

July 11, 1997

CONFERENCE CHECKLIST ON WELFARE POLICY: HOW CONGRESS CAN STOP THE DESTRUCTION OF WELFARE REFORM

Robert Rector
Senior Policy Analyst

INTRODUCTION

Welfare reform was the crown jewel of the Republican-dominated 104th Congress. The 1996 welfare reform act was a positive, though small, first step in the long struggle toward controlling welfare costs, combating dependence on government, and reducing illegitimacy. Now, even that first step is in jeopardy. One year after this historic victory for proponents of conservative welfare policies, Congress is on the verge of overturning major features of the 1996 reform and instituting in their place liberal welfare policies unilaterally designed by the White House. These are the very same policies that Congress clearly rejected a year ago after overcoming two Clinton vetoes.

Both the Senate and the House recently passed legislation as part of the Budget Reconciliation Act that would implement massive, and retrograde, changes in welfare.

The Senate's Policy Reversal

The Senate bill represents the most decisive liberal victory in welfare policy in 30 years. Among other things, it would:

- Increase welfare spending;
- Outlaw Reagan-style workfare; and
- Eliminate nearly all work requirements for welfare recipients.

Even worse, Senate liberals, working closely with the Clinton White House, have devised a new welfare program—dubbed “Welfare to Work” (WTW)—that would override much of last year’s welfare reform. The new WTW program would control most of

the future federal funding for welfare reform at the state level and dictate the design of state welfare reform activities for the foreseeable future. As drafted, the new WTW program deliberately excludes conservative policies, even proven ones like those implemented in Wisconsin, and it establishes a new bureaucracy that would focus on creating public sector jobs for welfare recipients like the jobs created under the Comprehensive Employment and Training Act (CETA) of 1973.

In passing these provisions as part of the Budget Reconciliation legislation, Senate Republicans aligned themselves with the Clinton Administration and Senate liberals, and effectively abandoned or bypassed the widely popular *conservative goals* of controlling welfare costs, reducing illegitimacy and dependence on government, and requiring work. This is a dramatic reversal of policy. The Senate's policy direction now emphasizes typically *liberal goals* of expanding welfare eligibility, enlarging the welfare system to provide a wider array of "client services," and establishing CETA-style "job creation."

The Mess in the House

By contrast, House Republicans, under the leadership of Representatives E. Clay Shaw (R-FL) in the Ways and Means Committee and Bill Goodling (R-PA) and Jim Talent (R-MO) on the Education Committee, crafted sound legislation that preserved most of last year's conservative victories. This conservative legislation, however, was vetoed by Budget Committee Chairman John Kasich (R-OH), who insisted that Congress revamp the welfare system on a "bipartisan basis" acceptable to the White House and congressional Democrats. Thus, critical conservative provisions were stripped out, and the House has enacted legislation that, while not outlawing workfare, in most other respects mimics the potentially disastrous Senate bill, especially in the critical design of the new WTW program.

Although congressional conservatives can be expected to battle for conservative principles in House-Senate conference on welfare policies, Representative Kasich's efforts to accommodate the Clinton Administration have left them in an extremely difficult bargaining position. Unless they stand fast to their conservative principles in designing welfare policy, congressional Republicans are likely to end up overturning or circumventing most of last year's reforms. When the dust from the budget reconciliation conference settles, they will have created a new welfare system that will be larger, more expensive, and more liberal than the disastrous system they inherited when they took control of Congress in 1994.

THE SENATE'S ASSAULT ON WELFARE REFORM

Purely in terms of policy, the Senate welfare bill represents the most decisive liberal victory in welfare policy in over a quarter century. The reason: It effectively overturns all of the conservative gains on the issue of workfare since 1981 and it essentially recreates the liberal status quo that prevailed during the Carter presidency.

Three major assaults on welfare reform are embodied in the Senate's bill. Specifically, under the Senate's bill, the federal government would:

- **Prohibit community service work.** The Clinton Administration recently issued regulations prohibiting the states from operating community service programs whereby recipients of Aid to Families with Dependent Children (AFDC) would be required to perform work in exchange for welfare benefits received.

Such a program has enjoyed tremendous success in Wisconsin.¹ Under the Clinton Administration's regulations, however, a state wishing to make AFDC recipients work would be required to hire the recipient in a formal public sector job. This job would then be subject to union or government wage scale, Davis-Bacon rules, union work rules, complex government personnel rules concerning hiring/firing and disciplinary action, retirement benefits, unemployment insurance, and the earned income tax credit.

By refusing to overrule the Clinton Administration's regulations, the Senate bill effectively outlaws community service workfare and provides that, if welfare recipients are required to work, then they must be placed in public sector jobs. This will kill all efforts to reduce dependence at the state level.

A major triumph in last year's reform was the elimination of a large number of severe obstacles to efforts requiring welfare recipients to work. Astonishingly, the Senate bill recreates most of these obstacles, including very liberal worker displacement rules and a sweeping grievance procedure for recipients. These bureaucratic provisions alone will cripple workfare at the state level.

- **Abolish work requirements.** The 1996 welfare reform law contained performance standards requiring states to reduce their AFDC caseloads or, if they failed to do so, at least to require a certain percentage of their recipients to work. The Senate bill deliberately destroys these requirements by redefining "work" so that it includes going to school or training. In effect, under the Senate Finance Committee's version, no welfare recipient would be required to work through the end of this century.
- **Create a new CETA program.** The Senate Finance Committee gave the Clinton Administration *carte blanche* authority to design a new expensive WTW program. With guaranteed funding of up to \$1 billion per year, this program will fund primarily public sector "job creation," that is, it will create expensive public sector jobs for welfare recipients similar to those created under President Jimmy Carter's old CETA program. The new program is highly prescriptive. The funds cannot be used for conservative initiatives. With lavish funding that would equal 7 percent of total AFDC costs, this new liberal program would dominate and direct state welfare reform activities for the next five years, shouldering aside most conservative reforms.

CONFUSION IN THE HOUSE

Discussion of the House welfare provisions is difficult because there are two sets of welfare proposals. In his effort to secure a bipartisan arrangement, Budget Committee Chairman Kasich insisted that many conservative provisions be stripped out of the House vehicle. He also demanded—against the wishes of the committee chairmen—that the overall Budget Reconciliation Act include two separate and conflicting welfare bills, one from the House Ways and Means Committee and one from the Economic and Educational Opportunities Committee.

There are three major considerations in the House:

1 Robert Rector, "Wisconsin's Welfare Miracle." *Policy Review* No. 82, March/April 1997.

- **Community service work:** Unlike the Senate measure, the House bills do not prohibit community service workfare. Their provisions hold that community service is not an official job. They would allow states to require recipients to perform hours of community service work determined by an amount that equaled the AFDC grant plus Food Stamps divided by the minimum wage. The House bills do not contain the Senate's destructive worker displacement or grievance provisions.
- **Work requirements:** The House Ways and Means Committee version effectively eliminates all work requirements. The Education Committee version retains weak requirements: States must reduce caseloads or, if they fail to do so, require recipients to work. By the year 1999, some 18 percent of the caseload would be required to work in an average state.
- **A new CETA program.** The House bill creates a new WTW program virtually identical to the Senate version.

UNDERSTANDING THE NEW WELFARE TO WORK PROGRAM

Both the House and Senate bills contain provisions establishing a new WTW program crafted by the Clinton Administration. Congressional conservatives thus far have paid little attention to this program, regarding it as merely an expensive add-on to the margin of the Temporary Assistance to Needy Families (TANF) program. This assumption is wrong.

WTW would provide up to \$1 billion per year strictly for "work-related" activities. When states receive these funds, they are to reallocate TANF funds to other activities such as daycare or general social services, or they are to cut their state's TANF contribution. This means that, in the future, the bulk of the money devoted directly to work/dependency reduction activities is likely to come from WTW funds, not TANF funds.

Thus, the provisions of the WTW program are not peripheral, but are central to the future of welfare reform.

Regrettably, the proposed WTW program is to be a tightly micromanaged liberal program that does not permit use of funds for conservative initiatives. For example, community service work and Self-Sufficiency First—two programs that Wisconsin has used successfully to cut its welfare caseload by a stunning 58 percent—could not be funded under WTW. WTW funds could not be used to reduce illegitimacy.

The WTW program also would channel its funding through a new but duplicative bureaucracy, Private Industry Councils, which would be largely unaccountable to the states' governors or to Congress, and would not be subject to the serious performance goals of the 1996 welfare reform law. If conservative reforms have a future, WTW should be broadened to permit a full range of use of funds, and governors should be free to determine what organizations would administer the funds best.

THE BURGEONING WELFARE LEVIATHAN

Taxpayers should realize the House and Senate welfare bills are part of a larger White House and congressional budget agreement that continues the dramatic growth of welfare spending. In 1992, federal and required state spending on means-tested welfare programs cost \$304 billion (including spending on food, housing, medical, training, and social

services). By 1997, welfare spending had reached \$412 billion, or 5.4 percent of the total economy. Under the budget agreement, this explosive growth in welfare spending will continue and reach \$532 billion by 2002.

Over the next ten years, the United States will spend \$5 trillion on means-tested welfare at a cost of roughly \$50,000 for each taxpaying household. While taxpayers would have to work very hard to pay for the expanding cost of welfare, under the House and Senate bills, few if any welfare recipients would be required to work.

In light of the strong public support for serious welfare reform, Congress's retreat from sound and effective policy is mind-boggling. Wisconsin, for example, has cut its AFDC caseload dramatically—by nearly 60 percent. But instead of publicizing and celebrating this stunning public policy miracle, Republicans in Congress have allowed themselves to be trapped in an incredible debate over whether Wisconsin's policies should be outlawed totally or merely partially. Similarly, the 1996 welfare reform law's no-nonsense performance standards for caseload reduction and work are having a big effect at the local level by pushing welfare offices to reduce dependence on government. The response in Congress? Eliminate the standards.

It is difficult for Members of Congress to govern effectively when they lack a clear idea of what they are trying to accomplish.

WHAT CONGRESS SHOULD DO

Congress should include welfare provisions in the Budget Reconciliation Act that would do the following:

- End the Clinton Administration's prohibition on community service workfare by clarifying that community service shall not be deemed formal employment;
- Eliminate the proposed worker displacement and grievance provisions, which would make it extremely difficult to require recipients to work;
- Strengthen, not weaken, the work requirements embodied in last year's reform legislation; and
- Expand the range of activities permitted under the proposed Welfare to Work program to include conservative work initiatives. For example, it should include initiatives like Self-Sufficiency First and Pay for Performance workfare, which have cut Wisconsin's AFDC caseload in half.

CONCLUSION

Members of Congress have an opportunity to reinforce the efforts of state officials like Wisconsin's Governor Tommy Thompson who have successfully reduced their welfare caseloads. These officials have demonstrated that such conservative policies as encouraging men and women to work can help them reduce their dependency on welfare—a program that crushes the spirit and robs them of opportunities to improve their lives.

Liberals in Congress may want to continue expanding the welfare state, but America's taxpayers do not. Hardworking Americans neither want—nor can afford—to reverse the dramatic and positive course of welfare reform over the past year by subsidizing the latest reincarnation of one of government's epic failures. America's taxpayers deserve better.