MINORITY VIEWS
H. Con. Res. 95 "Personal Responsibility, Work, and Family Promotion Act of 2005" Pursuant to the Conference Report on H. Con. Res. 95, the Budget Resolution for Fiscal Year 2006

When President Bush spoke to the nation from New Orleans six weeks ago on September 15, 2005, he described the "deep, persistent poverty" that Hurricane Katrina had laid bare on television, and he called for bold action to combat poverty in America.[i] The President is right – bold action is needed. America has the most and the deepest poverty of any developed nation except Mexico,[ii] and we should be doing much more to address it.

But six short weeks after he delivered that speech, the President's party in Congress is preparing as much as $50 billion in spending cuts, and the poor will bear much of the brunt of these misguided cuts. At the same time, the Majority party plans to force through another $70 billion in tax cuts, on top of the trillion-dollar tax cuts that Congress has already passed over the last several years. The welfare bill considered in Committee is just more of the same - while Congress gives more handouts to people who don't need them, it further robs millions of Americans of the ability to get back on their feet. Katrina should have been a wake-up call, but the Republicans keep looking the other way when it comes to helping Americans get good jobs that lead the way out of poverty.

Democrats and Republicans alike have agreed that the welfare system of the prior half-century had significant problems and needed to be replaced with a program that stressed moving able-bodied adult welfare recipients towards employment and self-support. Nine years later, results of that experiment are in, and they are mixed. The evidence gathered in numerous studies documents that while we have moved many off of welfare, the current program enacted in 1996 has not achieved the goals of promoting long-term economic independence, jobs that lift and keep families out of poverty, or improved living standards for million of children.[iii]

It is clear that the next phase of welfare reform must be focused squarely on reducing poverty.

The Republican bill fails American families by neglecting to shift its focus to poverty reduction from that of simply welfare reduction. The Republican welfare bill is concerned much more with pushing people off of welfare assistance than with how they are doing once they leave the welfare rolls. Instead of building on current state strategies to help families engage in work and find better jobs, this bill would require states to adopt a rigid federally-prescribed program structure. It requires a "one size fits all" model that ignores individual differences and needs and will limit states' abilities to provide the best opportunities for lasting employment. This inflexibility will force states to create make-work and other welfare programs that limit placement of welfare recipients into real jobs with real wages.

Furthermore, it creates an enormous financial burden for states that will force states to shift resources away from helping working families. The non-partisan Congressional Budget Office estimates that H.R. 240 will cost states $11.6 billion to implement the new work requirements, maintain the current level of child care assistance, and keep pace with inflation. The

Republicans provide $0.5 billion in additional mandatory funding for these purposes, short-changing the states by more than $11 billion.

Democrats have a better idea: welfare reform should be about helping move people off of welfare and into jobs that pay decent wages that will get them out of poverty. We believe that welfare success should be gauged by employment rates, moving and staying off welfare, and mobility out of poverty. The Democratic approach to welfare reform aims to make work pay by requiring welfare recipients to engage in a combination of work, education, and training, and by providing states with the flexibility, incentives, and resources to move welfare recipients into meaningful jobs that pay living wages and benefits.

Because the Republican welfare bill fails to help American families move off of welfare and out of poverty, places enormous unfunded mandates on states that will limit their ability to run innovative programs that provide meaningful opportunities for families, and worsens the child care crisis in this country, Democrats voted unanimously in opposition to the Republican bill. Democrats offered numerous amendments in Committee as part of an attempt to amend the welfare bill to create a policy that will help move families off of welfare *and* out of poverty. These amendments were rejected by the Republicans. Some of these amendments are described below.

Growing poverty shows need for new approach

The goal of moving from welfare to work is not going to be achieved under the approach that this bill takes. We must instead pass a bill that allows states to create programs that will really help families get out of poverty.

Census data released in August of this year makes clear the urgency of this task. Despite the growing economy, the number of Americans living in poverty has increased for the fourth year in a row, by half a million people, according to the U.S. Census Bureau.[iv] Today, 37 million Americans – many of them full-time workers – live in poverty. That's 13 percent of all Americans still in poverty. One in every three poor people in this country is a child. This disgraceful situation must be changed.

The poverty rate and welfare rolls began to drop in 1993, and after Congress enacted welfare reform in 1996, the welfare rolls were halved and poverty continued to decline until the year 2000. But the increasing poverty of the last few years shows that poverty declines in the 1990's were due much more to the booming economy than to welfare reform.

Though millions have left welfare, studies document that many former welfare recipients remain poor and lack a steady job.[v] We should not judge welfare reform by the number of people on or off of welfare assistance alone, but also by how many families still live in poverty. Welfare reform will be successful when families leave welfare for decent jobs and economic stability. Unfortunately, this bill does not get us any closer to achieving that goal.

Minimum wage

The Katrina disaster gave America a new look at our nation's poor – many of whom are deprived of decent housing, jobs that pay enough to lift them out of poverty, access to a good education, and access to health care. We can design the best welfare system in the world, but the truth is -- the single most effective action this Committee and this Congress can take, to move millions of Americans out of poverty, is to increase the minimum wage. Today, a woman who gets off of welfare and lands a minimum wage job working 40 hours a week all year would still be stranded in poverty, with no reasonable shot at adequately providing for herself or her children.

Ranking Member Miller and Representatives Van Hollen, Owens, and Payne offered amendments to directly, and through a Sense of the Congress, raise the federal minimum wage in three stages to $7.25. The Majority rejected both amendments.

It has been eight years since we increased the minimum wage. That alone is a disgrace. The value of the minimum wage relative to average wages is now at an appallingly 57 year low. Minimum wage employees working 40 hours a week, 52 weeks a year, earn $10,700 a year, $5,000 below the poverty line for a family of three. Raising the minimum wage to $7.25 an hour will mean an additional $4,380 a year to help minimum wage earners support their families.

According to the Economic Policy Institute, seven and a half million workers will directly benefit from the minimum wage increase to $7.25. More than 72% of those workers are 20 years old or older. Approximately 54% provide more than half of their family's income. One million and eight hundred thousand are parents with children under 18, including 740,000 single mothers. Almost half (43.9%) work full-time and another third (34.5%) work between 20 and 34 hours a week. Over sixty percent are women.

In the past eight years, Members of Congress will have raised their own pay seven times – by $28,500. In those same eight years, minimum wage workers have not gotten a single raise – they continue to earn $10,700 a year.

According to the Kaiser Family Foundation, the average premiums for health insurance for a family of four in 2005 have surpassed the total before-tax income of a minimum wage earner. If you work a minimum wage job and want to buy health insurance for your family, you'll fall almost $200 short trying to pay just the premiums, and not have a single penny to spare for any other expense – not food, not clothing, not housing – nothing.

The Committee needs to act to raise the minimum wage – this is the most effective measure for lifting families out of poverty.

Education, Training and Better Wages

Democrats believe that welfare success should be gauged by employment rates, moving and staying off welfare, and mobility out of poverty. If states are to accomplish these important goals, federal welfare policy must provide the flexibility for states to design innovate programs that meet recipients' individual education, training, and employment needs, and it must provide meaningful incentives and adequate resources to states.

To ensure welfare recipients receive the education and training they need to leave welfare, stay off of welfare, and move out of poverty, Representatives Tierney, Bishop, and McCollum offered an amendment that allows expanded educational opportunities to count for the full work requirement for the first 24 months. These same opportunities can then count for 16 hours weekly for the next 24 months. The amendment expands educational opportunities to include vocational training, post secondary education, work study, internships, job training, ESL, GED and basic adult literacy.

Evidence clearly demonstrates the importance of education opportunities. In a December 2000 study by the U.S. Department of Health and Human Services and the U.S. Department of Education, TANF leavers who were most successful in sustaining employment were also twice as likely to have a technical or two-year degree.[vi] According to 2000 data from the Census Bureau, almost 39% of women without a high school education live in poverty, while only 17.6% of women with a high school diploma live in poverty. Only 8.5% of women with some college education live below the poverty line, while only 4.3% of women with a 4-year college degree live in poverty.[vii] The Educational Testing Service reports that nearly 70% of the jobs created through 2006 will require workers with education skills that are higher than the levels of most current welfare recipients.[viii]

Research on different welfare-to-work programs found that welfare recipients fared the best when education and training were combined with job search and work.[ix] The Tierney amendment allows states the flexibility to offer these types of innovative programs, but the Republican bill does not. Republicans rejected the Tierney amendment.

To ensure welfare leavers are employed at welfare exit and in well-paying jobs, an amendment to add an employment credit was offered by Representative Kind. This amendment would eliminate the current caseload reduction credit and phase in an employment credit that rewards states for helping families get jobs, with a bonus to states for families who obtain higher paying jobs. This employment credit provides an important method for creating an incentive for states to move people from welfare to work. This amendment would result in states focusing efforts on improving employment outcomes and access to work supports, efforts Democrats believe are important for realizing the welfare goal of reducing poverty.

In contrast, the Majority's caseload reduction credit rewards state for just removing people from the welfare caseload and misses an important legislative opportunity to reward states from running programs more likely to keep people off of welfare and out of poverty. Under the Republican plan, states are rewarded for caseload declines regardless of the reason for exit from the caseload.

The Republican approach is short-sighted and does nothing to help welfare-to-work programs focus on helping recipients get meaningful jobs that lead to long-term self-sufficiency. Currently, about 30-40% of welfare leavers are not employed when they exit welfare.[x] Under the Republican plan, states would get rewarded for this outcome even though this clearly is not a desirable situation. National data also suggest that over 20% of those who left welfare between 1997 and 1999 returned within that same time period.[xi] This too is an undesirable outcome which would be addressed by the Democratic amendment but not the Republicans. The Minority believes the Majority is inconsistent at best when they tout the goal of self-sufficiency but reject state incentives that would accomplish this goal. The Majority rejected this amendment.

Child care

Democrats also oppose this bill because its child care funding is grossly inadequate. Child care assistance for low income families is a critical part of any effort to move families into jobs and off welfare and to keep low income working families employed and off of welfare.

There are two central problems with this child care assistance program: parents are unable to access quality child care; and too many hard-working low income families do not receive child care assistance. Access to quality child care is an essential part of education reform to ensure that all children arrive at school ready to succeed. Though the Child Care and Development Block Grant promises parent choice and access to quality, it does not deliver. Parents do not have real choice in their child care options and cannot afford to put their child in quality care because the assistance payments they get are far below the cost of child care in their area. The law promises equal access but only suggests states pay 75% of current market rates. Because states are often caught in a bind between providing quantity or quality, most states set their assistance rates well below the cost of care. For example, the state of Michigan reports paying only the 75 percentile of 1996 rates.[xii] What this means is that parents have few choices and low-income children – who are the ones most in need of high quality child care – are often in low quality care. The Republican bill does nothing to help this situation.

Secondly, while we do not currently provide enough funding to serve the majority of the low-income working families who are eligible and in need of this assistance, the Republican bill makes this situation much worse. If low-income workers do not have payment assistance, they may not be able to keep working. Two-parent families with two minimum wage workers often spend more than half their income on child care if they do not receive child care assistance under this program, which is why child care assistance for low-income workers is so vital to our nation's economy.

The situation is dire. According to the Department of Health and Human Services, 100,000 fewer children were served by this child care program in 2004 than in 2003 and estimates that an additional 300,000 fewer children will be served in this program by 2009.[xiii] Seventeen states have waiting lists.[xiv] For example, the state of California estimates there are 280,000 families waiting for subsidized care. These data are not surprising given the Republican child care assistance budgets of the past four years have failed to keep pace with inflation.

But according to the Congressional Budget Office (CBO), the Republicans do not even cover the cost of inflation for child care in their bill. According to CBO, \$4.832 billion is needed over the next five years just to maintain the current level of services. The Republicans provide \$.5 billion in mandatory funding for child care. CBO also estimates the child care costs associated with the work requirements in H.R. 240 and inflation equal \$8.332 billion. According to these estimates, the Republicans are over $7 billion dollars short in providing enough child care funding to ensure that the number of children served in the program remains level with the number served today.

Representatives Miller, Andrews, Woolsey, and Holt offered an amendment that would provide $11 billion in new child care funding and require states pay at least 75% of the current market rate. This important amendment would cover the child care and inflation costs under H.R. 240, help parents access higher quality child care, and makes steps to serve more of the hundreds of thousands of names on the waiting lists all over this country. If we are serious about helping low-income workers stay employed, we have to help with child care costs. Republicans rejected this Democratic amendment.

Outsourcing

Many American workers' sense of job security is rapidly eroding as more and more companies ship all kinds of work offshore. According to a study by the investment firm Goldman Sachs, between 300,000 to 500,000 American jobs were sent overseas in just three years.[xv] *Business Week* estimated that 400,000 to 500,000 jobs went offshore during the same time period.[xvi] Even state governments, through contractors for public program work, are shipping jobs typically performed by state residents overseas. Taxpayer money should be used to create jobs at home, not overseas.

A recent study by Good Jobs First found that, as of July 2004, only 9 states had electronic benefit transfer call centers located within the United States.[xvii] These call centers handle electronic benefit transfer issues for programs like Food Stamps and TANF. The rest of the states had contracted with private contractors who had outsourced this call center work to foreign countries such as India.

It is especially ironic for any work financed by federal TANF funds to be sent abroad. A principle goal of TANF is to move families off welfare into work, but if jobs are moving offshore, there are fewer job opportunities for welfare families.

For this reason, Representatives Andrews, Ryan, and Bishop offered an amendment to prohibit TANF monies from being used to offshore outsource jobs. This amendment passed by a voice vote. The Andrews-Ryan-Bishop amendment prohibits use of any TANF grant monies to outsource any jobs overseas. The money may not be used to either (1) contract or subcontract out work to a location outside of the United States or (2) reduce employment within the United States by using any employees outside of the United States.

Superwaiver

Democrats also have serious concern over a "superwaiver" provision in this bill which would give expansive new authority to the Executive Branch to override virtually any federal law or rule governing federal low-income programs including parts of the Workforce Investment Act, Wagner-Peyser Act, Adult Education and Family Literacy Act, CCDBG Act, and the Family

Support Act. Fundamental, and even controversial, changes in federal low-income programs and policies could be made by the Executive Branch and States without the support or even consultation of Congress. Such sweeping changes could include changes in how federal funds are administered, the types and amounts of benefits provided, the target population served, and even eligibility criteria for beneficiaries.

Representative Kildee offered an amendment to strike this provision and protect federal low-income programs from being drastically reshaped without the consent of Congress. Republicans rejected this amendment.

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[xvi] D'Andrea Tyson, L. (February 23, 2004). *Outsourcing: Who's Safe Anymore*? Business Week.

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