

MASS G68 2: G74
MENTS



312066 0273 8367 0

**Governor William F. Weld
American Enterprise Institute Welfare Forum
Friday, April 29, 1994**

APR 29 1994
University of Massachusetts
Deposit Copy

Thank you, and good morning, everybody.

I'm honored and delighted to have this opportunity to discuss welfare reform and what we are trying to accomplish in Massachusetts.

Regardless of our prescription for reform, I think all of us do at least agree that welfare in this country has devolved from a well-intentioned program aimed at hard-luck families to a massive system that often fosters long-term dependency, illegitimacy, and other social ills.

I was especially struck by the study last August from Anne Hill and June O'Neill at Baruch College which indicated that girls who grow up in welfare families are three times as likely as the general population to drop out of high school; twice as likely to become addicted to drugs; two-and-a-half times as likely to end up on welfare themselves; and four-and-a-half times as likely to have a child out of wedlock.

The picture for boys raised in welfare families is no better. They are twice as likely to be unemployed; twice as likely to drop out of high school; and two-and-a-half times as likely to end up in prison.

When you see the \$23 billion federal AFDC program serving 15 million people with such depressing results, it is pretty clear that our present welfare system is neither compassionate nor effective.

The case for welfare reform in Massachusetts has become all the clearer because of a tragic child-abuse case which has revealed four generations of one family dependent on welfare, including 14 children of the matriarch. A *Boston Globe* report found several sons on disability for "anxiety" attacks, and the 100 family members are estimated to be receiving between \$750,000 to \$1 million from taxpayers each year.

Of course, this family is by no means the norm, but as Mickey Kaus himself has said, the real scandal about welfare isn't what goes on fraudulently, it's what goes on legally under the current program.

Before I talk about what we're trying to accomplish in Massachusetts, I would like to say that I was pleased to see President Clinton this week rule out any new taxes to pay for welfare reform. You know me -- any time a tax gets shot down, I'm there with bells on.

942/397

But I'd like people to also consider why you would even arguably need new taxes, when it is entirely possible to overhaul welfare without additional spending to begin with.

As a Boston Democrat who chairs the House Ways and Means Committee on Beacon Hill said last week about reform in Massachusetts, "You can't reform a system that is fiscally and morally bankrupt by throwing more money at it."

I don't think welfare recipients need millions, or billions, of dollars worth of more government handholding. Some of these families need short-term support -- which we are glad to provide -- and some, frankly, need a little encouragement and even a nudge into a productive, working life.

The other main point I think has to be considered is that any reform effort should not put the working poor -- the families who struggle valiantly to stay off welfare in the first place -- at a disadvantage by subsidizing only the jobs of welfare recipients.

Up in Massachusetts, we spend more than \$1.6 billion in state and federal funds for AFDC recipients through income maintenance, medical services and nutritional assistance. That reaches about 314,000 individuals in 111,000 families, including 20 percent of all children under the age of five.

Given what we know about life on welfare, this is a cycle we've got to break. Lt. Governor Paul Cellucci and I have proposed a fairly dramatic shift in how welfare would work for able-bodied recipients.

Welfare reform has been debated in Massachusetts for more than a year. And what we have repeatedly heard from mothers stuck on welfare is that they would work, if only they had health care and day care for their children.

So we filed legislation earlier this year -- and I met this morning with Secretary Shalala to discuss the necessary federal waivers -- to replace traditional cash grants for welfare recipients with work-supporting day care and health care.

I want to change the welfare paradigm so that we have a public assistance program based on pay checks, not on cash grants. I think it is time we stopped rewarding long-term dependency, and instead encouraged the same ethic that dominates the rest of American life -- work, self-sufficiency, and families where both parents play a role in raising their children.

Some protectors of the status quo -- and it really amazes me that any exist, but they do -- say that we're focusing on cutting welfare, but not on cutting poverty. That argument ignores the basic fact that you won't ever lift yourself out of poverty if you are stuck on welfare.

Instead of cash grants that keep people poor and unemployed, we want to provide hope and opportunity. The benefits we are offering enable able-bodied recipients to take entry-level jobs which give them a critical start up the job ladder. Under our plan, families that currently receive \$9,900 in welfare benefits would see their standard of living increase by 24 percent with even a minimum-wage job, thanks to food stamps, day care, health care, and the earned income tax credit. And when you add \$240 in monthly child support into the equation, their standard of living would increase by 44 percent.

The beauty and simplicity of our plan -- and the credit really goes to Charlie Baker, our Secretary of Health and Human Services, and Joe Gallant, our Welfare Commissioner who is a career welfare worker -- the real genius of this plan is that it can be funded by existing resources. We want to take about \$818 million currently devoted to cash grants and other related programs, and steer that money toward our day care support. The health care would be covered under existing Medicaid expenditures.

No new taxes, no new spending. And we even project substantial (\$70 million) savings, of which \$30 million could be used to create 6,500 subsidized day care slots for low-income parents who are already working, want to keep working, and want to avoid having to rely on welfare at all.

I'd also like to note that only able-bodied recipients are affected by this plan. Families with disabilities, teen parents attending high school, women in the third trimester of a pregnancy, or who have recently given birth, will all still receive traditional cash assistance.

New applicants during their first 60 days on welfare will get cash grants while they conduct a job search. We also have a solid safety net in place for recipients who can't find work. They will be expected to perform community service for 25 hours a week, and conduct a job search for 15 hours weekly. In return, they'll receive day care and the cash grant until they find paid employment.

Community service should not be underestimated. It can provide job skills and experience, self-esteem, and a job

reference to help welfare recipients find paid employment.

Here's the so-called "draconian" side of our plan. Able-bodied recipients who refuse to do any work at all, paid or voluntary, lose out on all cash assistance. They'll still receive food stamps, housing and health care for their kids, but their cash grant is gone.

The point of our plan is to get recipients out of the house and into work. Not six months down the road, not two years down the road. Right away.

I like job training, but as others have said before, the best preparation for work isn't thinking about work. It isn't talking about work. It isn't learning about work. It is work itself.

Some opponents of our plan have claimed that jobs for welfare workers do not exist. The hard facts are that many welfare recipients lack a high school diploma, job experience, or both.

But let's recognize some basic facts: millions of immigrants who don't speak a word of English manage to support themselves through work in this country. Life is organized around work. Work is better than welfare. And the road off welfare begins with a job. We're not unduly penalizing single parents on welfare by asking them to conform to this notion.

And the fact of the matter is that low-wage, entry-level jobs are available. The labor market is fluid and segmented. Welfare recipients are not competing for jobs with laid-off computer technicians and defense workers. As a recent *Boston Globe* article on the "outer class" stated: "Most of the women [on welfare] acknowledge that they could find low-paying service-sector jobs, but don't because they cannot afford the child care." Our plan takes care of child care and health care.

For too long, we have also heard that welfare recipients need jobs that pay \$10 to \$15 an hour in order to make it possible to leave AFDC. That has not been a realistic argument, and has been made simply to support the status quo. It also is an insult to hard-working parents who don't make that kind of money, but go to work every day to support their families.

Our plan, by dramatically ratcheting up day care, will also create a demand for thousands of new day care providers, jobs which welfare recipients could certainly hold.

We believe that under our phased-in program, 55,000 welfare recipients -- about half the caseload in Massachusetts -- would no longer be receiving traditional cash grants by the fall of 1995.

I think our plan also has the advantage of ending the inducements for people to come onto welfare in the first place, and goes a long way toward breaking intergenerational dependency.

Thanks to Charles Murray, I think those of us in the political world are now also a little less bashful in talking about some of the pernicious effects of illegitimacy.

At the very least, those of us in government have to be as aggressive as possible in ensuring that absent parents support their children, financially and emotionally.

Toward this end, we have turned our state Department of Revenue, which is in charge of child support collection, into both a fox hound and a pit bull when it comes to chasing deadbeat dads. We've just plastered the fourth in a series of "Ten Most Wanted" posters around the state -- pictures of absent parents who owe tens of thousands of dollars in support.

Not only have we apprehended about 90 percent of these deadbeats -- including a former pitcher for the Red Sox -- we've also seen overall collections increase by 17 percent. Believe me, parents who are a little behind on their child support are paying up, because they don't want to become the next poster boy for deadbeat dads. More to the point, we are collecting tens of millions of dollars in child support which is helping keep thousands of families off of welfare.

I also signed into law this January a comprehensive child support enforcement act which makes wilful non-payment of child support a felony punishable by up to 5 years in prison.

We're getting hospitals to be more proactive in determining paternity on birth certificates, which, of course, has long-range implications for financial support. And our Revenue Department is now empowered to tap into records held by labor unions, utilities, and licensing authorities, to track down absent parents in the underground economy.

All told, we expect these measures to bring in an extra \$60 million per year in child support for single-parent families, and save the state more than \$100 million in AFDC and Medicaid expenses. About 7,000 families in Massachusetts will be able to leave welfare because of improved child support enforcement.

The final point I'd like to make, one I alluded to earlier, is that as we reform welfare, we've also got to do more for the working poor.

That's the point of the 6,500 additional day care slots we want to subsidize in Massachusetts with our welfare savings. I think we also can use the tax code to great advantage.

A recent Heritage Foundation study noted that in 1950, the average American family with children paid only two percent of its income to the federal government in taxes. That figure is now up to 24.5 percent, and 37 percent when you factor in state and local taxes.

Furthermore, the federal deduction for dependent children -- now about \$2,350 -- would be worth \$8,600 if it had been indexed to inflation in the early 1970s, as retirement benefits were.

I think we need tax cuts to strengthen families who are raising children. I've proposed increasing the tax exemption in Massachusetts for dependents, increasing the personal exemption, cutting the state income tax, and raising the No Tax Status threshold to provide real, tangible tax relief for hard-working parents, especially the working poor.

And I'd like to see that same kind of emphasis here on the federal level. Folks in Washington may have abandoned any talk of middle-class tax cuts, but perhaps more thought could be given to working parents at the lower rungs of the economic ladder.

* * * *

Above all, let's make sure we don't lose sight of our goal. We've seen previous efforts dubbed as "welfare reform" which only mired welfare recipients -- and the welfare program itself -- in further misery.

Meaningful welfare reform does not require billions more taxpayer dollars. Meaningful reform requires the political will to acknowledge that welfare recipients need a few basic supports -- but also basic responsibilities -- to change their lives, and the lives of their children.

If we simply tinker at the margins -- or expand welfare spending and the welfare bureaucracy -- we will miss out on a once-in-a-generation chance to really make welfare, and welfare recipients, work.

Thank you.