA DIVISION OF WELFARE AND SUPPORTIVE SERVICES, CARSON CITY, NEVADA

Ms. FORD. Well, I want to thank you very much, Mr. Chairman, for having me here. I am very happy to be able to present to the Committee.

One thing I think you need to know. TANF, as we all know, was designed to be a block grant so the States would have flexibility in designing their own programs, and to be able to have their own programs.

The DRA of 2005 significantly took away that flexibility. We no longer have that flexibility. We really design our programs to meet the needs of our clients. The focus has shifted, as a result of the DRA. The focus is no longer on assisting needy families to self-sufficiency. The focus is on meeting work participation rates, and avoiding penalties. So, it's become a work program, rather than an assistance program.

Now, one of the major impacts that has happened is the removal of the ability of the State to use their State maintenance effort dollars to create separate State programs. In Nevada, just a couple of years ago, we started to create some separate State programs. What we did is we put our hardest-to-serve clients that we knew would not be able to participate full time—which means 30 hours or more per week in strictly defined countable activities—we knew they could not meet that.

So, we took: people that had disabilities under the Americans with Disabilities Act, who are pending SSI and disability determinations from Social Security, which you know can take a significant amount of time; people that met Family and Medical Leave Act illness and physical limitations; people with substance abuse problems, domestic violence problems, mental health issues, and we put them in our separate State program.

In 2006, we were able to make a 43 percent work participation rate with the remaining population, 43 percent. Everybody talks about 50 percent, and how easy that should be. We made 43 percent with the population that did not have significant barriers to work. So, by taking in that separate State program—they now have to get folded back into our participation rate—our rate drops to 27 percent. I don't know that we can make 50 percent by wrapping those people in.

We have had a very good economy. As Mr. Porter pointed out, we have had a really good economy in Nevada. Well, what that means is that everybody who is capable of work and capable of self-sufficiency is out there working. So, the populations that is left on our caseload are our most needy, our most barrier-driven caseload. For Nevada, 38 percent of our work mandatory caseload, as defined in the new Federal regulations, have significant barriers to work. They cannot meet 30 hours of work a week.

What that means is that 62 percent of our caseload, that remaining 62 percent, must carry that 50 percent work participation rate. To do that, I don't need to make 50 percent with those people. I need to make an 81 percent work participation rate with 62 percent of my population. I submit I cannot do it. I am going to be facing penalties.

Now, I think there are ways that we can try and improve that, and that's, like, expand eligibility, attract more working poor, but is that really the goal? To expand my rolls? To get more working poor, so I can count them? Or, is the goal to help my most needy citizens to actually get to self-sufficiency?

If you do allow us to have separate State programs, then we can work with those people. Once they are able to work, and able to get into our participation rate, we can transition them over into our regular TANF program.

One of my main concerns is that there may be an unintended consequence in the DRA. That is, I am concerned that it will actually encourage the break-up of families. The reason for that is because if we can't provide the support we need to our parents, who are the most needy, and that they can't be eligible any more, because they can't meet our requirements, they are going to fall off our rolls. They will have nowhere to go, and they will have to give their children up to foster care or to relatives to raise. So, I am very concerned about unintended consequence, as a result of the DRA.

So, what I would urge is that Congress reinstate the ability of States to have flexibility of their State programs. I agree, the caseload reduction credit needed to be trued up. Like I mentioned, last year in Nevada we made a 43 percent work participation rate. We had a 48 percent caseload reduction credit. We didn't take advantage of that. We were trying to meet that 50-percent rate, and we did everything in our power to do that, and we made 43 percent, but like I said, it's now down to 27 percent by wrapping those people, those hard-to-serve people, back in.

The only other thing I would like to point out is that the 90 percent 2-parent rate, I think that is universally recognized as unachievable. The President has recommended it be abolished. We would all concur with that. I also concur with the comments made by my colleagues here.

I would just like to mention the supplemental grant in Nevada. We get $3.7 million a year in supplemental grant, in recognition of our population growth. That is frozen at the 2001 level. What that means is that we have had no recognition for population growth since 2001. So, we get $3.7 million, but it's frozen, so we won't get any more.

So, I really appreciate the opportunity to speak, and I would be happy to answer any questions at the appropriate time.

[The prepared statement of Ms. Ford follows:]

Statement of Nancy K. Ford, Administrator, Division of Welfare and Supportive Services, Carson City, Nevada

INTRODUCTION

Good Morning Chairman McDermott, members of the subcommittee, I am Nancy Ford, Administrator of the Division of Welfare and Support Services for the State of Nevada. In this position, I am responsible for a variety of programs including the

Temporary Assistance for Needy Families (TANF) Program, Medicaid eligibility, Food Stamps, Child Support Enforcement, Energy Assistance, and Child Care Assistance. I am also here today as a representative of the American Public Human Services Association (APHSA). APHSA is a nonprofit, bipartisan organization that has represented state and local human service professionals for more than 75 years.

I would like to thank the subcommittee for allowing me this opportunity to share with you Nevada's concerns regarding recent changes to TANF as required by the Deficit Reduction Act (DRA) of 2005.

BACKGROUND

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the Division of Welfare and Supportive Services as been focused on our mission statement "to provide quality, timely and temporary services enabling Nevada families, the disabled and elderly to achieve their highest levels of self-sufficiency." Through PRWORA, states were provided the flexibility to develop and administer programs using the TANF Block Grant as long as those programs met the purposes of TANF as defined in federal statute. Nevada has demonstrated remarkable success in lowering TANF caseloads and moving families to self-sufficiency.

The number of Nevada TANF clients per capita substantially decreased each year after the implementation of PRWORA, until it spiked in FFY02 and FFY03 when Nevada experienced an economic disaster related to a significant drop in tourism after the tragic events of September 11, 2001. As Nevada's economy recovered and individuals with job experience returned to the work force, the number of clients per capita fell significantly each year to present. Please refer to Exhibit # 1. Those who were work-ready left our roles; the remaining caseload represents the hardest to serve population.

Deficit Reduction Act (DRA) of 2005

The Deficit Reduction Act (DRA) of 2005 removed state flexibility in administering the TANF Block Grant. The DRA made several significant changes which negatively impact the states' ability to meet work participation requirements (WPR). The Act granted the Secretary regulatory authority to define "work eligible individuals" who must be included in the work participation rate; to define work activities, and to establish new work verification and documentation requirements. In addition, the DRA removed the states' ability to establish separate state programs with maintenance of effort (MOE) dollars and rather includes those previously served through separate state programs in work participation requirements. Please refer to Exhibit # 2 for a comparison of TANF before and after the DRA.

Nevada estimates more than one-third of our adult work eligible TANF clients have significant barriers to employment. These include individuals:

- pending Social Security Disability adjudications;
- with disabilities as defined under the Americans with Disabilities Act (ADA);
- with mental health issues;
- under a physicians care with temporary work limitations/waivers that meet the definitions under the Family and Medical Leave Act (FMLA);
- in domestic violence situations;
- with unresolved substance abuse issues;
- in their last trimester of pregnancy.

For the last few years, Nevada has assisted these families by serving them under a State MOE program. It was structured almost identical to the standard program but differed due to the clients' barriers to participating full time in countable activities. Family members were required to participate to their full potential in a written plan which supported transition of the family from dependency to self-sufficiency. This caseload was primarily managed by social work staff who worked aggressively with families to address their barriers and stabilize the family situation. Once the individuals' barriers had been addressed and they had the potential to meet the standard work requirements they were moved back into the standard TANF Program.

DRA effectively eliminated our ability to use state MOE dollars to manage our difficult to serve TANF population by defining parents in these programs as 'work-eligible' and including them in the participation rate. This will have a major impact on our work participation rates and our ability to achieve long-lasting self-sufficiency through the provision of tools and support these families require.

For example: In FY 2006 Nevada's transmitted participation rate was 43%. If we recalculate the participation rate by taking into consideration the individuals who were served in our State MOE Program, the rate drops to 27%. If you consider the

fact that 38% of our caseload has significant barriers to employment, it leaves only 62% of our caseload deemed capable of meeting the work requirements. To meet the work participation rate, 81% of these households would need to be meeting participation in order to meet the All-Family WPR of 50%. Please refer to Exhibits # 3 and 4.

Households who are not considered to have 'significant' barriers to employment still have a multitude of challenges to address, including: educational deficiencies, lack of job skills and job experience, transportation issues, child care issues, court ordered conflicts (delinquency of a child requiring supervision to retain custody, house arrest, community services, etc.), inability to problem solve and an absence of a family support system to fall back on when something unexpected happens.

It has been Nevada's observation substantially more TANF clients are engaged in program activities than the federal participation rates suggest. Many are engaged in activities that are acceptable at the state level but do not meet the work activity definition established by federal regulation. Many clients are in federally countable activities, but for fewer hours than required in the federal participation rate calculation, or remain in activities for longer periods of time than are countable under the federal limitations. There is no work participation credit provided for individuals who miss a few days of work and average 29.5 or fewer hours per week in a month.

DRA mandates a change in the states' focus from assisting families to their highest level of self-sufficiency to focusing on meeting work participation rates and avoiding penalties. We are currently restructuring our programs to meet the work participation rate and we are concerned an unintended consequence of DRA may be to encourage the break-up of families. Parents may be forced to give their children up to foster care or relatives to raise if they are no longer eligible for the assistance they need.

CONSIDERATION

Nevada fully supports the concept of transitioning TANF families from dependency to self-sufficiency, but suggests DRA fails to recognize the effort required to effectively address barriers and effect a permanent life style change in our hardest-to-serve population. We ask that you consider the following requests.

State MOE Funded Programs—The elimination of the state's ability to use a state MOE funded program to insulate the hardest-to-serve population from strict federal work requirements forces the application of a Personal Responsibility Plan which cannot be achieved by the family and ultimately will result in a termination of TANF benefits. We ask that you consider returning some flexibility to the states and allow us to develop programs funded with state MOE dollars so we may provide assistance to our neediest families, while continuing to pursue the ultimate goal of their self-sufficiency.

Two Parent 90% Work Participation Rate—We ask that you consider elimination of the 90% work participation rate for two-parent families. This rate has been recognized as unachievable and is proposed to be eliminated in the President's 2008 budget.

Time Limited Work Activities—Under current statute, work activities defined under the Job Search/Job Readiness Category are limited to six (6) weeks in a 12-month period with no more than four (4) weeks consecutive. As this policy is currently applied, just one hour of an activity reported in a week exhausts one full week of this time-limited activity, although for work participation only one hour can be counted. We ask that you consider converting the limitation into hours so all hours of participation can be reported without exhausting the limitation with only a few hours of actual participation.

Vocational Education is limited to no more than 12-months per TANF recipient. Currently as this policy is applied, just one hour of a reported vocational education activity reported in a month exhausts one full month of this time-limited activity although for work participation only one hour can be counted. We ask that you define the limitation based on hours or part/half/full time participation. Most vocational education is not full time and to meet the 30 hour requirement participants must also work or participate in other countable activities. It seems unfair to exhaust a full month of activity if the activity itself does not generate enough hours to meet work requirements. Defining this limitation based on part/half/full time participation would allow the same number of hours to be counted, but would allow the activity to occur over a greater period of time.

Limitations on Counseling and Rehabilitative Services—The Interim Final Regulations defined many activities under the time-limited Job Search/Job Readiness category including: developing resumes, completing job applications, training in interviewing skills, instruction in work place expectations, life skills training, substance abuse treatment, mental health treatment, and rehabilitation services.

By defining so many activities in this time-limited category states cannot structure their employment programs in a manner that will both be successful in assisting the client achieve self-sufficiency and ensure the client will meet the work requirements so the state does not face penalties.

For example, if a client needs substance abuse or mental health treatment, the issue will not be resolved in a four (4) week time period. A reasonable approach would be to provide some intensive up-front treatment, then move the client into employment or other structured work activity, but continue to require the client to participate in ongoing counseling and/or treatment to maintain the stability necessary to retain employment. The client should be allowed to count these required activities toward meeting their work requirement.

While it has been suggested states are not prohibited from requiring clients to participate in ongoing treatment in addition to meeting their work requirements, requiring too many hours of activities for fragile individuals, who are heading fragile families just taking their first steps toward independence has been shown to be overwhelming and often results in failure.

We ask that you consider allowing substance abuse treatment, mental health treatment and rehabilitative counseling to be defined in such a way as they can be countable for longer periods of time. There are ways to ensure states continue to stay focused on employment such as limiting the number of hours that are countable each month or changing statute to define this as a non-core activity that is only countable after the core activity requirements are met. Many of these concerns are reflected in the attached letter from the National Association of State TANF Administrators.

These new TANF requirements will also place additional strain on our child care budgets. In order to support the efforts of our TANF families, child care dollars must be increased. A successful program will recognize and meet the real life needs of these families and provide realistic support to the expectation of attaining self-sufficiency.

The DRA also took away the ability to match incentives in the Child Support Enforcement Program with federal dollars. Nevada supports reinstatement of these matching funds. Securing regular child support payments is another component critical to the success of these families attempting to transition from public assistance to independent living.

SUMMARY

Thank you for providing us with this opportunity to share our concerns with you. The move in the Interim Final Regulations toward mirroring the real workforce in terms of holiday and excused absences as well as the clarification of the Fair Labor Standard Act is seen as a positive step. As the regulations currently stand, we often hold our recipients to higher work expectations than we hold the work force at large. We would like to see the trend to mirror the realities of the workforce continue by including reasonable accommodation for disabled individuals under the ADA and recognizing the provisions of the FMLA.

Employment has been established as the primary objective of TANF, even for families with major barriers to employment. It has become clear that TANF programs have shifted from being a safety net for our most economically vulnerable families to a work program for low-income, mostly work-ready families. Unless there is flexibility provided in the TANF Program regarding state funded MOE programs and work activities and verification requirements to enable states to achieve the standards set by the WPR, states will be forced to restructure their TANF programs to assist only those families with the ability to meet the strict requirements or face severe financial penalties. The most needy families will fall by the wayside.

EXHIBIT 1

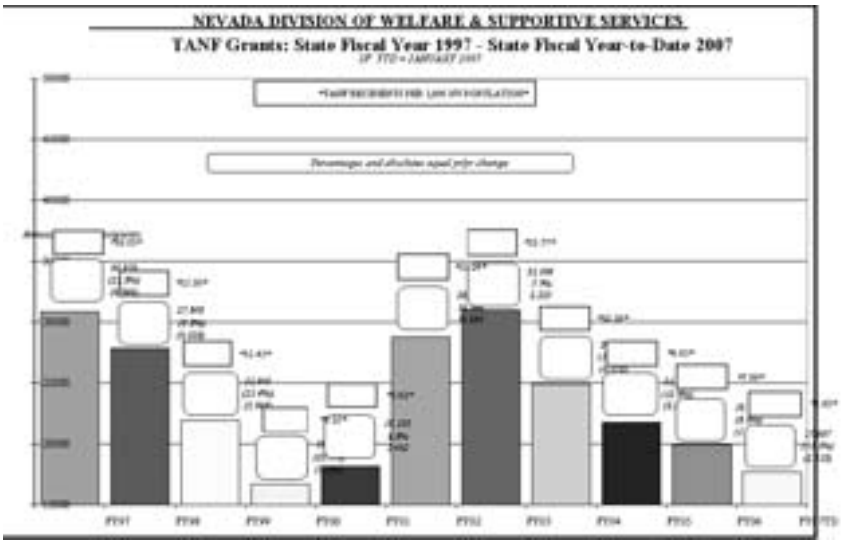


EXHIBIT 2

TANF Prior to 10/01/06	Deficit Reduction Act Changes
• Caseload reduction credit reduces the required work participation rate [WPR] by the percentage reduction in caseload from 1995 to current year	• Caseload reduction credit that reduces the required work participation rate [WPR]is amended to be the percentage reduction from 2005 to current year
• States can pay for assistance in cases through the required State Maintenance of Effort [MOE] dollars, and those cases do not count in the WPR.	• All cases including a "work eligible individual" as defined in Federal regulations count in the WPR, regardless of whether paid for by TANF Block Grant or State MOE
• States have flexibility to define activities within the 12 areas specified in the TANF Federal statute.	• Activities within the 12 areas specified in the TANF Federal statute are defined by the Federal agency through Federal regulations
• States have flexibility on determining how to count hours in the WPR, how frequently and what documentation to secure.	• How hours are to be counted, what documentation is required and how frequently, and how frequently activities are supervised is defined in Federal regulations
• States determined whether to have internal review procedures and what those are.	• States are required to have an internal review procedure which verifies work participation, documentation, and case status. Failure results in a new penalty against the TANF Block Grant.

EXHIBIT 3

TANF WORKLOAD STATISTICS IN NEVADA AS OF JANUARY 2007

Total TANF Caseload Containing a Work Eligible Individual: 2,557

Total TANF Caseload Containing a Work Eligible Individual With Barriers * in the Hands of a Social Worker: 975

Percentage of Caseload with Barriers: 975/2,557=38%

Percentage of Caseload "Work Ready": 1,582/2,557=62%

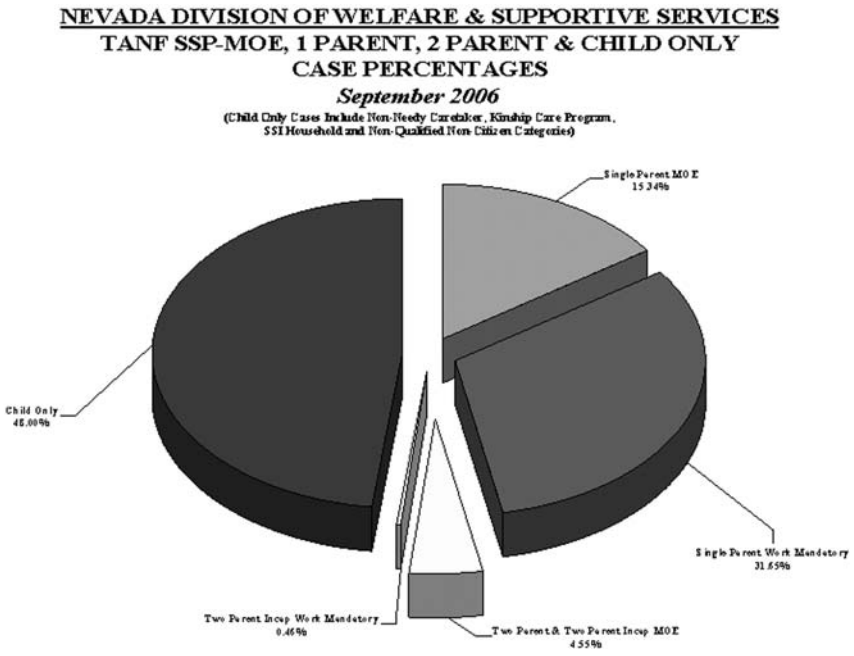
Required Work Participation Rate Equals 50%. Therefore, 1,279 cases [2,557/2=1,279] must meet an average of 30 hours or more countable activities in a week.

62% of the caseload is deemed capable of participating in full-time activities, which is an average of 30 hours or more per week.

To achieve a 50% work participation rate, 62% of the TANF population must achieve the 50% rate. Thus, 1,279 of the 1,582 families must meet an average of 30 hours or more countable activities each week. The State must therefore meet an 81% work participation rate with that population to meet 50%: 1,279/1,582=81%

* Barriers are defined as those families in which the parents have obstacles that interfere with or prevent the parents from engaging in full-time activities. These barriers may include: Disabilities under the Americans with Disabilities Act; temporary disability or chronic illness that meets definitions under the Family and Medical Leave Act; Parents who are pending a determination of disability by SSI; Mental health issues; Domestic violence issues; Substance abuse issues; and other situations that severely limit the ability of the parent to participate at the level required.

EXHIBIT 4



Chairman MCDERMOTT. Thank you very much. Ms. Harvey, you are from Georgia, and were singled out by the Federal rep-

resentative as being the poster child of perfection. So, this is your moment.

Mr. Lewis, if you wish to say something about Ms. Harvey, please.

Mr. LEWIS OF GEORGIA. Well, thank you very much, Mr. Chairman. Mr. Chairman, I am pleased to introduce and to welcome Mary Dean Harvey, director of the Georgia Department of Human Resources Division of Family and Children's Services. Thank you for coming to Washington to testify today.

Ms. Harvey spent 17 years as a teacher in Omaha. In 1991, she was appointed director of the Nebraska Department of Social Services. She was president of the Boys and Girls Club of Omaha from 1995 to 2002. Recently, she ran the Omaha Save School Health Student program, and now she is with us in the State of Georgia, the Peach State, where it's a little warmer.

Ms. Harvey, I may have some tough questions for you later, during the hearing, but that does not change my sincerity, and I welcome you here today.

Ms. HARVEY. Thank you.

STATEMENT OF MARY DEAN HARVEY, DIRECTOR, GEORGIA DEPARTMENT OF HUMAN RESOURCES DIVISION OF FAMILY AND CHILDREN, ATLANTA, GEORGIA

Ms. HARVEY. Good afternoon, Chairman McDermott, Congressman Weller, and Members of the Subcommittee. I am Mary Dean Harvey, as Congressman Lewis indicated, director of the Georgia Department of Human Resources and Family, division of family and children's services. I do thank you for this opportunity to speak to you about recent changes to programs assisting low-income families.

For decades, the debate over welfare boiled down to one of two positions. Either you thought that the funding, if we had the right amount of funding and the right amount of enhancements, welfare might finally be good enough for families. Or, the other side of that coin was that you thought that welfare was too good of a deal, already.

With the leadership of Congress in the nineties, national policy recognized the truth. Welfare was not good enough, is not good enough, and never will be good enough for any child, parent, or family.

Our mission in State government is to find, in any given policy, opportunities to hammer away at poverty and dependency. Georgia has found ample opportunity in the DRA, but even before that, our governor, Sonny Purdue, made it clear that Georgia could not accept persistent dependence for any of its families.

In that light, we have found the work participation rates to be not only reasonable, but modest. If you take a look and see what we have accomplished in Georgia, our participation rate has gone from 12.2 percent in 2000 to 68.1 percent today. Adult TANF cases are down 88 percent to just over 3,700.

I would like to say that 37 of Georgia's 159 counties have 0 adults mandated to work, and an additional 88 counties have fewer than 10 folk mandated to work. Georgia is a large State with a

strong economy, but no State could quickly grow itself out of poverty in that short of time. Instead, our strategy has been threefold.

One, the first step was to put the numbers aside, forget the goals, and to engage our values. Ask ourselves, "What did we believe was good for families?" We believe that, in strong families, the parents work, that welfare is not good enough for any child, and that government should be a resource to family, not a substitute. When we put those values front and center, the numbers took care of themselves.

Our second step was to stop treating all TANF families as if they were the same. We performed a kind of triage, what we call our "pipeline," categorizing adults as either ready to work, needing a little help, or being far from ready to work.

Over time, as people move through the pipeline, the move from the far from ready to work to bringing home a paycheck. There is no question it was a daunting task. For some of them, it—we had to do in 4 years what the mommas, the churches, the schools, the communities had not done in 30. That was our task.

I would submit to you that this daunting task cannot be tackled by having recipients awarded work participation credits for getting a massage or ready "The Great Gatsby." Rather, what ought to count as work is actually working, or gaining the ability to do so.

Our third step was to begin to constantly monitor our performance, so that we can guide our work, developing performance measures that reflected our values, having weekly meetings between supervisors and those case managers that did the work actually did pay off.

We did all of these things without a significant increase in staff or budget, new legislation, or major policy changes. With this strategy, what we have done is the easy and the harder. Now we are working on the impossible, which, once we have done the rest, no longer looks so impossible.

That would be the heart of my advice to any State worried about the new regulations under TANF, that they cannot be implemented, or what happens in one State can't work for their families. We all have got to get beyond the point of saying that welfare is good enough for some people.

A large part of reducing poverty has been making sure that both parents are supporting their children. For a mother or a father, for instance, who is a single parent raising a child, child support can make the difference between independence and welfare.

The DRA has encouraged us to become more efficient. As a result, we have reduced the processing time for new cases, as was stated by Mr. Weller earlier, from a 71-day time that was our history, to same-day service. What that represents for families is two-and-a-half months of groceries, utilities, and everything else that raising a child entails.

Our newest fatherhood grant expands an almost—already robust program to help parents in 12 rural counties get jobs. Even though 83 percent of the participants come with a criminal record, and 89 percent with no high school diploma, at the beginning of this month 70 percent of those who started the process are now employed, and 81 percent of those are paying child support.

As vital as the money is, child support is about far more than money. A boy who grows up without a connection to his father is 300 percent more likely to become incarcerated. A girl is 164 percent more likely to give birth outside of marriage. Both are 71 percent more likely to drop out of high school.

State governments have a vested interest in encouraging fathers to be fathers, not just to save money, but to save children. Both goals are so important that Georgia, in response to the DRA, included more State dollars, and most importantly, we re-engineered our programs to exceed demand.

Where in the past we paid for paternity testing and other fees, now participants bear some responsibility for those tests, allowing us to recover about $7.2 million for the State.

Our experience in Georgia has been that the DRA requires States to do things that we should already have been doing. For those of you who say it can't be done, we are doing it. For those of you who say it might hurt families, I would simply ask, "What can hurt a family more than persistent dependence and low expectations?" States should stop selling recipients and themselves short.

Thank you for affording me the time to speak today.

[The prepared statement of Ms. Harvey follows:]

Statement of Mary Dean Harvey, Director, Georgia Department of Human Resources Division of Family and Children, Atlanta, Georgia

Good morning, Chairman McDermott, Congressman Weller, and members of the subcommittee. I am Mary Dean Harvey, Director of the Georgia Department of Human Resources Division of Family and Children Services. Thank you for this opportunity to speak with you about recent changes to programs assisting low-income families.

It's a privilege to speak with you today about Georgia's experiences under the Deficit Reduction Act of 2005, and our efforts, in conjunction with Congress, this Committee, and President Bush, to reduce poverty and increase family independence.

For decades, the debate over welfare boiled down to one of two positions: you either thought that with a little more funding and the right enhancements, welfare might finally be good enough for families; or you thought welfare was too good of a deal already.

With the leadership of Congress in the 1990's, the established policy of our nation changed to recognize the truth: that welfare was not good enough, is not good enough, and never will be good enough for any child, any parent, or any family.

By necessity, our definition of poverty relies on household income. That's an unfortunate necessity, because income is merely a placeholder for the real issues that define poverty, such as whether a family can be independent, make its own choices, participate in meaningful work, and raise children who have a real opportunity to be better off than their parents.

Our mission as representatives of state government is to take the policy agreed upon by our elected leaders and find opportunities to address the real defining characteristics of poverty—to hammer away at dependency and powerlessness.

Georgia has found in the Deficit Reduction Act and subsequent regulations ample opportunity to effectively reduce poverty and increase family independence.

Long before those policies were put into place, our Governor Sonny Perdue made it clear that Georgia could not accept persistent dependence for any of its families, and that our efforts under TANF should therefore be focused on guaranteeing that fundamental right that was once called "Freedom from Want;" not by merely providing a check and thereby camouflaging the problem, but by putting parents to work to end it entirely.

In that sense, we've found the Federal goals for work participation to be not only reasonable, but in our estimation, modest. Further, we have rejected the use of various credits that would let us get by with a lower work participation rate to instead focus on *actual* work participation.

We have seen great success. Georgia's work participation rate has gone from 12.2% in 2000 to 68.1% today. That kind of engagement with parents on welfare

has brought our Adult TANF cases down 88% to just over 3,700. Thirty-seven of Georgia's 159 counties now have ZERO adults mandated to work, and 88 other counties have fewer than ten.

Georgia is a large state with a strong, dynamic economy—but I think anyone would agree that no state could simply grow itself out of that much poverty that quickly. Neither did we achieve impressive numbers by running off adults, as evidenced by the fact that our child-only cases have remained relatively steady during that time.

Instead, our strategy has been three-fold. Our first step was to say "Let's put the numbers aside and, instead, focus on what's good for families." That's perhaps a surprising first step when those very numbers were what we were being asked to improve. But we didn't look at it that way. We believed it was *lives* we were being asked to improve, and that the numbers would have to reflect that. And we were right.

At DHR, we share with Governor Perdue a belief that strong families are ones where the parents work, that welfare is not good enough for any child, and that government should be a resource for families, not a substitute. When we put our values front-and-center, the numbers took care of themselves.

Our second step was to stop treating all TANF families as if they were the same. We performed a kind of triage, what we call our "pipeline." By working closely with them, we categorized adults as those who were ready to work, those who needed a little more help, and those who were far from being work-ready. Over time, those who were far from ready became those who needed a little more help; those who needed help became those who were work-ready; and those who were work-ready became those who are today bringing home a paycheck to support their own families.

Each of these groups needed different kinds of resources and different levels of motivation. Some of them just needed to be pointed in the right direction and provided the proper motivation. For some of them, we were being asked to do in four years what mamas, schools, churches, and communities couldn't do in thirty. There's no question it was a daunting task.

But I would submit, from our experience in Georgia, that this daunting task cannot be tackled by having a recipient awarded work participation credit for getting a massage or reading a list of selected American classics. Rather, what ought to count as work is actually working, getting the skills to be actually working, or removing some significant barrier to actually working.

Our third step was to begin constantly monitoring performance so that we would have empirical data to know what was working, who was getting the job done, and where we had to focus our efforts to get better. We came up with performance measures that reflected our values and began weekly meetings between supervisors and case workers to talk about the status of each case, ask hard questions, and demand answers.

We did all of these things without a significant increase in staff or budget, without new legislation, and with few changes to policy.

With this three-point strategy, we have not only gathered the low-hanging fruit, but also that which required us to break out our ladders and reach into the higher branches. We've done the easy, the hard, and the harder. Now we're working on the impossible. But the funny thing about the impossible is that, once you've done the rest, it no longer looks so impossible.

That would be the heart of my advice to any state that would come before you and worry that new regulations under TANF cannot be implemented as they stand, or that what may work in other states won't work for their families.

Our national policy has finally gotten beyond the concept that welfare is good enough for "some people." It's up to us as states to do the same.

A large part of reducing dependence and poverty in all states has been an increased focus on child support enforcement. And, indeed, a key part of our TANF strategy is to make sure that both parents are supporting their children. Quite often, that monthly support makes the difference between whether a mother and children are dependent on welfare or fully independent.

In respect to child support, the Deficit Reduction Act has presented us with an opportunity that is somewhat foreign to many state governments: the need to examine the way we do business to get more efficient and to clear away the cobwebs of the past.

Anyone who's written by committee knows how a five-page document becomes a 50-page one: everyone adds; no one takes away. Child support policy and practice has worked that way, but with a committee spanning generations. We've used the DRA as an opportunity to question those practices and eliminate the unnecessary.

As a result, we've reduced processing time for new cases from an average of 71 days to *same day service*. In case you're keeping score, 71 days equals two-and-half months of groceries, doctor's bills, utilities, and everything else that raising a child entails. That for a single mother who may be a week's pay from needing welfare at any given time.

Georgia is using our newest fatherhood grant to help parents in 12 of our rural southern counties get jobs—or better-paying ones—so they can begin paying child support. This represents an enhancement of our already robust Fatherhood Program. Even though 83% of participants come to us with a criminal record and 89% with no high school diploma, at the beginning of this month, 60% of those who started the process were employed and 81% of those were paying child support.

But as vital as that money is, child support is about far more. That's why Georgia's fatherhood program also focuses on access and visitation for fathers. A boy who grows up without a connection to his father is 300% more likely to be incarcerated as a young man. A girl is 164% more likely to give birth outside of marriage. And both are 200% more likely to have emotional problems and 71% more likely to drop out of high school.

State governments have a vested interest in encouraging fathers to be fathers—not just to save *money*, but to save *children*.

Both goals are important to Georgia—so important that, in response to DRA, we've re-balanced our books and re-engineered our programs to include more state dollars. And whereas in the past we picked up the tab for costs like paternity testing and processing fees, now we're asking participants to bear some of that responsibility—recovering $7.2 million for the state. More than simply helping us balance the books, these user fees advance a core belief we at DHR hold about good government services: that they work best when they're a partnership. By actively responding to the requirements of the DRA, rather than merely figuring how to "live under them," we have built the capacity to not only meet demand, but exceed it.

The partnership philosophy extends to the relationship between the Federal government and the states, requiring an active response from both sides. Our experience in Georgia has been that the Deficit Reduction Act has asked and required that we do those things we really should have been—and were—doing to start with. At the Georgia Department of Human Resources, our mission is to be a resource to families, not a substitute. Our estimation is that Congress, through the DRA, has made that a national policy.

For those who say it can't be done: we're doing it. For those who say it might hurt families, I would ask: what can hurt a family more than persistent dependence and low expectations? States should stop selling recipients—and themselves—short.

Thank you for affording me this time to speak with you. I'd be happy to answer any questions you may have.

Chairman MCDERMOTT. Thank you very much. Mr. Herger, would you like to introduce Mr. Wagstaff?

Mr. HERGER. Sure. Welcome, Mr. Wagstaff. It is good to have you. While not a constituent of mine, you are certainly from our great State of California, and you're a director of the Sacramento County Department of Human Assistance. Welcome.

Mr. WAGSTAFF. Yes. Mr. Herger, I'm sure you won't remember this, but you and I worked together in the mid-eighties on the original GAIN bill in California. So, it's a long time ago.

Mr. HERGER. I do. We were both very young men.

Mr. WAGSTAFF. Exactly. Still are.

[Laughter.]

STATEMENT OF BRUCE WAGSTAFF, DIRECTOR, SACRAMENTO COUNTY DEPARTMENT OF HUMAN ASSISTANCE

Mr. WAGSTAFF. Mr. Chairman and Members of the Subcommittee, thank you for including counties in today's discussion on recent changes to programs assisting low-income families.

I am Bruce Wagstaff, director of human assistance for Sacramento County, California. I am representing the National Asso-

ciation of Counties (NACO), as well as the County Welfare Directors Association of California. I am also the former TANF administrator for the State of California. I have submitted my full testimony for the record.

With respect to the TANF program, the counties that administer TANF are proud of how we have implemented the 1996 Federal welfare reform law. We have changed an entire culture, moving our staff from check writers, adhering to strict process rules, into counselors who help clients move from welfare to work.

The way in which we use our funding has also shifted from cash aid to supportive services. From caseload reductions to increases in work, to a decreasing reliance on cash assistance, TANF has been a success.

Against this backdrop of success, States and counties had hoped that reauthorization would fix some of the issues that had been rightly identified as limiting State flexibility in the original law, but when the Department of Health and Human Services issued regulations, we were disappointed to see them heavily focused on process, rather than outcomes. The regulations include narrow definitions of work activities and process-heavy requirements for verifying and documenting participation.

I would like to make it very clear that counties are not afraid of increasing participation to move recipients into work. In California, we began the work to increase participation before TANF was reauthorized, because it was the right thing to do for families and children. What we want is the ability to run our programs in the best way for our clients, our business communities, and our local situations.

A majority of those on our welfare rolls today are engaged in some activity, including a mix of work, education, training, and treatment. It is important to note, particularly given the discussion you have heard today, that the Federal work participation rate captures only those families who are participating full-time in federally-recognized activities. It does not capture the tens of thousands of individuals participating part-time and/or in activities not recognized by the Federal program, such as mental health and substance abuse treatment, and domestic violence services.

The Federal rate is also a point-in-time snapshot. It does not recognize the many people who are engaged, but who are new to the program, leaving welfare soon, or in between formal activities.

One additional issue to mention before I get into specific recommendations, particularly given the discussion today, is child care. These services are absolutely essential. Without them, the parents we work with would be unable to participate fully in welfare-to-work activities. We believe that, without any increases in the child care and development fund, or the TANF block grant, it will be harder and harder for States to provide child care to all recipients who need it. We would urge you to revisit this issue, and consider providing additional funds for child care for our participants.

We understand that you will not be able to completely reopen the reauthorization discussion. However, smaller changes would increase flexibility, and return us to a system focusing on outcomes, putting clients to work, rather than process.

We propose the following specific changes which are fully detailed in my written testimony: give partial credit for partial participation; clarify and simplify work verification and reporting requirements; allow realistic participation in behavioral health activities; allow partial participation for persons with disabilities; and count job search, job readiness, basic skills in English as a Second Language as a component of any work activity.

Finally, I would echo what Ms. Williams and other have said, that the statute be adjusted to adjust the implementation schedule and delay the October 1, 2007 deadline for work verification plans. As you heard, States are still in the process of talking to the Federal Government about those plans. All States got them in by September of 2006, as was required, but subsequent to that, the Federal Government issued guidelines that required every State to resubmit those plans.

So, we would ask that we get at least a year, from the time that our plans are approved, before any penalties are subject to imposition.

I want to also mention some comments on child support in my remaining time. Counties urge Congress to restore the DRA cuts to the child support program. The cuts will reverse State and county progress in establishing child support for families, and affect millions of children whose families depend on these payments.

In order to improve child support, Congress established a competitive incentive program. Funds must be reinvested in the system, and States and counties could use the payments to leverage additional Federal funds.

Effective October 1, 2007, States and counties will be prohibited from this practice. Losing the ability to leverage Federal dollars is of most concern to my colleagues who administer child support. The incentives have enabled States and counties to double their collection rate over the past 10 years.

Mr. Chairman, I understand you are considering introducing legislation on this issue. Just yesterday NACO adopted a resolution supporting legislation to restore these cuts.

Two other provisions I want to make quick reference to, with respect to the DRA on child support. First, the imposition of a collection fee discourages parents from participating in child support, and will increase the likelihood of families remaining on, or needing public assistance.

Second, to encourage paternity establishment, the Federal Government provided a 90 percent match for those costs. The DRA reduced the match to 66 percent, which will reduce States' ability to establish parentage.

In California, the child support cuts will reduce funding by over $90 million a year. You have heard other States talk about this. Michigan reports $28 million in lost funds, Minnesota $23 million. It is so dire in Wisconsin that Lacrosse County is holding a raffle, where the proceeds will help fund the child support program. They are actually here today and gave me one of their raffle tickets.

[Laughter.]

Mr. WAGSTAFF. This concludes my formal remarks. Thank you, again, very much for including counties in this hearing today. As you consider your next steps in this congress, please do not hesitate

to contact myself or our Washington, D.C.-based staff if you have further questions. Or, if you would like to visit local programs when you return to your districts. Thank you very much.

[The prepared statement of Mr. Wagstaff follows:]

Statement of Bruce Wagstaff, Director, Sacramento County Department of Human Assistance, Sacramento, California

Mr. Chairman and members of the Subcommittee on Income Security and Family Support, thank you for including counties in today's hearing on recent changes to programs assisting low-income families. I am Bruce Wagstaff, Director of Human Assistance for Sacramento County, California. I am representing the National Association of Counties (NACo) and the County Welfare Directors Association of California (CWDA), as its Self-Sufficiency Committee Chairman. I am also the former TANF Administrator for the State of California.

We particularly appreciate the opportunity to testify before you today because many of the statutory changes and subsequent regulations issued by the Department of Health and Human Services are having a devastating effect on our ability to provide effective services to families and children in need.

As background, NACo is the only national organization representing all county elected and appointed officials. More than 2,200 of the nation's counties are members of NACo. CWDA represents the human service directors from each of California's 58 counties. CWDA's mission is to promote a human services system that encourages self-sufficiency of families and communities and protects vulnerable children and adults from abuse and neglect.

The role of counties in administering federal low-income programs varies widely among states, and even within states. In California, for example, counties administer all social services programs, with oversight from the state. Others, such as Pennsylvania administer some, but not all of the programs at the county level, with others administered by the state. There are also a few states where some but not all of the counties administer one or more of the programs within this committee's jurisdiction. With this diversity in mind, NACo asked numerous state associations of counties and county human services directors to send us their comments on the effect of the TANF regulations and the cuts to child support in preparation for this hearing.

TANF

As you are well aware, welfare as we knew it changed forever with the passage of the Temporary Assistance to Needy Families program more than a decade ago. The counties that administer TANF are proud of how we implemented the 1996 federal welfare reform law and our authorizing state statutes. We formed strong public-private partnerships, bringing together employers, community—and faith-based organizations and the other local and state agencies that serve our participants. We changed an entire culture, moving our staff from check-writers who adhere to strict process rules into counselors who assist clients in moving from welfare to work. The way in which we use our state and federal funding has shifted from a focus on cash aid to a focus on supportive services such as child care, transportation, and skills training. Instead of speaking of "entitlements," we speak of "self-sufficiency." From caseload reductions, to increases in work, to a decreasing reliance on cash aid, TANF has been a success.

Against this backdrop of success, states and counties had hoped and anticipated that TANF reauthorization would fix some of the issues that had been broadly identified as limiting state flexibility in the original law. For the most part, the Deficit Reduction Act in and of itself did not severely limit states' flexibility, nor did it expand flexibility as we'd hoped it might. When the Department of Health and Human Services issued regulations to implement the DRA changes, however, we were disappointed to see them heavily focused on process rather than outcomes—something we thought we had moved away from with the 1996 TANF statute. The regulations include narrow definitions of work activities, add parents who have reached their statutory time limits on aid into states' work participation rate calculations, and implement process-heavy requirements for verifying and documenting participation.

I would like to make it very clear that counties are not afraid of participation. In California, we began the work to increase participation before TANF was reauthorized, not just because we felt pressure from the federal government but because it was the right thing to do for families and children. For example, our state enacted a statutory requirement that every welfare-to-work participant have an engagement plan in place within 90 days of them entering the program; we did this three years

ago, when the idea was under discussion in Congress. What we do want, however, is the ability to run our programs in the best way for our clients, our business communities and our local situations.

Unfortunately, the regulations that have been issued will impede, rather than enable, our efforts. I am here today to ask you to be enablers, to help us in our work, and to improve upon some of the most problematic areas of the regulations.

You might be surprised to hear that a majority of those on our welfare rolls today are engaged in some activity, including a mix of work, education, training, and treatment. States generally report lower participation numbers than this, however, because the federal work participation rate captures only those families who are participating full-time in federally recognized activities. It does not capture the tens of thousands of individuals participating part-time and/or in activities that are not recognized by the federal program, such as mental health and substance abuse treatment, domestic violence services, English as a Second Language programs, and services to assist with learning disabilities. Counting only those in federal activities for the minimum number of hours is misleading, because it may lead some to conclude that the rest of our participants are sitting around doing nothing—and nothing could be further from the truth.

The federal rate is also a point-in-time look. It does not recognize the many people who are engaged in our programs, but who are new to the program, leaving welfare soon, or in-between formal activities. To illustrate why this matters, think about an emergency room. At any given time in the ER, there will be some percentage of people waiting and some percentage being served. However, if we observe the ER over the course of the entire day, we would hope and expect that 100 percent of the people are served. The federal work participation rate is a snapshot—it essentially looks at that one moment in the ER when a relatively small percentage of patients are being served, rather the much higher percentage served over the course of time.

Our programs do face numerous challenges. For California counties, as with states and counties across the country, one major challenge is to address and remedy the problems of families that are a long way from being ready to maintain stable employment and move off welfare. These families often struggle with a host of personal issues such as poor education, limited skills, little or no work history, behavioral health issues, domestic violence, disabilities, and involvement with other public systems such as child welfare and law enforcement. Many of these families are engaged in work or other activities, but for less than the required number of hours. Many include a disabled adult or child, a victim of domestic abuse, or other situations that render them exempt from participation under California rules and who we believe should be exempt under the federal rules as well. This does not mean that we stop working with these families to get them engaged in appropriate activities; it is a recognition that the barriers for some are so great that expecting 32, 35, or 40 hours of work from them, at least at certain points in time, is unrealistic.

Another major challenge is to assist displaced or underemployed workers who lost their jobs during the recent recession. In many areas, unemployment rates soared during the past few years. Many of those who recently entered TANF or returned to the program after losing a job, already have marketable skills but need temporary assistance, possible retraining, and supportive services to boost them back into the workforce.

We really do have a number of different subgroups within our program today, just as we did in 2001 when we first began talking with elected officials about TANF reauthorization. There are those who just need a quick hand-up to get back into the labor market, and those who are longer-term recipients who might have received welfare as children, for example, and are now in the program as parents themselves. Finally, there are those who are working and participating, but are not yet able to earn enough to get off of aid forever. Figuring out how to help all of these very different sets of families is extremely important and extremely complex.

One additional issue I would like to mention before I get into a few specific recommendations for change relates to supportive services, especially child care, that states provide to working TANF families. These services are absolutely essential—without support like subsidized child care, the parents we work with would be unable to participate fully in welfare-to-work activities. These services are also costly. Quality child care does not come cheap. Without any increases in the Child Care and Development Fund (CCDF) or the TANF block grant, it will continue to be harder and harder for states to provide child care to all recipients who need it without sacrificing other necessary services and supports for families on aid. We urge you to revisit this issue and consider providing additional funds for child care for our participants.

The National Association of Counties and CWDA support maximum state and county flexibility in implementing the TANF changes. Unfortunately, the interim final rule issued last August and subsequent advisories issued by the Administration for Children and Families have not only reduced flexibility but have also increased program complexity. Comments we received from around the country were consistent in expressing concerns over the work reporting and verification requirements, the work participation rate calculations, and the limitations on allowable activities.

We understand that you will not be able to completely reopen or overhaul the Deficit Reduction Act or the subsequent regulations. However, several smaller changes would increase state and county flexibility in meeting participation rates—returning us to a system focusing on the outcome—the participation rate—rather than process. Changes can be made without compromising the work participation requirements or the focus on moving families toward self-sufficiency. We propose the following specific changes:

- **Give partial credit for partial participation.** Many recipients are participating for a portion of the required hours in federal activities. However, states receive no credit for partially participating individuals. At various times during the TANF reauthorization debate, partial credit proposals were on the table. We believe these proposals should be revisited, as they help to ensure that the efforts of states and counties to engage participants in as many hours as possible are recognized and recorded.
- **Clarify and simplify the work verification and reporting requirements:** NACo believes that the documentation requirements for many of the allowable activities will pose an administrative burden and should be revised. These include daily reporting for job search and biweekly reporting for education related to employment, secondary school attendance, vocational education, and jobs skills training, among others. Simpler methods exist, such as negative reporting systems in which participants are presumed to be engaged in their assigned activity unless the program supervisor reports otherwise.
- **Allow realistic participation in behavioral health activities.** The interim rules allow for some substance abuse, mental health and domestic violence services to be counted toward job search/job readiness activities for up to 4 to 6 weeks. However, the rules essentially force states to count even one day of participation in these activities as an entire week. This is counterintuitive, and a departure from how such activities would likely be utilized in the regular world of work. States and counties should be able to count an hour of participation as one hour. Since these activities are limited to six weeks, essentially prorating one hour to count as a week of participation would short-change individuals with substance abuse or other behavioral health problems. States and counties should be able to count 240 hours a year of these activities for each individual.
- Allow partial participation for persons with disabilities. States and counties should be allowed to count participation by individuals with disabilities based on the number of hours that their medical professionals deem appropriate for the individual, even if it is below 30 hours a week. This is consistent with the Federal Rehabilitation Act and Americans with Disabilities Act. Count job search, job readiness, basic skills and English as a second language as a component of any work activity: Today's economy requires a well-trained workforce. Individuals with poor basic skills and poor English language skills will not be able to obtain meaningful employment. Counties, therefore, suggest that basic skills training, remedial education, and English as a Second Language count as job readiness activities and be an allowable component of vocational education. Job search and job readiness are critical components of self-sufficiency plans. The six-week restriction should apply only to stand-alone job search as a core activity. The limitation should not apply to job search and job readiness activities that are combined with other work preparation activities.
- **Do not penalize states that help children with a safety net.** A number of states, including California, have chosen to give a reduced grant to children whose parents reach their time limits on aid but still meet other eligibility requirements, including having income below a certain level. The HHS regulations include the parents of these children in states' work participation rates. Please do not put states in the position of having to decide whether to eliminate assistance for these vulnerable children.
- **Two Parent Work Participation Rates.** NACo and CWDA would like to commend the administration for proposing to eliminate the two-parent work participation rate as part of their FY 2008 budget proposal. The 90-percent rate is un-

realistic and will penalize states that are otherwise doing a good job of engaging participants.

Finally, we recommend that statute be enacted to **adjust the implementation schedule and delay the October 1, 2007 deadline.** States submitted work verification plans to the Department of Health and Human Services by September 30, 2006 as it requested. However, HHS subsequently issued blanket guidance to states and required all states to revise and resubmit their initial plans, which are just now being sent back to HHS. It is our understanding that states will not receive direct feedback from HHS until April at the earliest. States and counties will likely have to make various changes at that point and work with HHS to secure final approval, giving us five months *at most* to retrain staff. This is a recipe for problems, inconsistencies and incomplete implementation. States and counties should be given at least one full year from the date that they receive final approval of their work verification plan to implement without fear of being penalized in the meantime.

Child Support

Counties urge Congress to restore the cuts to the child support program made under the Deficit Reduction Act. The cuts will reverse state and county progress in establishing child support for families and ultimately will affect millions of children whose families depend on the payments to meet daily living expenses.

In order to improve the administration of the child support program, Congress established a competitive incentive program for good performance. Funds earned are required to be re-invested in the system. Additionally, the law was crafted to allow states and counties to use the payments toward leveraging additional federal investments in the program. Effective October 1, 2007 states and counties will be prohibited from this practice under the child support program.

Losing that ability to leverage additional dollars is of most concern to my colleagues who administer child support. Those efforts and incentives have enabled states and counties to double their collection rates over the past ten years and thousands of families avoid the social service system as a result. Other federal initiatives, such as programs supporting marriage, also allow re-investment of federal dollars as match.

Mr. Chairman, I understand that you are considering introducing legislation on this issue. This weekend, NACo adopted a resolution supporting legislation to restore these cuts.

Two other provisions in the Deficit Reduction Act are also troubling. The imposition of a collection fee discourages parents from participating in the child support program and will, coupled with the reduced collections, increase the likelihood of families remaining on or needing public assistance. When families do not receive child support, they need more help from public assistance programs. Some states and counties may choose to waive the fee and absorb the costs in order to encourage parents to participate and/or because it may be cost-effective than the costs of charging the fee.

To encourage paternity establishment, the federal government has provided a 90 percent match for those costs. The DRA reduced the match to 66%. This decrease reduces states' ability to establish parentage. When children are deprived of the right to two parents, the door to Social Security, pension/retirement benefits and health insurance, opportunity for extended family ties (especially the critical father/child relationship) and access to critical medical history and genetic information is closed to them.

In California, the child support cuts will reduce funding to the state's program by over $90 million a year. Efforts are underway in California to backfill the loss of funds, given the large return on every federal dollar invested. A federal restoration would help the state invest even more into this successful program.

While California *may* backfill the loss, counties from around the country have told us that many states will not be able to do so. While time does not permit me to provide you with the detailed responses we received, here is a sample of what these cuts will mean to county programs. These cuts in administrative funding will compound the real losses in financial support provided to families.

Michigan counties face a potential loss of $28 million. The loss in Minnesota is estimated at $23 million. Indiana counties face a shortfall of over $7 million. New York counties expect to lose $10 million a year. North Carolina Counties expect to lose $5.3 million in revenues. Ohio expects a reduction of $60 million a year. Pennsylvania counties may lose over $4 million in two incentive payments. Wisconsin will lose about $6 million in FY 2007, $1.7 million of which will be attributed to Milwaukee County. When the cuts take full effect next year, the projected loss for Wisconsin counties by 2008 is $25 million. It is so dire in Wisconsin that LaCrosse

County is holding a raffle where the proceeds will help fund the child support program.

These administrative losses will reverse years of progress in the collection of support for families by producing a ripple effect due to the way the incentive funds have bolstered county staff who pursue and enforce support orders. A good illustration is Ohio. The only way to compensate for the loss of funds would be to reduce staff by approximately 25 percent. Ohio collects almost $600,000 in child support per staff member. The Center for Law and Social Policy estimated that this would translate to a reduction in child support collections of $197 million in the first five years. Clearly, the ones who would suffer the most are the children. Similar scenarios are projected in counties in many other states. I will submit additional information from some of those counties in other states before the hearing record closes.

This concludes my formal remarks. Thank you again for inviting us to testify and provide the county perspective. As you consider your next steps in this Congress, please do not hesitate to contact me or our Washington, D.C.-based staff if you have further questions or if any of you would like to visit local programs when you are back in your districts. At this time I would be glad to answer any questions you may have.

Chairman MCDERMOTT. In your testimony, one of the things that you posed for the Committee, I think, is the fact that we're looking at five different programs. You wonder how in the world do people sitting at this dais make decisions about what makes sense for all of you. I couldn't help but looking at the data, that the Georgia TANF program says that less than one-third of those people leaving TANF are going to work.

Now, I—the rest of you—she does it in 1 day. How can possibly one State do it in 1 day to evaluate people for TANF, and others take as long as you do? I would like to hear what the response is, because you are saying that the game is now—I think Ms. Ford's testimony was that it's becoming a work, not an assistance program. It really is one of games of numbers for us. I am not sure that that's necessarily in the best interest of the States.

I would like to hear you talk a little bit about that. Any place. Ms. Williams?

Ms. ARNOLD-WILLIAMS. I would be happy to start. I think a couple of things—and you rightfully pointed out you have five very different programs here—and for those of us that have been involved from the very beginning, that was the whole point of welfare reform, via waivers and then statutory changes.

Let me just talk about in your State, in your home State, where I have the privilege of operating the program. First, we do do a lot of diversion when people first come in the room. So,—to apply for assistance. Talk about what's really going on with their family. We don't get credit for that, because they never come on assistance, but 75 to 80 percent of those individuals don't come on assistance, or stay off for at least 12 months. We track them.

So, we do some of that 1-day service, and that first-day service. We don't get credit for that, because they're not on our rolls. That's one of the things we think we should get credit for, if it's for employment.

Second, we do a very comprehensive assessment and evaluation of individuals, because we do want to find their barriers. We do want to know if they have substance abuse problems. We do want to know what their educational backgrounds and skill levels are,

so that we can appropriately put them into activities for which they can best benefit, and are individualized for them.

So, I will tell you, that takes us 30 days, because we do one as a part of ours, our community colleges do a part of the assessment, our job service agency does a part of the assessment. We want to take a comprehensive look at that. That's the decision that the State of Washington has made, and we are free to make under the TANF program, to say, "We want to do a comprehensive assessment."

Chairman MCDERMOTT. Until the present set of regulations, you will have to change it.

Ms. ARNOLD-WILLIAMS. We are going to continue to do it, and we will run the risk that we won't be able to meet all of those rates.

Chairman MCDERMOTT. Mr. Hansell?

Mr. HANSELL. Yes, thank you. I believe my colleague from Georgia said she did 1-day assessment for child support, is that correct? Not for TANF. I would be extraordinarily impressed if any of my colleagues did a 1-day assessment for TANF.

Certainly, our experience in New York has been that the best way to move people from TANF to employment as quickly as possible is to do the most comprehensive possible assessment up front, which I think is what Robin is saying. What we want to do is make sure that we put exactly the right set of services in place for each client that is going to give them the skills, and overcome whatever deficits or barriers they have, so they can first succeed in a work program within TANF, and then succeed, hopefully, in working outside of TANF.

So, it does require some more up front investment, but our experience is that, in the long term, it's much more effective, in terms of moving people into work programs, and then ultimately, off of TANF into full-time employment and self-sufficiency, off of public assistance.

Chairman MCDERMOTT. How is it that she made all these cuts—or reduced her caseload in the last couple of years? Why are you unable to do that?

Mr. HANSELL. Oh, we have done that. Our caseload has dropped, as I said in my testimony, 75 percent since the beginning. Just in the past year, our TANF caseload is down another 5 or 6 percent. So, our caseload is continuing to decline——

Chairman MCDERMOTT. Still continuing down. Is everybody continuing down?

Ms. ARNOLD-WILLIAMS. Yes.

Ms. HARVEY. Mm-hmm.

Chairman MCDERMOTT. Okay.

Ms. FORD. Thank you, Mr. Chairman. We in Nevada also do extensive assessments to make sure that what we are dealing with with our clients, that we are providing them with the best opportunities for success. What our goal is, is to get them into jobs where they can have wage gain, so they're not just getting a minimum wage job and going out there, but that they have got a job where they can anticipate that they are going to have wage gain, and they're going to be self-sufficient into the future.

So, assessments are very, very important. We have social workers on staff that actually do——

Chairman MCDERMOTT. Do you get any more credit for getting them into a job where there is a ladder up, or a dead end job?

Ms. FORD. No.

Chairman MCDERMOTT. It's the same credit?

Ms. FORD. It's the same credit, regardless, and they have got to be in a full-time activity of 30 hours or more.

Yes, our caseloads are down. We are at the lowest rate per capita—see, that's another thing. The work participation rate is based on raw numbers, it's not based upon your per capita population. We are at the lowest per capita rate ever. Therefore, we have the most hard to serve in our population now. We still have to meet a 50 percent work participation rate.

So, the people remaining on our rolls are the people that have the most significant barriers, and have the toughest time. Even if they don't have barriers like disabilities or medical issues, they are not skilled in life skills, they are not trained, they are not educated. We have to make them attractive to employers. If they're not attractive to employers, they're not going to get employed.

Chairman MCDERMOTT. I guess one of the things—I see my time is up, and I don't want to overstep it too far—but one of the things that troubles me in listening to your testimonies about the participation of people with handicaps, where you're waiting for another Federal agency to make a decision, it's almost as though the States are caught between a rock and a hard place.

In the one sense, they have come in for assistance, and in another place, they are waiting to get assistance or adjudication that will allow them some assistance, and you are being penalized for keeping them on the roll. You have to count them, even though it doesn't make a whole lot of sense. Is that a fair assessment of what's going on?

Mr. WAGSTAFF. Yes, Mr. McDermott, it is. Mr. McDermott, if I might add, from a county perspective, I can assure you, in terms of these time frames that we are talking about, that in my county and every other county colleague I have talked to, the interest is in moving recipients into work as quickly as possible, and to good jobs.

The issue is that different clients have different needs, have different issues that have to be dealt with. What my caseworkers tell me nearly every day is that they need that flexibility to address that individual situation, to develop an individualized case plan that spells the best future for that particular client.

So, that's why we're concerned when we say job search can only be 12 weeks, or behavioral health can only be 4 to 6. In many of our counties, we are dealing with methamphetamine crises. That treatment takes much longer than that to be dealt with, if that client is truly going to be able to get a job and keep it.

Chairman MCDERMOTT. I did not let you speak, Ms. Harvey, or I did not give you an opportunity. Please, if you have got something you want to say back to these people, I would like to hear. Or, in response to what they said.

Ms. HARVEY. No, I am in full agreement. An assessment is essential. Our average length of stay on TANF is 17 months. Our

view—and I think, if there is a difference, is a philosophical one. It's how we frame our house. Our house and our TANF work is framed by values. We believe that $264 a month and $267 a month is not sufficient. We believe that work is inherently good for the person. We believe that people should have a stake in their own future, self-determination, if you will. That is how we frame our work.

Therefore, we have always—particularly in the last 2 years—construed TANF to be a work program, and not an assistance program.

Chairman MCDERMOTT. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman. Ms. Harvey, in your testimony, you talked about how you changed the culture of welfare in Georgia to focus on what's good for families, providing individualized assistance, you monitor performance, and you demand accountability.

When I was here in 1996 and welfare reform was enacted, that was a pretty basic philosophy of what was included in welfare reform. That was certainly the message I was hearing from my own taxpayers back home. They want to help folks, but they want accountability, they want personal responsibility, and they want to lift people out of poverty.

It appears you believe that—in leadership, and that implementing the vision of leadership is really critical. It's my understanding in Georgia the counties administer TANF through the program under the State, so each county has an office that administers——

Ms. HARVEY. That is correct.

Mr. WELLER. I have a performance management report card for Fulton County Department of Family and Children's Services from the employment services section. I was looking at this, and this chart is color-coded, and it shows in November of 2003, it looked like, on average, the work participation was 8 to 10 percent.

Well, some changes must have occurred. If you look at this chart, you will see that changes must have occurred—and accountability, essentially—for the caseworkers. Then, over time, some went from 8 percent to well over 50 percent. I noticed those who achieved that were promoted to supervisor. Those who were not successful went on to other things.

What occurred? What management decision, or management change occurred to see these improvements in work participation rates by the clients under each of these caseworkers?

Ms. HARVEY. Principally, it was direct leadership of my boss, Commissioner B.J. Walker, who came aboard about 2004, hired by Governor Purdue. Commissioner Walker has a philosophical belief that work is good, that families matter, that the best government is a supportive government, and not a substitute family. That drives everything.

It drove it to the point that a person was put on the ground, representing leadership on the ground in counties, looking at data, looking at performance, looking at who the people are that they are working with, and actually engaging the workers in the whole discussion about how do we move these folks from where they are to where they can be, and need to be?

So, our pipeline concept, which grew out of this, was actually created by workers themselves. They said, "A part of that assessment, we must do that assessment"——

Mr. WELLER. The workers, not a caseworker?

Ms. HARVEY. By the caseworkers. If I could add, Georgia is not my first experience with this. In Nebraska, we were a forerunner to the Federal Government, with a time clock and a cap on birth and all of that, when I served under Governor Nelson. I can say to you, the—one of the bigger stumbling blocks is the culture of the employees that you have to deal with.

One, we had run a program for decades that was about check-writing, that was about help, that was about assistance, but it was a different kind of help. I have seen generations of folk grow up on assistance. This is the first time in my life—and I just racked up 62—it's the first time in my life I can imagine that we really are not preparing for generations of dependents, but we are actually talking about engaging folk meaningfully.

Now, is there a perfect environment out there to get that done? No, there is not, but should that stop us from pursuing? I don't think so.

Mr. WELLER. Mr. Chairman, may I put this chart into the record? I ask unanimous consent.

Chairman MCDERMOTT. Without objection.

[The provided material follows:]

Fulton County Department of Family and Children Services
Employment Services Section

Performance Management Report Card
Work Participation Rate by Worker

October 1, 2003 - September 30, 2004

Caseload	Case Manager	MONTHS												Comments
		Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	
315c	Christine Brightwell								31.51%		38.10%	41.18%	38.23%	Promoted to Supervisor
316c	Joyce A. Nash							30.18%		36.36%	34.40%	37.50%	30.00%	
317c	Gwendolyn Mincey									30.77%		32.79%	35.38%	
318c	Dharma Stevens													Resigned
320c	Rosalind Nixon					36.30%		33.33%	33.33%	32.68%	32.30%	44.00%	40.00%	
321c	Valeria Eberhart					34.26%		31.43%		44.53%	32.50%	42.83%	44.67%	
534v	Barbara M. Williams									32.31%	36.15%	37.82%	38.47%	
344c	Tiadra Jordan							33.96%			34.50%			Resigned
345c	Minnie Lindsey			37.80%	33.63%	39.71%	43.94%	[illegible]	45.65%	[illegible]	47.50%	45.51%	34.78%	
346c	Eloise Patton					31.63%				32.14%				Retired
347c	Carmella Anderson									30.44%				Resigned
348c	Kimberly E. Smith													Transferred
349c	Bobby G. Simmons-Leary									30.19%	32.50%			
545v	Sandra C. Smith									34.42%	30.93%			
75	Northwest Service Center									33.37%	38.54%	36.36%	32.28%	
926b	Sheila Allen-Hill								32.78%	38.18%	31.80%		33.33%	
929b	William J. Hunter							30.67%		43.06%	37.80%	36.18%	35.46%	
931b	Susana J. Whittaker										40.00%	36.26%	34.83%	
932b	Donald W. Pearce					36.36%	39.29%	45.45%	41.58%	37.00%		35.33%		Promoted to Supervisor
933b	Donzaleigh Walker													
435v	Jacquetta Simmons									33.89%	37.14%	31.87%	35.60%	
76	Central City North Service Center									33.89%	37.14%	31.87%	35.60%	
027c	Terra James								36.11%	36.78%	35.80%	43.04%		
028c	Felicia Askew									39.58%	40.20%		35.56%	
029c	Yolanda Mosley							40.63%	37.50%					Resigned
030c	Charynell D. Thomas									36.71%	38.00%		35.36%	Promoted to Supervisor
031c	Stephanie D. Redding					35.80%			33.33%	35.32%	43.26%			
032c	Angelus M. Outlaw											31.92%	36.13%	
033c	Essie Sapp											35.78%	36.71%	
468v	Marcus Mizell									36.13%	33.78%	33.32%	33.61%	
71	Southwest Service Center									36.13%	33.78%	33.32%	33.61%	

30% - 49%

Mr. WELLER. Just to follow up—I realize my time is limited here—on child support, Ms. Harvey mentioned—and I think she's very proud of that—they reduced from 71 days to 1 day processing of child support, and the impact of what that means. Can each of the other agencies represented here tell us how many days in your particular agency it takes to process child support claims?

[No response.]

Mr. WELLER. Those who know their answer.

Mr. WAGSTAFF. Mr. Weller, for California—I have to check statewide data on that, and get back to the Committee. I don't have statewide data with me.

Mr. WELLER. Ms. Ford?

Ms. FORD. I would be happy to provide additional data. I know we have child support workers in our TANF offices. So, when people come in to apply for TANF, they go over to our child support worker, and they get information.

Mr. WELLER, but you don't know the number of days?

Ms. FORD. I can't tell you exactly how many days, but I would be happy to get the information.

Mr. WELLER. Thank you.

Ms. ARNOLD-WILLIAMS. I also don't have that right with me, but I would be happy to provide that to you.

Mr. WELLER. Mr. Hansell?

Mr. HANSELL. I will do the same. Our child support process also includes judicial involvement, so it is somewhat outside our control, but we will get you that information.

[The information follows:]

Honorable Jim McDermott
Chairman, Subcommittee on Income Security & Family Support
Congress of the United States
U.S. House of Representatives
B–317 Rayburn House Office Building
Washington, DC 20515

Dear Representative McDermott:

Thank you for inviting me to testify on behalf of New York State before the Subcommittee on Income Security and Family Support on the recent changes to programs assisting low-income families contained within the DRA of 2005 (DRA). As promised, I am writing to follow up in response to the question you raised at the hearing on March 6th regarding the amount of time it takes to put child support in place compared to Georgia's "same day service" program. Your request for a letter from the Governor of each state represented at the hearing regarding documentation of citizenship prior to Medicaid eligibility for newborns is being sent under separate cover. Additionally, I would like to reiterate New York's concerns and recommendations with regard to the child support and TANF portions of the DRA.

Following your Subcommittee's hearing, our child support director contacted his colleague in Georgia to obtain more information on Georgia's "same day service" program. Our understanding of Georgia's "same day service" program is that it is being tested in Carrolton County, Georgia and involves providing a walk-in applicant with information and services sufficient to build a case, perform locate of noncustodial parent and make a referral to a legal office for any necessary petition preparation prior to the applicant's leaving the office that same day. To the degree that a child support applicant in New York is able to provide sufficient information on a noncustodial parent through our application/interview process, we too are able to provide same day service to the point of petition referral. In fact, later this year New York will be piloting an electronic filing initiative with our Family Court to bring same day service provision from intake through petition filing and court calendaring, so an applicant will leave the office having made an application and receiving a court petition hearing date the same day. Therefore, as you can see, New

York also has a very streamlined child support process that will only become more efficient as we move forward with electronic filing.

New York has demonstrated a great deal of success in helping families and individuals reach self-sufficiency, of which record child support collections is one mechanism. As I mentioned in my testimony, New York's package of work supports also includes; the recent increase in New York's minimum wage to $7.15 an hour; the strong New York State earned income tax credit; the increasing number of families who take advantage of Federal food stamp benefits; and the substantial investments we make in subsidized child care. However, our continued ability to help individuals move from temporary assistance to long-term work engagement will be undermined by some of the requirements related to child support enforcement and the Temporary Assistance for Needy Families (TANF) Program contained within the DRA and the regulatory interpretations of the U.S. Department of Health and Human Services (HHS).

Thank you for sponsoring H.R. 1386 repealing the DRA provision eliminating Federal child support incentive payments earned by states and reinvested in child support programs. New York has earned amounts ranging from $25 to $30 million annually in Federal incentives and sixty percent of these earned incentives are passed on to New York's counties to reward their local performance efforts. Consequently, the loss of these funds will primarily be borne by New York's county-run child support offices, will have a direct impact on the many essential services these offices provide, and could also jeopardize New York's steady progress in increasing year-to-year collections. Your proposed legislation, H.R. 1386, will maintain the long-standing Federal commitment to child support enforcement, and is a solid fiscal investment in a program that has demonstrated much success over the years.

We are just as concerned about a number of TANF provisions in the DRA that hinder our efforts to operate effective work programs. To reiterate the five major provisions within the DRA, or its interpretation by HHS, that undermine New York's efforts to help individuals move to employment and economic self-sufficiency: rigid restrictions on job search and job placement activities; unreasonable limitations on excused program absences; irrational restrictions on the types of activities that could count toward the work participation rate requirements; lack of partial credit for engaging individuals in work activities; and the failure to exclude from the work participation rates the instances when a state has determined the head of household to be medically eligible for Federal disability benefits. It is imperative that your review of the DRA make changes that respect the progress all states have made in engaging individuals in work, and that will situate us for even better results in the future. Therefore, we urge you to make sure that these very important TANF issues are addressed, either through regulation or through statutory change.

Again, thank you for the opportunity to testify before your Committee. As we move more and more individuals to self-sufficiency I look forward to working with you and your staff on these issues of paramount concern to New York and other states. If you or anyone from your staff should require information in addition to what I have provided here, please do not hesitate to contact me or the Director of Governor Spitzer's New York Office, Derek Douglas.

Sincerely,

David A. Hansell
Commissioner

Mr. WELLER. If each of you could, share that with the Subcommittee. Ms. Harvey, could you explain briefly how you were able to reduce it from 71 to 1 day?

Ms. HARVEY. Absolutely. I said to you we always look for opportunities to improve, and that is how we run our governmental entity. So, we engaged the university in taking our child support enforcement unit through the rapid process improvement plan. So, they trained them, they had them looking at all of their business processes from beginning to end, making critical decisions, to see what can I do better, differently, what can be eliminated.

So, it wasn't business as usual. Voila, the end product, in looking at using that one activity, case working with the case, we found that we could eliminate the 70 days.

Mr. WELLER. Well, that is a good point you made, that extra 70 days of child support will certainly make a difference, whether paying for child care or a health care concern, or just school books for the child.

Ms. HARVEY. Correct.

Mr. WELLER. Thank you, Mr. Chairman, for your generosity of time.

Chairman MCDERMOTT. Mr. Lewis?

Mr. LEWIS OF GEORGIA. Thank you very much, Mr. Lewis. Ms. Harvey, you know the heart of my congressional district is Fulton County.

Ms. HARVEY. Yes, sir.

Mr. LEWIS OF GEORGIA, but in Fulton County it is just—it makes up the city of Atlanta and other surrounding communities. There are more homeless people, more people showing up for meals. How can you say that the—that Georgia, that Fulton County, can be used as a model for the rest of the Nation?

Ms. HARVEY. First of all, I would never say—I mean, I am not in the business of advocating a model, so I want you to know that right now. I can only tell you what our experience has been.

In Fulton County, there are a multitude of problems, as there are in every metropolitan area, but I would believe that many of the homeless folk that you find, no matter where they are in the United States, are not the result—they are not former either AFDC recipients or TANF recipients, but there are some other issues driving that, but, sir, I would support you——

Mr. LEWIS OF GEORGIA. These are families, these are children, mothers and fathers.

Ms. HARVEY. Mm-hmm.

Mr. LEWIS OF GEORGIA. Are you serving any of those people?

Ms. HARVEY. Not through TANF, we are not. However, in looking at—and that is one of our beauties, is that we have an idea, I mean, we are so poised to look at good public policy, and I am proud to say our policy impact leader is here today—but one of the things we are looking at is how we can work with municipalities, how we can work with counties to combine what we can bring to the table with what they can bring to the table, in order to address those problems, many of which, for the adults, are mental health and orientation.

Mr. LEWIS OF GEORGIA. You are saying that welfare is not good enough for any child.

Ms. HARVEY. That is correct.

Mr. LEWIS OF GEORGIA. I agree with you, that every child deserves more, but welfare is certainly better than nothing, which is what an increase in the number of poor children in Georgia are getting.

In 2003, only about 1 out of every 4 children living below the poverty line in Georgia receive cash assistance from TANF. In 2005, that level dropped to less than 1 out of every poor kids receiving assistance. How do you account for that?

Ms. HARVEY. Well, frankly——

Mr. LEWIS OF GEORGIA. Why do you call it—why are you saying it is so successful? If Georgia has been so successful, all of this money, all of these resources left over, why can't we make someone

take the resources and give it to Nevada, if we are being so successful?

Ms. HARVEY. We still have issues in Georgia.

Mr. LEWIS OF GEORGIA. I hate to come down this way, but because poor people are working, does it mean that they are better off?

Ms. HARVEY. I would submit that a working person is better off in many respects than a person who is not.

Mr. LEWIS OF GEORGIA. Down another period in our history, the days of slavery, everybody had a job, everybody worked. So, I don't understand. You have working poor.

Ms. HARVEY. Yes.

Mr. LEWIS OF GEORGIA. People who work every single day.

Ms. HARVEY. Absolutely.

Mr. LEWIS OF GEORGIA. They cannot afford child care, they cannot afford the basic necessity of life. So, you are going to tell us that is better? Every person, make no difference how that person might earn?

Ms. HARVEY. Most people—I would say 99 percent of human beings, adults today who become engaged in the work force, will earn more than $264 a month. If it's $270, they are financially better off.

Mr. LEWIS OF GEORGIA. Mr. Chairman, I have a report here from budget and policy priorities, and it also mention the Census Bureau to show that the facts in the State of Georgia is different from what the witness is stating, and I would like to ask that this report be submitted for the record.

Chairman MCDERMOTT. Without objection. It is a report dated March 6, 2007.

Mr. LEWIS OF GEORGIA. That is right, Mr. Chairman.

[The provided material follows:]

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GEORGIA'S INCREASED TANF WORK PARTICIPATION RATE IS DRIVEN BY SHARP CASELOAD DECLINE

Available Data Raise Questions About Whether Georgia Should Be Labeled as a Model for the Nation

By Liz Schott

Overview

Georgia's success at increasing its TANF work participation rate has been touted as a welfare reform model for other states as they seek ways to meet the new work participation requirements associated with the Deficit Reduction Act changes to the Temporary Assistance for Needy Families (TANF) block grant. An examination of available data on Georgia's TANF program and of the state's policies and procedures, however, raises serious questions about whether the state has achieved its higher participation rate in recent years by doing a better job to help parents move from welfare to work or by restricting poor families' access to assistance.

Under federal law, states must meet a specified "work participation rate" in its TANF assistance programs. The work participation rate is simply the ratio of the number of adult TANF recipients who are working or in specified work-related activities to the number of families with adults receiving cash assistance through TANF-related programs.[1] Georgia's work participation rate has increased dramatically in recent years – from 11 percent in 2003 to over 65 percent in 2006. But the increased work participation *rate* is primarily a factor of fewer families receiving assistance. In fact, despite the dramatic increase in the *rate* of work participation, there were fewer adult TANF recipients participating in work or work-related activities in May of 2006 than there were in an average month in 2003.[2] It is the significant decline in the TANF adult caseload — more than 80 percent since January 2004 — that has produced the state's high work participation rate.

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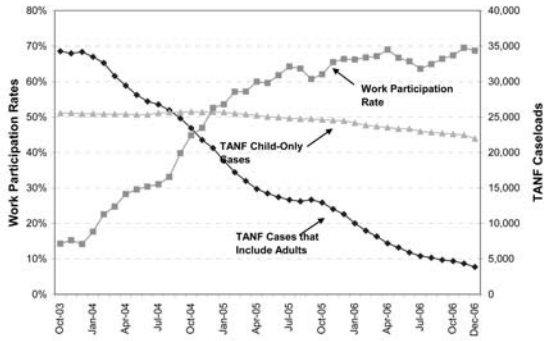
[1] The work participation rate calculation typically includes cases in which both children and the adults in the family (typically the parents) receive assistance and does not generally child-only cases in which only the children receive assistance. So-called "child-only" cases are typically cases in which children are being cared for by relatives other than their parents, parents who receive SSI, or parents who are ineligible for TANF based on their immigration status. (While the DRA changes alter somewhat which families are included in the calculation, this change is not likely to have a significant impact on Georgia and most of the data discussed in this report arise prior to the effective date of the DRA changes.)

[2] See discussion on p. 4.

FIGURE 1

GEORGIA'S TANF CASELOAD COMPARED WITH WORK PARTICIPATION RATE



Source: CBPP Tabulation of Data from Georgia Department of Human Resources. Division of Family and Children Services

If the number of families receiving assistance had fallen because the number of families that *need* assistance was falling, these data would not necessarily be cause for concern. At this point, however, there is no evidence that the number of very poor families (to be eligible for TANF in Georgia families typically must have incomes well below the poverty line) in Georgia has been cut during this period. In fact, Census data show an *increase* in the number of children living in single-parent families with incomes below *one-half* of the poverty line over the period when Georgia's TANF caseload began to fall sharply.

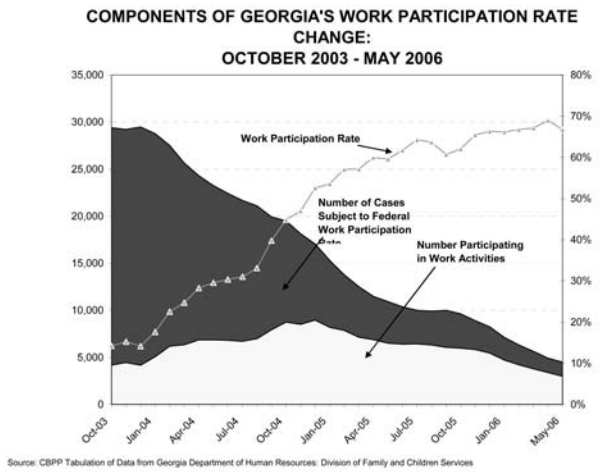
While sharply reduced need does not appear to be driving the decline in the caseloads, there is strong evidence that since 2004, a series of policies and procedures in the state's TANF program have been put in place that likely have had the effect of discouraging needy families from applying for TANF assistance or remaining assistance recipients.

- Data show, for example, that most families that leave Georgia's TANF program are *not* working: less than one-third of TANF case closures between October 2004 and April 2006 are due to the family having earnings and no longer needing assistance.[3]

- Georgia's own research shows that the proportion of former recipients who are working in the quarter they exit the rolls has fallen since 2001. The report by the state's Department of Human Resources that covers 2004 exits states that the reduction in employment among TANF leavers

[3] "TANF Adult Closures: Closures Due to Income," October 2004-April 2006. Georgia Department of Human Resources.

FIGURE 2



in 2004 suggests that the state's policies initiated during that year were "more powerful in motivating recipients to leave TANF without employment than in moving recipients from welfare to employment."[4]

- Data on new applications show a sharp rise in the number of applications that are denied for procedural reasons — one-third of Georgia's TANF denials are due to withdrawal of application and another third are due to failure to cooperate in new application procedures. Only 7 percent of denials are due to the family having too much income and not being in need.

Over the past twenty years, much has been learned about how best to help families move from welfare to work. Models have been developed through careful evaluations and research. New strategies certainly are needed to improve the shortcomings in TANF and other programs designed to help families succeed in the labor market. At this time, there is no data or research to suggest that Georgia provides a model to other states for how to engage more recipients in work activities, help recipients overcome barriers to employment, or assist parents secure jobs. Before national leaders tout the state's approach as one to be emulated across the nation, more information is needed about

[4] "Employment, Earnings, and Recidivism among Georgia's TANF Leavers: Findings from the TANF Follow-Up System," Georgia Department of Human Resources, May 2006 at http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS_CommonFiles/Leavers%202004.pdf. The report, while useful, covers a period of significant change in Georgia's TANF program and, thus, does not provide a complete picture of the ultimate and more recent impact of the new policies that were just being put in place. This recent report looks at the circumstances of families that have left TANF through 2004; Georgia's adult TANF caseload has declined by more than 80 percent since 2004.

whether the states' caseload decline has been caused by a reduction in the number of needy families or a policy and program changes that restrict needy families' access to poor families.

Work Participation Rate Driven By Declining Caseloads

During Federal Fiscal Year 2003, Georgia's average monthly work participation rate was 11 percent, with, on average, 3,194 families participating in countable work activities each month.[5] In 2004, Georgia's participation rate increased significantly — to a monthly average of 25 percent. This increase was due to two main factors: an increase in the number of families participating in work activities and significant decline in the number of TANF cases that include adults. (See Figure 2.)[6] Since the end of 2004, however, the number of adults participating in work activities has *decreased*. As of May 2006, only 3,001 families met the work requirement standards — fewer than had participated in an average month in 2003 — yet the state achieved a work participation rate of 67 percent.[7] (See Figure 2.) The state's federal work participation *rate* increased because during this same time period the number of families with an adult receiving assistance plummeted. Between January 2004 and May, 2006, the number of families with an adult receiving TANF assistance has declined by 80 percent — from more than *33,488 to just 6,587* families.[8] The number of TANF cases that include an adult recipient continued to decline for the rest of 2006 — down to 3,856 families — so that, all tolled, Georgia's TANF adult caseload declined by 88 percent during the three-year period of 2004 through 2006.

At the same time, the state's "child-only" caseload declined only slightly. (In addition to families in which adults — generally parents — and children receive assistance, there are some families in Georgia, as in all states, that receive assistance only for the children in the family.) These so-called "child-only cases" are typically cases in which children are cared for by relatives other than their parents, by parents who receive SSI, or by parents who are ineligible for TANF based on their immigration status. In May 2006, there were roughly 23,000 child-only cases in Georgia, only a slight decline from the number of such cases in 2004. (See Figure 2.) Child-only cases now represent more than three of every four TANF cases in Georgia.

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[5] U.S. Department of Health and Human Services, Administration for Children and Families, TANF Work Participation data, Tables 1 and 4A, http://www.acf.hhs.gov//programs/ofa/particip/indexparticip.htm#2003. For this period, state data reflecting varying monthly participation data is not available to author, so the average annualized data reported to HHS by the state is cited.

[6] For FY 2004, Georgia's average monthly participation rate was 24.8 percent and the average number of adults counting as participating in work activities was 6,052. The number of families participating in work activities each month increased in late 2003 and 2004, reaching its high in December 2004. By 2005, however, the number participating began a steep decline falling from 8,968 participating in December 2004 to 3,001 in May 2006, the most recent month for which data are available. The sharp decline in the TANF adult caseload began during 2004.

[7] The data shown here are the participation rates reported by the state. http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS-publication/12_2006_OM_FI_State.pdf . Federal statistics are not available for years after 2004.

[8] http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS-publication/12_2006_OM_FI_State.pdf.

What is Causing Georgia's Caseload Decline?

The caseload decline appears to be due to a range of factors, including changes in statewide policies and new procedures individual counties have developed in response to statewide directives to reduce the number of families receiving assistance and to increase work participation rates. Georgia's TANF program is county-administered, which means that each county determines eligibility and manages the program subject to state-set policies and directives. It is not always clear what means any given county used to achieve its caseload reduction or work rate results and the extent to which a practice in one county is found in others as well.

Based on the state's directives to counties, changes to its policy manual in 2006, and available data on application denials and case closures, the following appear to be factors in the decline:

- **Work rate performance mandate and goals**: In early 2004, the state sent a strong directive to counties to achieve a 50 percent work participation rate. The statewide average work participation rate at the time was about 20 percent. Counties subsequently have been told that they now are expected to achieve a 70 percent work rate. Counties' work participation rates have been measured and monitored each month against these goals, with special recognition of the counties that have achieved 100 percent participation.

- **Culture and message change**: The agency touts culture and message change as a big part of the caseload drop, with the oft-repeated message from DHR Commissioner B. J. Walker that "Welfare is not good enough for any family." [9] There is evidence, discussed below, that at a minimum raises questions about whether this message has been translated at the local office level into caseworkers actively discouraging families from following through on their applications for TANF assistance and encouraging families to leave the program.

- **Changes in the application process and application approvals**: Under new statewide rules, families must attend an orientation and develop an "employment plan" *before* the family's application can be approved. This can mean that families are required to participate in multiple meetings and perform various tasks — which can include job search — before their benefits can be approved.

  Data show a sharp decline — 25 percent — in the number of applications submitted and an even sharper drop in the number of filed applications that are approved. In April 2006, only 20 percent of applications were approved, down from 40 percent in January 2004.

  A large share of TANF applications in Georgia are denied for reasons *unrelated* to whether the family was poor enough to qualify for TANF and whether they met other basic eligibility criteria (such as having a child in the family).

  - *Of the Georgia TANF applications denied in the first third of 2006, about one in three was denied because the family chose to withdraw its application before the state made an eligibility determination.* In 2002 and 2003, by contrast, just one in five applications was denied for this reason. As is

[9] http://www.gov.state.ga.us/press/2006/press1173.shtml; see also, Georgia Department of Human Resource' TANF Program Manual, Section 1801.

discussed below, this increase in "voluntary withdrawals" appears related to a new emphasis on discouraging applicants from following through on their application for aid.

- *Another one-third of all applications denied in the first third of 2006 were denied because, according to the state, the family failed to cooperate with the eligibility process*; this too represents an increase from 2002 and 2003 when one if four applications were denied for non-cooperation. Again, this increase in application denials appears related to policy and procedural changes that have increased the number of "hoops" families must go through *before* their application is approved. These hoops — such as attending multiple meetings with caseworkers and completing job search activities — can make it particularly difficult for families with significant problems to complete the application process.

- *Only 7 percent of applications that were denied in the first third of 2006 due to the family having too much income, down from 11 percent of denials in 2002 and 2003.*[10]

- **Benefit terminations have been a major factor in declining caseload**: A significant portion of the caseload decline also comes from the increased rate at which families' benefits are terminated. A recent study of families leaving TANF conducted by the Georgia Department of Human Resources notes that while the number of families applying for and opening new TANF cases has fallen significantly, a majority of the caseload decline in 2004 and 2005 was attributable to the increase in the number of families leaving the TANF program.[11] According to the state's study of families leaving TANF, 52 percent of adults who left TANF in 2004 had some earnings at some point in the calendar quarter in which their TANF benefits ended. The share of TANF leavers with earnings in the quarter in which they left TANF has declined each year and is down from 61 percent of 2001 TANF leavers having earnings in the quarter they left TANF.[12]

  What is less clear is precisely *why* the number of terminations has increased. Data from the state TANF agency covering the period from October 2004 through April 2006 shows that *most families that leave TANF do not exit because they have earnings to meet their needs and no longer need assistance.* During this period:

  - *The share of TANF closures (among cases with an adult) due to income has fluctuated somewhat but*

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[10] TANF Application Denials, 2002-2006YTD, Georgia Department of Human Resources.

[11] "Employment, Earnings, and Recidivism among Georgia's TANF Leavers: Findings from the TANF Follow-Up System," Georgia Department of Human Resources, May 2006,at http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS_CommonFiles/Leavers%202004.pdf.

[12] "Employment, Earnings, and Recidivism among Georgia's TANF Leavers: Findings from the TANF Follow-Up System," Georgia Department of Human Resources, May 2006,at http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS_CommonFiles/Leavers%202004.pdf. There are several reasons why the state's case closure data shows less than one-third of adult closures due to income and the leaver study reflects about half of leavers with some earnings in the quarter of closure. The leaver study includes earnings that might be from a period after the TANF case has closed but within the same calendar quarter. In addition, coding of reasons for closure do not always capture all of a family's circumstances; a case might be coded with another reason for closure (such as failing to provide information or complete a renewal) when a family with earnings discontinues TANF.

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generally represent one-fourth to one-third of TANF adult closures.[13] Instead, TANF benefits often are closed for other reasons that do not reflect a successful transition from welfare to work.

- *About 16 percent of TANF case closures (among cases that include an adult) were families requesting that their TANF benefits be terminated but that their other benefits, such as food stamps and Medicaid, continue.*[14] These data suggest that poor families may be encouraged to withdraw from the TANF program even if they remain eligible and wish to continue receiving other forms of assistance.

- **The economy does not appear to be the major reason for decline:** The recent report on Georgia families that left TANF in 2004 issued by the Georgia DHR notes that despite some job growth in the economy since 2004, "persistent losses in manufacturing and information have muted Georgia's economic recovery and limited employment opportunities for TANF recipients and leavers." The report concludes that the pattern of caseload decline in light of the labor market circumstances "suggests that something other than the economy was contributing to the decreasing caseload." The report further notes that the program changes appeared to be effective in keeping families that left TANF *without work* from returning to the program, as there was no corresponding increase in employment to suggest that the families no longer needed assistance.[15] In addition, another recent study notes that other poverty indicators – including poverty and unemployment rates as well as Georgia's food stamp and Medicaid caseloads *increased* since 2002, also suggesting that the state was not experiencing a sharp reduction in the number of poor families with children.[16]

  Moreover, data from the Census Bureau's American Community Survey shows that the number of Georgia children living in single-parent families with incomes below *half* the poverty line increased between 2003 and 2005.[17] (This analysis focuses on children in single-parent families because these are the families most likely to participate in TANF assistance programs.) The Census data show that in 2005, 162,200 children in Georgia lived in single-parent families with incomes below one-half of the poverty line. (One-half of the poverty line in 2005 amounts to just $649 per month for a family of three.) This is a statistically significant increase from 2003, when 143,200 children lived in such families. These data strongly suggest that the reduction in the number of families receiving TANF assistance over this period was not driven by a

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[13] TANF Adult Closures: Closures Due to Income, October 2004-April 2006. Georgia Department of Human Resources.

[14] Mandatory Adult Closure Reasons, January 2006, Georgia Department of Human Resources.

[15] "Employment, Earnings, and Recidivism among Georgia's TANF Leavers: Findings from the TANF Follow-Up System," Georgia Department of Human Resources, May 2006, at http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS_CommonFiles/Leavers%202004.pdf.

[16] Robert Z. Welsh, "Georgia's Declining Welfare Caseload: Sign of Success or Failure?, Georgia Budget and Policy Institute, January 2007, http://www.gbpi.org/pubs/specialreport/20070119.pdf.

[17] These data are from the American Community Survey which surveys families over a 12 month period about their circumstances over the prior twelve months. Thus, the data for 2003 actually represent families' circumstances over a period that spans from January 2002 to November 2003. The data for 2005 represent families' circumstances from January 2004 to November 2005. The 2005 data are the most recent data available.

reduction in the number of very poor families, but rather by policy and procedural choices the state made in its TANF program.

Survey of Caseworkers from Domestic Violence Shelters Provides Further Evidence that Families are Discouraged from Applying and Encouraged to Leave the TANF Program

The Georgia Coalition Against Domestic Violence conducted a survey in February 2006 of "TANF Assessors" — domestic violence shelter employees who typically are stationed at county welfare offices to provide on-site assistance to victims of domestic violence. The survey was designed to learn more about recent changes in application procedures in county welfare offices in response to concerns by shelters that families were finding it increasingly difficult to apply for and receive TANF. The survey generated more than three dozen responses, providing information on patterns and practice inside Georgia welfare offices that go beyond anecdotal reports. The survey — while not definitive — points to the need for more research and analysis of Georgia's policies and procedures *before* concluding that they should serve as a national model.

Some of the key points about the application process that the survey results reveal include:

- **More than two-thirds of respondents indicated that they had seen "indicators that something is happening during orientations which results in applicants leaving before the TANF application is completed."**[18] Some respondents reported that county staff or directors talk with clients before the orientation with the result that applications are dropped and the client does not attend the orientation. (Cases in which a family decides not to continue with the application are likely coded as "voluntary withdrawal of application," which accounted for one-third of application denials in April 2006.)

- **More than two-fifths (44 percent) of respondents report that they have seen cases in which applicants were assigned to work activities that were difficult or impossible because of the individual's disability.** One noted that clients who claim they have a disability are encouraged to withdraw their applications and generally do. Another reported that a client (with medical documentation of inability to work) was told that she could not apply for TANF because she could not work.

- **Nearly two-fifths (39 percent) report that they have seen cases in which applicants were assigned to work activities that were difficult or impossible because of pregnancy.** Several reported seeing cases in which pregnant women were told (incorrectly) they could not get TANF or should come back and apply after the baby is born.

- **In response to open-ended questions, some respondents reported seeing cases in which individuals that came to a welfare office were dissuaded from filing an application and circumstances where the director of the welfare office personally talked with families to discourage them from applying.** A few even reported that some families were told that if they applied for TANF assistance, child protective services might investigate their ability to meet their children's needs.

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[18] Survey on Current TANF Benefit Access in Georgia.

Mr. LEWIS OF GEORGIA. Let me ask another question. What type of groups are receiving these fatherhood grants?

Ms. HARVEY. In South Georgia, they are principally——

Mr. LEWIS OF GEORGIA. Are many in metropolitan Atlanta, and Fulton County?

Ms. HARVEY. I am not aware that there are any fatherhood grants going on directly through this particular stream of funding, but I do know that I have had meetings, along with—who was here earlier—our State child support director. I have had meetings with people in Atlanta, and we are focusing principally on prisoners, when they come back into the system. There are some reforms that we have made around that, where we will put their arrearage in abeyance.

Mr. LEWIS OF GEORGIA. The resources, to grant directly to an organization or groups——

Ms. HARVEY. No, sir. I didn't have that kind of grant. Our child support office got one of those this year, and that's the one that went to South Georgia to expand on what was going there, but we are working with the existing infrastructure in Atlanta.

Unfortunately—well, not unfortunately—but one of our high-profile groups that we are working with are men and/or women, but principally men, who are getting to be released from prison, and bringing them back. The one thing we know is they have come out, and their arrearage has built up while they were in.

So, the whole—the temptation is to go underground, as opposed to stand up to the plate and 'fess up. We want to meet with them, prior to release, and work with them to say we will hold the arrearage in abeyance, and it will not continue to accrue. "Let us work with you to get you employed and engaged with your child," because we believe that intrinsic occurrence is as important as any dime that they can add into that household.

Mr. LEWIS OF GEORGIA. Thank you, Ms. Harvey.

Chairman MCDERMOTT. Thank you. Mr. Herger?

Mr. HERGER. Thank you very much. Again, Ms. Harvey, thank you for the job you have done. Thank you for the role model you are for the rest of us.

Ms. HARVEY. Thank you.

Mr. HERGER. I thank Mr. Wagstaff. It does bring back some memories back to those early eighties, and really what we were doing during that time, building this program, was in this same area, which was to look around the States, those who were able to go out in some unique programs, and try to model something that was working.

It was very enjoyable, the trips we took—and very informative—to Massachusetts, Pennsylvania, and West Virginia; very different programs they had—as we modeled ours.

So, Ms. Harvey, I think back. I have a very small business background. As a small business man, we were always looking out at who were excelling at what they did. What is it we could copy from them, and their good ideas, and then incorporate it ourselves? Similar to what we did then.

I had the privilege of being Chairman of this Committee for 6 years—incredible time that I value as one of the most rewarding times of my political career.

One of those concerns I had during that period of time is how easy it is to be able to see this culture, or a mindset, of just because you have people who seem to not be able to make it as some others were in society, were not able to find those jobs—and they all had different handicaps of one type or another—that somehow, having this culture that they couldn't do it. Maybe we didn't say that, but that was definitely the culture, that somehow they couldn't do it, and we would see generations, three and four generations of not being able to do it, so to speak, that were locked into this welfare mentality.

Again, as Mr. Wagstaff and I had the opportunity of trying to find those who broke this cycle, and then we heard again, "Well, we did the first 50 percent, but the last 50 percent, they were really the hard ones. We can't do them, either."

Yet, as you go around, you would see these examples of programs where they did do it. They did go out and find these individuals. Yes, it took analyzing, what was the situation, what can we do with them, and preparing them, and just very fundamental preparation.

If I could ask you—because you are, I think, an incredible role model, whether it's in Nebraska or here in Georgia—what we can try to learn from you somehow. You have that unique ability to be able to make it work. For others, what would you say would be the first three steps that you would recommend to other States to better engage welfare recipients and work?

I think you already mentioned engaging caseworkers, but if you—helping others who would like to have successes like you are having, what would you encourage them to do?

Ms. HARVEY. Well, like with any business, I believe it starts from the value frame what is the value system? If the value of the leadership is that work is a good thing, then we find the ways to make work happen. If the value of the leadership is that the best family is a family with an engaged parent or two that's employed in the work force, then you work to have that happen.

You may have to throw away the old habits, because—and you're not working for a 30 percent or a 20 percent, 50; our State goal is 70 percent. So, you're not working for any of that, but you're working for strengthening families.

So, one, let your value system drive it. Then, second, the use of data. We consume data in our State government in an unbelievable fashion. Folk who never looked at the aftermath of what they did, are now having to examine it on a weekly basis to say, with our pipeline, where they are moving.

I have brought with me our most recent pipeline stats, to talk about where we are, statewide. We know how many and who is in every category. So, this is what our workers must use in order for them to move people from not job ready, to almost job ready, to job ready. They are evaluated on that particular outcome. So, use the data to inform your work.

Then, thirdly, folk like me should get out of the way of people who do the work, actually. Our job is to set the vision. Our job is to communicate that vision. Sell it, if you will, and then give them the tools that they need to get the work done. Let them know how they are doing, cheer them on.

Mr. HERGER. Thank you very much.

Chairman MCDERMOTT. Thank you very much. I think it is fair to say that the caseload issue is both one end coming in, and one end coming out. If you drop your caseload by 80 percent, as you did in Georgia, it's not hard to show the kinds of numbers that you're not showing. I think that's the thing that—you've got to ask yourself, "Where are all those people?"

If only one-third of them went to work, where did the other 60 percent go, or 70 percent go? That's the real question that I think is unanswered by this discussion. I think we may not get to it today.

Mr. WELLER. Mr. Chairman?

Chairman MCDERMOTT. Yes?

Mr. WELLER. I believe that our guest from human services from Washington State noted that their caseloads had dropped by 60 percent. So, we have seen a drop in caseloads across the board, differing in each State.

So, the question could be, we have seen a case drop in caseloads in various States across the board. Some of those States have actually provided a significant increase in work participation, while others have not, even though they have had a drop in work caseload. So, I guess there is a different way to look at that question, as well.

Chairman MCDERMOTT. There is more than one way to skin a cat and describe it.

[Laughter.]

Chairman MCDERMOTT. Ms. Berkley, please?

Ms. BERKLEY. Since all politics is local, I am going to direct my comments to Ms. Ford.

Right now, in my congressional district, we have about 5,000 new residents a month coming into town, and that's down from a high of about 7,000. I have a lot of extra people. I know that we talked about supplemental money to help the State of Nevada out, but it's obviously not enough to cover the numbers of people that are coming in.

Now, I think you do an extraordinary job, and I know that you have worked for Republican Governors ever since you took this job. I would hardly call either one of them a bleeding heart liberal, but I am sitting up here, and have the ability to make meaningful changes and help you to do your job well, which in turn, will improve the quality of life of the people that I represent.

If you were sitting up here, rather than the questions I have for you, what would you be recommending that we do, that I do, so that you can do your job better, and help the people of Nevada get off welfare—and I don't think there is anybody sitting up here that thinks that—that doesn't believe work is good, and engaged families are critical to the success of future generations of this country—what do I do to help you?

Ms. FORD. Thank you, Ms. Berkley. If I were sitting up there on the panel, I think the single most important thing is to give States flexibility on dealing with their most needy populations. As I said, that's reinstating the ability to use the maintenance of effort dollars to create separate State programs, without having them count in the work participation rate.

We all agree, the most important thing is to get people to work, but the other thing that nobody has talked about here is there is a 5-year time limit on TANF, 5-year lifetime time limit across the country. So, some of the caseload reduction might be due to people reaching that 5-year limit. I mean, we don't know.

Ms. BERKLEY. What happens to them when they hit that limit?

Ms. FORD. They may still get food stamps, they may still get Medicaid, they may still get certain supportive services, but they no longer get TANF. They may not be self-sufficient. Nobody has talked about that 5-year time limit. To me, the 5-year time limit is the most important thing. The work participation rate is something artificial and arbitrary that has been set so that people can feel like we're meeting—that we're actually getting these people to work, and to self-sufficiency.

Well, with the 5-year time limit, we have an incentive to get people to self-sufficiency, because otherwise, they're going to fall on their local governments for support, or they're just not going to have support at all, and become homeless.

So, I don't think that has been talked about at all, but that is one of my concerns.

Ms. BERKLEY. I visited, recently visited, Martinez Elementary School, and discovered that they had brought a trailer on campus, because they have 114 homeless children attending Martinez, and they needed a place to get dressed and get washed, so that they could go to class.

How—in a community like Las Vegas, with a booming economy, a robust, very robust economy, how do you account for this? What can we do, as a Government? Somewhere along the line, there is responsibility. I am a great believer in personal responsibility, but what can we do to give these people a hand up? Not a handout, but a hand up, so that we don't have 114 kids getting dressed in a trailer in one of the most affluent districts in the United States of America?

Ms. FORD. I am afraid I may not have an answer for that? I do not deal with the homeless population, I don't administer housing programs, but it's very, very difficult. What we need to do is be able to work with these families, and get them to self-sufficiency. If I can't provide them the assistance they need to be able to coach them, and get them to that level, they're just going to fall off my rolls.

That is why I am saying it has become a work program, rather than an assistance program. Some of our neediest families and our neediest children can't get our assistance, because they can't meet the work participation requirements, and there is just no place else for them to go.

Ms. BERKLEY. Let me ask—I know that some of the recommendations you have made is greater flexibility. I agree with you, of course. The five-year time limit, to increase that limit.

Now, I know throwing money at a problem isn't always a solution. Could you use more money? Would it help you to administer your programs?

Ms. FORD. I would have a hard time saying no.

[Laughter.]

Ms. FORD, but—well, see, and that's the other thing that I think needs to be recognized is, yes, the block grant is still stable-funded, but it has not been re-allocated since it was first created. It's the same amount of money as it was back in 1996.

Ms. BERKLEY. So, here is my question. In a State like Nevada, with a population increasing by 5,000 people a month, in my congressional district—and I am only 1 of 3—what does static funding do to a State like Nevada?

Ms. FORD. It prevents us from enhancing our programs, and making them really meaningful to our neediest families.

Ms. BERKLEY. Thank you very much. Mr. Chairman, I don't know how—since I am new to this Committee, and new to this Subcommittee—but perhaps in the future, the Administration's representative would be invited to stay so she could hear what we are hearing, because it's very wonderful to sound so incredibly sanctimonious, but I don't know how much interaction she has with the people that are being affected by these—by her budgets, and it might be a very good learning experience for her, as well as it is for Members of Congress.

Chairman MCDERMOTT. We will think about that. I am sure there are Members of the Administration staff here, listening. Mr. Porter?

Mr. PORTER. Thank you. We find a lot of witnesses like to leave as quickly as possible from different hearings on the Hill, but thank you, and thank you all for being here.

I appreciate my colleague's question on what we can do to help. Nevada, if you look where we were in 1996, we had 14,620 families that were receiving some form of cash assistance. In 2006, that's somewhere around 6,548. I applaud the State of Nevada for its hard work in improving. Again, not to just talk statistics, these are real families with real challenges.

When we look at the Nevada budget, it seems to me that we have about 20 million unspent dollars from 2005. Is there something we can do to help you be able to use those funds in Nevada, if these statistics are correct?

Ms. FORD. Well, I am a little gun-shy to use that—what we call the reserve. After September 11th, our caseloads almost doubled. We were the most severely adversely affected State in the whole country.

At that time, we had a $22 million reserve. We burned through that within about 6 months. I was then cutting programs. I was cutting transfers to counties to assist with emergency assistance and their child welfare programs, and I had to make quite a few cuts.

So, we want to maintain at least a $20 million reserve at any one time, just to handle those contingencies, because we are so tied to the economy in Nevada, due to our tourism, that any downturn can really increase my rolls, because we are the safety net for those people. They do not have bank accounts and investments to fall back on. We are their safety net. So, I am very reluctant to spend that money.

Mr. PORTER. That's good. I want to make sure it was for a purpose, not because of some bureaucratic problem we have with Washington using the funds. So, I appreciate that.

Ms. FORD. Oh, no. I am very cautious about that money, because of what happened after September 11th.

Mr. PORTER. Also, you mentioned the problem with the extending time. My understanding is that we can extend up to 20 percent of our current caseload beyond 5 years. Is that something that we have a problem in Nevada using, or have we used that?

Ms. FORD. Well, I would like to clarify my comments. I am not advocating extending the 5-year time limit. I am just saying that there is that time limit out there. So, States have a built-in incentive to getting people to self-sufficiency, without having a work participation rate. We want to get those people out there.

The 20 percent is for disabled, or hard to serve clients, that we can put them in and have them go beyond the 5-year time limit. They still count in the work participation rate. So, if we have 20 percent of our caseload in that kind of area, then we have to make the work participation rate with 80 percent of our caseload, which means we have to meet about a 64 percent work participation rate with the remaining membership of our caseload.

Mr. PORTER. I bring that up because I think it's an area that we will look at, because of your comments. We want to make sure that you are able to extend that.

I guess another question I would have, in looking at cash assistance to administrative expenses, in the States that are here today and in reality, I know each State has its different challenges. Nevada is about—almost 50 percent of our cash assistance—of cash assistance of $33 million, we have about $16 million in administrative expenses. If we look at Washington, it's about 17 percent. New York is about 21 percent, Georgia 16 percent, California is about 16 percent.

So, I looked at New Mexico, which is a fast-growing State, with about $75 million going out in assistance, their administrative expenses are about 7 percent. Is it because of our massive growth that your administrative expenses are higher, or is there something we can do to help you in that area?

Ms. FORD. Well, I am not clear—I would have to study those figures, frankly, to be able to respond, because I really—I don't know where those numbers came from. We're limited to 15 percent for admin in the TANF block grants. It may be you're counting some of the program expenses, because program is not included in the administrative costs, but I would have to study those figures to be able to give you——

Mr. PORTER. I want to make sure they're accurate, and if we can help you. This is why I bring them up. So, we can talk about that later.

Ms. FORD. Absolutely, and I will be happy to look into it, and see where those figures come from.

Mr. PORTER. Thank you. I appreciate you being here.

Chairman MCDERMOTT. I want to thank all the witnesses. I want to ask you to do one more thing for me, though. Yesterday, the Governor of Washington filed a lawsuit on the whole question of the proof of citizenship before children can receive Medicaid.

I would like to have from all of you a response from your agency or your agency director or Governor, whatever, as to what impact that requirement will have on your ability to provide health care

for newborns in this country. I think it's a serious issue, and I would like to know if my Governor is alone in this, or if there are some others who might have some interest in it.

So, we thank you all for coming, and we will perhaps be back in touch with some of you again to come another day. Thank you.

[Whereupon, at 1:28 p.m., the hearing was adjourned.]

[Questions submitted by the Members to the Witnesses follow:]

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES
1470 College Parkway
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JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

NANCY KATHRYN FORD
Administrator

March 21, 2007

Sent via E-Mail

Chairman McDermott
The Subcommittee on Income Security and Family Support
Committee on Ways and Means
U.S. House of Representatives
Washington, DC

RE: Questions posed at the Hearing on Recent Changes to Programs Assisting Low-Income Families, March 6, 2007

Dear Chairman McDermott:

At the hearing held March 6, 2007 three questions were asked that required specific research to provide a comprehensive answer to the subcommittee. It was indicated we would provide responses by March 22, 2007. Below are responses to the questions posed. I have repeated the questions below with responses and reference to the pertinent attachments.

Congressman Weller asked I provide the number of days it takes to establish a child support enforcement case in Nevada. It takes an average of five days from the date an application is received in one of our offices to have it entered in our system and start the course of action toward collecting child support. Federal regulations mandate this process be completed within 20 days.

Congressman Porter asked for an explanation as to why Nevada appears to have almost 50% of our TANF Block Grant going to administrative expenses. My analysis suggests that Congressman Porter may have misinterpreted the report he was looking at. As you can see from the attached spreadsheet, Attachment A, the total Block Grant expenditure was $72 million and $17 million is reported therein as administrative expenses. Solely the cash assistance was $33 million. Further analysis indicates that the author of the report, Congressional Research Services (CRS) combined what the Administration for Children and Families (ACF) considers "Administration" with "Systems" to come up with what they describe as "Administrative Expenditures." This explains why our "Administrative Expenditures" percentage shown on page CRS-28 appears to exceed the 15% ACF cap on "Administration". As the attached spreadsheet indicates, actual administrative costs are 14.7%.

Finally, you as Chair asked for a response as to what impact the requirement to provide proof of citizenship before children can receive Medicaid, will have on our ability to provide health care

to newborns in this country. Proof of citizenship will have a significant impact on the provision of health care to newborns in this country. In the case of citizen mothers who receive Medicaid for the birth of the baby, the baby is automatically eligible for Medicaid for one year. At the end of that year period, the eligibility of the baby must be reevaluated for ongoing Medicaid. This redetermination includes a requirement that citizenship be proven. Although the baby has been eligible for Medicaid for one year and the birth was paid for by Medicaid, citizenship and identity must still be verified. This creates an additional burden to confirming eligibility when the baby is known to be a citizen born in the United States.

In the case of illegal immigrants or legal immigrants who have not been legally in this country for five years, the burden is greater. Medicaid law requires coverage of an emergency birth and under prior interpretations by the Center for Medicare and Medicaid Services (CMS) the newborn baby was automatically eligible for Medicaid for one year. In the preamble to the regulations adopted as a result of the citizenship and identity requirements, CMS has changed that interpretation to require citizenship and identity of the newborn be separately established before the baby is eligible for Medicaid. This requires a new application for the newborn, even though the birth was paid for by Medicaid and it is known the baby is a citizen as born in the United States. Nevada has opted not to change its policy on these newborns unless and until we receive specific direction from CMS. It is our understanding the preamble to the regulations does not have the force and effect of law. We have the prior interpretation in writing from CMS. Therefore, until we receive additional direction, we have not changed our newborn policy for illegal immigrants or legal immigrants who have not been legally in this country for five years.

We did receive information on or about March 20, 2007 indicating CMS proposes to revert to their prior interpretation and issue an interim final rule regarding verification of citizenship to newborns born in this country. However, this anticipated clarification does not address the need to verify citizenship and identity of those infants when considering ongoing Medicaid eligibility after one year.

I want to thank you for the opportunity to present before the Subcommittee. If there are additional questions or additional information required, please feel free to contact me. My e-mail address in nkford@dwss.nv.gov and my telephone number is (775) 684-0504. Thank you.

Sincerely,

Nancy Kathryn Ford
Administrator

Attachment

cc: Mike Willden, Director, Department of Health and Human Services

ATTACHMENT A

SUMMARY OF PAGES CRS 26 AND CRS 28

Nevada	Basic (cash) assistance	CRS REPORT COMBINED ADMINISTRATION AND SYSTEMS EXPENDITURES		Administrative expenditures	Work program expenditures	Child care expenditures	Transfers to CCDF	Other work supports	Family formation expenditures	Other expenditures	Transfers to SSBG	Total
Millions of $	33.1			16.6	1.3	4.0	-	5.6	0.3	8.9	1.2	71.0
Percent	46.6%			23.4%	1.8%	5.6%	0.0%	7.9%	0.4%	12.5%	1.7%	100.0%

AS REPORTED ON NEVADA'S ACF-196 REPORT FOR FFY 2005

Nevada	Basic (cash) assistance	Administration	Systems	Administration plus Systems expenditures	Work program expenditures	Child care expenditures	Transfers to CCDF	Other work supports	Family formation expenditures	Other expenditures	Transfers to SSBG	Total
Millions of $	33.4	10.6	6.2	16.8	1.3	4.0	-	6.1	0.4	8.9	1.2	72.1
Percent	46.3%	14.7%	8.6%	23.3%	1.8%	5.6%	0.0%	8.5%	0.5%	12.3%	1.7%	100.0%

[Submissions for the Record follow:]

Statement of American Payroll Association

On behalf of the American Payroll Association (APA), we ask you to consider the comments below, which are being provided in response to the request for public comment issued in the *Federal Register* on Jan. 24, 2007 [72 FR 3093].

About the American Payroll Association

The APA is a nonprofit professional association representing more than 22,000 individuals and their companies in the United States and Canada. The APA's central mission is to educate its members about best practices associated with paying America's workers, including compliance with all relevant federal, state, and local laws. As part of this mission, the APA works with legislative and executive branches of government to find ways for employers to meet their obligations under the law and support public policy initiatives, while minimizing administrative burden.

Approximately 70% of all child support is collected through wage withholding, amounting to more than $16 billion annually in the United States. Payroll professionals are intimately aware of the impact wage withholding has, through all levels of society, on the employees who pay this support and on the recipients of this support.

$25 Fee to Be Assessed

The proposed rule, in accordance with the Deficit Reduction Act of 2005 (DRA 2005), would require that states impose an annual $25 fee during each federal government fiscal year on every case in which a child support recipient receives at least $500 in support through the IV–D system and the recipient has never received assistance under Section IV–A (Temporary Aid to Needy Families). The fees would be reported by the state IV–D *agencies as program income. DRA* 2005 provides four options for the states in imposing the fee:

1. The state may retain the fee from the support it collects on behalf of the recipient.
2. The state may recover the fee from the individual applying for services.
3. The state may recover the fee from the absent parent.
4. The state may pay the fee out of its own funds.

While most states report that they will collect these fees without the assistance of employers, the APA is concerned that states seeking to recover the fees from certain custodial and noncustodial parents will do so through wage withholding not connected to a support order. If so, it raises a number of issues that we would like OCSE to clarify.

1. Child support orders are subject to higher withholding limits than creditor garnishments (up to 65% vs. 25% of disposable earnings). Various fees that are collected as part of a withholding order enjoy the same higher withholding limit. Would an order to collect only the fee be subject to this same limit? No doubt, employers receiving such orders will come to varying conclusions.
2. Will the standard Income Withholding Order (which is currently being revised) be amended to include a line for the fee?
3. What priority will the fee have against current support, medical support, and arrearages?
4. Many employers do business in more than one state, and some 30% of wage withholding orders cross state lines. To prevent employer confusion over whether it should follow the rules of the state issuing the order or those of the employee's (noncustodial parent's) primary work state with regard to this fee, we would like OCSE to clarify that the employer should follow the rules of the state issuing the order. This seems to follow the provision of the Uniform Interstate Family Support Act that says the employer must follow the rules as stated on the order that specify (among other items) the amount of periodic payment of fees and costs for a support enforcement agency.

APA Concern Over Lack of Outreach to Employers

In addition to the confusion that the fee will cause employers, the APA is concerned that the fee may actually be detrimental to employers' relationships with state child support agencies. We understand that certain states will choose to pay the fees themselves because they believe that charging fees to support recipients is contrary to their mission. These fees cannot be considered operational expenses, which means they will be an additional burden on the states' already burdened budgets. APA is concerned that employer outreach will suffer as a result.

Even the states that do pass on their fees to their residents appear to be facing great expenses to develop computer systems to account for the fees, and they will pass on the lion's share of those fees to the federal government. In conversations APA has had with child support officials, accounting for this fee has been described as "a nightmare."

The cuts imposed by the Deficit Reduction Act are likely to tax the state child support agencies to such an extent that services to employers cannot help but suffer, as states are forced to reduce staff yet continue to meet federally imposed levels of service (such as a 90% paternity identification). This fee appears to add to that burden rather than alleviate it.

APA and child support agencies at both the state and federal levels have spent years developing relationships that have proven mutually beneficial and beneficial to society. We are quite committed to maintaining this relationship but worry that states will find themselves unable to provide employers the level of service to which they have been accustomed.

We appreciate your consideration of the issues we raise and look forward to your response. If you have any questions or would like clarification on our comments, please contact William Dunn at the address below.

Child Support Officer II
Commerce, Ca 90040

Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Dear Sir/Madam,

My name is Shoushan Baghboudarian, I am a Child Support Officer in County of Los Angeles, my Department's moto is to "better the lives of the Children of Los Angeles County", that is exactly what we work for, day in and day out, we deal with many cases where we get emotionally and physically drained due to the hardships that our case participants deal with, we do go that extra mile to reach out to the little ones, to make their lives a little better, to give them hope and to show them that there is light at the end of the tunnel and to never give up on their future.

Los Angeles County is very short of Child Support Staff as it is, we can not afford further cuts in our budget, we are already extremely heavy on case loads as it is.

You must understand the importance of our work, our vital work which families benefit from, financially and morally, their self esteem is at risk if they have to go to financial assistance programs, their dignity will be crushed, as well as their dreams for a better future, they are barley making ends meet now, they (Custodial Parents) have trusted us to locate and enforce Court orders against the non paying parents, these people can not and will not request assistance from the Welfare department, which is what will happen if you decide to cut our Budget.

We have been helping our Custodial parents for years, they feel proud that they have done good, they have finally become self sufficient, they have their jobs and also depend on support checks due to financial hardships. The department will not be able to function as we have been, if more staff is laid off, we have been successful in locating delinquent parents and forcing them to take responsibility to support their children, in some cases, we have assisted in exchanging mail between non custodial parent, custodial parent and the children, we do try to go that extra mile when needed, but if our budget is cut, we will be over whelmed, which will result the case participants to have no choice but request family assistance as their payments will not come in timely manner due to shortage of staff, staff who monitor where delinquent parents work or have assets, generate wage garnishments, suspend government issues ID's/Passports, etc.

Our daily function is as important to Los Angeles County Children as air is for breathing, these facts might not be as important to some who do not have to depend on our departments daily function due to comfortable lives that God has blessed them with, but for the regular citizen, who's lives will be altered, this is their lifeline, don't cut that last string of hope that is left in their hearts, which is exactly what will happen if your bill goes through.

I am urging you to reconsider, and I must insist to all those who wrote this unethical bill to take a moment and look at your children, it could be your child or someone you know, who might need this departments assistance some day.

I, whole heartedly support legislation that would rescind the scheduled cuts to the department that I work so hard for, in the Deficit Reduction Act.

My Special thanks to Chairman McDermott and Senator Rockefeller for all of their efforts. God Bless you.

Thank you for your time,

Sincerely,

Shoushan Baghboudarian

Statement of RaeLynn Block

Further budget cuts would result in further reduction of an already understaffed Los Angeles county child support agency. The staff is already overwhelmed and working at a pace that is exhausting and almost unmanageable. Due to this continual pace the people who are suffering most are the clients were are supposed to serve. Staff is unable to provide the sufficient time and attention to each specific case/client that is truly deserved to service them best. Staff are carrying entire workloads by themselves when to truly and efficiently work them the load should be split between two to three people or more, but due to shortage of workers one person must find the time to handle the entire workload.

The enforcement of child support and health insurance orders are vital to the children and families that this agency serves. There are families struggling to keep afloat on one income and stay off of the welfare system and without our office collecting their child support that is exactly where they would end up. Children deserve the right to grow up in a home that is above the lowest of poverty levels and know that they will not struggle to make ends meet. This agency helps reduce the stress that a single parent feels not knowing if they will be able to pay their bills month to month by knowing that their child support will be coming in. Obviously not all parents pay their support like they should but if they did then there wouldn't be a need for the services our agency provides.

Our office has the means to locate non-custodial parents and their income to obtain the needed child support orders and subsequently enforce the collection of those debts. Our office has a client whose daughter is extremely ill and in and out of the hospital on a frequent basis. The father of that child has not paid support since the baby was born and she is now 3yrs old and the mother is not receiving public assistance. The mother works when she can but is unable to do so for the most part as the child requires full time attention. The non-custodial parent owns his own business and resides in a very expensive home. Our office was able to get a substantial child support order for the mother and set an arrears amount. The non-custodial parent is now paying his support regularly and made a lump sum payment to pay off his back-owed arrears of which the custodial parent received a **large** which she greatly needed.

The children and families of Los Angeles County depend on the services our agency provides, as it may be the only chance they ever have of receiving any kind of support. Parents want to provide for their children and live a life that will make them proud and lead the children to a productive life as an adult. By reducing the budget and making further cuts to the child support enforcement agencies you would be reducing the efforts the staff will be able to make in collecting support for these families. This would have a negative affect on their life and possibly end up with them having to apply for and receive public assistance to make ends meet. The welfare system was put in place to help people who needed a hand up when they were down on their luck, but it seems grossly inappropriate for people to be "down on their luck" due to the fact that their government won't fund the needed agencies to help them. It doesn't seem that the answer to the question " Why did you apply for welfare?" should be " Because the child support office doesn't have enough staff to collect my child support."

We support legislation that would rescind the schedule cuts to Child Support in the Deficit Reduction Act and thank both Chairman McDermott and Senator Rockefeller for their efforts.

American Association of Community Colleges
March 20, 2007

The Honorable Jim McDermott, Chairman
Subcommittee on Income Security and Family Support
Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman McDermott:

On behalf of the American Association of Community Colleges (AACC) and the 1,202 community colleges it represents, I am writing to share our concerns about proposed regulatory changes for the Temporary Assistance for Needy Families (TANF) program, pursuant to the subcommittee hearing on March 6, 2007. Community colleges are deeply involved in providing education and job training as well as other services to individuals receiving TANF assistance. Community colleges can do much to help these individuals not only to secure jobs but to become economically self-sufficient. Therefore, we appreciate this opportunity to provide comments on these important rules.

Policies limiting access to postsecondary education and training are counter-productive since there is a strong, positive correlation between educational attainment and income. According to the Bureau of Labor Statistics, in 2004 the average holder of an associate degree earned $6,983 more annually than did a high school graduate. This fact should be reflected in TANF policy.

AACC recognizes that the Deficit Reduction Act of 2005 (DRA) imposes new requirements on the Temporary Assistance for Needy Families (TANF) program. Our comments below are focused on the interim final rule published in June, 2006, and how that rule and the pending final regulations will impact postsecondary students.

The interim final rule promulgated by the Department of Health and Human Services imposes unacceptable new requirements on providers of vocational education and job training. It requires that vocational education be "supervised on an ongoing basis," *no less frequently than daily.* Most individuals enrolled in vocational education courses are not attending classes every day nor are many courses even offered every day.

If HHS intends to require that attendance be taken everyday on every vocational education course that a college offers, it would be imposing a major new regulatory burden on institutions that will not provide commensurate gains. Colleges currently monitor students to ensure that they are making "satisfactory progress" in their programs in accordance with the regulations established pursuant to the Higher Education Act. Since community colleges do not single out TANF recipients who enroll in classes, this new provision would force our faculty and staff to take the time before each class to take attendance on every student, whether or not any of the students were currently receiving TANF funds. Community colleges enroll more than eleven million students annually. Thus, this would translate to an extremely costly new requirement for the colleges. Surely the regulations promulgated by the Department of Education that govern the federal student assistance programs should be sufficient to ensure careful oversight and responsible monitoring of students by the colleges without imposing another cumbersome layer of reporting requirements.

Currently, many students enrolled in postsecondary education certificate and degree programs take a combination of classroom and distance education courses. Some courses utilize both classroom and online instruction. Based on preliminary information, AACC is concerned that some states may interpret the new HHS regulations so narrowly that they may refuse to accept online instruction courses (or portions of courses) as countable toward the participation requirements, and that a significant percentage of recipients could therefore lose their eligibility. The Department of Health and Human Services should be directed to clarify the regulations to explicitly include online vocational education courses as countable activities.

The preamble to the interim final regulations specifically prohibits counting as "work" any time spent in preparation for vocational education classes. Preparation time is indispensable in order for a student to progress successfully through a college program. Although the regulation allows for counting monitored study sessions, this approach is impractical since it would entail significant additional institutional costs and would involve substantially increased child care costs for most TANF participants.

This approach to micromanaging study time stands in stark and disappointing contrast to the federal student aid program regulations. Under the latter regula-

tions, undergraduate students who are taking as few as 12 credit hours per semester are deemed to be "full time" students for purposes of calculating eligibility for student financial assistance, including Pell Grants, Federal Work-Study, and student loans. This reflects the widely accepted standard that for every hour of class time, a student is expected to spend at least two hours preparing. Preparation time is essential for vocational education students and we urge HHS to reconsider this policy to allow for at least one hour of preparation for every hour spent in class. In light of the fact that virtually all TANF recipients engaging in postsecondary education are working and raising children at the same time, this proposal to count at least one hour of preparation time as an allowable activity is a reasonable compromise.

AACC supports the expansion of opportunities for adult basic education to help individuals acquire the necessary prerequisites to successfully matriculate in and complete vocational education programs. While the interim final rule for TANF recognizes the need for basic skills education, it limits its inclusion as an eligible work activity to "temporary" instances. More flexibility should be permitted to allow concurrent or consecutive enrollment in vocational education and basic skills education classes. Similarly, the interim final rule omits English Language Learners (formerly, English as a Second Language) programs from the definition of "vocational education." English language classes, like adult basic education, are an integral part of, or precursor to, many vocational education programs. It would be helpful if TANF recipients were able to access these programs in advance of enrolling in more targeted vocational education programs. The same standards could be used for determining eligibility for these programs—the institution could certify that the English Language Learners (ELL) or adult basic education classes were necessary for the TANF recipient to complete a vocational education program.

The timing of the new regulations poses a particular challenge for community colleges. It is our understanding that HHS intends to publish final regulations this summer and that the regulations will become effective October 1, 2007. Implementation of any significant computer systems modifications by the colleges, whether to collect additional attendance records or other reports, would require months of systems development and beta testing before they could become operational. And, systems changes required during an academic year, in contrast to t the beginning of a new academic year, are particularly disruptive and costly. Given the timing and the enormity of the task, colleges will struggle to be in compliance with this requirement, and unfortunately, it may result in denying access to critical vocational education programs for a large number of TANF recipients.

Thank you for your attention to our comments on the TANF rules. If you have any questions about them, please contact David Baime, VP of Government Relations; or Laurie Quarles, Legislative Associate.

Sincerely,

George R. Boggs
President and CEO

Statement of Vera Borsa-Valadez

It is known, if Congress cut the budget for the Departments in Child Support Service, the workload for officers and workers will increase tremendously, which is already extremely intense. Los Angeles County Call Center, for example, receives an average of 3,500 calls per day, and cutting the budget will compromise the quality of the costumer service and put a big burden to workers that already are under huge pressure.

It is important that all levels of society understand that the Departments in Child Support Service help to lift children out of poverty and make available health care to them. Through the Departments in Child Support Service non custodian parents as pressed to provide support to their children and this can make all difference in a child's life and its family. Our work provides financial benefits for families that are already suffering from low income. Families depend completely on child support from a free service agency to put food on their table.

Departments in Child Support Service are exceptionally important tools to locate non custodian parents, delinquent parents and forcing them to provide support to their children. It is astonishing the number of non custodian parents that simply deny the right of their own children to have a dignified life. They refuse to pay any support and make it very hard for custodian parties to receive any aid.

It is a very rewarding job. I am very proud to work for such important department, which makes a difference in a child's life. Countless times custodian parties express their gratitude for the services received from our Department. Many times they wait for their support with extreme anxiety as this will be the single monies that the family will collect that month.

It is not fair, that children in California, have to suffer and have their lives compromised with an unfair cut on the budget. Californians deserve a free service for Child Support, especially in low income families.

I support the legislation that would repeal the scheduled cuts to Child Support in Deficit Reduction Act, and I thank Chairman McDermott and Senator Rockefeller for their efforts to keep Child Support Services Departments working for low income families.

Statement of Li-Wen Chen

Our work enrichs children's life and helps them get out of poverty. Our work also provides the healthcare they would not otherwise receive.

The budget cuts will increase our workload. Our office stops hiring temporary clerk this year. Our team with 11 case workers only has one clerical. If we don't have enough staff to work on our cases, it will directly affect their life, their health, and their education.

We need more budget to do better job for our children.

Statement of Buncombe County Department of Social Services, Asheville, NC

The Deficit Reduction Act of 2005 (P.L. 109–171) included a reduction in federal funding for child support enforcement administration that will adversely affect child support collections, increase the nation's welfare burdens, and undermine one of the most effective federal/state programs. The mechanism for the cut is to deny States the option of matching federal administrative funds with federal incentive funds they have received as a reward for effective performance. This change reduces *total* administrative funding for child support by an estimated 15 percent across the next five years. On behalf of the Buncombe County Department of Social Services in Asheville, NC, we urge the Congress to reverse or substantially mitigate this funding reduction to avert the adverse effects of these cuts on custodial parents and their children in all parts of the nation.

Here are our major concerns about the impact of these cuts.

1. *Reduced child support collections across the nation.* The federal cuts are deep, and they will result in a major reduction in child support collections relative to what would have been collected otherwise.

2. *Harm well-being of children.* Reducing federal funding for child support will have a direct and adverse impact on the economic and social well-being of millions of dependent children. A growing body of research has documented the positive effects of child support payments on child well-being. Children in families that receive child support have better academic achievement, drop out of school less, have higher levels of emotional health, and are less likely to engage in delinquent activities. Moreover, non-custodial parents that regularly pay child support are more likely to remain actively and responsibly involved in their children's lives.

3. *Increase welfare dependency.* Based on the most credible research, the $4.8 billion in five-year federal savings from the cuts will be offset by $1.67 billion in higher costs for the Medicaid, TANF, Food Stamps, SSI, and Public Housing Programs (Urban Institute, 2004). These higher welfare costs would negate more than a third of the apparent value of eliminating the administrative match for incentives.

4. *Undermine child support program improvement.* Much of the steady improvement obtained in the child support program has resulted directly from the uniform federal performance standards and the substantial financial incentives provided to states. Eliminating the incentive match will reduce these financial incentives by two-thirds. This will greatly weaken a powerful mechanism for program improvement.

5. *Severely affect locally funded programs.* The cuts will have a significant impact on our local county Child Support Program funding. We leverage incentive funds against administrative matching funds, which then together provide the bulk

of our program funding. While, on average, elimination of the incentive match will reduce total federal/state/local child support program funds by an estimated 15 percent, this significantly under-states the impact on local funding in many states. If we are unable to secure local funding to make up for the anticipated federal cut, our program performance will be severely compromised.

6. *Interfere with effective pursuit of interstate child support cases.* If the DRA cuts are allowed to stand, enforcement of interstate obligations will be impaired, along with enforcement of obligations where both parents reside in the same state. Indeed, because some jurisdictions afford lower priority to interstate cases when their administrative resources are inadequate, it seems likely that enforcement of interstate cases may suffer disproportionately if the DRA cut is not reversed.

For these reasons, we hope that Congress will act to reverse these cuts so that the sustained record of improved child support performance can be continued. This would avoid the potential for significant harm to the large number of our nation's children whose economic and emotional support may otherwise be disrupted by nonmarriage, separation, or divorce.

Domestic Relations Association of Pennsylvania
March 6, 2007

Representative Phil English
United States House of Representaitives
2332 Rayburn HOB
Washington, DC 20515

Dear Sir/Madam:

I write this letter in my capacity as president of the Domestic Relations Association of Pennsylvania and on behalf of the nearly 3000 child support professionals in the Commonwealth of Pennsylvania. It is written in the hope that Congress will reconsider and reinstate the funding cuts imposed by the Deficit Reduction Act (DRA) if 2005 on the nation's child support enforcement program.

In March 2004 Dr. Sherri Heller, then Commissioner of Office of Child Support Enforcement, praised both the efficiency and the effectiveness of this program. Again in 2006 the federal budget cited the child support enforcement program as "one of the highest rated block/formula grants of all reviewed programs government wide". In Pennsylvania nearly seven dollars in support is collected for every federal dollar spent on the program. It strikes me as odd that Congress would choose to endanger a program whose effectiveness and cost efficiency has been proven over time and whose work impacts the most needy of its constituents, our children.

As I am sure you are aware Pennsylvania's Child Support program, based on performance measures initiated by HHS, is one of the highest performing states in the nation and certainly is the highest performing of the so-called "Big8" states. Child support enforcement in Pennsylvania is a county run, state administered program. That is to say the greatest impact of the proposed DRA reductions will be felt at that county level by those workers who provide direct services to our clients.

Because the child support enforcement programs are run by 67 different counties it is extremely difficult to quantify the impact of these reductions. The economic impact of the DRA in Pennsylvania has been estimated to be between $18 million—$54 million dollars most of which will be seen at the local level and which will definitely have a negative impact on our ability to maintain staff and our level of service. These cuts come at a particularly critical time as we work to fulfill the federal mandate to broaden our focus to the provision of medical coverage and medical support for our clientele.

Accordingly, I would respectfully request your consideration in this matter and reinstatement of funding to the child support enforcement program.

Sincerely,

Larry R. Wolfe, President
Domestic Relations Association of Pennsylvania

Statement of Brenda Gilreath

Thank you for the opportunity to submit testimony on the impact to programs assisting low-income families as a result of changes made by the Deficit Reduction

Act. My name is Brenda Gilreath and I am the Deputy Director of the Child Support Program in Clermont County, Ohio. Clermont County's population is estimated to be around 194,410. During Federal Fiscal Year 2006 this office served 42,663 individuals (27,704 adults and 14,959 children) associated with a caseload of 13,500 which is considered to be a medium caseload size in the State of Ohio. It is important to note that within our 13,500 cases we are not only responsible for establishment and enforcement of child support orders, we administer medical insurance orders on 10,500 cases. Our Child Support Program has received national and state recognition for innovation and effectiveness. The National Child Support Enforcement Association (NCSEA) has honored our program with Most Improved Program, Outstanding Program, and Program Awareness Excellence Awards. In addition, our program has been recognized by our state office and by various associations with performance awards for best practices, innovation and program awareness. We are proud of our overall accomplishments and the purpose of this program which benefits children and society while reducing costs associated with public assistance programs. The following County information is submitted:

Calendar Year 2006

Child Support Collections	$36,601,225.38
Tax Intercept Collections	$1,447,868.78
Criminal Non Support Collections	$1,079,528.72
Lump Sum Intercepts	$138,108.13
Drivers License Reinstatement Collections	$308,463.07

Federal Fiscal Year 2006

Reimbursement to Public Assistance	$370,194.18
Collections on Former Assistance Cases	$6,432,430.57
IVE Collections (Children Services)	$111,162.44
Former IVE	$46,447.55
Medicaid Assistance	$2,486,752.75
Never Assistance Cases	$23,962,008.64

My testimony revolves around the impact of our ability to use performance incentives as local match. The impact is as follows:

For Federal Fiscal Year 06 Clermont County earned $508,948 in performance incentives. Elimination of the federal match states receive on reinvestment of incentive payments in the program equates to a $987,958 loss in our spending authority. As of October 2006, our expenditures were exceeding our revenue. Since 2002, we have not filled 11 positions on our table of organization. Three of these positions have not been filled since October. The reason behind the overspending is a result of many years of stagnant funding coupled with increases in employee benefits including pay raises. Our program was already hurting financially prior to these cuts but we were dealing with it. The DRA cuts which equate to approximately of 20% of our revenue will result in drastic and devastating changes to our operations. The only way we will be able to balance our budget will be through staff reductions which will impact our performance and unravel a successful program that took many years to establish.

I wish to take the opportunity to highlight some of our successes and ask that you take into account that these achievements are at risk due to the DRA cuts.

A local partnership between Child Support Enforcement, the Prosecutors Office and the Court of Common Pleas was established in 1989 for the purpose of criminal prosecution for non support of dependents. Statistical tracking was developed in 1996 which reflects 160 criminal cases and annual collections of $188,469.14 for that year. As of December 2006 month end our County has 488 criminal non support cases assigned to two community control officers who work solely on these criminal cases. Our collections in 2006 totaled $1,079,528.72. Efforts to enforce these child support orders through the civil judicial process and/or through the administrative remedies available through the child support program all failed until such time as these cases were pursued for criminal non support of dependents. These families would not have received these collections without this collaboration.

Several years ago, Clermont County Child Support Enforcement and Juvenile Court established workflows which enabled immediate establishment and enforcement of Children Services IVE Caretaker cases. Clermont County is unique in Ohio and likely nationally on the administration of these difficult cases. Child Support attorneys attend all neglect, dependency and unruly hearings to provide testimony

and to obtain immediate orders. For Federal Fiscal Year 06, Clermont County Ranked 3rd in the State of Ohio on IVE collections providing reimbursement for children removed from the physical custody of their parent (s) thereby reducing child placement costs for the state of Ohio. At present, the financial benefit to Clermont County as a result of exceptional IVE collections is unknown. IVE costs are unquestionably reduced by the offset of the collections but these collections are disbursed to the State of Ohio and thereby reduce State costs; not local costs. This collaborative effort involving Child Support Enforcement, Children's Protective Services and Juvenile Court has been recognized as a model collaboration.

Each year Clermont County sponsors a child support amnesty and a Most Wanted Roundup Campaign. During 2006, $69,281.19 was collected on Amnesty and $86,326.40 was collected on the Most Wanted Roundup. For those cases granted amnesty the agency saves in costs associated with pursuing enforcement. Both of these non mandated initiatives are at stake.

In July of 2002, Clermont County Child Support Enforcement implemented a Career Opportunities Program, currently funded with TANF, to provide services to individuals who are unemployed or under employed and who were in contempt for failure to pay their child support. During civil contempt proceedings, individuals unemployed or underemployed are Court ordered to this program. Since inception, the program averages 750 Court ordered referrals per year with annual collections exceeding 1 million dollars. This program is non mandated and is jeopardized by the Deficit Reduction Act.

To summarize my testimony, I have supplied statistical information for a medium size county; one which has been recognized for innovation and effectiveness; I have referenced only a few of our successes; and I will now expand further upon the impact of these cuts to our program. If the cuts to the child support program with the DRA become reality, we are looking at reducing staff and eliminating all non mandated activity. This will result in a bare bones operation. If these cuts become reality, we will experience reduced collections which will result in a reduction in reimbursement of Medicaid, TANF, and IVE Child Welfare. These cuts could increase costs for Medicaid, food stamps, day care, home heating subsidies and Temporary Assistance for Needy Families.

Reduced collections—this is money right out of the budgets of families who need the child support owed to them to meet their children's needs. The child support program ensures that both parents support their children—so that taxpayers do not need to.

The Child Support Program is one of the only federal programs that actually generates income and mandates personal responsibility. In the President's 2006 Budget, the child support program is cited as "one of the highest rated block/formula grants of all reviewed programs government-wide." The child support program is a cost avoidance and cost recovery program. An effective child support program recovers public money and provides services which reduce reliance on other public dollars.

The child support program is administered differently throughout the nation and the impact of the DRA varies among states and specifically among counties such as Clermont that are responsible for delivering the services to our customers.

Ohio's child support program plays a key role in the lives of over one million families. In fact, our program is the second largest public program in Ohio. Only public education serves more children and families.

Chairman McDermott and Subcommittee members—I urge you to take action now to repeal the cuts to the Child Support Program. The children we serve deserve the financial and medical support they are entitled to.

Goodwill/Easter Seals Minnesota
St. Paul, Minnesota 55104
March 19, 2007

Congressman Jim McDermott,
Chair Subcommittee on Income Security & Family Support
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Dear Congressman McDermott,

I write to you today on behalf of Goodwill/Easter Seals Minnesota in strong support of your efforts to re-examine the Deficit Reduction Act of 2005 (DRA) and the detrimental effects it will have on low-income families across the nation.

Goodwill/Easter Seals Minnesota serves thousands of low-income people every year who are struggling to make ends meet and keep their families afloat financially. We work with families who are on the Temporary Assistance for Needy Families (TANF) program as well as families impacted by the collection of child support.

Our FATHER Project assists young, inner-city dads in overcoming the barriers that prevent them from supporting their children, economically and emotionally. We have worked closely with Hennepin County Child Enforcement staff to form a creative partnership that helps these young fathers establish paternity, address child support payment issues, and become better providers for their children. The modification of the DRA to prohibit States from receiving federal matching payments for incentives earned will have serious repercussions for counties throughout our state but especially our largest, Hennepin County, which includes the city of Minneapolis. The result will mean a $4.3 million loss in federal funding to Hennepin County in the coming year which will mean a severely diminished capacity to continue innovative programming at such locations as the FATHER Project in Minneapolis. In addition, the revenue lost from decreased child support collections will negatively impact children and will increase the reliance of families on other federal programs such as Medicaid, TANF, and Food Stamps.

Goodwill/Easter Seals also has serious reservations regarding the changes to TANF and the new rules which restrict States from counting certain activities, such as education and training, toward work participation requirements. As a provider of employment training services, we know that training and education are important components of helping to not only place people into jobs, but help raise them out of poverty.

I encourage you to look at these two components of the DRA and consider making changes that will help, rather than hurt, our most vulnerable families.

Sincerely,

Michael Wirth-Davis
President & CEO

Wisconsin, Legislature
Madison, WI 53707
March 5, 2007

Hon. Congressman Jim McDermott, Chairman
Subcommittee on Income Security and Family Support
Committee on Ways and Means
1035 Longworth HOB
Washington DC, 20515

Dear Representative McDermott,

Thank you for holding a hearing today to understand the impact of the Deficit Reduction Act of 2005 (DRA) on child support enforcement programs throughout the country.

Wisconsin's share of child support enforcement allocations from the federal incentive payments and matching funds for 2006 was $38,225,900. As a result of DRA, Wisconsin stands to lose nearly $6.4 million in 2007 and over $25 million in 2008. The Wisconsin Department of Workforce Development estimates reductions in over $143 million in Wisconsin over the next 5 years as a result of these cuts.

These cuts would be devastating to families across Wisconsin. County Child Support agencies throughout the state are instrumental in establishing paternity and in ensuring that those parents are responsible for their children. Without the dedicated men and women who work in these agencies, families will go without economic support, children will go without health care and demand for public assistance dollars will skyrocket. The services performed and the money collected for child support are invaluable to the health and stabilization of Wisconsin's families.

We ask the committee to consider repealing the portion of DRA that cuts child support enforcement dollars to the states. Thank you for your consideration.

Sincerely,

Dave Hansen

Statement of Lawrence Hill, Los Angeles,CA

The Budget Reduction Act would create stress and pressure for families already on the poverty boarder line to make ends meet in food, clothing and health care. Many families would be forced to receive some kind of government subsidy such as welfare, food stamps and medical coverage.

The funding cuts for the Child support program from the DRA would force the layoffs of many workers.

The funding cuts from the DRA would create an already unmanageable caseload for the employees remaining.

Los Angeles County child support program would suffer tremendously since it is now under funded and caseloads are unmanageable as documented in its collection rate. Enforcing and collecting child support from Non Custodial parents who earn a living in an under ground economy would become non-existent.

I support legislation that would rescind the scheduled cuts to Child Support in the Deficit Reduction act and thank Chairman McDermott and Senator Rockefeller for their efforts

Statement of Illinois Department of Healthcare and Family Services

I am pleased to present this testimony in support of H.R. 1386 on behalf of the State of Illinois' Department of Healthcare and Family Services.

Recent Congressional legislation has resulted in a dramatic impact on the functioning of the child support program, with some key changes adversely affecting low-income families. The State of Illinois supports House Bill 1386, The Child Support Protection Act of 2007, restoring lost funding for a universally-acclaimed, cost-effective program that indisputably keeps thousands of families from slipping into greater poverty. We believe it is crucial for Congress to repeal the three child-support funding provisions of the Deficit Reduction Act of 2005 (DRA) in order to maintain the program's unparalleled success as a key poverty-fighting program.

Congress' 2006 passage of the DRA provided important new tools to assist state and local government agencies improve their collection rate, such as lowering the passport denial threshold, adding tax offsets for older children, simplifying distribution of support, and expanding medical support options. However, three funding provisions in DRA unmistakably undercut the IV–D program, offsetting much of the recent gains made by the child support agencies in the country:

- Disallowing the match of state-earned incentive dollars with Federal Financial Participation (FFP) undercut a covenant between the federal government and states to promote efficiency and success.
- Imposing a $25 fee for never-TANF cases in which annual collections are $500 or greater created added difficulty for many parents living on the cusp of poverty and is requiring costly systems changes and added bureaucracy.
- Reducing the genetic testing FFP for parentage testing from 90% to 66% sent the wrong message to families and states that parentage determination was not a top priority, and further financially burdened states reeling from the incentive-match loss.

Loss of Incentive Match

The Congressional Budget Office (CBO) estimated that the DRA incentive match loss alone would reduce families' income dependent on child support by $8.4 billion over 10 years. The CBO estimate assumes state legislatures and county governments will make up half of the lost federal funds, which was overly optimistic for Illinois, as for other states. With few states currently reporting legislative initiatives to replace all or most of the $937 million in lost FFY08 funding, the actual loss to families over ten years may be much more than the $8.4 billion that CBO forecast if one forecasts $4.58 collected for each dollar spent on the child support program, based on the average cost-effectiveness ratio found in FY05 preliminary data from the Federal Office of Child Support Enforcement.

When Congress passed the Child Support Performance and Incentive Act of 1998 (CSPIA), Congress replaced an incentive program that emphasized TANF recovery by capping non-TANF collection incentives with a program that rewards efficient, results-oriented IV–D program efforts. Between the incentive and its match, about one in four dollars from all funding sources originate in the incentive performance. The match alone constitutes about one of six program dollars. CSPIA has led to re-

markable improvements in performance as states compete for their fair share of the incentive pie.

In Illinois alone, the CSPIA has contributed to dramatically increased performance. With comparative data available on outcome measures and matchable incentive funding based on performance, Illinois' collections for IV–D families has grown from $393 million in federal fiscal year 2000 to $702 million in federal fiscal year 2006. During the same time period, cost effectiveness improved from $2.28 to $3.84. For Illinois' 601,908 families served by the child support program, these performance improvements directly contribute to economic security and self-sufficiency.

By imposing such drastic and draconian cuts on the child support program, IV–D programs will not provide the level of child support services poor and near-poor parents and children deserve. The cuts mean a rollback in everyday services, and fewer dollars available for initiatives involving automation improvements, hard-to-collect cases and cases with large arrearages, customer service and employer outreach. The negative impact could possibly extend to the millions of employers who interact with the child support program and 17.2 million children who live apart from their non-custodial parent.

Today, over 60,000 child support professionals assist families. The DRA cut in federal support by disallowing the incentive match will very likely lead to a dramatic down-sizing of the workforce, which will result in much higher caseloads per worker and fewer tough cases being worked successfully. Illinois is not contemplating a workforce reduction, but will be affected by workforce reductions in other states. States must work together to establish and enforce support across state borders. The DRA cut not only diminishes the potential for collections for each state, but diminishes potential collections across state lines for interstate cases.

Imposing the $25 Fee

The imposition of the $25 fee on families who have never received TANF benefits and who receive $5 00 or more in collections in a year may result in hardship for many of the persons the program is currently designed to help, the near-poor who need the program's support to maintain independence from means-tested programs. As custodial parents will likely bear the cost of the fee in most states, many borderline-poor parents trying to stay afloat will have to manage without some necessities to pay a fee minimal in fiscal impact to the federal government but much larger in impact to the affected parent.

State IV–D programs will have to spend considerable sums developing plans to impose the fee, explaining the fee to parents and making adjustments to their systems, as the impact of the fee ripples through the distribution algorithms that support the disbursement technology. The cost of this change and its associated questionable policy implications make the $25 fee a poor mandate on states.

Reducing the Genetic Testing FFP

By reducing the genetic testing FFP from 90% to 66%, Congress is downgrading the priority status of efforts to provide legally-recognized fathers for children born out-of-wedlock. About 1.5 million children or 37% of live births in 2005 were born to parents not married to one another. Genetic testing is the key evidence to provide legal fatherhood status for an alleged or putative father, introducing a formal relationship between parent and child that will last a lifetime, including rights and responsibilities. To promote family stability, permanent two-parent contributions to the life of a child, and certainty regarding relationships and duties, Congress should repeal the reduction in FFP for genetic testing.

Unprecedented Unanimity in the Child Support Community

The DRA's IV–D changes and subsequent legislative efforts to repeal the DRA's provisions that hurt families have united the child support community as never before. The State of Illinois is united with representatives of national, regional, state and tribal child support associations in support of H.R. 1386's repeal of the incentive-match disallowance, and the repeal of the $25 fee and genetic testing FFP reduction as well. We strongly believe that to prevent major disruption in collection efforts and to keep families out of poverty, Congress needs to make these changes.

Statement of Gregg Keesling, Indianapolis, IN

I am writing to ask that Congress restore the child support funding cut by the Deficit Reduction Act in 2006.

These cuts will negatively impact the ability of child support programs to work with low income fathers and undermine the progress of the last few years.

In my work with formally incarcerated low-income fathers it has become quite apparent that many non-custodial parents require significant assistance. It is very difficult in my state to find work with a felony record. A recent Indiana University Purdue University Indianapolis study found that 70% of all jobs were cut off to felons, some jobs through legislation, others because of liability concerns. If we expect parents to support their children, they should at least have a fighting chance of obtaining work.

Child support funding helps play an important role in assisting these parents to find work in the dwindling job market for felons. It should be noted more than 55% of all those incarcerated in the United States also have minor children under 18. Some 10 million children will have a parent incarcerated in their formative years.

In the State of Indiana, our Supreme Court has recently handed down a far reaching decision related to how child support is imputed during incarceration. The court opined that "the child support system is not meant to serve a punitive purpose. Rather, the system is an economic one, designed to measure the relative contribution each parent should make—and is capable of making—to share fairly the economic burdens of child rearing." The full Indiana Supreme Court decision is available at http://www.in.gov/judiciary/opinions/pdf/02220701rts.pdf

In order to administer a child support system effectively and fairly, it requires resources without which, systems often become ineffectual and punitive. When parents are connected to work and family, they are less likely to return to prison. Child support policies should support legitimate employment, strengthen parental ties, increase the reliability of payments and reduce recidivism. The challenge of policy makers is to find solutions that are efficient, balance the equities and policies that reinforce the message that parents are responsible for their children—but that also deal with the reality of poor men's lives and the critical importance of bringing them out of the underground economy, into civil society and to keep them out of prison.

I am aware that both Senators Richard Lugar and Evan Bayh support restoration of child support funding. Senator Lugar informed me in a letter dated November 8, 2005 that he voted to support a Sense of the Senate resolution in opposition to cuts in the child support matching funds program.

In the final analysis poor child support enforcement policy and policy implementation hurts children and families. Further it hurts taxpayers. In Indiana it costs over $25,000 per year to incarcerate an individual. Spending a little to help a parent secure a job and manage their child support obligations is a better use of taxpayer dollars than incarceration.

Statement of Ann Kochakji

The Child Support Program provides a vital service in Los Angeles County that families depend on. Without adequate funding, we will be unable to continue aggressively collecting child support from parents, many of whom are well able to support their children but prefer to pass their responsibility on to their partner or the rest of society.

Unfortunately, the honor system will not work with many of these parents and the families and ultimately the children bear the brunt of thousands of dollars uncollected support.

Since our children are our greatest investment, funding for child support should be a priority and we urge you to consider this when you cast your vote.

We support legislation, which would rescind the scheduled cuts to child support in the Deficit Reduction Act and thank Chairman McDermott and Senator Rockefeller for their efforts.

Statement of Los Angeles County Child Support Services Department

(To Be Provided)

Statement of Marathon County Department of Social Services

I am submitting this letter on behalf of the Marathon County Department of Social Services and the Marathon County Social Services Board, on the adverse effects the DRA cuts will have on residents of Marathon County.

The Deficit Reduction Act of 2005 (DRA) (P.L.109–171) includes a number of significant changes to programs serving low-income families, especially TANF and child support enforcement. The DRA also modifies federal funding for various aspects of the child support enforcement program.

The impact of the DRA's elimination of Federal incentive match is listed below:

National Level:

The Congressional Budget Office estimates that child support collections will decrease by $8.4 billion over the next ten years.

More than 17 million children participate in the child support. Fewer children will receive child support from their non-custodial parents as state and local governments reduce staff.

Federal costs for Medicaid, Food Stamps and other means-tested programs will increase because more families will use public assistance when non-custodial parents do not pay child support.

A reduction in the amount of collections that states pay to the federal government to reimburse TANF grants can be expected.

State and Local Level:

Last year Marathon County Child Support collected over $19,000,000. for children and families, this amount would be reduced drastically.

Marathon County will lose $325,740. in federal funding to support critical activities of the child support program, as well as severely diminish capacity to continue innovative programs.

If the funding gap is not filled by state government, state and local child support agencies will be forced to reduce staff thereby reducing their ability to establish paternity, locate non-custodial parents and establish/enforce child and medical support orders for the 7,537 families served by Marathon County.

Increased local, state and federal government spending in Medicaid, TANF, Food Stamps, and other means-tested social service programs will results.

The imposition of a mandated $25 collection fee discourages parents from participating in the child support program. When families do not receive child support, they need more help from public assistance programs. The reduction in federal match for genetic testing would deprive children of the right to two parents, the door to Social Security, pension/retirement benefits and health insurance, opportunity for extended family ties and access to critical medical history and genetic information is closed to them.

The child support enforcement program's goal is to ensure that children benefit from a reliable source of financial and medical support from both parents. Very few programs serve more children and families than does the Nation's child support enforcement program. Throughout its history, the child support enforcement program has enjoyed wide bi-partisan Congressional support for enhanced enforcement tools and funding at the federal and state level. This support is based on their alignment with the program's anti-poverty/self-sufficiency philosophy and its success.

In summary we asking for:

Restoration of the authority to use incentive funds as match will ensure that child support enforcement services to more than 17 million children are not jeopardized.

Repeal of the $25 annual collection fee will encourage parents to participate in the child support program and reduce the need to turn for help to public assistance programs.

Restoration of the 90% federal match for genetic testing will ensure children the rights and benefits associated with having two parents.

Statement of Minnesota Inter County Association

Mr. Chair, members of the committee, this testimony is submitted on behalf of MICA—The Minnesota Inter County Association, AMC—the Association of Minnesota Counties and MACSSA—the Minnesota Association of County Social Service

Administrators. These three Minnesota county associations support rescinding the child support cuts made in the 2005 Federal Deficit Reduction Act.

Importance of Child Support

Minnesota supports the right of every child to receive basic financial support. We believe that every parent has an obligation to support his or her child. To ensure that children receive the basic financial, medical and childcare support they deserve, the Federal government established a national child support program that mandates state-administered collection programs. Minnesota is one of a handful of states that have child support systems that are state supervised and county administered. The federal government, state and the counties fund our system. Minnesota is proud to be rated as a high performing child support state. (Attached is a Minnesota Child Support Fact Sheet.)

The Federal Deficit Reduction Act enacted last year changes the way Minnesota draws down federal matching funds for the operation of our state and county child support program. Effective October 2007, the new federal regulations prohibit the state from using their federal incentive funds as a match for federal child support funding.

Prior to the passage of this Act, Minnesota counties routinely earned federal incentives for their efficient and effective delivery of child support collection services that help many low, moderate and some higher income families. These federal incentives have been reinvested in the child support program to earn additional federal participation dollars. Minnesota earned about $12 million in incentives for good child support performance. Minnesota reinvested that $12 million in the child support program and the federal government, which matches every county/state dollar spent on child support with almost $2 additional dollars, gave us an additional 24 million for the program.

So, that means that the $8 million cut in federal funding to Minnesota multiplies into an annual cut of $24 million to counties to operate their child support systems.

How will the loss of $24 million in federal funding impact Minnesota's Child Support program

- The counties will have to cut $24 million in child support expenses.
- Statewide, we estimate that counties will have to cut 37.5% of their child support workforce. That's 442 workers throughout Minnesota's 87 counties. *(To be more precise, the $24 million is equivalent to the cost of 442 child support workers.)*
- Fewer child support staff means fewer families will be helped in collecting child support dollars they can consistently count on receiving each month.
- Fewer child support staff also means that fewer dollars will be collected.
- Since 60% of families using child support are former public assistance recipients, counties anticipate that a significant number of families will lose their hard-won self-sufficiency. More Minnesota children will live in households in poverty. More families will have to rely on public assistance programs. Some children will lose their private health insurance coverage, and more families will not be able to purchase quality childcare.
- Counties and the state have been instituting efficiencies. However, we anticipate a 37.5 % reduction in staff will result to a reduction in collections of 19% to 25%, which amounts to $66 to $150 million less in child support collections statewide. *($66 million is based on the CBO estimate that the loss of collections is equal to half the percentage of the administrative funding reduction. Taking the loss of the incentive FFP as a percentage of FFY 2005 county administrative costs, yields a 22 percent reduction. The CBO would estimate a resulting loss of 11 percent in collections. Some may regard this estimate as conservative, but it is from a relatively credible independent source.)*
- Expect more complaints from the employers as understaffed child support agencies fail to update the income withholding system in a timely manner.
- Expect the $24 million federal cut to multiply even further as Minnesota's performance declines, resulting in the loss of federal performance incentives. If our performance fails to meet the 95% data integrity standard set by the federal government, our performance incentives will disappear entirely. Parents currently pay either a 1% fee on the amount collected or on the amount owed. Fewer collections equal less fee revenue.The Best Solution for Minnesota Families

The Best Solution for Minnesota Families

The Federal government rescinds the provision of the 2005 Federal Deficit Reduction Act that eliminates the match incentive dollars and thereby Minnesota continues to receive the $24 million in additional federal participation dollars. This would enable Minnesota to continue running a quality child support program and continue to earn about $12 million in child support Federal program performance Incentives.

Minnesota will use the Federal funding to ensure that Minnesota Families continue to receive quality services for:

- Locating parents.
- Establishing paternity. Establishing and enforcing court orders for basic support, medical support, and child care support.
- Reviewing and modifying orders for support.
- Working with other states to enforce support when one parent does not live in Minnesota.
- Collecting and processing payments.

Statement of National Association for State Community Services Programs

Over the past several years and once again this year, the President has zeroed out the Community Services Block Grant (CSBG) program in his budget. However, recognizing the importance of the numerous self-sufficiency services provided by the CSBG Network, Congress has continued to support the program in word and in action by providing the CSBG program with funding. The National Association for State Community Services Programs (NASCSP), the national association representing state administrators of the Department of Health and Human Services' Community Services Block Grant (CSBG) and state directors of the Department of Energy's Low-Income Weatherization Assistance Program, would like to thank Congress for its continued support of the Community Services Block Grant (CSBG) and requests an appropriation of $700 million for the state grant portion of the CSBG. We are requesting $700 million in CSBG funding this year in order for the CSBG Network to continue addressing the long-term needs of those families affected by Hurricanes Katrina and Rita, those families transitioning from welfare to work, and to assist low-income workers in remaining at work through supportive services such as transportation and child care. It is essential that the CSBG funding be increased for FY 2008. The across the board cuts to the CSBG funding over the past several years has decreased the ability of the CSBG Network to provide essential services to low-income Americans.

BACKGROUND

The states believe the CSBG is a unique block grant that has successfully devolved decision-making to the local level. Federally funded with oversight at the state level, the CSBG has maintained a local network of nearly 1,100 agencies which coordinate nearly $9.9 billion in federal, state, local and private resources each year. Operating in 99% of counties in the nation and serving nearly **15 million low-income individuals, members of more than 6 million low-income families**, CSBG eligible entities, largely local Community Action Agencies (CAAs), provide states with a stable and guaranteed network of designated entities which are mandated to change the conditions that perpetuate poverty for individuals, families, and communities. There is no other program in the U.S. mandated by federal statute to respond to poverty. To fulfill that mandate, CAAs provide services based on the characteristics of poverty in their communities. For one community, this might mean providing job placement and retention services; for another, developing affordable housing. In rural areas, it might mean providing access to health services or developing a rural transportation system.

Since its inception, the CSBG has shown how partnerships between states and local agencies benefit citizens in each state. We believe it should be viewed as a model of how the federal government can best promote self-sufficiency for low-income persons in a flexible, decentralized, non-bureaucratic and accountable way.

Long before the creation of the Temporary Assistance for Needy Families (TANF) block grant, the CSBG set the standard for private-public partnerships that work to revitalize local communities and address the needs of low-income residents. Family oriented, while promoting economic development and individual self-sufficiency, the CSBG relies on an existing and experienced community-based service delivery system of CAAs and other non-profit organizations to produce results for its clients.

WHAT DO LOCAL CSBG AGENCIES DO?

Since CAAs operate in rural areas as well as in urban areas, it is difficult to describe a typical Community Action Agency. However, one thing that is common to all is the goal of self-sufficiency for all of their clients. Reaching this goal may mean providing day care for a struggling single mother as she completes her General Equivalency Diploma (GED) certificate, moves through a community college course and finally is on her own supporting her family without federal assistance. Many CAAs administer the Head Start Program which helps meet the educational needs of low-income families. It may mean assisting a recovering substance abuser as he seeks employment. Many of the Community Action Agencies' clients are persons who are experiencing a one-time emergency. Others have lives of chaos brought about by many overlapping forces—a divorce, sudden death of a wage earner, illness, lack of a high school education, closing of a local factory or the loss of family farms.

CAAs provide access to a variety of opportunities for their clients. Although they are not identical, most will provide some, if not all, of the services listed below:

- a variety of crisis and emergency safety net services
- employment and training programs
- transportation and child care for low-income workers
- individual development accounts
- micro business development help for low-income entrepreneurs
- local community and economic development projects
- housing, transitional housing, and weatherization services
- Head Start
- energy assistance programs
- nutrition programs
- family development programs
- senior services

CSBG is the core funding which holds together a local delivery system able to respond effectively and efficiently, without a lot of red tape, to the needs of individual low-income households as well as to broader community needs. In addition, CSBG funds many of these services directly. Without the CSBG, local agencies would not have the capacity to work in their communities developing local funding, private donations and volunteer services and running programs of far greater size and value than the actual CSBG dollars they receive.

CAAs manage a host of other federal, state and local programs which makes it possible to provide a one-stop location for persons whose problems are usually multifaceted. Over half (52%) of the CAAs manage the Head Start program in their community. Using their unique position in the community, CAAs recruit additional volunteers, bring in local school department personnel, tap into faith-based organizations for additional help, coordinate child care and bring needed health care services to Head Start centers. In many states they also manage the Low Income Home Energy Assistance Program (LIHEAP), raising additional funds from utilities for this vital program. CAAs may also administer the Weatherization Assistance Program and are able to mobilize funds for additional work on residences not directly related to energy savings that, for example, may keep a low-income elderly couple in their home. CAAs also coordinate their programs with the Community Development Block Grant program to stretch federal dollars and provide a greater return for tax dollars invested. They also administer the Women, Infants and Children (WIC) nutrition program as well as job training programs, substance abuse programs, transportation programs, domestic violence and homeless shelters, as well as food pantries.

For every CSBG dollar they receive, CAAs leverage $5.40 in non-federal resources (state, local, and private) to coordinate efforts that improve the self-sufficiency of low-income persons and lead to the development of thriving communities.

WHO DOES THE CSBG SERVE?

National data compiled by NASCSP show that the CSBG serves a broad spectrum of low-income persons, particularly those who are not being reached by other programs and are not being served by welfare programs. Based on the most recently reported data, from fiscal year 2005 CSBG serves:

- More than 2.9 million families with incomes at or below the poverty level; of these customer families, 30% are severely poor as they have incomes at or below 50% of the poverty guidelines. In 2005, the poverty level for a family of three was $8,046.
- More than 1.3 million families headed by single mothers.

- More than 1.7 million "working poor" families with wages or unemployment benefits as income; collectively, they make up 40% of all program participants.
- More than 370,000 TANF participant families, 19% of the average monthly TANF caseload.
- More than 3.7 million children.
- More than 2.8 million people without health insurance.
- Almost 1.8 million adults who had not completed high school.

MAJOR CHARACTERISTICS OF THE CSBG NETWORK

Due to the unique structure of the CSBG, the CSBG Network has earned a reputation for its:

EMERGENCY RESPONSE: CAAs are utilized by federal and state emergency personnel as a frontline resource to deal with emergency situations such as floods, hurricanes and economic downturns. They are also relied on by citizens in their community to deal with individual family hardships, such as house fires or other emergencies.

In fact, during and after Hurricanes Katrina and Rita, the state CSBG offices and local CAAs quickly mobilized to provide immediate and long-term assistance to over 355,000 evacuees. This immediate assistance included, but was not limited to, transportation, food, medical check-ups, housing, utility deposits, job placement, and clothing. State CSBG offices and CAAs across the country coordinated their relief efforts with other agencies providing disaster relief assistance such as FEMA, Red Cross, and other faith-based and community-based organizations.

State CSBG offices, through their local network of CAAs, continue to provide the long-term assistance evacuees will need as they relocate and re-establish themselves through self-sufficiency and family development programs. These programs offer comprehensive approaches to selecting and offering supportive services that promote, empower and nurture the individuals and families seeking economic self-sufficiency. At a minimum, these approaches include:

- A comprehensive assessment of the issues facing the family or family members and of the resources the family brings to address these issues;
- A written plan for becoming more financially independent and self-supporting;
- A comprehensive mix of services that are selected to help the participant implement the plan;
- Professional staff members who are flexible and can establish trusting, long-term relationships with program participants; and
- A formal methodology used to track and evaluate progress as well as to adjust the plan as needed.

LEVERAGING CAPACITY: For every CSBG dollar they receive, CAAs leverage $5.40 in non-federal resources (state, local, and private) to coordinate efforts that improve the self-sufficiency of low-income persons and lead to the development of thriving communities. In FY 2005, every CSBG dollar was matched by $15.90 from all other sources.

VOLUNTEER MOBILIZATION: CAAs mobilize volunteers in large numbers. In FY 2005, the most recent year for which data are available, the CAAs elicited more than 51 million hours of volunteer efforts, the equivalent of almost 24,880 full-time employees. Using just the minimum wage, these volunteer hours are valued at nearly $266 million.

ADAPTABILITY: CAAs provide a flexible local presence that governors have mobilized to deal with emerging poverty issues.

Moreover, the CSBG Network has also earned a reputation for being:

ACCOUNTABLE: The federal Office of Community Services, state CSBG offices, and CAAs have worked closely to develop a results-oriented management and accountability (ROMA) system. Through this system, individual agencies determine local priorities within six common national goals for CSBG and report on the outcomes that they achieved in their communities.

LOCALLY DIRECTED: Tri-partite boards of directors guide CAAs. These boards consist of one-third elected officials, one-third representatives from the private sector, and not less than one-third of the members are representative of the low-income persons in the neighborhoods served by the CAA. The boards are responsible for establishing policy and approving business plans of the local agencies. Since these boards represent a cross-section of the local community, they guarantee that CAAs will be responsive to the needs of their community.

The statutory goal of the CSBG is to ameliorate the effects of poverty while at the same time working within the community to eliminate the causes of poverty. The primary goal of every CAA is self-sufficiency for its clients. Helping families become self-sufficient is a long-term process that requires multiple resources. This is why the partnership of federal, state, local and private enterprise has been so vital to the successes of the CAAs.

EXAMPLES OD CSGB AT WORK

Since 1994, CSBG has implemented a Results-Oriented Management and Accountability (ROMA) system. Through ROMA, the effectiveness of programs is captured through the use of goals and outcomes measures. Below you will find the network's nationally aggregated outcomes achieved by individuals, families and communities as a result of their participation in innovative CSBG programs during FY 2005:

- **3,870,900** low-income individuals, families, and communities experienced reduced poverty conditions
- **92,804** participants gained employment with the help of community action
- **20,160** participants obtained "living wage" employment with benefits
- **113,646** low-income participants obtained safe and affordable housing in support of employment stability
- **601,961** low-income households achieved an increase in non-employment financial assets, including tax credits, child support payments, and utility savings, as a result of community action ($100.4 million in aggregated savings)
- **2,355** families achieved home ownership as a result of community action assistance
- **143,793** low-income people obtained pre-employment skills and received training program certificates or diplomas, completed Adult Basic Education or GED coursework and received certificates or diplomas, and/or completed post-secondary education and obtained a certificate or diploma
- **3,864,234** new community opportunities and resources were created for low-income families as a result of community action work or advocacy, including "living wage" jobs, affordable and expanded public and private transportation, medical care, child care and development, new community centers, youth programs, increased business opportunity, food, and retail shopping in low-income neighborhoods

At the end of the day, the CSBG Network represents our abiding national commitment to care for the less fortunate and in recognition that we are stronger when we do so. The CSBG and CSBG Network, in addition to other non-profit faith-based and community-based organizations, are a critical complement to the public sector's efforts towards helping to lift low-income Americans and their communities out of poverty and into self-sufficiency.

In fiscal year 2005, the CSBG Network assisted approximately 21% of the persons in poverty that year and almost **15 million low-income individuals who are members of more than 6 million low-income families.** Renewed funding for the CSBG Network is one of the best ways to ensure that America has an experienced, guaranteed and trusted network to assist its most vulnerable families in achieving and maintaining self-sufficiency.

Statement of National Child Support Enforcement Association

Recent Congressional legislation has resulted in a dramatic impact on the functioning of the child support program, with some key changes adversely affecting low-income families.

As representatives of national, regional, state, local child support associations listed below, we stand united in support of House Bill 1386, The Child Support Protection Act of 2007. HR 1386 will restore lost funding for a universally-acclaimed, cost-effective program that indisputably keeps thousands of families from slipping into greater poverty. We believe that repealing the provision of the Deficit Reduction Act (DRA) of 2005 that would end the ability of states to use performance incentives as match for federal funds is critical. We would like to take this opportunity to discuss the performance incentive match and two other child support funding provisions of the DRA. We hope that our response to your invitation to testify will provide information to allow you to make changes that will maintain the program's unparalleled success as a key poverty-fighting program.

In December 1974, Congress passed Title IV–D of the Social Security Act, creating the federal/state/tribal child support program (IV–D program). Since then, Congress has nurtured this bipartisan program through the passage of numerous bills that strengthened the tools needed to establish legally-recognized fathers for children born out of wedlock and to ensure that children receive the support to which they are entitled. Last year, Congress severely jeopardized the continuing success of the nation's Title

IV–D agencies by legislating funding changes that irreparably harm the program.

Congress' 2006 passage of the DRA provided important new tools to assist state and local government agencies to improve their collection rate, such as lowering the passport denial threshold, adding tax offsets for older children, simplifying distribution of support, and expanding medical support options. However, three funding provisions in DRA unmistakably undercut the IV–D program, offsetting much of the recent gains made by the child support agencies in the country:

1. Disallowing the match of state-earned incentive dollars with Federal Financial Participation (FFP) undercuts a covenant between the federal government and states to promote efficiency and success.
2. Imposing a $25 fee for never-TANF cases in which annual collections are $500 or greater hurts many parents living on the cusp of poverty and requires costly automated systems changes and added bureaucracy to administer.
3. Reducing the genetic testing FFP for parentage testing from 90% to 66% sends the wrong message to families and states that parentage determination is not a top priority, and further financially burdens states reeling from the incentive-match loss.

Loss of Incentive Match

The Congressional Budget Office (CBO) estimates that the DRA incentive match loss alone would reduce families' income from child support by $11 billion over 10 years. The CBO estimate assumed state legislatures and county governments would make up half of the lost federal funds. This projection now seems overly optimistic, since no state has secured the budget authority to replace the estimated $937 million in lost FFY08 funding. This will have devastating impacts on many local child support offices as well as state-level IV–D offices

When Congress passed the Child Support Performance and Incentive Act of 1998 (CSPIA), it created an innovative incentive program that rewards efficient, results-oriented IV–D program efforts. About one in four dollars that are currently used to fund the child support program come from CSPIA incentives and matched FFP dollars. The match alone represents about one of six program dollars. To suddenly reduce federal support for the program while maintaining all of the current state program requirements constitutes an unfunded mandate. Congress made a pact with state and local child support agencies when it passed CSPIA: Congress agreed to invest in efficient, successful programs and in return the states agreed to accept a cap on annual incentive dollars, which did not exist before CSPIA. CSPIA has led to remarkable improvements in performance as states compete for their fair share of the incentive pie. In fact, the Office of Management and Budget recently recognized the IV–D program as the highest-rated social services and block-grant formula program, awarding the child support program a 90% score through its Program Assessment Rating Tool (PART). The great strides made in the years since Congress passed CSPIA are jeopardized by the DRA incentive match loss.

Because of the drastic cuts mandated by the DRA, state and local agencies will no longer be able to provide the level of child support services that poor and near-poor parents and children deserve. The cuts mean a rollback in everyday services,

and fewer dollars available for initiatives involving automation improvements, hard-to-collect and large-arrearage cases, customer service and employer outreach. For the 17.2 million children who live apart from their non-custodial parents, the negative impacts will be enormous.

Today, over 60,000 child support professionals assist families. The DRA mandated cut in federal support for the child support program will very likely lead to a dramatic down-sizing of the workforce, resulting in much higher caseloads per worker and fewer cases being worked successfully.

Imposing the $25 Fee

The imposition of the $25 fee on families who have never received TANF benefits and who receive $500 or more in collections in a year may result in hardship for many of the persons the program is currently designed to help: the near-poor who need the program's support to maintain independence from means-tested programs. Custodial parents will likely bear the cost of the fee in most states. This means that many poor parents trying to stay afloat will have to manage without some necessities to pay a fee that provides minimal upside benefit to the federal government while imposing downside harm on struggling families.

State IV–D programs will expend considerable resources developing plans to impose the fee and explaining the fee to parents. Still greater expenditures may be required to make adjustments to their automated systems, as the impact of the fee ripples through the distribution algorithms that support the disbursement technology. The cost of this change and its associated questionable policy implications make the $25 fee a counterproductive mandate on states.

Reducing the Genetic Testing FFP

By reducing the genetic testing FFP from 90% to 66%, Congress is downgrading the priority status of efforts to provide legally-recognized fathers for children born out-of-wedlock. In 2005, about 1.5 million children, or 37% of live births, were born to parents not married to one another. Genetic testing is the key evidence to provide legal fatherhood status for an alleged or putative father, introducing a formal relationship between parent and child that will last a lifetime, including rights and responsibilities. To promote family stability, permanent two-parent contributions to the life of a child, and certainty regarding relationships and duties, Congress should repeal the reduction in FFP for genetic testing.

Unprecedented Unanimity in the Child Support Community

Opposition to the DRA's IV–D funding changes and support for subsequent legislative efforts to repeal the DRA's provisions that hurt families have united the child support community as never before. The undersigned representatives of national, regional, state, and local child support associations support H.R. 1386's repeal of the incentive-match disallowance, and the repeal of the $25 fee and genetic testing FFP reduction as well. We strongly believe that Congress must make these changes to prevent major disruption in collection efforts and to keep families out of poverty.

Statement of NCSL

Reauthorization of TANF

The Deficit Reduction Act (DRA) accomplished a long-sought reauthorization of the Temporary Assistance to Needy Families (TANF) program. However, the types of changes made to TANF in the DRA could easily compromise very successful state programs. Since its creation in 1996, the TANF program has moved families from welfare dependency to self-sufficiency. The 1996 law, which NCSL supported, established a model bipartisan state-federal partnership, the hallmark of which was flexibility that enabled each state to design a welfare program tailored to the needs of its TANF recipients and local conditions. State legislators were involved with reforming welfare even before the passage of the original 1996 law, and they share your commitment to seeing all recipients fully engaged in productive activities that will help them achieve self-sufficiency. However, states need the flexibility to decide which services will help the families on its caseload become self-sufficient. Unfortunately, the DRA and the subsequent Interim Final Rule made the TANF program less flexible.

Work Requirements

Two Parent Families

One of the biggest concerns of states was not addressed in reauthorization, despite the fact that it was included in congressional and administration proposals. This is a technical fix that Congress must make. Ninety percent of the two parent families on a state's caseload must be working, as compared to 50 percent of families headed by single parents. HHS officials have stated that they do not believe this is a reasonable standard. Two parent families on welfare are typically families with multiple barriers to self-sufficiency—for example, refugee families, or a parent caring for a disabled family member. A legislative change to the work requirements for two parent families is the only way to ensure that these requirements are not counterproductive to our efforts to strengthen families. NCSL would strongly support such action.

What Counts As Work

The way that work activities are defined in the Interim Final Rule directly affects the ability of states to offer services that are tailored to help each family or recipient on the TANF program. NCSL is very concerned that mental health treatment, substance abuse treatment, and rehabilitation activities are countable only under the six weeks of job search/job readiness. Given that these barriers to work are so prevalent in the welfare population, recipients need to have adequate time to deal with them. Such activities represent an important part of an effective engagement strategy for recipients. Hours spent in such activities beyond the narrow time frame of job search and job readiness should also count, and should be allowed in other categories such as community service, job skills training related to employment or education directly related to employment. If such activities are counted under the job search and job readiness category, given the strict limitations on job search and job readiness, states should not have to consider a few hours or day of such activity as an entire week.

Education

Despite successful state programs that allow TANF recipients to work towards a B.A., HHS chose to use a very limited definition of education that would not allow states to count recipients in such programs in the work rate. We are pleased to hear that HHS may reconsider the definition of education leading to employment. Many states have successfully used a very focused post-secondary education in a programs focused on employment that lead to degrees that allowed recipients to access high paying jobs. Education is already limited to 12 months, and there is no reason to further restrict state flexibility in this manner.

Basic Skills Education

The definitions in the regulations limit basic skills education and English as a Second Language (ESL) to tightly integrated components of on-the-job and vocational education, making it very difficult for states to offer such programs in combination with other activities or on a stand alone basis. Many participants require substantial basic education or ESL participation if they are to prepare adequately for employment and have a chance to move toward self-sufficiency through work. For example, better English skills might make a recipient employable in a trade he or she is otherwise qualified to pursue. In such cases, it makes sense for that training to be available to the recipient—and it should be a countable activity. Work place basic skills, computer training, and ESL should be part of on the job training where they are deemed necessary to prepare the participation for the job.

Individuals With Disabilities

Even when states work hard to engage people with disabilities in productive activities and employment, the effort of these participants may not count under the rules of the TANF program. States receive no credit for the work effort of these recipients. Because of Americans with Disabilities Act (ADA) concerns and because a state may have determined either through state statute or the federal SSI or SSDI application process that a recipient is disabled, a state may not want to sanction that recipient. States need the option, on a case by case basis, to exclude adults from the work rate they have determined to be disabled or who are awaiting determination of their SSI or SSDI claim. And those recipients who are pending SSI/SSDI cases should be taken into consideration as a factor in the "degree of noncompliance" determination by HHS when states are penalized for not meeting the work rate. In addition, while we appreciate the provision that if an SSI applicant is approved a state can retroactively remove them from the rolls up until December 31st, NCSL has asked HHS to either extend that retroactivity to the final deter-

mination of the state's work participation rates by HHS to allow for the lengthy SSI application and decision-making process, or extend retroactivity for two quarters, until March 31st, to better align with wage data released at the beginning of the new year. **We urge Congress to ensure that states have** flexibility to work with individuals with disabilities.

State Legislative Calendars

NCSL urges Congress to delay the effective date of new TANF requirements. States need to have time to carefully consider changes to their programs in order to comply with the law, including reallocating funding and changing state statutes. Making changes to increase work participation rates is not a straightforward matter of implementing administrative changes. Instead, it requires state policymakers to reconsider state TANF goals and fit continued achievement of these goals with the new federal requirements. State officials can then make statutory, budget and administrative changes that would enable them to meet the federal requirements. For example, Vermont's TANF program is in state statute. Vermont must modify its Reach Up program by modifying that statute (33 V.S.A. section 1101 et seq), which specifies the work hours required, deferments from participation, and separate state programs. Ohio also has a fairly specific TANF statute that includes some definitions of work activities, as does North Dakota. In several states, two parent families cannot be moved into programs supported by state general funds without legislative action. When the Interim Final Rule was released in August, only 11 state legislatures were still in session, and most of those legislatures had already completed work on their budgets. They were unable to immediately address changes to their program that require legislative actions. Even though states are now in their 2007 legislative session, almost all of them will again be out of session in September, when the Final Rule is expected. And additional guidance on the work plans is not expected until next month, when states legislatures are well on the path toward adjournment. States are faced with having to make changes in their program that may not reflect final requirements. NCSL urges Congress to delay date for implementation of new requirements for a year after the publication of final regulations.

Child Support Incentive Funding

NCSL strongly supports legislation introduced in the House and the Senate repealing the provision in the Deficit Reduction Act of 2005 that prohibits states from using child support incentive funds to match federal funds for the program. When this action was taken, the Congressional Budget Office identified the cut as an intergovernmental mandate that exceeds the threshold of the Unfunded Mandate Reform Act.

States have used incentive funds to draw down federal funds used for integral parts of the child support enforcement program. The funds have allowed states to establish and enforce child support obligations, obtain health care coverage for children, and link low-income fathers to job programs. The cut ignored the fact that funds for child support enforcement are used effectively and responsibly. In fact, the child support enforcement program received a Program Assessment Rating Tool (PART) rating of "effective," and continues to be one of the highest rated block or formula grants of all federal programs.

Consistent child support helps save children from being raised in poverty. Reductions in child support administrative funds inevitably lead to lower child support collections, leaving families less able to achieve self-sufficiency. We urge you to undo this ill-considered action.

Conclusion

NCSL urges you to take steps to preserve state flexibility in the critically needed programs that serve low-income children and families. State legislators believe that states have made good use of federal child support and TANF funding, and that states will continue to work to help families escape poverty. A copy of our letter supporting repealing the DRA provision that prohibits states from using child support incentive funds to match federal funds is attached. If you wish to discuss NCSL's comments, please contact Sheri Steisel (sheri.steisel@ncsl.org) or Lee Posey (lee.posey@ncsl.org).

Statement of New Jersey Department of Human Services, Trenton, NJ 08625

I want to thank Chairman McDermott and distinguished members of the Income Security and Family Support Subcommittee of the Committee of Ways and Means

for allowing me the opportunity to provide testimony on New Jersey's concerns with the Deficit Reduction Act (DRA) of 2005.

BACKGROUND

The remarkable success of the Work First New Jersey program in placing thousands of adults in jobs that have resulted in their self-sufficiency has largely been a result of the State's ability to design work activities that fit the individuals we are serving and the types of jobs that are available in our State. New Jersey's TANF caseload has dropped from 112,000 families in 1995 to 42,000 families at this time. While I support increased work, training, and educational opportunities for adults on TANF, it is very important that the State be granted sufficient flexibility to meet the new challenges presented in the DRA.

New Jersey also recently transferred the administration of its work activities to the New Jersey Department of Labor and Workforce Development in order to marshal the resources that are available under the Workforce Investment Act (WIA). These resources will be especially important to meet the higher work participation rate, but this will be difficult unless we have the flexibility to match the work activities of TANF with WIA to create a seamless system.

Another key to New Jersey's success in moving families from welfare to work has been the provision of support services to adults with multiple challenges. In New Jersey, almost 800 TANF clients are currently participating in a substance abuse treatment program. Another 200 clients are receiving mental health services in combination with a supported work program. Currently, these individuals do not count as part of the federal participation rate; however, the caseload reduction credit has allowed New Jersey to continue providing these vital services.

With regard to the Child Support Program, I want to express my concern about the devastating effects of the funding reductions within DRA which, if not restored in the FY 2008 budget, would greatly impede our ability to ensure the well being of New Jersey's children and families. The federal incentive match and reimbursement for genetic testing costs are key components in New Jersey's effort to expand and improve the child support enforcement program. Our mission to provide for the well-being of children and families, while simultaneously reducing federal and state public assistance costs, will be undermined by the cuts. This will diminish the New Jersey's ability to deliver public value and provide effective child support enforcement services to its citizens. As a result, fewer New Jersey children will receive child support from their non-custodial parents as our agency will be forced to reduce staff and eliminate innovative programs.

Research shows that the gains made in reducing families' dependence on government programs such as Medicaid, TANF, and Food Stamps through increased collections of child support have decreased government spending in these programs. Conversely, this reduction in funding for the child support program will lead to greater numbers of families having to turn to government assistance.

As a result of the enactment of the DRA in 2006, New Jersey incurred unfunded mandates in TANF totaling $13 million annually to increase the number of adult clients required to participate in work activities, $10 million in child care annually to expand the availability of child care slots for adults enrolled in a mandated work activities, and $5 million in client work verification mandates. These unfunded mandates come at a time when New Jersey has seen both its TANF and Child Care and Development Fund (CCDF) block grants frozen since their inception in 1997 under the landmark Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) legislation and we are finding it extremely difficult to accommodate the aforementioned federal mandates given New Jersey's budgetary constraints. Since 1997, New Jersey has lost $114 million in spending power under our TANF block grant total of $404 million after adjusting for inflation.

TANF PROGRAM

I request your consideration of the following suggestions that will allow the states the best opportunity to meet the required work participation rate and help individuals move to employment and economic self-sufficiency.

- *Two-Parent Households*—The work participation rate for two parent households should be reduced from 90% to 50%. We believe that the 50% rate is a more realistic percentage for this group that has many challenges. Based on New Jersey's experience, most two parent households have multiple barriers (i.e., mental health, substance abuse) that would make the 90% percent participation rate virtually unobtainable.
- *Penalty Free Phase-in Period*—It is suggested that the requirements for states to meet the 50% participation rate and to verify participation in work activities

be phased-in. New Jersey will need additional time to amend state statutes and to put systems in place to meet the new mandates.

- *Work Activities for Persons with Disabilities*—Many of our participants with disabilities may only be able to work part-time. We believe that if a person is deemed to be participating in an authorized vocational rehabilitation program, then they should be considered as meeting the full 30 hours of TANF participation.
- *Job Referral and Placement*—Job placement is the main goal of all work activities under TANF and needs to be integrated within all activities. The regulations restrict the use of the job search full-time activity to four consecutive weeks, or up to six weeks in a year. NJ believes Job Referral and Placement should not be counted as Job Search and should be an integral part of all work activities, e.g., vocational education, leading toward gainful employment.
- *Job Search and Job Readiness Assistance*—The regulations stress that these activities can only be counted as weeks. Since job readiness, substance abuse treatment, rehabilitation services and mental health treatments often could be beneficial if combined with other work activities, we recommend that states be given the option to count these activities in hours instead of weeks.
- *Vocational Education*—New Jersey recommends that the federal definition be broadened to include higher education activities on a limited basis for TANF recipients who need one-year or less of college level courses to complete the requirements for a baccalaureate or associates degree.
- *Education directly related to employment in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency*—We believe that this definition should be broadened to include students who have a high school diploma or a certificate of high school equivalency, but who are assessed in reading or math to be below the 8th grade level.
- *New Supervision, Documentation, and Verification Requirements*—The requirement to report attendance/participation information "biweekly" is logically inconsistent with the "monthly" timeframe of the primary data reporting requirement. We suggest that references to attendance reporting requirements as "biweekly" be recast in terms equivalent to "no less frequently than semi-monthly."
- *Exemption for Veterans or Social Security Disability Applicants*—States should be allowed to exempt individuals who are applying for veterans or Social Security disability benefits from work participation requirements, without taking a penalty against the calculation of the state's TANF work participation rate. As these individuals await determinations of their eligibility for disability benefits, they should be able to receive TANF benefits without being required to participate in work activities, especially since such work participation might jeopardize their eventual eligibility for disability benefits.
- *Medically Determined Disability*—States should be allowed to take partial credit for individuals who are fulfilling some, but not all, of the 30 hours of work requirements for the work participation rate, if these individuals are medically determined to have a disability that limits their work ability.
- *Counting adult basic education as a work activity*—States should be allowed to count adult basic education, including English as a Second Language classes, as an allowable work activity.

CHILD SUPPORT PROGRAM

With regard to the child support enforcement program, there are three vital areas to which we request attention:

- Restore the authority to use incentive funds as State funds, eligible for federal financial participation matching, which will ensure that child support enforcement services to more than one million New Jersey children will not be jeopardized.
- Repeal the $25 annual collection fee, which will encourage parents to participate in the child support program and reduce their need to turn to public assistance programs.
- Restore the 90% federal match for genetic testing, which will ensure children the rights and benefits associated with having two parents.

Elimination of the Federal Incentive Match

As a result of the elimination of the federal incentive match, New Jersey will lose over **$34 million** in federal funding to support critical activities of the child support program, which will also severely diminish capacity to continue innovative programs that enable us to increase our performance, address fatherhood issues and work

with the Departments of Labor and Workforce Development and Corrections to develop additional means to assist individuals in meeting their child support obligations.

If the funding gap is not filled by state government funds, state and local child support agencies will be forced to reduce staff, thereby reducing their ability to establish paternity, locate non-custodial parents and establish/enforce child and medical support orders for the one million children and families served annually by the New Jersey Child Support program. Collections to New Jersey's children and families will be significantly reduced. This will disproportionately affect low income and working poor families.

Imposition of Mandatory $25 Annual Collection Fee

The imposition of a collection fee on never-TANF cases acts as a disincentive to parents from participating in the child support program and will especially impact the working poor and highly vulnerable families who are barely managing to stay off of public assistance. When families do not receive child support, they are more likely to seek assistance from state public benefit programs. As a result, state costs for Medicaid, Food Stamps and other means-tested programs will likely increase, thereby undermining the goals of welfare reform to help families achieve economic self-sufficiency.

Elimination of the Federal Match for Genetic Testing

Since the use of genetic testing began in the child support program, the federal financial participation rate has been 90%, due to the importance of paternity establishment to children. Proper identification of a child's father is vital not only to enable the establishment of a positive relationship, but also to ensure access to Social Security benefits, inheritance rights and medical information. In fact, paternity establishment is the bedrock upon which child support and child welfare rest—a legal obligation to support a child can not be imposed until the child's paternity has been established.

This reduction of the matching rate for paternity establishment is contrary to Congressional interest in establishment of paternity and the resulting responsibilities and rights flowing from the relationship.

Thank you for allowing me the opportunity to share with you New Jersey's concerns with some of the provisions of the DRA. We agree that self-sufficiency should be the primary objective of the TANF program, and that states should attempt to have as many individuals as possible participating in work activities. However, the program should not be perceived by the states as just trying to meet the work participation rate requirement rather than trying to help as many individuals as possible receive the necessary training and supports that will give them the best opportunity to succeed. It is important to consider our suggestions which will provide us with more flexibility so that we can continue to improve in what we believe has been a very successful program for nearly 10 years. Also, please consider our suggestions regarding the Child Support Program. The program has been a great success, as the statistics bear out. Now, however, the DRA threatens to diminish some of that success and make the children, already one of the most vulnerable of our society, even more vulnerable to poverty and its attendant problems. I believe that this Congress must re-emphasize its commitment to our children by taking action to repeal the provisions that threaten the health of the child support program.

Statement of Ohio Child Support Enforcement Agency, Columbus, Ohio 43215

The Ohio CSEA Directors' Association is a member organization of the 88 County Child Support Enforcement Agencies in Ohio. The County Agencies provide direct services to over 1.3 million children and their families. We wish to express our very strong support of House Bill 1386, The Child Support Protection Act of 2007, restoring lost funding for a universally-acclaimed, cost-effective program that indisputably keeps thousands of families from slipping into greater poverty. We believe it is crucial for Congress to repeal the inability to utilize earned incentives as local match.

In 2005, nationally, the program collected $23 billion to serve 16 million children and families. There is a return of $4.58 on the national investment. The Congressional Budget Office estimates that the inability to use earned incentives as local match will result in an $8.3 billion drop in collections for children. This projection is based upon the premise that states and counties will fill at least one half of the

funding loss created by the Deficit Reduction Act of 2006. Therefore, the actual loss in collections could be much greater.

In Ohio, we collected over $2 billion for more than one million children. Our return on investment was $5.66. It is estimated that collections for Ohio families will be reduced by over $197 million in the first five years after the reduction in funding takes place. This will lead to added expenses in many other social service programs such as day care assistance, food stamps, housing and utility assistance, TANF and many others. This will add to the vulnerability of over one half of our cases in Ohio. Currently, 13% are receiving TANF and 40% have received TANF assistance in the past. Child support collections and medical support enforcement assist these families in maintaining self sufficiency, which is the goal of all of us.

In the mid 1990's Ohio's program was struggling to improve performance and to implement an automated system. Currently, our program is performing at a very high level and has completed implementing our automated system. We continue to strive to improve even further. Additionally, we are working very hard to incorporate new initiatives which will result in better services and outcomes for Ohio's families and other key partners that assist with our program. Ohio's total collection ranks 3rd nationally and our performance under the incentive allocation has also been 3rd. Therefore, the recent decision by Congress to disallow the usage of earned incentives as local match has a critical impact on Ohio's families.

While our performance has improved tremendously, our current funding sources have either stagnated or been reduced. As you are aware, Ohio's economy is struggling as many manufacturing operations are closing or moving elsewhere. Therefore, placing expectations on the State and/or County Governments to fill the gap is very unrealistic. If funds are available, it would be wonderful to utilize them to provide new and additional initiatives and services, rather than replace existing funding sources. Additionally, any funds used to replace lost federal funding will be taken from other local critical programs that help children, families and the elderly.

In Ohio, the total potential loss in funding availability if not filled by local funds within the State is $60 million. This funding has been utilized 99% at the County level that provides the direct services to our families. $60 million represents approximately 28% of our total county expenditures in FFY2005. Ohio collects approximately $600,000 per staff member. A reduction in funding of 28% will result in a very large loss of available staff to establish parentage, cash and medical support orders and enforce these orders, let alone the impact on answering phones and pursuing new initiatives to continue improving our program.

A study conducted by the Urban Institute found that the child support program cost $4 billion in 1999, but saved more than $4.9 billion in direct budgetary reductions in federal and state outlays in the public assistance programs, including TANF, Medicaid, Food Stamps, SSI and subsidized housing. In addition, the child support program recouped $2.3 billion in TANF and Foster Care costs. The Child Support Program in Ohio and Nationally is receiving very positive recognition due to its cost effectiveness, goal oriented status and accountability. In fact, the program received a Program Assessment Rating Tool (PART) rating of "effective" and continues to be one of the highest rated block or formula grants of all federal programs. With all of the very positive aspects of this program outlined, it is difficult to understand why Congress would cut funding and negatively impact children in Ohio and Nationally.

We request that Congress support HR 1386 and continue providing opportunities for Ohio to improve our program and outcomes for over one million families. Thank you in advance for your consideration and support on this critical issue.

Please feel free to contact Kim Newsom Bridges, our Executive Director, for more information regarding this testimony and Ohio's Program. She can be reached at: e-mail kim@ocda.us

Statement of Racine County Child Support Department, Racine, WI

I am writing this letter to ask you to use your office to restore federal funding for the national child support program. As part of the Deficit Reduction Act of 2005, $1.5 billion dollars in federal funds were cut from the national child support program. For our county this means a reduction of $490,169.00 for the County 2008 budget.

The child support budget funds child support workers and court personnel to hear child support cases. According to new estimates that I have seen, the reduction set forth above means that one-third to one-half of the county child support staff, inclu-

sive of court staff, will be reduced. Quite frankly, this means the end of the child support program in Racine County. The caseloads for the remaining staff will be too large (approximately 4,300 per worker) to handle properly. Federal incentive goals and mandates for child support establishment and enforcement will not be met.

For every $1.00 spent on the child support program, Racine County collected $9.87 in child support and child support arrears. The money collected either went directly to a child's caregiver or back to government as compensation for public assistance. The import here is that for every dollar collected, either less public assistance was needed or it was not necessary at all or the government offset the cost of public assistance by recouping those costs through direct compensation. Given the proposed federal funding cuts for the child support program, I expect the state will experience an increase in demand for public assistance and a decrease in the money collected to recoup public assistance expenditures.

Below is a fact sheet for your review showing benefits of the child support program and the impact the budget reduction will have on the Racine County Child Support Department. If you have any questions about this correspondence you may contact me directly at 262–636–3247.

WISCONSIN CHILD SUPPORT ENFORCEMENT ASSOCIATION

DEFICIT REDUCTION ACT TALKING POINTS

January, 2007

1. Deficit Reduction Act of 2005 creates major cuts to the Child Support program

- County child support allocations from Federal Incentive Payments and Matching Funds in Calendar Year 2006 was $38,225,900 statewide; as a result of DRA, these funding sources will decrease:

  i. By $6,360,800 in CY 2007, a 16.6% decrease
  ii. By $25,250,900 in CY 2008, a 66.1% decrease [i]

- DWD estimates reductions in child support collections of over $143 million in Wisconsin over the next 5 years as a result of the cuts [ii]

[*County option:* **Racine** County faces a decrease in federal funding of $**0** in CY 2007, and $**490,169** in CY 2008. In terms of staffing, this translates to a loss of **0** positions in 2007, and **21** positions in 2008. As a result, caseloads per FTE **could** be as high as **4300 cases** in 2008.]

2. It makes financial sense to invest in the Child Support Program

- County Child Support Agencies establish legal fatherhood for children born outside of marriage; until paternity is established, putative fathers have no legal obligation to support their children.

In 2006, county agencies established paternity for over 15,000 children in the State of Wisconsin.[iii] Potential staff cuts and the resulting increase in caseloads will have a serious impact on the counties' ability to timely effect paternity establishment.

[County option: **Racine** County established paternity for approx 1300 children in 2006.]

- The program in Wisconsin handles over 457,000 support cases per year; in 2006 payments of $940,153,416.00 were made through the Wisconsin Support Collection Trust Fund [iv]

[County option: The Racine County Child Support Agency has a caseload of 18,811 cases]

- Statewide, approximately $6 are collected for every $1 spent on the program [v]

[*County option:* **Racine** County Child Support collects $**9.87** for every dollar spent on the program] $**31,247,241.04 WI $3,166,421 2007 Budget expenses**

- Consistent collection of support stabilizes families, reducing demand on—and the cost of—public assistance programs

A study by the Urban Institute, commissioned by the Federal Office of Child Support Enforcement, concludes that for every dollar of child support that is distributed for TANF cases, there is a forty-cent cost avoidance ratio that offsets other federal benefit program expenses, such as Food Stamps, TANF, Medicaid, SSI and Housing. The ratio is nineteen-cents for every dollar collected in non-TANF cases. Child sup-

port collections produce a cost avoidance that results in increased family self-sufficiency. [vi]

- Child Support is the only program in the State systematically enforcing health insurance orders for children, reducing the cost of medical assistance programs

There are over 350,000 children in the Child Support Program's caseload in Wisconsin, for whom the county and tribal child support agencies are the health insurance watchdog: establishing and enforcing parents' legal obligation to provide health insurance when it is available from their employers at a reasonable cost.

3. DWD's Bureau of Child Support and County Child Support Agencies are taking steps to mitigate the effects of DRA

- Child Support Summit—WCSEA and its members committed to increasing efficiency and effectiveness through centralization, regionalization and standardization
- Problems: despite mitigation, there is a real potential for a downward spiral in performance: reduced funding leads to decreases in program performance, which reduces performance funding, further decreasing performance, etc. Additionally, failure by the State to meet the federally required maintenance of effort reinvestment in the child support program may result in both federal incentive reductions and TANF penalties [vii]

4. WCSEA seeks support from Wisconsin's Legislators

- Support federal legislation to reverse the child support cuts in the DRA
- Support Governor Doyle's proposal to invest $2.9 million in FY2008 and $5.5 million in FY2009 to backfill the federal cuts while we pursue reinstatement of the federal funding; these funds qualify for the 66% federal match, so they will yield an additional $16 million in federal matching dollars over the biennium. This investment is appropriate because:
- "For two biennia, the state has relied on federal incentive funds in lieu of GPR for state operations, and as the exclusive source of state funding for counties under s.49.24. This arrangement is no longer sustainable. . . ." [viii]
- The State will receive GPR from the DRA-imposed $25 annual collection fee on non-aid CPs for collections over $500
- The State will obtain additional revenue from the Governor's proposed increase from $35 to $65 in the annual receiving and disbursing fee

[i] Legislative Fiscal Bureau Analysis of Federal Child Support Matching Funds for Child Support Incentive Payments Under the Federal Deficit Reduction Act of 2005, 8/28/06

[ii] DWD Secretary Roberta Gassman's 3/27/06 letter to Wisconsin's Congressional Delegation

[iii] BCS 2006 statistics from Kids Information Data System (KIDS)

[iv] BCS 2006 statistics for WiSCTF

[v] Secretary Gassman's 3/27/06 letter.

[vi] This study can be found at http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/cost_avoidance/. Applying the findings of this study to Wisconsin's support collection numbers from 2006, significant cost avoidance savings result:

2006 Collections	*Dollars Distributed*	*Savings per $1.00*	***Cost Avoidance Savings***
Present Assistance cases	$20,316,408	x .40	**$8,126,563**
Former Assistance cases	$220,863,260	x .19	**$41,964,019**
Never assistance cases	$361,752,320	x .19	**$68,732,940**
	$602,931,988		**$118,823,522**

The Urban Institute study attributes the following percentages of total cost avoidance savings by program *:

Food Stamps 37%	x $118,823,522	= $43,964,703
TANF 29%	x $118,823,522	= $34,458,821
Medicaid 23%	x $118,823,522	= $27,329,410
SSI 6%	x $118,823,522	= $7,129,411
Housing 6%	x $118,823,522	= $7,129,411

**Percentages are rounded, so they total 101%*

[vii] DWD 2007–2009 Biennial Budget, Re-Estimate Child Support Funding, p. 271

[viii] DWD 2007–2009 Biennial Budget, Re-Estimate Child Support Funding, p. 267

Statement of Leah Ross, Culver City, CA

I have heard about the plan to reduce federal funding for child support enforcement and am writing to protest this action. I am a Child Support Officer for the County of Los Angeles, California. Our department is a powerful and effective tool for keeping families out of poverty, and helping them to get off government aid. I work in the Call Center for Child Support and talk to moms and dads every day who have opened a case with us. With our enforcement tools and their help, we track down non-custodial parents and manage to keep a tremendous amount of money coming in to help them raise their families.

I have talked to parents who are on the edge of poverty, living from one paycheck to another. Our help keeps them from going over the edge.

I have talked to parents who say they just got off welfare because we found out where the non-custodial parent works and attached his or her wages. Our help gets them off welfare.

I have helped track down health benefits for a distraught parent whose child needed medical care and was turned away at the doctor's office. Our help gets those children coverage and help gets them off government-sponsored health insurance.

Also, I am there to help the non-custodial parent. When he doesn't understand his bill or has problems with paying, we let him know his options so that he can pay a reasonable amount.

When we get his attention with one of our enforcement methods, such as drivers license suspension, we help him figure out the best way to get it back and start paying his obligation.

We get calls every day from parents, employers, escrow companies, other agencies or people who just called our number because they didn't know where else to turn. We help each and every one of our callers in a professional and caring manner. Don't make our job even harder, or worse yet, impossible, by cutting funding to this valuable agency. We are an agency that brings in the dough. What is the saying? "Show me the money." Well, we do it every day, sending checks to families so they don't fall into homelessness and penury. We are an agency that saves you money. Do not hobble this valuable resource. Keep us funded. I support legislation that would rescind the scheduled cuts to Child Support in the Deficit Reduction Act, and thank Chairman McDermott and Senator Rockefeller for their efforts.

Statement of Faredeh Samuels

I, Faredeh Samuels, employee of the Los Angeles County Child Support Services Department, am opposed to the scheduled budget cuts to the Child Support in the Deficit Reduction Act. These cuts will increase the already extremely heavy workload that the department is experiencing. The CSSD helps improve the lives of children by providing them with financial and healthcare needs. CSSD has been more successful then ever before in locating delinquent parents and forcing them to support their children. If these budget cuts are approved, it will cause a negative impact the lives of children in Los Angeles County.

I support legislation that would rescind the scheduled cuts to Child Support in the Deficit Reduction Act, and thank Chairman McDermott and Senator Rockefeller for their support.

Statement of Washington County, Wisconsin

Support for Adequate Funding of Wisconsin COunties for the Provision of Child Support Services

WHEREAS, Wisconsin Counties are mandated to administer Child Support Enforcement Programs on behalf of the State and Federal Government; and

WHEREAS, Washington County, along with the 71 other Wisconsin Counties, provides child support services to its residents, including paternity establishment, obtaining, enforcing and modifying child support orders and locating non-custodial parents; and

WHEREAS, the State of Wisconsin traditionally ranks high in its collection and enforcement of child support orders due in part to the quality performance of Wisconsin Counties; and

WHEREAS, Federal Aid covers 66% of all administrative costs of the enforcement programs, which means that the Federal Government matches local expenditures at a rate of roughly $2 for every $3 spent; and

WHEREAS, the Federal Deficit Reduction Act of 2005, approved by Congress and signed by the President in February, 2006, reduces Child Support Enforcement funding by no longer allowing counties to use Federal Performance Incentive Funding as local match to offset the cost of operating their Child Support Agencies; and

WHEREAS, this change goes into effect with the beginning of the Federal Fiscal Year on October 1, 2007; and

WHEREAS, the full impact of this change takes place in 2008 when Washington County would have to either make substantial program cuts to make up for the inability to claim incentive matching funds, or find local funding of approximately $95,000 to maintain programs at 2007 levels; and

WHEREAS, Washington County believes it is the State's responsibility to fully fund its mandated programs, especially if it continues to place local governments under levy limits; and

WHEREAS, decreased Federal funding may mean reductions in Child Support Enforcement staff, less child support collections made on behalf of single-parent families, and greater reliance on Income Maintenance Programs;

NOW, THEREFORE, BE IT RESOLVED by the Washington County Board of Supervisors that this Board requests that the Governor and the State Legislature recognize that it is in the best interest of Wisconsin residents to have the Governor and the Legislature work cooperatively to ensure that adequate state funding is included in the State Budget for distribution to Wisconsin Counties to offset the reduction in Federal revenue;

BE IT FURTHER RESOLVED that Congress is urged to re-evaluate the impact of the Deficit Reduction Act and restore funding for child support services.

BE IT FURTHER RESOLVED that the County Clerk is directed to provide a copy of this resolution to the Governor of the State of Wisconsin, Senators Herb Kohl and Russ Feingold, each legislator in the State Senate and Assembly representing Washington County constituents and Michael Morgan, State Department of Administration.

VOTE REQUIREMENT FOR PASSAGE: Majority

APPROVED:
/s/ Kimberly A. Nass
Kimberly A. Nass, County Attorney
Dated 02/14/07

Introduced by members of the EXECUTIVE COMMITTEE as filed with the County Clerk.
/s/ Thomas J. Sackett
Thomas J. Sackett, Chairperson

Considered 02/13/07
Adopted 02/13/07

Voice Vote: Ayes 28 Noes 0 Absent 2

(Advisory resolution to provide adquqte funding for child support services.)

March 23, 2007

Honorable Jim McDermott, Chair
Subcommittee on Income Security and Family Support

Dear Congressman McDermott and Honorable Members of the Subcommittee:

We appreciate the opportunity to submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the above referenced hearing.

YoungWilliams PC is a Mississippi corporation in the business of partnering with public sector child support agencies. Our clients are state and local governments. We operate child support projects in a number of states including Mississippi, Kansas, Missouri, Nebraska, and North Carolina. Our company is very actively engaged in the child support community, and has membership in several organizations including the National Child Support Enforcement Association (NCSEA), the Eastern Regional Interstate Child Support Association (ERICSA), and the Western Interstate Child Support Enforcement Council (WICSEC). Several of our employees serve on the board or committees of these associations and many of our staff members are involved in state and local child support organizations. Three members of our management team have served as state child support directors in Florida, Montana and Nebraska. We are passionate about the child support enforcement program, and committed to its mission of enforcing parental responsibility and collecting support on behalf of children.

We know first hand the benefits of the program to the children and families who depend upon it. Many of these families are former or borderline welfare recipients. Over the last ten years, child support collections have skyrocketed, and more families than ever are receiving regular support payments. This has enabled families to become self-sufficient rather than welfare dependent. One often overlooked aspect of the program is that it also establishes and enforces private medical support coverage, diverting many children from Medicaid and SCHIP programs funded by taxpayers. The total amount of savings and reimbursement to Medicaid has not yet been quantified, but it saves millions and millions of dollars. No other program does so much good while reducing the burden on other government programs.

The Deficit Reduction Act will seriously impede further progress of the program. In fact, it may cause the program to backslide especially when performance incentives may no longer be used for federal match after October 1, 2007. Even though some states might be able to partially or completely fill this funding void over the short term, the health of the system as a whole is dependent upon the health of each and every state and territorial Title IV–D (child support) program. This is because the program has a large interstate component. In today's society, a substantial number of children have parents who live in two different states. Over 17 million children are served by the national IV–D program. When compared to the 2000 U.S. Census Report, *approximately one quarter of the nation's children are in the child support caseload.* Many of these children can only be served through interstate cooperation. When one state IV–D agency becomes backlogged, the whole system is affected. In the recent past, there have been "black holes" in the system, where cases were referred from one state to another, and languished there. Without adequate and steady program funding, this could happen again.

Federal match on incentives has long been a part of this program, and in fact, *it was a deliberate decision of Congress to match incentives with federal financial participation.* Reinvestment of this match into programs has significantly contributed to the progress IV–D programs have made. This has created better outcomes for children in terms of regular financial support and improved access to medical care. The program has also become more holistic in the services it provides. New programs that reach out to fathers and incarcerated parents have been developed to help these populations find work, reintegrate and become better able to financially and emotionally support their children. The child support community has developed strong partnerships with employers, like YoungWilliams, who are legally bound to participate in income withholding and new hire reporting. Employers are a crucial part of the national child support system, and through withholding income of employees owing child support, contributed to 70% of the total national child support collections. Employers also withhold medical insurance premiums when employees are ordered to provide medical support, and insurance is available through

the employer. The child support community has also forged effective relationships with hospitals to provide unwed parents of newborns the opportunity to acknowledge paternity at birth. Many of these efforts and others would be jeopardized if funding is reduced.

The IV–D program is not only socially responsible, but fiscally accountable. The national IV–D program received an OMB Program Assessment Rating Tool (PART) score of 90 percent, representing the *highest rating* among all social services and block grant/formula programs. This tool was developed to assess program performance and accountability. In federal fiscal year 2005, the program collected over $23 billion. For every $1.00 invested in the program, $4.58 was collected for families. States are financially rewarded or penalized based on their performance in five key areas: paternity establishment, support order establishment, current support collections, arrears collections and cost effectiveness. This approach is working.

For the reasons mentioned above, we strongly urge the Subcommittee and Congress to support restoration of funding to the IV–D program by repealing the cuts in the Deficit Reduction Act of 2005. These cuts include the reduction of federal financial participation for paternity (DNA) testing from 90% to 66%; the implementation of a $25.00 fee for collections; and the most devastating one of all, elimination of federal match for incentives.

Thank you for your consideration. I hope that I have adequately conveyed the adverse impact the DRA budget reductions will have upon the IV–D program's ability to serve current and future generations. I'd be pleased to respond to any requests for additional information regarding our company's perspective on this important issue.

Sincerely,

Rob Wells
President

Statement of Wisconsin Child Support Enforcement Association

The WCSEA represents Wisconsin's county and tribal child support agencies in their mission to efficiently and effectively establish paternity and establish and enforce support orders for Wisconsin's families. We present this testimony to illustrate the devastating impact that the Deficit Reduction Act of 2005 will have upon our agencies and the children we serve.

1. Deficit Reduction Act of 2005 creates major cuts to Wisconsin's Child Support program

County child support allocations from Federal Incentive Payments and Matching Funds in Calendar Year 2006 was $38,225,900 statewide; *as a result of DRA*, these funding sources will decrease:

- By $6,360,800 in CY 2007, a *16.6%* decrease
- By $25,250,900 in CY 2008, a *66.1%* decrease[1]

Wisconsin estimates reductions in child support *collections* of over $143 million in Wisconsin over the next 5 years as a result of the cuts.[2]

2. It makes financial sense to invest in the Child Support Program

County Child Support Agencies establish legal fatherhood for children born outside of marriage; until paternity is established, putative fathers have *no* legal obligation to support their children. In 2006, county agencies established paternity for over 15,000 children in the State of Wisconsin.[3] Potential staff cuts and the resulting increase in caseloads will have a serious impact on the counties' ability to timely establish paternity for these children.

The program in Wisconsin handles over 457,000 support cases per year; in 2006 payments of $940,153,416.00 were made through the Wisconsin Support Collection

[1] Wisconsin's Legislative Fiscal Bureau Analysis of Federal Child Support Matching Funds for Child Support Incentive Payments Under the Federal Deficit Reduction Act of 2005, 8/28/06

[2] Wisconsin Department of Workforce Development (DWD) Secretary Roberta Gassman's 3/27/06 letter to Wisconsin's Congressional Delegation

[3] Wisconsin's Bureau of Child Support (BCS) 2006 statistics from Kids Information Data System (KIDS)

Trust Fund.[4] Statewide, approximately $6 are collected for every $1 spent on the program.[5] This is a highly cost-effective program for the families who rely upon it.

Consistent collection of support stabilizes families, reducing demand on—and the cost of—public assistance programs. A study by the Urban Institute, commissioned by the Federal Office of Child Support Enforcement, concludes that for every dollar of child support that is distributed for TANF cases, there is a forty-cent cost avoidance ratio that offsets other federal benefit program expenses, such as Food Stamps, TANF, Medicaid, SSI and Housing. The ratio is nineteen-cents for every dollar collected in non-TANF cases. Child support collections produce a cost avoidance that results in significantly increased family self-sufficiency.[6]

Child Support is the only national program that systematically enforces health insurance orders for children, reducing the cost of medical assistance programs. In Wisconsin alone, there are over 350,000 children for whom the county and tribal child support agencies are the health insurance watchdog: establishing and enforcing parents' legal obligation to provide health insurance when it is available from their employers at a reasonable cost.

3. We are taking steps to mitigate the effects of DRA, but despite mitigation there is a real potential for a downwad sprial in proformance

Reduced funding leads to decreases in program performance, which reduces performance funding, further decreasing performance, etc. Additionally, failure by a state to meet the federally required maintenance of effort reinvestment in the child support program may result in **both** federal incentive reductions **and** TANF penalties.[7] The impact of hits against both programs would compound the devastating effects of DRA on low-income families.

4. WCSEA encourages you to support legislation to reverse DRA's child support cuts

The child support program directly impacts thousands of families—reducing poverty and reliance on welfare, and supporting personal responsibility and self-sufficiency. We encourage you to support legislation to reverse the devastating cuts imposed by DRA, and allow us to continue to fulfill the critical role we play in the lives of Wisconsin's children and families.

2006 Collections	Dollars Distributed	Savings per $1.00	**Cost Avoidance Savings**
Present Assistance cases	$20,316,408	x .40	**$8,126,563**
Former Assistance cases	$220,863,260	x .19	**$41,964,019**
Never assistance cases	$361,752,320	x .19	**$68,732,940**
	$602,931,988		**$118,823,522**

The Urban Institute study attributes the following percentages of total cost avoidance savings by program*:

Food Stamps 37%	x $118,823,522	= $43,964,703
TANF 29%	x $118,823,522	= $34,458,821
Medicaid 23%	x $118,823,522	= $27,329,410
SSI 6%	x $118,823,522	= $7,129,411
Housing 6%	x $118,823,522	= $7,129,411

*Percentages are rounded, so they total 101%

[4] BCS 2006 statistics for Wisconsin Support Collection Trust Fund (WI SCTF)

[5] DWD Secretary Gassman's 3/27/06 letter to Congressional Delegation.

[6] This study can be found at http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/cost_avoidance/. Applying the findings of this study to Wisconsin's support collection numbers from 2006, significant cost avoidance savings result:

[7] Wisconsin's Department of Workforce Development 2007–2009 Biennial Budget, Re-Estimate Child Support Funding, p. 271