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YET ANOTHER SHAM WELFARE REFORM: EXAMINING THE NGA PLAN

INTRODUCTION

The National Governors' Association (NGA) is proposing a new welfare reform plan, and Congress has initiated hearings on the governors' proposal. Unfortunately, this proposal, crafted by NGA bureaucrats and borrowing significant elements from President Clinton's welfare reform schemes, is another blueprint for flawed welfare reform.

Members of Congress should realize that the NGA plan repudiates most of the key elements of the Contract With America proposed by conservatives in the fall of 1994. The Contract contained a solid, comprehensive welfare reform based on three themes:

- ✓ **A national goal of reducing illegitimacy** and establishing a number of modest national policies to advance that goal;
- ✓ **National work requirements** for AFDC (Aid to Families with Dependent Children) recipients; and
- ✓ **Greater flexibility to state governments** in the operation of welfare programs.¹

The House/Senate conference bill passed by Congress, and vetoed by President Clinton on January 9, retained these three basic elements of reform, albeit with the pro-marriage provisions weakened. But the NGA plan effectively eliminates the first two principles of reform.

¹ Newt Gingrich, Dick Armey, and the House Republicans, *The Contract With America*, Republican National Committee, 1994, pp. 65-77.

Decision makers enticed by the NGA's "bipartisan" reform package would do well to remember history. America supposedly ended welfare just eight years ago, when Congress in 1988 passed a comprehensive "bipartisan" reform which promised to replace welfare with work. This so-called reform, also predominantly shaped by the NGA, turned out to be a sham: Daycare spending soared; welfare caseloads skyrocketed; even today, almost no welfare recipients are required to work. With the NGA bureaucracy again in the lead, history is about to repeat itself.

The NGA plan is heavily flawed in four key aspects.

- 1) **The plan abandons the welfare reform goal of reducing illegitimacy.** NGA officials have completely misdefined the real goal of reform. Their plan explicitly abandons the goal of saving marriage and reducing illegitimacy, which was the number one welfare reform plank in the Contract With America; the shift is so complete that the governors' policy declaration does not mention rising illegitimacy even as a minor social problem, let alone propose a reform structure to deal with it.
- 2) **The plan eliminates all work requirements for AFDC recipients.** The plan drawn up by the NGA bureaucracy completely guts the work requirements from the House-Senate conference bill and substitutes bogus requirements designed to deceive the public while preserving the status quo. The work requirements in the NGA plan are far weaker than those in the Democratic alternative bills supported by President Clinton, S.1117, introduced by Senator Tom Daschle (D-SD) in the Senate, and the amendment to H.R. 4 introduced by Representative Nathan Deal (D-GA) in the House. In fact, under the NGA plan, no welfare recipients will be required to work.
- 3) **The plan has a pervasive anti-marriage bias.** Since the NGA bureaucracy rejected reducing out-of-wedlock birth rates as a reform goal, it is not surprising that the plan is indifferent, or effectively hostile, to marriage throughout. To the extent it modifies the conference welfare bill passed in the House and Senate, the NGA plan systematically discriminates against marriage. Further, it would penalize financially those states which pursue a pro-marriage welfare strategy and reward those which concentrate on the narrow goal of providing job-training and employment to single mothers.
- 4) **The plan embodies the Clinton Administration's "reform" structure.** The NGA plan incorporates many major elements of President Clinton's anti-dependency plans. As such, the governors' proposal encourages states to pursue the least efficient strategies for reducing welfare dependence and penalizes states that pursue efficient plans.

ABANDONING MARRIAGE

The most important element of any reform plan is the goal. If the goal is set properly, all other elements eventually will fall into place. If the nation sets the wrong goal, no amount of tinkering will help. The number one goal of welfare reform must be to save marriage and reduce illegitimacy. All else is secondary. Setting a clear, paramount goal of reducing illegitimacy also serves a public education function: It frames the debate, alerts Americans to what is truly important, and establishes social expectations.

The governors' proposal is a failure because it sets the wrong goal. NGA officials declare that there are three "crucial elements" of real welfare reform:

- X Providing more government-funded daycare;
- X Increasing child support payments from absent fathers; and
- X Imposing time limits and work requirements (with gaping loopholes) for welfare recipients.²

The rise in illegitimacy and the collapse of marriage do not even merit a concerned comment, let alone aggressive policies, from the NGA.³

Thus, over the last year, the focus of the welfare debate has undergone a radical metamorphosis, from combating illegitimacy to providing public support services to an ever-expanding population of single mothers. Eschewing the issue of illegitimacy, the NGA plan instead appears as a preparation for a future in which marriage plays a sharply diminishing role in America, and the government is heavily involved in meeting the needs of an ever-growing population of single-parent families. The triumph of liberals on this aspect of the debate has been complete: Fighting illegitimacy is "out," and funding government daycare is "in."

The governors' plan, borrowing heavily from the "reform" schemes of President Clinton and other liberal proposals, dovetails neatly with the interests of America's enormous welfare bureaucracy: an industry that thrives on social decay. While the plan will trim the growth rate in welfare spending slightly in the near term, by failing to deal with ballooning rates of illegitimacy it sets the stage for an unavoidable and explosive rise in welfare and social service spending in the future.

Nor are the governors alone. Under its recently passed version of welfare reform, the Republican-controlled Congress has committed itself to spending nearly half a trillion dollars, over the next seven years to subsidize and support illegitimacy and single parenthood through multiple welfare benefits, daycare, job training, and other services. Under the congressional plan, government will spend \$1,000 to subsidize single parenthood and illegitimacy for each dollar spent to reduce illegitimacy.

The NGA welfare reform plan will distort these priorities even further. When the dust settles on welfare reform, even token efforts to fight illegitimacy will have fallen by the wayside.

² Statement on "Welfare Reform" as adopted by the governors on February 6, 1996.

³ In an February 29, 1996, article in the *Washington Times*, entitled "Can Welfare Reform Survive Friendly Fire?" Robert Carleson maintains that the National Governors' Association did not ignore the catastrophic rise in illegitimacy. Carleson cites "findings" contained in the welfare legislation passed last year by Congress and vetoed by President Clinton. The findings say that illegitimacy is harmful. It is important to note, however, that these findings are merely rhetorical and are not linked to policy. It is true that the NGA, as a practical matter, used the conference bill passed by Congress as a textual base and amended it to produce its own proposed policy. But one can be quite certain that no governor actually looked at the huge conference tome, and it would be very surprising if any governor was aware of the few paragraphs of legally irrelevant "findings" buried deep within the 650-page conference document. Certainly no one at the NGA seems to have regarded these forlorn paragraphs as important. All one need do is listen to the NGA's own words. In its official statement of policy, reducing illegitimacy is not mentioned as a goal or "crucial element" of reform, and the NGA, of course, makes not the slightest reference to the "findings" on illegitimacy.

The Crisis of Illegitimacy

But decisive action to deal with the collapse of the family is urgently needed. Last year, nearly one-third of American children were born out of wedlock. Even worse, the illegitimate birth rate continues to rise relentlessly—by about one percentage point each and every year. Within the black community, the out-of-wedlock birth rate is now 69 percent. This figure astounds even Senator Daniel Patrick Moynihan (D-NY), who first issued his prophetic warnings about the erosion of marriage among blacks in the early 1960s. Moynihan's warning was vilified at the time, but the breakup of the black family and the accompanying social calamities have far outstripped his worst nightmares.

Ominously, the illegitimate birth rate among whites now is edging toward 25 percent—almost exactly equaling the black rate when Moynihan first raised his alarm. The white family is teetering on the same precipice, heading rapidly toward the same lethal decomposition that devastated black communities in the late 1960s and 1970s.

The collapse of marriage and the concomitant rise in illegitimacy together form the number one problem facing America; family collapse is the root cause of other social problems, such as poverty, crime, drug abuse, and school failure.⁴ Some reasons why:

- ✗ Children born out of wedlock are seven times more likely to be poor than are those born to couples who remain married.
- ✗ Girls raised in single-parent homes on welfare are five times more likely to give birth out-of-wedlock themselves than are girls from intact non-welfare families.
- ✗ A boy from a single-parent home in the inner city is twice as likely to engage in crime as a similar boy who is poor but living with a father and a mother.

Some would argue that federal action on illegitimacy is unneeded: If left alone, the governors will tackle the problem on their own. But the governors' silence speaks volumes. Few, if any, governors have made reducing illegitimacy a central theme of reform; most are reluctant even to mention the topic. By refusing to acknowledge or mention the collapse of marriage, the governors are implicitly condoning and (through inaction) ultimately promoting the skyrocketing rise in illegitimacy. They are embarked on a path which will lead, in the near future, to half of all children being born out of wedlock and raised in government-supported daycare centers. This is not reform. It is a national disaster.

The goal of welfare reform must be to save marriage. But the governors have formally stated that promoting marriage and reducing illegitimacy is not a meaningful part of their reform plan. If the House and Senate adopt the governors' plan, they will have agreed with them and will have abandoned even token efforts to stem the rise of illegitimacy and decline of marriage in American society.

⁴ See Patrick F. Fagan, "Rising Illegitimacy: America's Social Catastrophe," *Heritage Foundation F.Y.I.* No. 19, June 29, 1994. See also Patrick F. Fagan, "The Real Root Causes of Violent Crime: The Breakdown of Marriage, Family, and Community," *Heritage Foundation Backgrounder* No. 1026, March 17, 1995.

THE NGA'S SHAM WORK REQUIREMENTS

Nearly 90 percent of Americans believe that welfare recipients should be required to work for the benefits they receive. In response to this public pressure, the U.S. welfare establishment has a simple solution: sham work requirements that create the illusion that beneficiaries must work while, in fact, few actually do. For example, as part of the 1988 welfare reform (the Family Support Act) the public was told that "welfare will be replaced by work." But the NGA opposed real work requirements. As a consequence, the reform, enacted by a nearly unanimous bipartisan vote in the Senate, was a sham. Day-care funding exploded, AFDC caseload grew by some 30 percent, and today only some 2 to 3 percent of AFDC recipients actually are required to work. History is about to repeat itself.

A major provision of the conference bill passed by Congress is a requirement that some AFDC recipients must work.⁵ Section 407 of the bill requires certain percentages of the AFDC caseload to work for benefits and provides a fairly tight definition of work. However, even these work participation requirements have loopholes. For example, up to 20 percent of those counted as working can be in vocational education instead.⁶

The following table shows the nominal work participation rates in the conference bill and the real rates, once loopholes are taken into consideration.

YEAR	Nominal Participation Rates	Real Participation Rates
1996	15%	10.5%
1997	20%	14%
1998	25%	17.5%
1999	30%	21%
2000	35%	24.5%
2001	40%	28%
2002	50%	35%

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- 5 Some of the "work" requirements in the conference bill are illusory; for example, individuals who have received AFDC for over two years are required to "work," but a state may count one hour of job search per year as "working." These "requirements" are very similar to the cosmetic provisions of the sham reform of 1988. However, the work provisions of Section 407 of the bill are quite different, and for the first time in the history of AFDC, require a certain percentage of recipients actually to work
- 6 Another loophole permits states to subtract women with children under age one from the denominator for purposes of calculating their work participation rate. Such women comprise about 10 percent of the AFDC caseload; excluding them from the caseload count effectively cuts the required work participation rates by 10 percent.

Moreover, in the typical state, some 10 percent of AFDC recipients already are employed, voluntarily, in part-time jobs and can properly be counted toward the state work requirement rate. This means that, in the typical state, only 25 percent of AFDC recipients would be required to work by 2002.

Even this rate is far too high for the NGA. While the NGA proposal nominally accepts the work participation rates from the conference report, the plan actually includes a cavernous loophole which effectively obliterates all work requirements. The NGA proposes to count routine caseload turnover toward the work participation rates, so any AFDC recipient who ever obtained work and left AFDC could be counted toward the participation requirement. It is important to note that there always has been a considerable turnover in the AFDC caseload. Hundreds of thousands of recipients obtain jobs and leave AFDC in any given year as an equal or greater number of persons enroll. This routine turnover occurs even when total AFDC caseloads are rising rapidly. The governors wish to be given credit for this automatic turnover and to portray the status quo as successful reform.⁷

By claiming credit for individuals who have obtained a job and left AFDC during the last 24 months, a governor could automatically obtain a work "participation rate" of roughly 40 percent without in any way altering the existing welfare system.⁸ Nearly all states would be able to meet their work requirements for the next seven without the least change in the status quo. Thus, the NGA bill is almost a perfect repeat of the bogus 1988 reform. Once again, complicated sham work requirements will be substituted for the real thing.

Not surprisingly, the Clinton Administration is enthusiastic about counting normal caseload turnover as "work." Very similar "credit for turnover" provisions played a key role in the Democratic alternative reform legislation rejected earlier this year in the House and Senate. Congressional Republicans at the time denounced these provisions as a crude effort to deceive the voters. It would be ironic if a Republican-controlled Congress now embraced the same deception.

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- 7 It is important to understand the distinction between routine caseload turnover and net caseload reduction. With caseload turnover, a certain number of persons leave the welfare rolls but an equal or greater number enter; the total size of the caseload remains the same or increases. With net caseload reduction, the actual number of persons on welfare declines due to a drop in enrollments or an increase in exits which exceeds new enrollments. Caseload turnover is omnipresent and meaningless; it not a valid measure of success in reducing dependence. Caseload reduction is difficult to achieve and has rarely occurred in the history of AFDC. The goal of welfare reform is not to increase the number of persons cycled through the welfare system (although the welfare bureaucracy would like such a goal); it is to reduce the level of dependence. Caseload reduction is a proper measure of that goal. The House-Senate conference bill established performance standards which gave states proper credit for anti-dependency efforts which resulted in real caseload reduction, but not for mere turnover.
- 8 NGA bureaucrats in fact are demanding any individual who has ever obtained a job and left AFDC be counted toward the state's work participation rate. The figures become very complex since these individuals would be counted in both numerator and denominator for purposes of calculating the participation rate. However, the bottom line is simple: Even if caseload turnover only for the prior six months is counted, the actual work standards in the bill would be gutted, at least through the end of this century.

BUT ISN'T ENDING AFDC ENTITLEMENTS THE KEY TO REFORM?

It is true that the NGA plan does end the entitlement status of AFDC and eliminates many of the unnecessary restrictions in the existing AFDC code, thereby giving greater flexibility to the states.⁹ Replacing automatic entitlement funding with block grants also imposes greater fiscal discipline on each state. Under the current entitlement system, when a state expands its AFDC caseload, it gets an automatic increase in federal AFDC funds. If a state shrinks its caseload, its federal funding is cut. If the current automatic entitlement funding mechanism were replaced by a block grant system, each state would be given a fixed amount. Since the block grant amount would not expand automatically if a state's AFDC caseload grew, a block grant funding system would give states a greater incentive to curtail caseload growth.

The current entitlement nature of AFDC is objectionable and should be eliminated. However, eliminating entitlement status alone is not reform, or even a small part of reform. The impact of eliminating the entitlement nature of AFDC has been greatly overrated. Under the current funding system, states must match federal AFDC funding in the state (generally the state pays 40 to 50 percent of total AFDC costs within the state). Thus, states always have had a strong financial incentive to curtail AFDC caseload growth; this, however, has not prevented the program from swelling to the point where one out of five children receives benefits each year.

There have been recent efforts to exaggerate the importance of ending AFDC's entitlement status. For example, it has been claimed that ending the entitlement status and "block granting" were the only welfare goals of the Reagan Administration. This is misleading. A hallmark of welfare policy under President Reagan was the effort to establish national work requirements for welfare recipients. Bills to accomplish this aim were introduced year after year during the Reagan presidency.

In reality, eliminating AFDC entitlements would have only a modest effect on reform. Other far more significant factors in shaping reform at the state level are the overall framing of the welfare debate and the shaping of public expectations; the actual goal of reform in the minds of decision makers; the momentum of past policies; the vast influence of the state welfare bureaucracies; and the explicit goals, incentives, and requirements established by the federal government.¹⁰

9 In particular, the plan would eliminate the current JOBS program, which has made it difficult for states to operate serious workfare programs.

10 However, some proponents of the NGA plan regard ending the entitlement nature of AFDC not only as the most important, but as the only acceptable element of reform. Such individuals tend to adhere to the philosophy of "value neutral revenue sharing." Under this doctrine, the federal government should collect the revenue for the welfare system and hand it over to state governments with no requirement other than that the funds be spent to aid the poor. According to this narrow doctrine, most of the welfare provisions of the Contract With America (and especially those dealing with work and illegitimacy) are not only unnecessary, but also highly objectionable. From this perspective, "success" in welfare reform necessarily means opposing and eliminating most of the Contract's welfare provisions as unwanted impediments on the states. Not surprisingly, the NGA plan draws very high praise from adherents of this view. However, this seems to be a perspective which is not widely shared.

OTHER PROBLEMS WITH THE NGA PLAN

The governors' plan would create a huge performance incentive fund, costing roughly \$6 billion over the next seven years. This fund—a central feature of the Clinton reform strategy—would provide cash bonuses to states which have higher rates of AFDC mothers obtaining jobs. This is a very limited and illogical measure of success. For example, increasing marriage and reducing out-of-wedlock births would have far more beneficial effects on children and society than merely increasing employment of single mothers. But the NGA plan is indifferent or hostile to the issues of illegitimacy and marriage.

Even from the more limited perspective of reducing welfare dependence, the NGA plan is illogical. Welfare dependence can be reduced by six means:

- ✓ **Reducing illegitimacy;**
- ✓ **Reducing divorce;**
- ✓ **Increasing marriage among women who have had children out of wedlock but have not yet enrolled in welfare;**
- ✓ **Encouraging single mothers to take jobs before they enter AFDC;**
- ✓ **Increasing marriage among welfare mothers; and**
- ✓ **Having welfare mothers obtain jobs.**

Employment of welfare mothers is, in fact, the least effective of these six mechanisms for purposes of shrinking dependence, reducing child poverty, and enhancing the well-being of children. However, employing welfare mothers is the mechanism which least disrupts the ideological status quo and it is attractive to the huge welfare bureaucracy, whose material interests require a growing population of welfare recipients needing more and more services, such as daycare and training. Hence, despite its irrationality, the employment of welfare mothers remains the almost exclusive focus of the NGA plan.

The NGA plan thus is narrowly focused on the least effective means of reducing dependence and the one which is least beneficial to children. Under the proposal, states which concentrate on other aspects of reform would bear a heavy financial penalty. But by encouraging states to focus on the least effective and least desirable means of reducing dependence, the governor's plan actually will slow the reduction of welfare dependence.¹¹

11 It could be argued reasonably that the rewards and incentives provided in the NGA plan are irrational but that this fact is of lessened importance because it is greatly outweighed by the impact of removing the AFDC entitlement funding mechanism. In this view, giving each state a fixed-sum block grant creates an implicit fiscal discipline which will drive states to pursue rational means to reduce dependency, irrespective of the explicit, contrary system of goals and bonus incentives. However, in the experience of this writer, explicit goals, reform concepts, and rewards play a very large role in shaping the outlook of state-level bureaucrats and decision makers, a role which greatly outweighs any implicit fiscal impetus.

Rewards for Bogus "Success"

The NGA's focus on "exits from welfare," borrowed from the Clinton Administration, is illogical. The evidence indicates that serious work requirements have their strongest impact not by encouraging people to leave welfare, but by reducing the number of persons who bother to apply for welfare in the first place. Similarly, a state which restricts welfare entry to the truly needy (those who are the least able to support themselves) almost certainly will have proportionally fewer "exits" from the welfare caseload than would states with more liberal entrance standards.

The entire notion of measuring success in welfare by caseload exits makes no sense. It is like measuring success in the war on drugs not by a decline in drug use, but by an increase in the number of persons passing through rehabilitation, or judging the nation's health by counting the number of successful exits from hospitals — a criterion which might be popular among hospital administrators but would make no sense for society at large.

Moreover, there is little relationship between "employment exits" and the level of welfare dependence or caseload size. In the NGA plan, there is no requirement that "successful" states actually lower caseloads. States would be rewarded for "success" even when their caseloads were consistently growing. If, for example, the NGA "performance incentive fund" had been created seven years ago, states automatically would have been rewarded with billions for "success," year after year, while their AFDC caseloads were growing between 25 and 30 percent. Unfortunately, the creation of bogus measurements of successful reform is no accident—such measures are a key element in the welfare industry's strategy to forestall real change.

Anti-Marriage Bias

Even from the limited perspective of promoting welfare exits, the NGA plan is inconsistent. The NGA bureaucrats would reward states when a single mother gets a job and leaves welfare, but give no reward if a mother marries and gets off welfare—even though the marriage is far more effective in reducing long-term dependence and poverty. In keeping with the prevailing ideology of the nation's welfare establishment, the NGA plan is heavily biased against marriage and focused on obtaining employment for single mothers.

No Real Money for Reducing Illegitimacy

The vetoed House-Senate conference bill did contain a fund to reward states which reduced illegitimacy without increasing abortions, and the NGA plan retained this. However, it is useful to compare this illegitimacy reduction bonus fund with the NGA's "performance incentive fund," which rewards the employment of AFDC mothers. The performance incentive fund rewards states on a comparative or relative scale; states would be ranked, and states with higher employment records relative to other states would be given substantial bonuses. Such a comparative reward system creates automatic winners; cash incentives will be paid out automatically under the plan even if the overall level of real performance remains the same or deteriorates.

By contrast, the illegitimacy ratio bonus fund is linked to absolute—not relative—performance, so a state must achieve a real reduction in its illegitimacy ratio (the proportion of births which are out of wedlock) in order to receive a reward. The requirements are

very difficult to achieve—so much so that little or no bonus money actually will be paid from this fund.

The NGA thus has adopted very tough absolute standards for rewarding illegitimacy reduction but lax comparative standards for rewarding employment. Yet the latter standards guarantee winners. Consequently, under the NGA plan, little or no money would be paid to reward states for efforts to reduce illegitimacy, while \$6 billion in rewards would be given automatically for efforts to employ welfare mothers. Once again, the NGA's relentless bias against promoting marriage and reducing illegitimacy is apparent.

Large Increases in Mandatory Day Care Funding

The House-Senate conference bill increased federal daycare funding by \$2 billion over seven years. The NGA plan would require another \$4 billion. Overall, this means that federal daycare funding would be increased by a third. States would be required to spend all the increased funds on daycare even if they would prefer to spend it on other services to the poor.

Family Cap

The conference bill prohibited states from using federal funds to give higher welfare benefits to women who have children out of wedlock while already enrolled in AFDC; states could choose to "opt out" of this restriction by enacting specific legislation. The governors' plan eliminates the family cap provision entirely. As under current law, states could have a family cap if they wish, but there is no legal impetus for them to do so.¹²

The family cap is not only sound policy; it is widely supported by the public. Nearly nine out of ten Americans "oppose increasing a welfare mother's monthly welfare check if she has another child out-of-wedlock."¹³ The popularity of the family cap is so great that the Clinton Administration does not publicly oppose the policy. Nor did the White House cite the inclusion of the family cap provision as a reason for its veto of the House/Senate conference bill.

RECOMMENDATIONS

The Contract With America advanced three principles of welfare reform: promoting marriage and reducing illegitimacy, requiring work, and increasing state flexibility. The NGA plan abandons the first two of these principles despite the fact that they are supported overwhelmingly by the public. Real welfare reform must carry out the principles of the Contract.

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- 12 Under the current law, a state government must request a federal waiver to enact the family cap. Under the NGA plan, a waiver would no longer be needed.
 - 13 Family Research Council poll conducted by Voter/Consumer Research, mid-October 1995. The poll surveyed 1,000 randomly selected American adults about their views on welfare and social issues and has a margin of error of plus or minus 3 percent.

Restoring a sensible debate on marriage and illegitimacy is crucial. This issue has been trivialized or ignored by those pretending it is merely a question of whether the family cap provision in the House/Senate conference bill should be retained or eliminated. In reality, conservatives have proposed nearly a dozen national measures aimed at reducing illegitimacy. Many were included in the Contract With America. But in each case, they have been resisted by the Washington establishment and, one by one, they have been whittled away. What is now required is a complete reorientation of the debate back to the topic of illegitimacy, and the establishment of multiple measures to deal with the problem.

In order to produce real reform, the following ten steps are needed.

- 1) The leadership of the House and Senate should assert publicly that reducing illegitimacy is the key goal in welfare reform and should commit to an ongoing effort to use the "bully pulpit" to raise concern about the collapse of marriage in society.
- 2) The family cap provision of the conference bill (with the opt out clause) should be retained in any future legislation.
- 3) The illegitimacy reduction bonus fund established in the conference bill is a good idea and should be retained. However, the criteria for successful performance are so strict that even those states which make serious attempts to reduce illegitimacy will be unlikely to achieve them. Of course, incentive bonuses which are nearly unobtainable are not likely to have much effect on state plans and activities. The success criteria for this fund should be softened to give states a more realistic opportunity to obtain the bonuses.
- 4) The NGA performance incentive fund rewards only employment by welfare mothers, even though this is the least effective and least desirable way of reducing dependence. The fund should be altered to reward a composite score of all of the following: a reduced illegitimacy rate, reduced divorce rate, reduced AFDC application rate, increased AFDC employment exits, and increased AFDC marital exits. Moreover, states should be rewarded only if caseload and illegitimacy actually are declining.
- 5) States should be given the option of providing food commodities rather than food stamp coupons to AFDC mothers and retaining any resultant savings for other anti-poverty efforts. By reducing the attractiveness of the welfare life-style, this policy has the potential to greatly reduce future out-of-wedlock births.
- 6) The amount of funding in the conference bill's abstinence program should be increased from \$75 million to \$200 million per year in any future legislation.
- 7) Each state should be required to submit a plan showing how it intends to reduce illegitimacy.
- 8) Within the existing AFDC program, a new set-aside fund should be established providing \$300 million per year for states to devise their own programs to reduce illegitimacy without increasing abortion (with firm evaluations required).
- 9) The work requirements in the conference bill should not be weakened or undermined through the governors' proposal to count employment exits. Performance goals should not be linked to exits in any way, since the best reform schemes will reduce enroll-

ments rather than increase exits. The hourly work requirements for AFDC recipients, especially AFDC-UP fathers, should not be reduced.

- 10) Under the bill, daycare funds could be spent only for daycare even if the governors wish to use them for other services for the poor. This "lock in" of the daycare money should be eliminated in future legislation.

CONCLUSION

On the crucial issues of work and illegitimacy, the NGA plan resembles the Democratic alternative bills introduced in the House and Senate much more closely than it does the original Contract With America. Indeed, the work requirements in the NGA plan actually are weaker than those in either Democratic bill.

The welfare "reform" proposed by the National Governors' Association is, in reality, an anti-reform. The NGA has abandoned the goal of saving marriage and reducing illegitimacy. Instead, NGA officials call for a massive investment in government daycare for an expanding population of single-parent families. The NGA seeks to abolish the work requirements in the conference bill passed by the House and Senate and to substitute sham requirements in their place. The bill is biased against marriage. The NGA has adopted a reward and incentive system which has as its exclusive goal the employment of single mothers despite the fact that this is the least effective means of reducing dependence and improving children's well-being.

Sham reforms such as that proposed by the NGA are very harmful. By creating the illusion of reform, bogus reform reduces public pressure for change and thereby helps to preserve the existing system. The bogus welfare reforms of 1988, created in large part by the NGA, delayed action on real reform for nearly a decade. This sad mistake should not be repeated.

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