welfaredep

December 1, 1993

Children's Defense Fund

Bruce Reed, Deputy Assistant to the President
for Domestic Policy
David Ellwood, Assistant Secretary
for Planning and Evaluation
Mary Jo Bane, Assistant Secretary
for the Administration for Children and Families
Co-Chairs, Working Group on Welfare Reform,
Family Support and Independence
Washington, D.C. 20500

Dear Bruce, David and Mary Jo:

As the time for final decisions on the broad outlines of the Administration's welfare reform plan draws near, I want to convey my great hopes that this effort will bring the nation a step closer to ending child poverty in America. We can do enormous good for poor children, families and the nation under the rubric of welfare reform. To realize this potential, however, we must begin to tackle the root causes of child and family poverty in America and do our utmost to see that the resources committed to welfare reform are commensurate with the plan's scope and scale.

The opportunities before us are unmistakable. Elements of the current welfare system that discourage work and marriage can be changed to reward initiative and facilitate family formation. Messages of parental responsibility can be strengthened. Barriers to secure employment at family-sustaining wages -- ranging from inadequate child care, education and training services to chronic job shortages in many communities -- can be substantially reduced, if not overcome. We hope the Administration will seize these opportunities to chart a bold new course for the nation.

This effort to reform our nation's welfare system should reflect our most basic values: the importance of work; the responsibility of parents to care and provide for their children; the nurturing of hope for a better life among children and parents alike; and compassion and a helping hand to those who face personal crises or insurmountable barriers to employment. These values -- work, responsibility, hope, opportunity and compassion -- must provide the basis for a new social contract between government and low-income parents, one that challenges all of us to lift our sights and rescue our children from the dangers of sustained poverty. It is shameful that children are the poorest citizens in the richest nation on earth, and our failure to act to end their continuing impoverishment now costs us dearly.

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

The central premise of this social contract should be that every parent, if given the opportunity, has the ability to contribute to the care, nurturing and support of children. Parents receiving AFDC who can work should be expected and enabled to do so, and those who cannot move immediately toward employment should work to strengthen their families and communities by participating in parent education programs, seeking substance abuse treatment, and/or promoting the development of their children through involvement in Head Start or similar programs.

For this new social contract to succeed, government also must do its share. In this context, I was deeply troubled by the Administration's recent approval of Wisconsin's AFDC waiver request -- an action that I fear gives legitimacy to the claim that it is morally acceptable to cut off basic income support for poor children merely because their parents are unable to find work. This approach is antithetical to the basic tenets of a new social contract for parents on AFDC. Rather than establishing a principle of reciprocal obligation in our welfare system, the Wisconsin plan signals the state's intention to walk away from families when they cannot make it on their own. We fervently hope this action on waivers is <u>not</u> an indication that the Administration similarly will walk away from the tough decisions and key investments that must be made in order for national welfare reform efforts to be successful.

Within the broad framework of a new social contract, reinvigorated federal leadership and increased investments in a number of key areas are crucial to support the work efforts of parents receiving AFDC and to fulfill the promise of the President's bold welfare reform pledge:

<u>Child care</u> - Even under the current system, AFDC child care programs are under enormous strain. States are taking or considering extraordinary steps to limit access to child care assistance, reducing child care help for working poor families in order to serve families on AFDC, and purchasing care of frighteningly low or uncertain quality. An infusion of new child care funds is essential if parents on AFDC are to increase their participation in education, training or work activities and if low-income working families teetering on the brink of the welfare system are to continue their quest for economic self-sufficiency. We will accomplish nothing through welfare reform if we do not at the same time nurture our next generation of children and prevent their future need for welfare.

<u>Work incentives</u> - Our welfare system must encourage and promote work. The Administration has taken an enormously important step in increasing the rewards of work by securing approval for the historic expansion of the Earned Income Credit this summer. Now we must build upon this progress by lowering the extraordinarily high marginal tax rates on earnings (ranging from 70 percent to over 100

percent) imbedded in the current welfare system so that parents on AFDC have the same financial incentives to work that other Americans enjoy. A long-overdue increase in the minimum wage also would bolster the message that this Administration intends to "make work pay."

Employment opportunities - We cannot achieve the fundamental goal of "ending welfare as we know it" without creating paid work opportunities for parents on AFDC when jobs are not otherwise available. Those who are ready and able to work should have access to full-time jobs with family-supporting wages. While some say it is not possible, given current budget constraints, to create enough full-time jobs for all parents who are ready to work, the dignity of paid employment is terribly important and we must all work to keep jobs at the top of any agenda to strengthen family self-sufficiency. Tens of thousands of important jobs can be created through full funding of Head Start, expansion of child care programs, and full utilization of the summer food program alone. Part-time jobs paying wages at or above the minimum wage represent the very least we should do in order to put parents on the road to full participation in the economic mainstream.

Job retention - For millions of parents on AFDC, the key issue is not work motivation but job retention. Recent studies show that half of all welfare spells now end because parents do find jobs, but many families return to AFDC when work or child care arrangements fall apart. Finding ways to keep these parents on the job and off the AFDC rolls is one of the greatest challenges of welfare reform. We need new mechanisms to offer help in overcoming temporary job or family crises that jeopardize the work efforts of such parents and to continue the investments in education and training that will lead to long-term employment stability. We also need to take additional steps to ensure that parents who leave AFDC for work get child care assistance beyond the 12 months currently available and have access to other follow-up services they need to succeed.

Child support - Every child deserves the support of two parents. More vigorous efforts to establish paternity and tougher child support enforcement should be central elements of any welfare reform plan, sending an unambiguous message of the importance of parental responsibility to the well-being of children. We believe a federalized, universal system of child support enforcement coupled with an assured benefit would best meet children's needs. At a minimum, we hope that state demonstrations of child support assurance can be structured to build quickly upon successful models and enable states meeting established criteria to join the program in future years.

Education and training - Many parents who receive AFDC or pay child support need additional skills if they are to avoid the endless cycle of brief periods of employment followed by repeat welfare spells. Americans have enormous faith in the power of education and training to usher in a new era of "high skills, high wage" employment for the vast majority of us; improved skills surely play a similar role in enabling poor parents to secure stable decent-paying jobs. The JOBS program, with its promising focus on education and training for those AFDC parents who need such services, still is a fledgling effort only recently implemented fully in all states. Our next wave of welfare reform should build upon the foundation that JOBS provides rather than moving -- prematurely and counterproductively -- to dismantle it.

Serious initiatives in the areas outlined above -- child care, work incentives, employment opportunities, job retention, child support, and education and training -- require substantial new investments by the federal government. While understanding that the resources available for welfare reform may be sharply limited, I continue to hope that we can achieve significant gains in these areas despite difficult budget constraints. It would be a great disservice to children on AFDC and the nation as a whole to cling to bold, expansive rhetoric and goals for welfare reform while failing to marshal the resources necessary to unlock the doors of economic opportunity for families on AFDC. It would be an even greater disservice to use the rhetoric of self-sufficiency as a Trojan horse of punishment by driving parents off welfare rolls when no jobs are available.

I am deeply concerned about the harmful consequences for children on AFDC that likely would result from a dramatic mismatch of small welfare reform investments and reform plans of sweeping scope and scale. Broad new mandates that spread resources too thinly and fail to tackle the central barriers to employment and eventual self-sufficiency will not solve our welfare problem. Such an approach can only distract us from the more fundamental tasks we must undertake -- rewarding work, encouraging family formation, reinforcing parental responsibility and creating the stable base of jobs that will provide a lasting alternative to welfare and poverty.

No one gains when welfare is a way of life. But the need for a basic safety net to protect children from severe deprivation will not disappear until we address the underlying causes of child poverty in America. If we set realistic goals that are consistent with the resources at hand, this welfare reform effort can succeed. If we merely impose a rigid new set of requirements on families on AFDC without providing more effective assistance to overcome their barriers to employment, we only will add to the plight of our nation's poorest and most vulnerable children.

We look forward to working with the Administration to develop a welfare reform plan of which we all can be proud, and remain eager to assist you in whatever way we can.

Sincerely yours,

Marian

Marian Wright Edelman

MWE:stb
cc: Donna Shalala
Carol Rasco

bcc: Melanne Verveer

Children's Defense Fund

December 1, 1993

Ms. Carol H. Rasco
Assistant to the President
for Domestic Policy
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Carol:

I wanted to be sure that you received a copy of my recent letter to the Working Group on Welfare Reform, Family Support and Independence co-chairs outlining our hopes and concerns regarding the Administration's forthcoming welfare reform proposal.

CDF believes we can do enormous good for poor children and families under the rubric of welfare reform. Yet new resources will be essential for any constructive reform effort. It is my understanding that proposals now under discussion, while setting aside substantial amounts for child care, make very limited new investments in education, training or paid employment opportunities, and would be financed almost exclusively by restricting AFDC benefits to legal immigrants or reducing other assistance to poor families. This approach to welfare reform will make no serious dent in our child poverty problem and does not deserve the Administration's support.

As you proceed with internal decisions, I hope that your attention will remain focused on interventions that genuinely will improve the lives of our poorest children and prevent the present as well as future need for welfare. A welfare reform that truly is pro-work and pro-family must include an expansion of paid employment opportunities and new investments in education, training, and child support assurance. I understand that we may not be able to do it all now, given current resource constraints, but let us be sure that what we <u>are</u> able to do moves us toward the goal of eliminating child poverty in America.

Please let me know if we can help in any way. We will be working very hard with Black community leaders and child advocates across the country to assure a strong voice on the concerns raised here.

Sincerely yours,

Marian

Marian Wright Edelman

MWE:stb
Enclosure

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

Children's Defense Fund

December 1, 1993

The Honorable Donna Shalala
Secretary
U.S. Department of Health and
Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Donna:

I wanted to be sure that you received a copy of my recent letter to the Working Group on Welfare Reform, Family Support and Independence co-chairs outlining our hopes and concerns regarding the Administration's forthcoming welfare reform proposal.

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Sincerely yours,

Marian

Marian Wright Edelman

MWE:stb
Enclosure

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Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

Welfare Reform

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

FAX TRANSMITTAL COVER SHEET

TO: Melanne Verveer

FIRM: The White House

FAX#: (202)456-2557

FROM: T'Wana Lucas, Admin. Asst.
Division of Family Income

If you have a transmittal/receiving problem, please contact me at (202)662-3542.

DATE: 10 Dec. 1993 **TIME:** 12:20 pm

NUMBER OF PAGES SENT (INCLUDING COVER SHEET): 17

COMMENTS:

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

MEMORANDUM

TO: Melanne Verveer

FROM: Jim Weill, Cliff Johnson, and David Kass

DATE: December 9, 1993

SUBJ: New Polling Data on Welfare Reform

We are sending you a new poll conducted by Peter Hart Research Associates. **This poll shows that, while large majorities of the American people want the welfare system to get people into work, they do not seek a system operating to cut people off welfare. They believe that everyone on welfare must make an effort and take responsibility for themselves, but they do not believe that everyone must be self-sufficient within two years, or that cutting people off without getting them out of poverty is an adequate job.**

This poll was commissioned by a consortium of the Center for Law and Social Policy, the Center on Budget and Policy Priorities, the Children's Defense Fund, the Joint Center for Political Studies, and La Raza.

Here are some of the principal points in the poll:

1) While the public is convinced that the welfare system is broken (see Question #2b) and that recipients' behavior is wrong, the public approaches solutions with **sophistication and pragmatism. They reject overly simplistic solutions**:

- The public believes that the single best approach to reforming the welfare system is "improving and expanding education and job training programs." In a list of four approaches, a two year limit comes in a weak fourth (9 percent), lagging far behind responses that involve teaching and helping people to work (Question #11a). See also Question 10, where, as part of a different list, the two-year time limit came in last among six approaches to poverty and welfare.

- Overwhelming margins were in favor of "providing subsidized child care to poor mothers who want to work" and in favor of toughening child support enforcement.

- When asked about a hypothetical two year rule, 79% favored applying it to able-bodied recipients on a case-by-case basis rather than as a hard-and-fast cutoff (#14a). By a more than two-to-one margin, people said they supported a hypothetical candidate who would require training and then work, rather than a candidate who supported cutting off benefits after two years (#15).

2) The public believes that welfare reform is about getting people to work, not cutting people off of welfare. **The polling results suggest that the public wants to get recipients off welfare <u>and</u> out of poverty; just getting them off welfare but increasing or deepening poverty will not be seen as doing the job**:

- The poll found that 83% supported a plan that would require a public service job after two years rather than a plan that ended benefits and provided no job after two years (#13d).

- 86 percent believed a mother working part-time at below poverty wages should continue to get welfare (#12c).

- 54 percent strongly agreed that "many poor children will be hurt by a [flat two year] cutoff, through no fault of their own" (#14e).

3) People continue to believe that many welfare recipients "collect benefits they are not legally entitled to" (#7) and that poor people have the "wrong values" (#3b). The public also believes that the breakdown of families and family values is one of the most important causes of poverty (#4). But the public will provide assistance if they believe that welfare recipients are making some effort at self improvement and self-support:

- When asked whether they would favor a plan that spent "a lot more money in the short run than the current system because of the costs of child care, job training, and other programs," 77% said they would favor the plan (11b).

- When asked whether too much money is spent on the welfare system or the money is spent in the wrong way, 85% said the money is spent in the wrong way vs. only 4% who said too much is spent (#8).

- The poll found that 47% thought that we spend too little on poor families with children and 64% thought too little is being spent on poor children (#5).

We have enclosed the poll results. Plans are being made for Geoff Garin of Peter Hart Research Associates to brief David Ellwood and other members of the Administration's welfare reform task force, hopefully, before Christmas. Also, we will send Garin's narrative analysis to you as soon as it is ready. In the meantime, please let us know if we can provide additional information.

PETER D. HART RESEARCH ASSOCIATES, INC.
AMERICAN VIEWPOINT

Interviews: 1020 Respondents
Dates: November 12-15, 1993

48	Male
52	Female
	[5]

FINAL

Study #3805B
Income Security
November 1993

AREA		STATE		TYPE	SAMPLE POINT			FORM		DATE		
									November			1993
[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]		[15]	[16]	

I'm calling from Peter Hart Research, the national public opinion polling firm. We are conducting a national survey and I'd really appreciate the chance to get your opinions on some important issues facing the country today. (CHECK BELOW FOR THE CATEGORY OF RESPONDENT YOU ARE SUPPOSED TO ASK FOR, THEN SAY:) Your number was selected at random, and in this household, I am supposed to speak with the (youngest/oldest) (man/woman) age 18 or over who is at home now.

PERSON TO ASK FOR

___ ASK FOR YOUNGEST

___ ASK FOR OLDEST

(REPEAT INTRODUCTION IF RESPONDENT IS NOT THE PERSON WHO FIRST ANSWERED THE PHONE.)

1. Are you currently registered to vote in the precinct or election district where you now live, or haven't you had a chance to register yet?

Registered	100	CONTINUE	[17]
Not registered	-	TERMINATE	
Not sure	-		

2a. All in all, do you think things in the nation are generally headed in the right direction, or do you feel that things are off on the wrong track?

Right direction	29	[18]
Wrong track	50	
Mixed (VOL)	15	
Not sure	6	

2b. For each of the following areas, please tell me how well you feel things are working now in this country--very well, fairly well, not that well, or not well at all. First, (READ ITEM) is this working very well, fairly well, not that well, or not well at all? (ROTATE ORDER.)

	Very Well	Fairly Well	Not That Well	Not Well At All	Not Sure	
The criminal justice system	1	19	31	47	2	[19]
The Social Security system	9	49	22	14	6	[20]
The tax system	3	36	27	30	4	[21]
The educational system	5	34	28	30	3	[22]
The health care system	4	32	31	30	3	[23]
The welfare system	2	14	30	49	5	[24]

3a. In your opinion, which is the bigger cause of poverty and people being poor today--people not doing enough to help themselves out of poverty, or circumstances beyond people's control that cause them to be poor?

People not doing enough	48	[25]
Circumstances beyond people's control	33	
Some of both (VOL)	17	
Not sure	2	

3b. In your view, is the problem of continuing poverty mostly a result of government not having the right policies or of people not having the right values?

Government not having right policies	24	[26]
People not having the right values	44	
Both equally (VOL)	28	
Not sure	4	

4. For each of the following, tell me how big a factor it is in causing poverty, on a scale from 1 to 10. A rating of "1" means the item is not a cause at all, a "10" means it is a top cause of poverty, and a "5" is somewhere in the middle. Remember, you may use any number between 1 and 10, depending on how you feel. First, (READ ITEM)--how big a cause of poverty is this on a scale from 1 to 10? (ROTATE ITEMS EVERY OTHER INTERVIEW. IF "NOT SURE," RECORD A "*.")

	Mean	(10-8)	(7-5)	(4-1)	Not Sure	
Poor people lacking motivation	6.1	29	52	18	1	[27]
Absent parents not paying child support	7.0	49	35	15	1	[28]
Increased immigration	6.3	39	35	23	3	[29]
A shortage of jobs	6.7	42	39	18	1	[30]
The welfare system	6.9	45	38	15	2	[31]
The breakdown of families and family values	7.6	60	29	10	1	[32]
Poor people receiving inadequate education	6.9	46	36	16	2	[33]
Too many jobs being part time or low wage	6.6	42	37	20	1	[34]

5. Do you think government is currently spending too little, about the right amount, or too much on (READ ITEM)? **(ROTATE FIRST TWO ITEMS, THEN ROTATE THIRD AND FOURTH ITEMS.)**

	Spending Too Little	Spending The Right Amount	Spending Too Much	Not Sure	
Poor people	38	29	25	8	[35,39]
People on welfare	14	24	55	7	[36,40]
Unemployed people	28	44	20	8	[37,41]
(FORM A) Poor families with children	47	30	15	8	[38]
(FORM B) Poor children	64	22	6	8	[42]

6a. How would you complete this sentence: "A family of three living in my area is poor if they make less than BLANK dollars a year"? How many dollars a year would you say? (PROBE:) Just give me your best guess. **(READ CATEGORIES IF NECESSARY, SAYING "SOMEWHERE BETWEEN 5,000 AND 10,000 DOLLARS, SOMEWHERE BETWEEN 10,000 DOLLARS AND...")**

$5,000-$10,000	13	[43]
$10,001-$15,000	29	
$15,001-$20,000	30	
$20,001-$25,000	11	
$25,001-$30,000	8	
Over $30,000	5	
Not sure	4	

6b. Of the people currently on welfare in the United States, how many would you say deserve to be receiving welfare benefits--nearly all, most but not all, about half, less than half, or almost none at all?

Nearly all	4	[44]
Most, but not all	14	
About half	42	
Less than half	32	
Almost none at all	5	
Not sure	3	

6c. About how much would you say the average family of three on welfare in your area receives in cash benefits and food stamps each month? (PROBE:) Just your best guess. **(READ CATEGORIES IF NECESSARY.)**

$100-200 a month	3	[45]
$201-300 a month	8	
$301-400 a month	10	
$401-600 a month	18	
$601-$800 a month	13	
$801-$1,000 a month	7	
$1,001-$1,500 a month	5	
$1,501-$2,000 a month	2	
$2,001 or more a month . . .	1	
Not sure	33	

6d. Do you think that people on welfare generally live fairly comfortably or that they can barely get by?

Live fairly comfortably	34	[46]
Can barely get by	59	
Not sure	7	

(FORM A)
7. For each of the following, tell me if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with the statement. First, (READ ITEM), do you strongly agree, somewhat agree, somewhat disagree, or strongly disagree? (ROTATE ITEMS.)

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	
(FORM A) Many working people are just a paycheck away from poverty	45	35	16	3	1	[47]
The majority of welfare recipients never get off of welfare ...	47	35	11	3	4	[48,55]
Welfare provides a crucial safety net for poor children, who are not responsible for their poverty	40	40	10	7	3	[49,52]
Many welfare recipients collect payments they are not legally entitled to	53	30	9	5	3	[50,53]
(FORM A) Many people on welfare would like to work, but cannot find a job	25	38	21	15	1	[51]
(FORM B) Most welfare mothers would take jobs if they could find child care	34	32	17	13	4	[54]
(FORM B) The majority of welfare recipients never get off of welfare ...	44	36	13	3	4	[55]
(FORM B) It's harder today than it used to be for people to work their way out of poverty	47	28	13	10	2	[56]

8. Which would you say is the bigger problem with the welfare system today--it spends too much money, it spends money in the wrong way, or is neither one a problem?

Spends too much money	4	[57]
Spends money the wrong way ...	85	
Neither one is a problem	6	
Not sure	5	

(READ:) Now I have some questions about possible changes in the welfare system. By welfare, we mean only programs intended specifically for poor people and poor families--not those for the elderly or the disabled.

9a. If the government was going to reform the welfare system, what would you say should be its most important goal? **(PROBE:)** What would you most like to see changed about the system? **[58-61]**

Make recipients more accountable, make sure they are eligible, check, monitor them, curtail abuse, make sure money goes to people that really need it	23%
Provide more job training	17
More restrictions on who gets welfare, stop making it so easy to get welfare	14
Educate people, more money for education	14
More jobs are needed, there aren't enough jobs	10
Make recipients work, no money if they don't, shouldn't be giving money to people that can't work and won't work	7
Don't know no response	7

9b. Here are some possible goals for reforming the welfare system. Which one or two would you say are the most important? **(ROTATE ORDER EVERY OTHER INTERVIEW. ACCEPT UP TO TWO RESPONSES.)**

Strengthening families and family values	32	[62]
Helping people get off the welfare rolls and into the work force	52	>
Making sure poor children get the support they need	22	
Eliminating fraud and abuse	26	
Ending long-term dependence on welfare as a way of life	29	
Saving taxpayers money by reducing spending on welfare	7	
Not sure	1	

10. The following are some proposals related to poverty and welfare. For each one, tell me if you would strongly favor, somewhat favor, somewhat oppose, or strongly oppose the proposal? **(ROTATE ORDER EVERY OTHER INTERVIEW.)**

	Strongly Favor	Somewhat Favor	Somewhat Oppose	Strongly Oppose	Not Sure	
A two-year limit on welfare benefits	35	30	19	12	4	[63]
Tougher measures to collect child support from absentee fathers	81	14	2	2	1	[64]
Guaranteeing that no one would lose their health insurance because they left welfare and got a job	68	21	6	3	2	[65]
Allowing welfare recipients to earn wages up to the poverty level without losing all their welfare benefits	48	35	8	7	2	[66]
Requiring welfare recipients to work in return for their welfare checks	71	22	3	3	1	[67]
Providing subsidized child care to poor mothers who want to work	71	24	3	1	1	[68]

(FORM A)

11a. Which of the following do you think is the single best approach to reforming the welfare system? (ACCEPT ONLY ONE RESPONSE)

Improving and expanding education and job training programs	40	[69]
Requiring recipients to take a public service job if they cannot find other employment	35	
Tougher measures to collect child support from absentee fathers of poor children	13	
Ending benefits for all families after they have been on welfare for two years	9	
None of these (VOL)	1	
Not sure	2	

(FORM B)

11a. Which of the following do you think is the single best approach to reforming the welfare system? (ACCEPT ONLY ONE RESPONSE)

Improving and expanding education and job training programs	46	[70]
Requiring recipients to take a public service job if they cannot find other employment	32	
Tougher measures to collect child support from absentee fathers of poor children	10	
Ending benefits for all recipients after they have been on welfare for two years	9	
None of these (VOL)	1	
Not sure	2	

11b. Suppose it turns out that welfare reform actually costs a lot more money in the short run than the current welfare system, because of the costs of child care, job training, and other programs that help more people to leave welfare. Would you favor or oppose such a welfare reform plan, even if it cost more money in the short run?

Favor plan	77	[71]
Oppose plan	15	
Not sure	8	

11c. Now, here are some additional proposals related to poverty and welfare. For each one, please tell me if you would strongly favor, somewhat favor, somewhat oppose, or strongly oppose the proposal? (ROTATE ORDER EVERY OTHER INTERVIEW.)

	Strongly Favor	Somewhat Favor	Somewhat Oppose	Strongly Oppose	Not Sure	
Stop giving extra money to mothers if they have another child after they go on welfare	48	20	17	14	1	[72]
Pay for transportation for welfare recipients to get to their jobs	25	42	18	12	3	[73]
Require fathers of children on welfare to work at public service jobs if they do not pay their child support	70	21	3	4	2	[74]
Have the government provide public service jobs to poor people who want to work but can't find private-sector jobs	57	30	6	4	3	[75]
Raise the minimum wage from $4.25 an hour to $5.00 an hour	54	21	13	10	2	[76]

(FORM A)

12a. Should mothers who have preschool children and who are on welfare be required to work? (IF YES:) Should they be required to work full time or part time?

Yes, Should Work			
Full time	17		[77]
Part time	38	CONTINUE	
Not sure how many hours	5		
No, Should Not Work	34	SKIP TO Q.12c	
Not Sure	6		

(FORM A)

(ASK ONLY OF RESPONDENTS WHO ANSWERED "YES, SHOULD WORK" IN 12a.)

12b. And should mothers who have preschool children and who are on welfare be required to work only if child care is provided, or should they be required to work even if child care is not provided?

Only if child care provided	36	[78]
Even if child care not provided	19	
Not sure	5	
Do not think should work (from Q.12a)	40	

(FORM B)

12a. Should mothers who have infants and who are on welfare be required to work? (IF YES:) Should they be required to work full time or part time?

Yes, Should Work:			
Full time	14	CONTINUE	[79]
Part time	27		
Not sure how many hours	6		
No, Should Not Work	47	SKIP TO Q.12c	
Not Sure	6		

(FORM B)
(ASK ONLY OF RESPONDENTS WHO ANSWERED "YES, SHOULD WORK" IN 12a.)

12b. And should mothers who have infants and who are on welfare be required to work only if child care is provided, or should they be required to work even if child care is not provided?

Only if child care provided	27	[80]
Even if child care not provided	16	
Not sure	4	
Do not think should work (from Q.12a)	53	

(ASK EVERYONE.)

12c. Do you think a single mother working at a part-time, minimum-wage job should be permitted to receive welfare benefits, for as long as she earns less than the poverty level, or do you think she should not be permitted to do so?

Should be permitted	86	[81]
Should not be permitted	9	
Not sure	5	

(READ:) Now, I have a few questions about two different welfare reform plans.

13a. One welfare reform proposal places a two-year limit on welfare benefits. After two years, benefits would be ended for all able-bodied recipients, and the government would not provide a job. Would you strongly favor, somewhat favor, somewhat oppose, or strongly oppose such a two-year limit?

Strongly favor	25	[82]
Somewhat favor	30	
Somewhat oppose	24	
Strongly oppose	18	
Not sure	3	

13b. An alternative welfare reform proposal would require welfare recipients to attend job training sessions as soon as they start receiving welfare. After two years, if they have not found employment, welfare recipients would be required to work at a public service job. Would you strongly favor, somewhat favor, somewhat oppose, or strongly oppose this proposal?

Strongly favor	64	[83]
Somewhat favor	28	
Somewhat oppose	4	
Strongly oppose	3	
Not sure	1	

13c. Why do you feel that way about this proposal? (PROBE) What are some of the things you particularly like or dislike about this proposal? [84-91]

Net Positive Comments	87%	Net Negative Comments	11%
Plan gives a chance to be educated, gives them job training, a skill	28	Government can't guarantee everyone a job, if they can't find a job they shouldn't be penalized	3
Makes recipients work, trains them to and makes them work for what they get, if they are able they should work	26	Most of them don't have job skills	3
Plan gives them a chance to survive gives them a chance to get off welfare, an incentive to make them feel better, more self worth	15	Government will be using public funds to create jobs, disagree with concept of government funding jobs	1
Two years is enough time for people to find jobs	12	Why does government have to find them jobs?	1
Teaches people that welfare is not a free ride, will get people used to working instead of collecting, decrease dependency on welfare	7	Welfare recipients should be taught self-motivation first, if individuals are not motivated to work and get off welfare, plan will not work	1
		Don't know; no response	5

13d. Which one of these two approaches to welfare reform would you say is better--1) after two years, benefits would be ended for all able-bodied recipients, and the government would not provide any job; or, 2) after two years, welfare recipients who have not found other employment would be required to work at a public service job?

Cutting off benefits after two years	12	[92]
Requiring recipients to work at public service job	83	
Both the same (VOL)	2	
Neither (VOL)	1	
Not sure	2	

(READ:) Now, I have some questions specifically about the first proposal that provides for a two-year limit on welfare benefits, without any guarantee of a job.

14a. If there were a two-year limit on welfare benefits, would you favor a hard-and-fast cutoff for all able-bodied recipients after two years, or do you think the limit should be applied on a case-by-case basis?

Hard-and-fast cutoff	19	[93]
Case-by-case basis	79	
Not sure	2	

14b. For each of the following cases, please tell me if the cutoff should apply to this person after two years on welfare, or if an exception should be made in this case. First, (READ ITEM), should the two-year limit apply in this case, or should this be an exception? (ROTATE ORDER ON EVERY OTHER INTERVIEW.)

	Apply Limit	Make Exception	Not Sure	
A mother with preschool children	21	72	7	[94]
Someone who has worked for many years and is on welfare for the first time	35	59	6	[95]
A teenage mother who has not completed high school	43	50	7	[96]
Someone who lives in an area where the unemployment rate is more than ten percent	36	56	8	[97]
Someone who is in a job-training program but still reads at the seventh grade level	41	53	6	[98]
A mother on welfare who works part time at a low-wage job	18	77	5	[99]

14c. In one version of the two-year limit, able-bodied recipients who reached the limit would lose their benefits and would not be allowed to receive welfare for the next three years under any circumstances. Would you say this plan is too harsh, too lenient, or about right?

Too harsh	51	[100]
Too lenient	3	
About right	42	
Not sure	4	

14d. How many of the people who lose their welfare benefits under this plan do you think will be able to find jobs--nearly all of them, most but not all, some but not most, or only a few?

Nearly all will find jobs	8	[101]
Most but not all will find jobs	34	
Some but not most will find jobs	38	
Only a few will find jobs	16	
Not sure	4	

14e. Here are some concerns people have regarding a two-year limit on welfare benefits. For each one, tell me if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with the concern. **(READ FIRST ITEM)** Do you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with this concern?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	
Many poor children will be hurt by the cutoff, through no fault of their own	54	34	7	4	1	[102]
A two-year limit is too rigid because some poor people need more time than others to become self-sufficient ..	30	33	19	16	2	[103]
It's not fair to cut off benefits without guaranteeing a job	21	23	27	26	3	[104]
More children would be placed in foster care if welfare for their families is ended	23	32	23	15	7	[105]
With the economy in trouble the way it is, this is a bad time to start cutting families off from welfare	29	29	22	17	3	[106]
There aren't enough jobs for all the people who will be cut off under the two-year limit	29	31	22	13	5	[107]
The limit will just increase crime and disorder in poor neighborhoods, without really solving the welfare problem	31	26	23	16	4	[108]
More families with children will be homeless	29	33	23	11	4	[109]

15. Finally, I'm going to read you two statements that might be made by people running for public office. Based just on these statements, tell me which candidate you would be more likely to vote for.

Candidate A believes the best way to get people off the welfare rolls is to require people to get the education and training they need, and then to require those who are employable to take jobs. Able-bodied adults should support their children, and the government should help them meet their obligations.

Candidate B believes the best way to get people off the welfare rolls is to cut off benefits after two years, so that recipients will have to go out and find jobs and support themselves. The government should not guarantee jobs for welfare recipients at taxpayer expense because it does not guarantee a job for anybody else.

For which candidate would you most likely vote–Candidate A or Candidate B?

Candidate A/Require training and work	64	[110]
Candidate B/Cut off benefits	31	
Neither (VOL)	2	
Not sure	3	

FACTUALS: Now I am going to ask you a few questions for statistical purposes only.

F1a. Did you happen to vote in the 1992 presidential election?

(IF "YES," ASK:) For whom did you vote--George Bush, the Republican, Bill Clinton, the Democrat, or Ross Perot, the Independent?

Voted for George Bush	30	[111]
Voted for Bill Clinton	38	
Voted for Ross Perot	15	
Other candidate (VOL)	-	
Too young (VOL)	1	
Not sure/refused/didn't vote	16	

F1b. Regardless of how you may be registered, how would you describe your overall point of view in terms of the political parties? Would you say you are mostly Democratic, leaning Democratic, completely independent, leaning Republican, or mostly Republican?

Mostly Democratic	25	[112]
Leaning Democratic	11	
Completely independent	30	
Leaning Republican	12	
Mostly Republican	19	
Not sure	3	

F2. In politics today, do you generally consider yourself to be liberal, moderate, or conservative?

Liberal	20	[113]
Moderate	41	
Conservative	32	
Not sure	7	

F3. What is the last grade you completed in school? (DO NOT READ CHOICES.)

Some high school or less	8	[114]
High school graduate	34	
Some college, no degree	20	
Vocational training, 2-year college	8	
4-year college/Bachelor's degree	18	
Postgraduate work or degree	12	
Not sure	-	

F4. How old are you? (IF REFUSED, ASK:) Well, can you tell me which age group you belong to? Are you in the age group 18 to 24, 25 to 29, 30 to 34, 35 to 39, 40 to 44, 45 to 49, 50 to 54, 55 to 59, 60 to 64, or 65 and over?

18-24	8	[115]
25-29	8	
30-34	11	
35-39	11	
40-44	11	
45-49	10	
50-54	7	
55-59	7	
60-64	7	
65 and over	19	
Refused	1	

F5. What type of work does the head of the household usually do? What is the job called? (BE SURE TO CLASSIFY PROPERLY. WRITE JOB DESCRIPTION IN SPACE BELOW. IF HEAD OF HOUSEHOLD IS UNEMPLOYED, GET USUAL OCCUPATION.)

High-level professional	9	[116]	Farmer/rancher	1	[117]
Middle-level professional	11		Homemaker	1	
Executive, manager	6		Retiree	23	
Sales, proprietor	7		Student	1	
White collar worker	8		Other	1	
Skilled laborer	31		Not sure/refused	1	
Semi- and unskilled laborer	-				

(ASK OF ALL WOMEN.)

F6. Do you work outside the home or not?

Work outside the home	29	[118]
Do not work outside the home	21	
Not sure/refused	2	

(ASK EVERYONE.)

F7. Do you have any children who live at home with you?

Yes, have children at home	44	[119]
No, do not have children at home	55	
Not sure/refused	1	

F8. In what religion were you brought up?

Protestant	53	[120]
Catholic	27	
Jewish	2	
Other	12	
None	4	
Not sure/refused	2	

F9. Are you white, black, Hispanic, Asian, or something else?

White	83	[121]
Black	10	
Hispanic	4	
Asian	-	
Other	2	
Not sure/refused	1	

F10. If you added together the yearly income of all the members of your family who were living at home last year, would the total be less than $10,000, between $10,000 and $20,000, between $20,000 and $30,000, between $30,000 and $40,000, between $40,000 and $50,000, between $50,000 and $75,000, or would the total be more than that?

Less than $10,000	6	[122]
Between $10,000 and $20,000	16	
Between $20,000 and $30,000	18	
Between $30,000 and $40,000	17	
Between $40,000 and $50,000	11	
Between $50,000 and $75,000	15	
More than $75,000	8	
Not sure/refused	9	

F11a. Have you or anyone in your immediate family ever received welfare benefits?

Yes, have received	20	[123]
No, have not received	78	
Not sure	2	

F11b. Have you or anyone in your immediate family ever received food stamps?

Yes, have received	25	[124]
No, have not received	73	
Not sure	2	

F11c. When you were growing up, would you say your family was poor, working class, middle class, or well-to-do?

Family was poor	21	[125]
Family was working class	44	
Family was middle class	31	
Family was well-to-do	3	
Not sure/refused	1	

file welfare reform

Hamlet on Prozac.

THE HAPPY DANE

By Douglas G. McGrath

(Scene: Elsinore. Enter CLAUDIUS, *the King, and* GERTRUDE, *the Queen.)*

KING: Wife, your face is sickled o'er with sadness. Be you still bestooped by the death of your husband, my brother, once the king, who died during his nap when I swear I was in town looking at some oxen?

QUEEN: Beloved brother-in-law and husband, if I am sickled o'er, it is my son Hamlet whom I am sickled o'er o'er. He doth so deeply mope!

KING: Manic-depression, thy name is Hamlet!

QUEEN: In my chamber short seconds ago, he stabbed Polonius through a curtain and Polonius is no more.

KING: You know what this means, my queen?

QUEEN: Indeed, m'lord. We'll need a new curtain.

*(*GERTRUDE *Exits. Enter* LAERTES.*)*

KING: Hail, Laertes, fresh from apothecary class! Have you the unction I asked you should concoct for our Hamlet, so sorely vexed?

LAERTES: Indeed, m'lord. Enmixed in this chalice of mineral water, 'twill make Hamlet ne'er feel major bipolar swings again! Nor with good fortune, any swing at all. 'Tis titled "Prozachery," after my lab partner, Zach Fortinbras who studies to be a golf pro. But hark, here is Hamlet now!

HAMLET: Oh, that this too too solid flesh would melt, thaw and resolve itself into a dew, or that the Everlasting had not fixed his canon 'gainst—how now!

LAERTES: Salutations, Hamlet. Hey, nice doublet. Prithee, have some Poland Spring and so elate thy spirit.

HAMLET: Ha, Laertes, that is a good one! My spirit is as dead as he whom I slipped it to through the curtain. Still, this bubbly froth could hardly hurt it. *(Drinks deeply.)* Now, where was I? Oh, yes—too too solid flesh, blah-dee-blah, blah, blah. That it should come to this: so excellent a king but two months dead, and now his widow serves the funeral meats at her wedding to his brother!... *(Suddenly softening.)* Of course, 'tis a conservation of resources devoutly to be wished! And on deeper thought—and methinks I've ne'er had deeper thoughts than these—I would not want mother to be alone the rest of her life in a country as prone to denial as this one. If marry again she must, how deft that she marry my father's brother, so alike my father in size and beard and last name! *(Drinks again.)* Hey, and speaking of too too solid, Mother and Father's relationship could not have been all that healthy if again so quickly she could rebetroth herself. There's something dysfunctional in the state of Denmark. Methinks the end of my parents' marriage is the result of people who did not own their anger but who let their anger own them. Boy, it's a nice temperature today! *(Drinks again.)* How wondrous this quaff be! Hey, Laertes, man, I thank you for this juice and beg you give me more.

KING: *(Darkly.)* Yes, Laertes, let us to the apothecary table and make new, more *potent* ones.

(They exit as OPHELIA *enters.)*

HAMLET: This castle wants but a little light ... and maychance some prettily colored throw rugs.

OPHELIA: *(Singing eerily.)* "Father's by the willow, its hoar leaves crying on his eyes ... "

HAMLET: Ophelia, sing thee another song! Dost thou know "Love That Month of May!"? Or sing ye about what fair flowers are there entwined in your hair.

OPHELIA: Soon they will be dead, along with the person in whose aforementioned hair they are entwined.

HAMLET: Life, Ophelia, as now I see it, is all about integration. Do not project your feeling states, but sit with your pain, and in the wake cometh joy. Think not of the sky as spotted with cloud but as *partly sunny*. As 'tis, your grief is riven off from your integrated self and that can only mean you're heading for a shame-spiral which will set your life at no more than a pin's fee.

OPHELIA: He who buys my life by a pin's fee will by that same fee be gouged, if value be his aim.

HAMLET: O.K., O.K., I share your internalized anger. But if my experience may but guide you, take one of these pills every three hours in a cup of wine and flights of angels will follow you about all day long, humming the most enjoyable little tune in your ear. I beg you take this advice to heed: get thee to a pharmacy! Take my arm, I pray you, and let me hie you there. *(Exeunt.)*

DOUGLAS G. MCGRATH is a frequent TNR contributor.

A welfare reform proposal.

TARGET THE KIDS

By Paul Offner

At last, we seem to be moving toward a consensus on welfare reform. Many in Congress, on both sides, strongly support the proposition that the nation's main welfare program, Aid to Families with Dependent Children (AFDC), should be converted into a program emphasizing work. The catch, of course, is that it's expensive. Including day care and the other needed services, it costs at least $5,000 per year to educate or train a welfare mother, not counting the cash payments she receives. Just putting her to work costs

$4,000 a year for day care, transportation and supervision. And there are 5 million AFDC families. Meanwhile, the federal government is running a massive deficit. Few people favor raising taxes to fund welfare reform, and after repeated efforts at deficit reduction, there are a few easy spending cuts that haven't already been reserved for other purposes—funding health care reform, for instance.

So here's the danger. Congress will pass some great-sounding welfare reform plan, but without adequate funding. The states will not be able to provide the needed training and work slots, and for most recipients nothing will change. In short order, the critics will be saying that the 1994 initiative was a failure, just like earlier ones. And that will undermine any future efforts at real welfare reform.

Half-measures are, after all, the norm with this subject. When the Family Support Act was passed five years ago, for instance, Congress said that adult welfare recipients had to work or participate in job training, and those who didn't would be sanctioned. Unfortunately, however, only about one-sixth of the necessary slots were funded. The law gave priority to volunteers, and in most places that's all there was room for. So those who wanted to sit at home watching television were free to do so. A study conducted by Rockefeller University researchers a year ago found that the Family Support Act was failing to change "the welfare culture." Surprise.

And it's not purely a matter of money. Many critics doubt we could create all the jobs needed to put welfare recipients to work even if the funds were there. According to one estimate, for instance, the Clinton work-after-two-years proposal would require 1.2 million to 1.5 million public service jobs. That's twice the number of jobs funded by the Comprehensive Employment and Training Act of 1973 (CETA), our last effort to create jobs for the unemployed. And that experience provides little room for optimism—CETA was terminated in 1981 amid a flurry of charges that it led to leaf-raking and scandal.

Of course, attitudes have shifted. Twelve years ago, President Ronald Reagan led the fight against CETA out of an instinctive revulsion for public jobs programs. Today, by contrast, 162 Republican House members—all but thirteen—are supporting a bill calling for even more public jobs than the Clinton plan does (it extends the work requirement for welfare mothers to non-custodial fathers of AFDC children). Whether these members of Congress would continue to support, *and fund*, a large national public jobs program if it started attracting the kinds of criticism that were leveled at CETA twelve years ago remains to be seen, of course. Most of the forty welfare experts convened by Douglas Besharov at the American Enterprise Institute three weeks ago doubted the feasibility of such a large public jobs initiative.

In a few places around the country, there have been welfare reform demonstration projects that have achieved the goal of universal participation. It has made all the difference. In Ohio, for instance, the state started the Learning, Earning and Parenting (LEAP) program in 1989, requiring teenage AFDC mothers to stay in school. Since there are only 20,000 of these teen welfare mothers, the state could afford to provide all of them with necessary support services. So the element of uncertainty is eliminated—if you're a teen parent on AFDC in Ohio, you're in LEAP. If you don't attend school, your grant is reduced. If you show up regularly, you receive a bonus. A recent evaluation by the Manpower Demonstration Research Corporation found significant increases in school enrollment. Similarly, MDRC's evaluation of the GAIN program in Riverside, California, shows relatively large earnings increases and welfare savings in a work program in which the participation requirement applies to everyone.

So here's the quandary. Welfare reform is not likely to succeed unless all members of the target group are required to participate. Unfortunately, that's expensive, and at the present time we're short on money. And even if we had the money, it's not clear we know how to create all the needed jobs. So what do we do?

One possibility is to phase in the new program. Thus, both the Clintonites and the House Republicans would limit the reform program to welfare *applicants*, i.e., to those coming onto the rolls. Sadly, this doesn't help much because welfare recipients are constantly moving on and off the rolls. Suppose the program starts in October 1994 (as in the Republican House bill), and is limited to those applying after that time. Even if we exempt those who cannot work or who have very young children, there would be 1 million eligibles in 1995, 2.3 million in 1996 and 2.7 million in 1997. At $4,000 to $5,000 per person, the costs add up quickly.

Or the program could be phased in by area. Congress could limit the new program to five to ten states with the understanding that other states would be brought in as funds become available. The only problem is that it would be hard for Clinton to claim that he had changed welfare as we know it when he runs for reelection in 1996. In addition, the average member of Congress is not likely to support this approach unless his state is in the group guaranteed funding at the outset. So there would be great pressure to add states as quickly as possible, and in no time at all the demand for resources would exceed the supply.

The only way to solve this problem is for Congress and the president to agree to target their efforts. Maybe five years from now the budget picture will have improved, and a broader reform initiative can be put in place. But for now let's do something that is consistent with available resources.

For instance, Congress could target teenage parents on AFDC. This is where, after all, the whole cycle of welfare dependency begins. Here's a possible reform package: teenage mothers would have to live with their families to receive AFDC (they could not move out and get their own apartments), and they would have to stay in school until graduation or until they reached the age of

20. Those who didn't would lose part of their AFDC checks. After receiving their degrees, or reaching 20, they would be offered work, but not welfare. Finally, teen parents would go to the front of the queue for the purposes of determining paternity and obtaining child support orders.

Since there are only about 400,000 teen AFDC mothers, the cost of these changes would be modest (about $500 million a year). But it would be a sound investment. Teenage girls contemplating motherhood and welfare would know that they would have to live at home, stay in school and go to work after graduation. And it would be a sure thing.

What would prevent young women from waiting until they are 20 to get pregnant and go on welfare? Nothing. But even this would be an improvement. For one thing, women of 20 are much more likely to have graduated from high school. It is the teen mothers who are most at risk of being permanently trapped in poverty. And by concentrating our efforts on this one group, we maximize our chances of reducing long-term welfare dependency.

The particulars of such a plan can be debated, of course (if the funds are available, it might make sense to target mothers up to age 25, for instance). But what matters is that there be a plan, and that it be realistic. While there is great enthusiasm in Congress for carrying out comprehensive reforms right away, we would be better off passing something more limited that has a real chance of working. There have already been too many failures in the war against poverty. Showing taxpayers that real improvements are possible is the most important contribution any of us could make to the long-term cause of rescuing the underclass.

PAUL OFFNER is a legislative aide to Senator Daniel Patrick Moynihan. The views expressed here are his own.

STEPANAKERT POSTCARD

BURNED-OUT

By Anna Husarska

"Should I snore, please don't hesitate to wake me up," shouted Lady Caroline Cox, of the British House of Lords, as we bedded down for the night inside the Russian cargo plane carrying us from Switzerland to Armenia. Not to worry. The engine noise inside the cavernous hull drowned out all other sounds. We stretched out on top of boxes of powdered baby formula—and awoke six hours later in the freezing dawn at the airport in Yerevan, the capital of Armenia.

The powdered milk was part of the nearly thirty tons of aid (food, medicine and clothes) that Lady Cox and Christian Solidarity International, a Swiss charity organization, were delivering to the people of Armenia and especially of Nagorno-Karabakh. It was the ninth such charter-flight.

Although it declared independence in 1991 and has its own Parliament and flag and national anthem, and even a border crossing station, Nagorno-Karabakh has not been recognized by any country—not even by Armenia, to which it would ultimately like to be attached. And there is little reason to believe that the five-year-old bloody conflict between the Armenians, Azeris and Karabakhs, which has cost an estimated 15,000 lives, is coming to an end. This ethnic conflict was probably unavoidable: Josef Stalin declared in 1923 that this small territory—approximately the size of Delaware—was to be an enclave inside the Azeri Socialist Soviet Republic, even though two-thirds of its 200,000 inhabitants were Armenian (Christians) and one-third were Azeris (Turkish by culture, Muslim by religion).

So there it was, separated from the Armenian motherland by a corridor four miles wide at its narrowest, but ruled from the Azeri capital of Baku. According to Zori Balayan, one of the leaders of the Karabakh independence movement, during Soviet times children here had no books in Armenian; people in Nagorno-Karabakh could not listen to Armenian radio or T.V. and were subject to a mixture of Russification and Azerization. Not surprisingly, the Armenians—whose appearance in Asia Minor, according to the Greek historian Herodotus, dates back to the twelfth century B.C.—were not happy with this arrangement.

In the end of 1987, encouraged by perestroika, the Armenians started raising their voices: deputies from Karabakh demanded that their district be attached to Armenia proper. At the end of February 1988 1 million people were in the streets of Yerevan. The next day, in the Azeri towns of Sumgait and Baku, groups of Azeris carried out pogroms against Armenians living there: hundreds died, thousands were injured and some 150,000 escaped to Armenia. A double exodus followed: Azeris fled from Stepanakert, the capital of Nagorno-Karabakh, and Armenians from the neighboring former capital of Shusha, where Azeris were predominant. The hostility turned into a civil war, fueled by the fall of the Soviet Union in 1991. When the Russian troops withdrew from the region, Azeris and Karabakhs started facing each other directly—using military hardware left by the Red Army.

In May 1992 the Karabakh forces took Shusha and then the border town of Lachin, thus hooking up Nagorno-Karabakh with Armenia through a corridor several miles wide. The next year they recaptured almost all of Nagorno-Karabakh and then doubled the territory under their control by invading Azerbaijan proper. As of

CENTER ON BUDGET AND POLICY PRIORITIES

February 15, 1994

To: George Stephanopoulos
Gene Sperling
Melanne Verveer

From: Bob Greenstein

Re: Welfare Reform Financing Options

The attached short memo describes a particularly disturbing welfare reform financing option now under consideration. I can't believe this is the type of action any of you would want to take.

777 North Capitol Street, NE, Suite 705, Washington, DC 20002 Tel: 202-408-1080 Fax: 202-408-1056

FINANCING WELFARE REFORM: SHOULD HOUSING SUBSIDIES BE COUNTED AS INCOME IN THE FOOD STAMP PROGRAM?

One of the suggested welfare reform financing options is to cut food stamp benefits substantially for households that live in public or subsidized housing. This would be done by assigning a dollar value to the housing subsidy and counting it as income when determining food stamp eligibility and benefit levels.

If this proposal were adopted, the result would likely be the largest food stamp benefit cut in the program's history, larger than any of the food stamp benefit cut proposals enacted — or even proposed — under Ronald Reagan and rivaled only by some of the benefit cut proposals advanced by Jesse Helms in the early 1980s and rejected on a bipartisan basis. The Reagan Administration considered this proposal but rejected it.

This same proposal was the subject of a study conducted by USDA in 1980 and 1981. The USDA report, written by a highly respected analyst who is now at CBO, concluded that counting housing assistance as income when determining food stamp eligibility and benefit levels could force low-income families to choose between living in decent housing and eating an adequate diet. The USDA report also found that most of those whose benefits would be cut would be elderly people and single mothers with children who have very low cash incomes. In addition, the study explained that attempting to place a dollar value on the housing assistance received by low-income households would be complicated, costly, and almost impossible to do accurately or equitably.

Families at Very Low Income Levels Affected

During the past week, we have reanalyzed this proposal, using Census data from the American Housing Survey and USDA food stamp data. We have found similar results to the USDA study. About two million households would have their food stamps terminated or cut. Close to 85 percent of the affected households would be elderly people or families with children. (When the disabled are added in, the proportion approaches 90 percent.) Moreover, these households are quite poor. About three of every five families with children whose food stamps would be cut have cash incomes *below half of the poverty line*. And because of the way this proposal would work, an even larger share of the benefit cut would come from families below half of the poverty line.

777 North Capitol Street, NE, Suite 705, Washington, DC 20002 Tel: 202-408-1080 Fax: 202-408-1056

The effects would be sharpest in high rent areas such as California and various major metropolitan areas in the northern part of the United States. Under this proposal, the higher the prevailing rental costs in an area, the greater the food stamp cuts would be. For example, an AFDC family of three in San Francisco living in Section 8 housing would have its food stamps slashed *95 percent*, while an AFDC family living in Section 8 housing in Sacramento would lose 58 percent of its food stamps. An AFDC family of three living in Section 8 housing in Boston would lose two-thirds of its food stamps. In New York City, such a family would lose half of its food stamp benefit.

Some of the same geographic areas that are likely to be affected most heavily by the Administration's proposed low-income energy assistance cut would be hit hardest by this proposal. In addition, a significant number of low-income elderly Social Security beneficiaries in high-rental cost areas would be terminated entirely from the food stamp program.

The response from proponents of the proposal will be that since these households pay less in rent due to their receipt of housing benefits, they need less in food stamps. This argument misses several points. First, when a public housing authority pays a landlord $250 a month to subsidize a family's rent, this does *not* provide the family with $250 more for food and other necessities. Many families in subsidized housing do not pay substantially less for housing than they paid before they began receiving a housing benefit; part of what housing assistance does is to enable these families to move to better quality housing that they previously could not afford. Being able to move out of substandard housing or out of a drug-infested neighborhood to better quality housing helps a family, but it doesn't necessarily provide substantial new cash income for purchasing food and meeting other necessities.

In addition, the food stamp program already distinguishes between households that receive no housing subsidy and spend a substantial portion of their income on housing costs and households that do get a housing subsidy and spend a smaller proportion of income on housing. Those spending a low proportion of income on housing get little or no food stamp shelter deduction — and hence get a significantly smaller food stamp benefit than those with high housing cost burdens.

This proposal presents some serious equity issues. Two households with identical cash incomes to buy food would get radically different food stamp benefit levels depending on whether they lived in a high rental cost area like California, Boston, New York, or various other major metropolitan areas or in a lower-cost area like the rural South.

Also of concern, the amount of "income" attributed to households living in deteriorating public housing in crime-ridden neighborhoods could exceed what almost anyone would pay to live in such units.

Racial Implications

Furthermore, low-income households that benefit from other federal, state, or local forms of housing aid — like the mortgage interest deduction, a state or local homestead exemption, the low-income housing tax credit, etc. — would *not* have their food stamp benefits reduced; only recipients of Section 8 or public housing would. This is of particular concern. Homeowner tax credits, exemptions, and deductions benefit a disproportionate share of poor *white* households (the percentage of poor whites who are homeowners is nearly double the percentage of poor blacks who own homes), while public and Section 8 housing benefit a disproportionate share of poor *black* households. As a result, this proposal would create some inequities along racial lines.

Exacerbating this problem, the proposal would cause much larger food stamp reductions in urban than rural areas, because rental values are higher in urban areas. This adds to the racial imbalance of the proposal since the ratio of the number of black poor to the number of white poor is substantially higher in urban than rural areas. In short, the proposal would affect blacks disproportionately, hitting the black poor considerably harder than the white poor.

Lastly, this proposal could undercut one of the Clinton Administration's central housing and anti-poverty policies — encouraging poor families to use housing benefits they receive to move out of dangerous, high-poverty, inner-city areas with bad schools, widespread crime, and few jobs to more stable areas with better job and education opportunities. Since rents are higher in the more desirable areas, families that use a Section 8 certificate to move to a better area would have their food stamps cut more than families that receive a certificate but stay in impacted inner-city neighborhoods. This could discourage poor families from moving out of slum areas.

The bottom line is that the proposal would almost surely lead more low-income families and elderly people to run out of food before the end of the month and experience hunger. Recent studies have found a significant incidence of hunger among low-income children and elderly people. This proposal would exacerbate these problems.

It would seem odd if an Administration that one year ago called for passage of the Mickey Leland Child Hunger Prevention Act — and ended up getting only about one-third of it — would now propose a deep food stamp cut that was larger than the sum of all of the food stamp benefit improvement provisions it secured last year.

February 15, 1994

FAX MESSAGE COVER SHEET

CENTER ON BUDGET AND POLICY PRIORITIES
777 North Capitol Street, NE, Suite 705
Washington, DC 20002

Telephone: 202/408-1080

Fax: 202/408-1056

If there are any problems with the transmission of this document, please call 202/408-1080.

February 16, 1994

TO:	Melanne Verveer
FAX NUMBER:	202/456-6244
FROM:	Bob Greenstein
NUMBER OF PAGES: (including cover)	6

Please note the graph. Additional material on welfare reform financing will come later today or tomorrow.

CENTER ON BUDGET AND POLICY PRIORITIES

FINANCING WELFARE REFORM: SHOULD HOUSING SUBSIDIES BE COUNTED AS INCOME IN THE FOOD STAMP PROGRAM?

One of the suggested welfare reform financing options is to cut food stamp benefits substantially for households that live in public or subsidized housing. This would be done by assigning a dollar value to the housing subsidy and counting it as income when determining food stamp eligibility and benefit levels.

If this proposal were adopted, the result would likely be the largest food stamp benefit cut in the program's history, larger than any of the food stamp benefit cut proposals enacted — or even proposed — under Ronald Reagan and rivaled only by some of the benefit cut proposals advanced by Jesse Helms in the early 1980s and rejected on a bipartisan basis. The Reagan Administration considered this proposal but rejected it.

This same proposal was the subject of a study conducted by USDA in 1980 and 1981. The USDA report, written by a highly respected analyst who is now at CBO, concluded that counting housing assistance as income when determining food stamp eligibility and benefit levels could force low-income families to choose between living in decent housing and eating an adequate diet. The USDA report also found that most of those whose benefits would be cut would be elderly people and single mothers with children who have very low cash incomes. In addition, the study explained that attempting to place a dollar value on the housing assistance received by low-income households would be complicated, costly, and almost impossible to do accurately or equitably.

Families at Very Low Income Levels Affected

During the past week, we have reanalyzed this proposal, using Census data from the American Housing Survey and USDA food stamp data. We have found similar results to the USDA study. About two million households would have their food stamps terminated or cut. Close to 85 percent of the affected households would be elderly people or families with children. (When the disabled are added in, the proportion approaches 90 percent.) Moreover, these households are quite poor. About three of every five families with children whose food stamps would be cut have cash incomes *below half of the poverty line*. And because of the way this proposal would work, an even larger share of the benefit cut would come from families below half of the poverty line.

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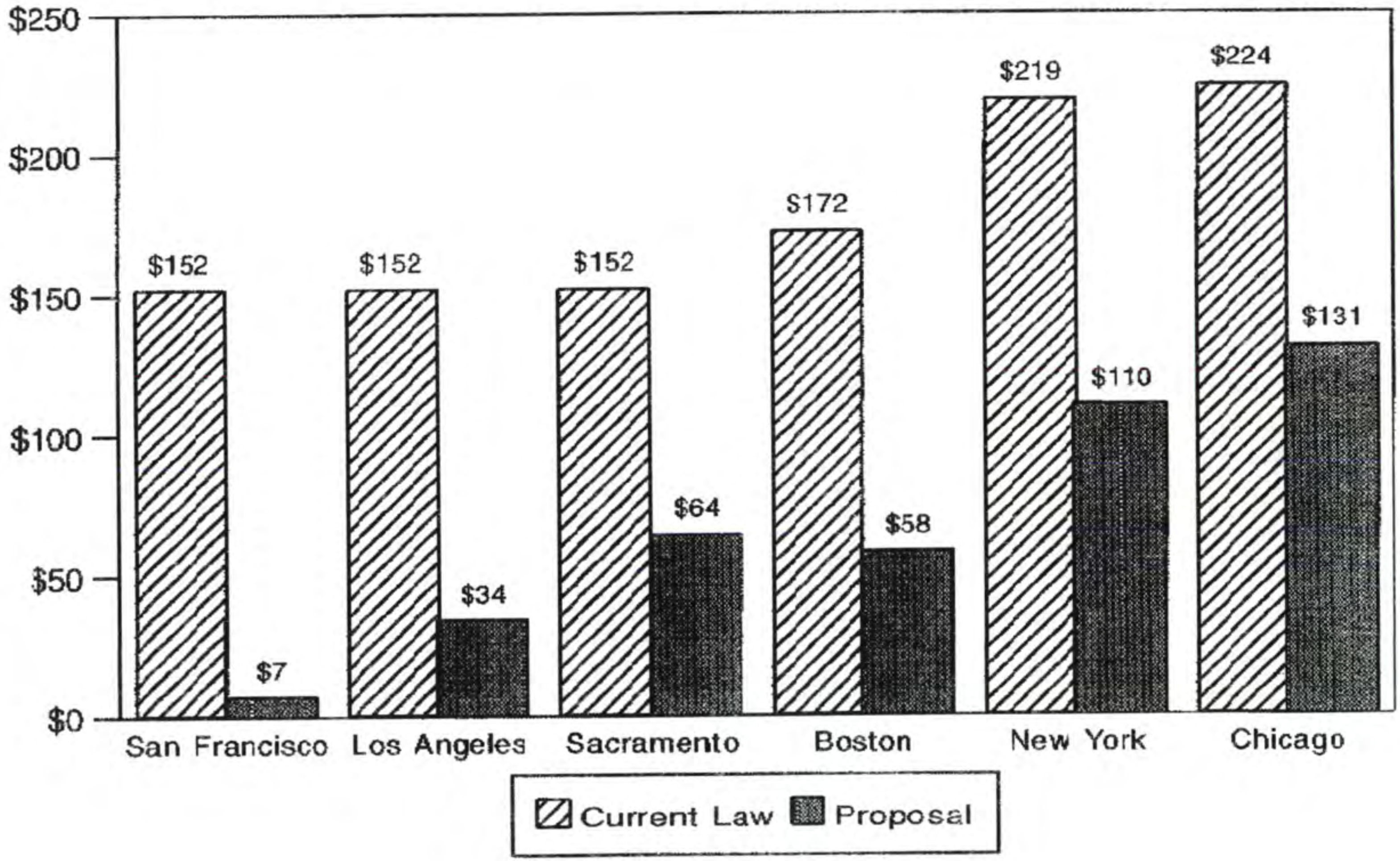
February 16, 1994

Monthly Food Stamp Benefits With and Without the Proposal
(AFDC Families of Three)



How Food Stamp Benefits Would Be Affected For Households in Section 8 Housing

	Benefit under Current Law	Benefit under Proposal	% Change
AFDC family of three, San Francisco	$152	$7	-95%
AFDC family of three, Los Angeles	$152	$34	-77%
AFDC family of three, Boston	$172	$58	-66%
AFDC family of three, New York	$219	$110	-50%
AFDC family of three, Sacramento	$152	$64	-58%
AFDC family of three, Chicago	$224	$131	-41%
Average single-parent family of three in large urban area	$183	$110	-46%
Average family of three with children (reflects both single and two-parent families) in large urban area	$169	$89	-47%

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CENTER ON BUDGET AND POLICY PRIORITIES

TO: Leon Panetta, OMB
Alice Rivlin, OMB
Belle Sawhill, OMB

George Stephanopoulos, White House
Gene Sperling, White House
Melanne Verveer, White House

Melanne - We've asked to see Leon, George & Gene about this (separately). Ellen

DETERMINED TO BE AN ADMINISTRATIVE MARKING
INITIALS: [illegible] DATE: 3/14/2014

FROM: Bob Greenstein

DATE: February 3, 1994

RE: Serious Substantive and Political Problems in One of the Potential Welfare Reform Financing Mechanisms

David Ellwood and Wendell Primus have asked me to review and work on some welfare reform financing options they are putting together to "coordinate tax and transfer mechanisms," including an option to count food stamps, AFDC, and SSI as part of adjusted gross income. I've appreciated this opportunity to help.

But now that I'm into this work, I am very troubled by the principal options under consideration. I fear they would cause serious problems, both substantively and politically. Some options, such as the option to count these benefits as part of adjusted gross income, would have disturbing and far-reaching effects.

For example, counting food stamps as part of adjusted gross income would result in a substantial EITC cut for several million working poor families and thereby require the President to abandon his goal that if a family works full time, it shouldn't be poor. Furthermore, under such an approach, a significant number of low-income working families would have the EITC increase they are set to receive as a result of last year's reconciliation act canceled out entirely. And some low-income working families would not only have their EITC increase canceled (and in some cases, be subject to a net EITC cut), but would be hit with an increase in their income taxes on top of that. This would undermine the President's statement that only the top 1.2 percent of Americans are subject to an income tax increase.

In addition, these options would raise marginal tax rates on many working poor families to punishing levels that would be likely to discourage work, a matter likely to spark criticism by Administration foes. Also, these options are quite complex to administer; they would increase the administrative costs borne by state welfare agencies, while being likely to drive up error rates in the income tax system.

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Tax filing also would become more complex for low-income working families, causing many more than at present to have to pay commercial tax preparers.

There could be unintended side effects on the health care reform plan, as well. Under the health care plan, the amount that a working poor family would be charged for health insurance premiums depends on the family's adjusted gross income. Counting benefits such as food stamps as part of adjusted gross income would raise AGI — and thereby increase the amounts that millions of working poor and near-poor families would have to pay for their premiums under the Administration's plan.

I have shared these concerns with David and Wendell (as well as serious concerns on several other "tax/transfer coordination mechanisms" they are examining) and wanted to share them with you also. I'm enclosing a memo on these issues.

The issues raised in the memo do not mean that no viable savings options can be developed in this area. As noted at the end of the memo, I think several alternative options are worth exploring, and I know David and Wendell are working hard on the knotty problems raised here. But the principal options now on the table appear deeply flawed.

cc: David Ellwood
Wendell Primus

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DETERMINED TO BE AN ADMINISTRATIVE MARKING
INITIALS: JW DATE: 8/14/2014

TAXING MEANS-TESTED BENEFITS AND OTHER TAX/TRANSFER COORDINATION MECHANISMS

The Welfare Reform Task Force is looking at an option to count food stamps, AFDC and SSI as part of adjusted gross income for income tax purposes. This option poses some serious problems.

I. Problems With The Proposal

In his maiden address to Congress on February 17, 1993, President Clinton pledged to secure policy changes ensuring that if a parent worked full-time, his or her family would not be poor. "The new direction I propose," the President declared, "will make this solemn, simple commitment: by expanding the refundable earned income tax credit, we will make history; we will reward the work of millions of working poor Americans by realizing the principle that if you work 40 hours a week and you've got a child in the house, you will no longer be in poverty."

The Administration's EITC proposals, enacted last summer, were carefully designed to achieve this goal. This were fashioned so that full-time minimum wage earnings — plus the EITC and food stamps — would bring a family of four to the poverty line.

Counting food stamps as part of adjusted gross income would, however, undermine this achievement. It would reduce the EITC for full-time minimum wage families that receive food stamps.

Under the tax code, EITC benefits are reduced $21 for each $100 by which a family's wages and taxable unearned income exceed $11,000. If food stamps are counted as part of adjusted gross income, a full-time working parent who is paid at or near the minimum wage, and who earns between $8,500 and $11,000, will be considered to have income exceeding $11,000. As a result, the parent's EITC will be lowered. One consequence is that contrary to the President's pledge, a family of four with a full-time minimum wage worker would be pushed below the poverty line.

As a number of you will recall, the Administration's EITC proposal was based on the assumption that the minimum wage would be indexed for inflation from its 1992 level and would equal $4.50 an hour in 1994 dollars. This hasn't been done, and as a result, we're still a bit short of the President's goal (a fact we've all softpedalled). To enlarge this problem substantially by taking back part of the EITC increase won last year — and thereby eroding one of the President's top policy accomplishments of 1993 — would be unwise from both a substantive and a political standpoint, in my view.

During last year's budget debate, the Administration repeatedly said that its EITC increase was set at the level needed to bring full-time working families out of poverty. It would be embarrassing for the Administration to advance a proposal now that effectively says "Whoops, we didn't mean it. We're going to withdraw some of the EITC increase and walk away from the President's goal that if you work full time, you shouldn't be poor."

To make matters worse, this problem is only the tip of the iceberg; other problems posed by the proposal to count food stamps and other benefits as part of adjusted gross income go deeper. For example, under this proposal, a number of low-income working families would receive a *net EITC decrease* when both the EITC expansions and the welfare reform bill provisions were considered. Last summer's reconciliation act increased the maximum EITC for families with one child by only $200. Counting food stamps as part of AGI would reduce the EITC by *more than $200* for a significant number of low-income working families with one child.

In addition, some families would not only have their EITC reduced but would be saddled with an income tax increase on top of that. A family of three with one child and with earnings between about $12,250 and $15,000 would face both a net EITC cut and an income tax increase, if it received food stamps.

I would think this would pose some political problems. Last week, in his State of the Union address, the President stressed that only the top 1.2 percent of taxpayers will face an income tax increase, while much larger numbers of working families will get a tax break due to the EITC expansion. This should be a winning theme for the Administration and its Congressional supporters this year and for several years to come. In fact, I understand you are planning an event in April at which the President would urge eligible working families to file for the EITC, with the event choreographed to call attention to the President's role in winning a tax cut for millions of hard-pressed working families. The proposal to count food stamps and other benefits as part of adjusted gross income would muddy this message and compromise it. I believe that unveiling a welfare proposal which seeks to pay for increased costs in the welfare system by canceling a portion of the EITC increase for a sizable number of working families — and which results in a net EITC cut and an income tax increase for some families that work for low wages and don't get AFDC benefits — would be a political mistake.

Discouraging Work by Raising Marginal Tax Rates

This option also has other liabilities. One is that it would discourage work by raising marginal tax rates to excessive levels. (As used here, marginal tax rates refer to the portion of each additional dollar earned that the government takes away through a tax increase or a benefit reduction.) For some working poor families, the marginal tax rate would more than double under this proposal and be raised to the 70 to 75 percent range. In other words, 70 to 75 percent of the additional earnings a family received from working harder would effectively be taxed away.

There are two reasons that counting food stamps and other benefits as part of adjusted gross income (AGI) causes marginal tax rates to rise. First, many working poor families whose earnings are too low to owe federal income tax would, when their food stamps and other benefits were counted as part of AGI, be considered to have adjusted gross income above the income tax threshold. As a result, they would have to start paying 15 cents in income tax for each additional dollar earned.

Second, as noted above, counting food stamps as part of AGI would move some families into the part of the EITC structure where EITC benefits decline with each additional dollar earned. For families with two children, this would cause an additional loss of 21 cents for each additional dollar earned. For families with one child, it causes a loss of 16 cents for each additional dollar earned.

At present, many working poor families face a 31.65 percent marginal tax rate — for each additional dollar they earn, their food stamp benefits are reduced 24 cents and they pay 7.65 cents in payroll taxes. Families that become subject to both the federal income tax and EITC benefit reductions would lose another 31 cents to 36 cents for each additional dollar earned. (In many states, they also would become subject to state income taxes. Most states use the federal definition of adjusted gross income; since AGI would now include food stamp benefits, many families that didn't owe state income tax before would now have to start paying it. That would raise their marginal tax rate further.)

It's worth noting that the Administration's health care plan would already raise the marginal tax rates facing these low-income working families, because the low-income premium subsidy would decline with each additional dollar earned. If the health care reform provisions are taken into account as well, some of these working poor families could face marginal tax rates that approach 75 percent.

The increases in marginal tax rates caused by the health care plan are modest enough to be manageable. So is the small marginal tax rate increase reflected in last summer's EITC changes. But to add large, additional increases in marginal tax rates on top of these other increases would raise marginal tax rates too high. It would subject the Administration to criticism that it was penalizing work while claiming to encourage it.

Effects on the Health Care Plan

The proposal to count food stamps and other benefits as part of adjusted gross income also would cause many low-income working families to pay more for their health care coverage than the Administration has said they would pay. Under the Administration's health care plan, the amount that a low-income family would pay as its share of health care premium costs would depend on the family's adjusted gross income. If AGI is boosted by counting food stamps as part of it, the premium costs that millions of low-income working families have to pay will rise as well.

Complicating the Tax Code

The proposal would add substantial new complexity to the tax system. The IRS rules on what constitutes a "tax filing unit" differ from the food stamp rules on what constitutes a "food stamp household" and the AFDC rules on what constitutes an "AFDC family." The members of a food stamp household or AFDC family are not always synonymous with the members of a tax filing unit. As a result, under this proposal, a tax filer would need to know the amount of AFDC and food stamp benefits provided during the tax year on behalf of each person who is a member of the tax filing unit.

Providing this information to tax filers would not be easy. Each year between December 31 and January 31, every state would have to print and mail large volumes of W-2 type forms showing the amount of AFDC and food stamp benefits provided during the year on behalf of each food stamp household member and each AFDC family member. Since AFDC families and food stamp households often change composition during the year, the state would have to prorate each month's benefits among the individuals who were in the AFDC family or food stamp household in that month and then add up the benefits that each individual had received during the year as a whole.

I don't know whether all states could accomplish this task by January 31. (I doubt anyone in the Administration yet knows the answer to this question either.) Whether states could perform this task depends largely on the capabilities of state automated data processing systems and the extent to which states do or can computerize the necessary data.

One thing that is certain is that performing these tasks would entail added administrative costs at the state level. I would expect that states would loudly insist that the federal government bear 100 percent of these added costs.

Other complexities also would arise. During the course of a year, the composition of many low-income families changes. As a result, the W-2 type forms for some individuals would be sent to the wrong tax filer. If a child lived with a low-income single mother for four months — and received AFDC and food stamps during that time — but then moved in with the child's father and received no further benefits, the mother would receive the W-2 form for the child. The father would presumably claim the child as a dependent on his tax return. But it's unclear whether he would ever get the W-2 form for this child.

A likely result of this process would be a significant increase in tax filing errors. Furthermore, low-income families would almost surely be driven to commercial preparers in larger numbers than at present. Meanwhile, the fees that commercial preparers charge low-income families would rise to reflect the added complexity of tax preparation for these families.

Marriage Penalties?

A related issue involves the effect of the proposal on marriage penalties. While I haven't looked into this issue in any detail, there is likely to be a problem here. If a prospective marriage partner has to pay taxes on the benefits received earlier in the year by his potential spouse and her children, he might be discouraged from entering into the marriage, at least until the end of the year. (If children were born during the interim, they would be born out-of-wedlock.)

Deterrence Effects

This proposal also might deter a substantial number of poor families from applying for basic means-tested assistance during times when they needed it, because the families feared having to pay taxes on these benefits at the end of the year. Studies indicate that after the enactment of legislation in the 1980s which required that unemployment insurance be counted as taxable income, the proportion of eligible households applying for unemployment benefits declined. A decrease in participation rates is of less concern in a non-means tested program that does not serve a primarily low-income clientele, but would be of greater concern in means-tested programs targeted on families in need.

II. Is the Proposal Needed to Curb EITC Abuse?

The argument has been made that a proposal such as this may be needed to curb EITC abuse. If there is EITC abuse, it should be dealt with. But this proposal is not the answer to this problem. It also is unclear whether an abuse problem exists on a significant scale.

On the question of whether there is an abuse problem, all that we currently know is that the number of head-of-household tax filers who receive the EITC is larger than it looks like it should be, based on Census data. But we don't know what this discrepancy between the number of families receiving the EITC and the number that appear to be eligible, based on Census data, really means or whether it signals something is wrong on a large scale.

The Census data are based on the income of *families*, not of *tax filing units*. Because the IRS definition of tax filing unit and the Census definition of family differ substantially, it is hard to match up these data. Adding to this problem, the Census Bureau measures total money income, while IRS secures data on adjusted gross income. AGI excludes various forms of income that the Census Bureau counts, such as AFDC, SSI, most Social Security payments, child support, and the like. These differences in the definitions of a filing unit and of what constitutes income make it difficult to know how much of the discrepancy between estimates based on Census data and the actual number of EITC filers reflects problems with the data, rather than an abuse problem. For example, the number of tax filers who claim head-of-household filing status is substantially larger than the Census data indicate it should be *at higher income levels as well* (although the discrepancy is somewhat greater at the lower income levels). This strongly suggests that a substantial part of the apparent discrepancy is due to the lack of comparability between the income tax system and the Census data, rather than to EITC abuse.

Adding to this dilemma, the Census data used in these comparisons appear to leave out a few categories of families with children that are eligible for the EITC, such as families that have a child over 17 who is disabled. Without going into the details, there are technical problems with the data that may be responsible for some of the apparent discrepancy. These are among the unanswered questions about these data.

Let's assume, nevertheless, that a significant portion of the discrepancy is real and an EITC abuse problem exists. The data we currently have do not tell us the cause of such a problem. If there is significant abuse, we don't yet know its source or what type of families are responsible for it.

One hypothesis that has been mentioned in some Administration meetings is that some single parents may be receiving AFDC and food stamps for themselves and their children, while having a live-in boyfriend who claims the children for EITC purposes. Perhaps this is occurring. But we currently have no evidence of it. (Moreover, this would require the boyfriend to claim the children as his foster children on his tax return. I think it is unlikely that is occurring on a large scale, especially since many of these families would be likely to fear it could jeopardize their continued receipt of AFDC.)

Furthermore, if the number of families receiving the EITC is excessive, this problem could also be due to other factors. Some middle-class families may be underreporting their income to lower their income tax liability — and qualifying for the EITC as a result. Or some married families in which the husband and wife have different last names could be illegally filing as two heads-of-household, with the result that one or both have incomes that fall in the EITC range. The bottom line is that we neither know the extent to which an EITC abuse problem exists or what is causing such a problem.

This makes proposals to tax food stamp, AFDC and SSI benefits especially problematic. If there is an abuse problem caused principally by families at higher income levels that receive no food stamps or AFDC, this proposal would do little to curb this abuse but would lower the living standards of many poor and near-poor working families. Until we know the nature and source of any abuse problem, we cannot design an appropriate remedy for it. Advancing a "remedy" like taxation of benefits to deal with a potential EITC abuse problem entails using a shotgun approach that is likely to injure many more of the innocent than of the guilty. As noted above, large numbers of hard-working two-parent families that don't get AFDC and are not guilty of any abuse — but that rely on food stamps to help make ends meet — would be hit by the taxation-of-benefits proposal (and by most alternative proposals under examination).

III. Recouping Benefits from Households With High Annual Incomes

A second argument sometimes advanced for this proposal is that it would recapture a portion of the benefits provided to households that received benefits for a few months of the year while their incomes were low but that had relatively high incomes for the year as a whole. Households whose principal wage-earner was unemployed for part of the year would be affected most.

There may be merit in pursuing this issue. But the proposal to count food stamps and other benefits as part of adjusted gross income reduces EITC benefits and raises taxes on many families that work year-round, earn their income steadily throughout the year, and have annual income below the poverty line (or below the food stamp income limits). Here, too, counting food stamps and other benefits as part of adjusted gross income represents a shotgun approach that claims large numbers of the innocent among its victims.

IV. What to Do?

I've also looked at some of the other options under consideration to "coordinate taxes and benefits," such as proposals to use the tax system to recover a portion of the food stamp, AFDC, and SSI benefits provided to households whose adjusted gross income *plus their benefits* exceeds the income tax threshold (or under an alternative approach, exceeds 130 percent of the poverty line). These options pose quite serious problems as well. They would raise marginal tax rates on some households to 80 percent or more, reduce benefits for many working households who have quite low incomes and are committing no abuse — the type of households the Administration has said it wants to help — and complicate tax filing even more than the option discussed in the preceding pages. These options essentially constitute a back-door way to reduce the EITC for these families, since EITC reduction would be the most common way of collecting a portion of the food stamp and other benefits the family received during the year. These options also might result in some elderly and disabled SSI recipients having to pay back part of their benefits at tax time. I've written a memo for Wendell and David outlining what I believe to be the flaws with these options.

All of this doesn't mean that no viable options can be developed in this area. It may yet be possible to do so. But doing this will be a stiff challenge.

At the present time, I can think of two options that may warrant exploration:

- Counting AFDC and SSI cash assistance — but not food stamps and non-cash benefits — as taxable income, and doing so in a way that does not affect EITC benefit calculations. This would mean some families still faced an increase in their income taxes, although that occurrence would largely be limited to families that were on welfare part of the year; it would not affect poor families that worked throughout the year and received no AFDC benefits, but relied on food stamps to help make ends meet. Hence, it would not compromise the President's goal of ensuring that full-time working families were raised to the poverty line.

- Recovering a portion of AFDC, SSI, and food stamp benefits provided during the year to tax filers whose annual income exceeds 150 percent of the poverty line (the level used as the cut-off for the low-income subsidies in the health care reform plan). This would target the provision on those who received benefits during part of the year but had relatively high annual incomes. It would avoid making low-income working families whose incomes are low enough to qualify for food stamps *year round* pay back some of their food stamp benefits, with the collection made by cutting their EITC.

These options would ease some of the problems outlined here, although significant problems would remain. These options also would save less money than the option to count food stamps and other benefits as part of adjusted gross income. It's unlikely a sound option can be developed that yields big savings in this area.

To proceed in looking for viable options, two issues first need to be addressed. One is to ascertain the extent — and the causes — of any EITC abuse problem that may exist so that appropriate remedies can be designed to address the problem. The second is to learn what options can be administered by states and the IRS, and to determine how much lead-time would be required to put complicated new tax and benefit tracking procedures of this nature into place.

February 2, 1994

file
welfare reform

Catholic
Charities
USA

February 25, 1994

President William Jefferson Clinton
The White House
Washington, D.C.

Rev. Fred Kammer, SJ
President

Dear Bill,

If the reports were not so persistent regarding cuts to means-tested programs for the poor, I would not be writing. Like you, I am deeply interested in reform of the welfare system, with the emphasis -- which you have championed -- placed upon moving those who can from welfare to work.

The sad turn of events appears to be that those charged with developing plans for reform now find themselves turning to programs for other poor families to find necessary funding. Refugees are singled out, but they are not the only ones who seem to be falling outside a Reaganesque "truly needy" category. We hear of cuts reminiscent of the early 80s and envision driving millions more people into deeper desperation. The argument that funds are merely being shifted into job training and support services falters on the reality that money will go from poor families to non-poor providers.

We all recognize the constraints of debt and deficit and the various items "taken off the table" in one way or another. We also recognize that whatever your administration brings to Congress will likely be only the starting point from which Congress will make things worse, not better.

My strong recommendations are: (1) scale back the cost of the plan as far as possible, focusing on critical groups; (2) avoid deep cuts in means-tested programs that will only worsen poverty; and (3) protect those willing to work but unable to find jobs, no matter how long it takes.

Only you can protect the poorest Americans and set a positive tone to the national debate that values work and rejects bigotry and punitive measures.

Thank you for your continuing leadrship on welfare reform. My best to Hillary. Hope to see you both soon.

Sincerely yours,

Fred

Fred Kammer, SJ

1731 King Street • Suite 200 • Alexandria Virginia 22314 • Phone: (703) 549-1390 Fax (703) 549-1656

1999 Report

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poverty amid PLENTY

The Unfinished Business of Welfare Reform

A NATIONAL CATHOLIC SOCIAL JUSTICE LOBBY

NETWORK

NETWORK's National Welfare Reform Watch Project

This chart replaces the one at the top of page 8.