MISCELLANEOUS TEXT (FEC Form 99)

NAME OF COMMITTEE (In Full)

RYAN 4 PREZ

FEC IDENTIFICATION NUMBER

C00703512

Mailing Address 6241 FREEDOM LANE

City	State	ZIP Code
CITRUS HEIGHTS	CA	95621

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Federal Election Commission (FEC)
Reports Analysis Division
1050 First Street, NE
Washington, DC 20463

(Part 4 of 6)

GPRA-Inspired Reforms to AFDC

Although enacting wide-ranging structural reforms to AFDC would require new legislation, almost immediately after passage of the GPRA, government administrators sought to start the reform process by mandating modernizations in one particular area of flexibility under the existing law, Child Support Enforcement (CSE). Program administrators sought to improve program performance by holding non-custodial parents responsible for part of all of the expenses that were being incurred by the AFDC program. Particularly, the Office of Child Support Enforcement was a GPRA pilot that was launched to coordinate CSE efforts toward GPRA objectives (U.S. Department of Health and Human Services, January 1999, p. 33), immediately soliciting applications from specific CSE-related sites to be included as pilot project sites [that] will prepare us for government-wide implementation of GPRA beginning in FY1998 (U.S. Department of Health and Human Services, September 13, 1995). David Gray Ross, the Deputy Director of the Office of Child Support Enforcement at the time, noted that he invited state IV-D agencies to voluntarily start practicing the GPRA principles [] The response was enthusiastic [] we have about 30 state GPRA demonstrations working in virtually all functions of the CSE program, locally, statewide, and regionally. (U.S. Department of Health and Human Services, May 20, 1994).

It is important to note that when successful, CSE efforts shifted a cost from the government to the non-custodial parent. While ideologically, this may appear desirable to many voters and politicians, under the economic goal of enacting a Price Support for Labor, these results were undesirable and counterproductive. In moving the custodial parent off welfare, these changes reduced the number of custodial parents whose work output was restricted via the income eligibility limitations for active AFDC recipients. Furthermore, as the non-custodial parent incurred a new expense, that parent would be incentivized to increase work output to cover that new expense. So the net effect of CSE-related efforts to reduce enrollment in AFDC was to increase overall parental work output, which functioned entirely contrary to the goals of enacting a Price Support for Labor.

Subsequently, CSE efforts proved insufficient to yield the type of large scale reduction in wasteful program outlays that were so prized under the GPRA management system. And with the 1994 advent of the Republican Contract with America, which sought to piggyback the same criticisms that originally justified the passage of the GPRA to even more extreme ends, legislative action was deemed absolutely necessary. In an effort to transform AFDC into the type of GPRA-compatible program that could fulfill the stated goals for reform by the 1997 deadline for strategic planning, Congress enacted the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA), colloquially known as the 1996
Welfare Reform.

PRWORA replaced the entitlement welfare program implemented under AFDC with a block-grant program to be implemented under Temporary Assistance for Needy Families (TANF). Concerned that the number of individuals receiving aid to families with dependent children (in this section referred to as AFDC) has more than tripled since 1965 and between 1970 and 1991, the percentage of live births to unmarried women increased nearly threefold, from 10.7 percent to 29.5 percent (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 101(5)), PRWORA sought to encourage the formation and maintenance of two-parent families and end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage,

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while clearly specifying that NO INDIVIDUAL
ENTITLEMENT exists and that PRWORA shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part (Personal Responsibility and Work Opportunity Reconciliation Act,1996, Section 401).

To reduce government expenditures and return existing AFDC enrollees to the workforce, PRWORA mandated that states
provide parents with job preparation, work, and support services to enable them to leave the program and become self sufficient. Further, PRWORA directed states receiving funds to [r]equire a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months, operate a child support enforcement program, and enforc[e] standards and procedures to ensure against program fraud and abuse (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 402). Whereas AFDC had been an entitlement program first and foremost focused on paying benefits to poor families, under PRWORA, TANF was structured to move enrollees off the program and back into the workforce as soon as possible.

To this end, PRWORA enacted strict time limits, CSE cooperation requirements, work requirements, and income caps for recipients. PRWORA clearly articulated its maximum time limits by mandating that a state receiving block-grant funds shall not use any part of the grant to provide assistance to a family if the family includes an adult who has received assistance [...] for 60 months (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 408(a)(1)(B)), although states still retained the discretion to offer a smaller time limit for eligibility for aid, such as the 24 month time limit chosen by the State of California. Furthermore, PRWORA established required penalties for insufficient CSE cooperation, requiring that if a state determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order, that state shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part an amount equal to not less than 25 percent of the amount of such assistance (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 408(a)(2)(A)). These provisions served to deter new entrants to the TANF program by drastically reducing, relative to AFDC, the usefulness of TANF to a prospective beneficiary.

Once enrolled under the TANF program, the PRWORA work requirements and income caps sought to eject the new enrollee as soon as possible. Once enrolled, a beneficiary could not refuse work and still maintain eligibility, so when referred to any job by program administrators, a TANF beneficiary faced a situation in which, regardless of their choice to accept the job or not, that beneficiary would lose their TANF benefits. This situation was legislated in the provision that if an individual in a family receiving assistance [...] refuses to engage in work, the state shall reduce or terminate such assistance (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407(e)(1)).

Further, in mandating work requirements, PRWORA set the level of work output required at a long-term (post-1999) minimum threshold of 30 hours per week, an amount of work hours that, at minimum wage, would commonly generate monthly
income beyond the limits allowed for TANF enrollees, serving to automatically eliminate their benefits.1 Specifically, the required work output in number of hours per week necessary for a parent to be deemed compliant with the work requirement was 20 in 1997, 20 in 1998, 25 in

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1999, and 30 thereafter, with stricter requirements of 35 hours per week for two-parent families (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407(c)(1)).

Furthermore, in regards to enrollees that faced this evaporation of benefits and hence under-reported income, PRWORA heavily incentivized states to investigate and prosecute such enrollees by paying states bonuses for achieving program goals. In line with intent that we may be on the road toward real performance-based budgeting reflected in the earliest drafts of the GPRA and reflected in later applications of the GPRA (Mercer, June 19, 2001, p. 12), PRWORA mandated hard numerical requirements and performance metrics designed to measure progress toward meeting program objectives, and then used those requirements and metrics to reward high-performing states with financial bonuses. PRWORA mandated that states receiving funds meet minimum work participation rates for families receiving assistance of 25% in 1997, 30% in 1998, 35% in 1999, 40% in 2000, 45% in 2001, and 50% thereafter, with stricter requirements of 75% in 1997, 75% in 1998, and 90% thereafter for two-parent families (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 407). To incentivize states to meet such requirements, PRWORA directed that the Secretary of Health and Human Services shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth and shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, Section 403(3)(G)(4)).

The net effect of these PRWORA provisions, relative to AFDC, was to drastically reduce the number of new enrollees in the TANF program and drastically increase administrative efforts to deny aid to existing enrollees. While successful at the stated goal of returning AFDC/TANF enrollees to the workforce, PRWORA provisions functioned entirely contrary to the economic concept of a Price Support for Labor, which requires paying a portion of the eligible workforce to not work or work less. In prioritizing the wrong goal relative to the overall well-being of the American workforce, PRWORA proved ultimately destabilizing to the U.S. Middle Class.

GPRA-Inspired Reforms to Social Security

Although Social Security was far more popular with the American voting public than AFDC, efforts to implement GPRA-required strategic planning proved early on that the newly spun-off Social Security Administration (SSA) would struggle to implement meaningful changes under the existing rules of their various portfolio programs. In the absence of sizable increases in funding and staffing, program administrators struggled to articulate how they could address specific GPRA planning goals, indicating that some type of reform would be necessary.

In the General Accounting Office (GAO) letter critiquing the SSAs draft of its GPRA-mandated strategic plan submitted to the Congress on June 30, 1997, the GAO noted the challenges faced by the SSA in implementing this strategic plan, stating SSA faces dramatic challenges in the future. Some of these include the long-range solvency of the Social Security trust funds, growing DI and SSI caseloads, increased workloads and integration of new technologies to process workloads and provide public service. (B-277406, July 22, 1997, p.3) Furthermore, the GAO offered a bleak outlook on the SSA meeting all of these challenges with existing resource and staffing constraints, noting it is difficult to see how SSA will accomplish all of these initiatives, given its assumption of level funding and no growth in staffing levels. (B-277406, July 22, 1997, p.8)

Specifically, on the goal of return-to-work for DI and SSI recipients,

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the GAO encouraged more focus, noting:
If even 1 percent of the 6.6 million working-age SSI and DI beneficiaries were to leave SSAs disability rolls by returning to work, lifetime cash benefits would be reduced by an estimated $3 billion (B-277406, July 22, 1997, p.14). Based on the importance of return-to-work for the SSA to meet its strategic and performance goals, the GAO offered the following critique: SSA has begun some new operational initiatives to help people work, but the agency has not highlighted these measures in the plan and has no comprehensive strategy to ensure that the return-to-work agenda is supported throughout the agency. (B-277406, July 22, 1997, p.14)

The GAO further focused on potential for abuse and mismanagement in the SSI program specifically, stating: In early 1997, after years of reporting on problems with the SSI program, we designated SSI as a high risk program because of its susceptibility to waste, fraud, abuse, and insufficient management. (B-277406, July 22, 1997, p.12) The GAO further noted the weakness inherent in the existing manual data tracking methodology used by the SSA for the SSI program, stating However, since fiscal year 1991, SSA has reported its SSI, debt management system as a material weakness under the Federal Managers Financial Integrity Act because it cannot identify overpayment amounts or collections related to those overpayments. As a result, SSA has developed a manual system to track overpayments and related collections, but manual systems can be less reliable and more prone to problems. In the absence of system improvements or enhancements, SSA may need to develop additional manual processes to gather reliable data needed for performance measures. (B-277406, July 22, 1997, p.17)

It is immediately obvious to anyone who reads the GAO letter critiquing the SSA 1997 draft strategic plan that the GAO did not believe the SSA could accomplish the goals of this plan under existing resource constraints, that the GAO advised the SSA to widely embrace the goal of return to work across the agency, and that the GAO heavily encouraged the SSA to focus its limited resources on specifically fostering the goal of return to work within the DI and SSI programs. In doing so, it was apparent that the SSA would need to streamline the management of its other programs so that staff could be focused on this return to work initiative.

At the same time, political forces on both the American political right and left aligned in similar directions on the type of reforms to Social Security that would be acceptable to their respective political platforms and ideologies, embracing the goal of return to work. Particularly, both Democrats and Republicans pushed to reduce, and eventually eliminate, the Social Security retirement earnings test for earned income for recipients above full retirement age (FRA) that had served to dissuade Social Security retirement pension recipients from participating in the workforce. As a point of reference, this Social Security earnings test had previously mandated that for every $3 earned by a retiree over the established limit [], the retiree loses $1 in Social Security benefits, where prior to enactment of the Senior Citizens Right to Work Act of 1996 (contained within the larger Contract with America Advancement Act of 1996), the established limit was $11,520, but by 1998, this threshold had grown to $19,999.92. (McCain, January 27, 1998)

On the Democratic side, President Bill Clinton noted that as early as 1992, Vice President Gore and I campaigned on scrapping the [Social Security] retirement earnings test, reflecting their commitment to family and, increasingly, to work and their view that this is a genuine human rights issue. In criticizing the retirement earnings test, President Clinton further remarked Yet, because of the Social Security retirement earnings test, the

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system withholds
benefits from over 800,000 older working Americans and discourages countless moreno one knows how manyfrom actually seeking work. It has long seemed senseless to me. (The American Presidency Project, April 07, 2000) Of note, this restrictive function of the earnings test is a necessary component of a Price Support for Labor, and so is actually very sensible.

On the Republican side, Senator John McCain noted that Since coming to the Senate in 1987, I have been working to eliminate the discriminatory and unfair Earnings Test. After mentioning the passage of his prior Senior Citizens' Right to Work Act of 1996, which had already nearly doubled the retirement earnings test threshold, Senator McCain noted that most Americans are shocked and appalled when they discover that older Americans are penalized for working. (McCain, January 27, 1998)

In specifically criticizing the Social Security retirement earnings test on the grounds of economic theory, Senator McCain stated The Social Security Earnings Test is a relic of the Great Depression, designed to move older people out of the workforce and create employment for younger individuals. This is an archaic policy and should no longer be our goal because our nation's labor pool is shrinking. He further doubled down on this perspective, stating Mr. President, there is no compelling justification for denying economic opportunity to an individual on the basis of age. (McCain, January 27, 1998) Of note, under ever greater technological advancement, the earnings test only grows more relevant as a necessary component of a Price Support for Labor, so there is compelling justification for the earnings test.

Clearly, both Democrats and Republicans agreed with these perspectives of President Clinton and Senator McCain, and under the viewpoint that limitations on work were outdated and modernizations fostering return to work were necessary, the Senior Citizens Freedom to Work Act of 2000 passed unanimously in both the House and Senate and was subsequently signed into law by the President. This law eliminated the retirement earnings test for Social Security recipients after full retirement age (FRA), enabling the vast majority of retirees who receive money from the SSAs general retirement pension program to work as much as they like without having their benefits penalized. Furthermore, this change freed up enforcement resources that were much sought after for improving the administration of the DI and SSI programs as stated in the 1997 critiques of the SSAs draft strategic plan offered by the GAO.

However, from the perspective of someone enacting a Price Support for Labor, the political criticisms of the Social Security retirement earnings test entirely missed the point. First, the reason for the shrinking labor force about which Senator McCain worried was clear: under a Price Support for Labor, as technological advancements automate human labor and so reduce demand for human labor, the only way to maintain a stable Market Wage that is consistently above the Cost of Living is to remove workers from the workforce by paying them explicitly not to work, or work less (which was the function that the Social Security retirement earnings test performed). Furthermore, this test did not apply solely on the basis of age, and so was not discriminatory. If an eligible person chose to opt-out of receiving Social Security retirement pension benefits, the earnings test would not have applied to them. So the earnings test was actually a condition of accepting Social Security benefits, regardless of retirement age. To make this point perfectly clear, if Congress had changed the Social Security full retirement age to 30 years old, then all Americans past the age of 30 who accepted retirement pension benefits would have been subject to the earnings test.

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