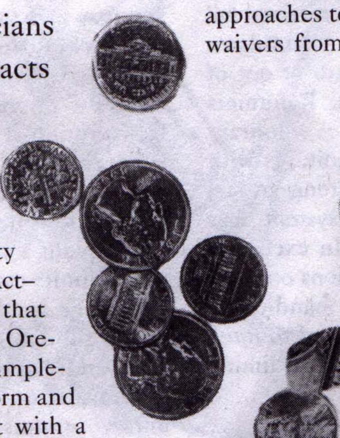
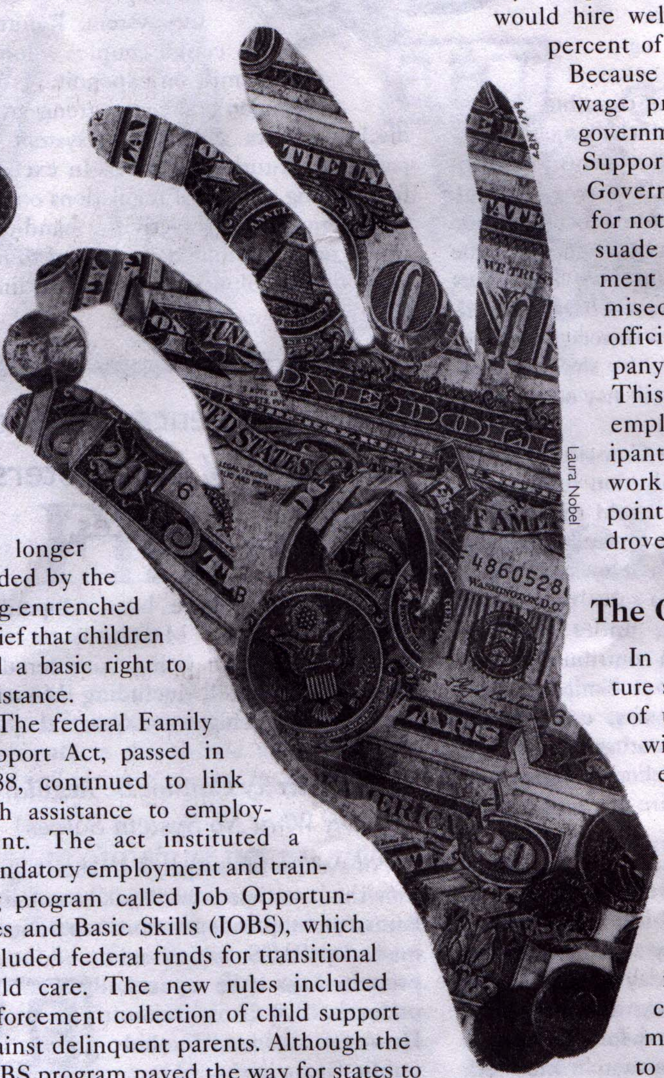
Trailblazing with a Federal Umbrella
Welfare Reform, Oregon Style

by Jennifer Sargent
and Jay Hutchins

In 1995, as activist groups and politicians debated the impacts of federal welfare reform–passed by the Republican-dominated Congress as the Personal Responsibility and Work Opportunity Act–the nation became aware that it was not a new idea for Oregonians. We had already implemented a more radical reform and had begun to experiment with a welfare-to-work program of our own as early as 1982. Nevertheless, Oregon's approach to welfare for those below the federal poverty line was, and still is, subject to the influences of national policy.





Laura Nobel

The Oregon Health Plan and Medicaid

In 1993 the Clinton administration allowed the state to create the Oregon Health Plan (OHP) by waiving certain federal requirements for Medicaid. The state financed the OHP with a cigarette tax and by reallocating funds. By prioritizing the types of illnesses covered, a controversial approach known as rationing, and by utilizing managed care, Oregon extended coverage to an additional 90,000 people. The OHP, designed to provide health care to people who otherwise could obtain health insurance only if they were on welfare, reduced caseloads after it was implemented.

Aid to Families with Dependent Children

In 1995, Aid to Families with Dependent Children (AFDC) was the principal federal welfare program, providing cash assistance to people whose income fell below the poverty line. It had existed in one form or another since the 1930s, when it was implemented to aid widows with children. Early in the 1980s conservatives gained a growing audience by proclaiming that AFDC undermined the family, religious faith, and the work ethic. The Reagan Administration encouraged states to come up with new approaches to welfare and then to apply for waivers from the AFDC rules. Policy was no longer guided by the long-entrenched belief that children had a basic right to assistance.

The federal Family Support Act, passed in 1988, continued to link cash assistance to employment. The act instituted a mandatory employment and training program called Job Opportunities and Basic Skills (JOBS), which included federal funds for transitional child care. The new rules included enforcement collection of child support against delinquent parents. Although the JOBS program paved the way for states to make sweeping changes in how they distributed welfare, AFDC remained an entitlement program. There was no cap on the federal government's obligation to provide assistance, provided that aid recipients in the JOBS program met their work requirements.

JOBS Plus

In 1990, tax-weary Oregonians approved a ballot measure spearheaded by business executive Dick Wendt, founder and head of Jeld-Wen, a major Klamath Falls employer. The measure allowed six counties to institute programs to eliminate welfare, food stamps and unemployment benefits and re-route the money to private firms. Participants would hire welfare applicants at 90 percent of the minimum wage. Because of the sub-minimum wage proposed, the federal government rejected the idea. Supporters sued then-Governor Barbara Roberts for not doing enough to persuade the federal government and the state compromised by working with officials from Wendt's company to create JOBS Plus. This program subsidized employers who gave participants up to nine months of work experience. At this point, the "work first" ethic drove reform.

The Oregon Option

In 1995, the state legislature signed a memorandum of understanding (MOU) with the Federal Government which funded JOBS Plus state-wide through the federal JOBS program. The Oregon Option, as it was called, required mothers to participate in JOBS when their child turned three months old, as opposed to the federal standard of one year. They were required to accept the first minimum-wage job they were offered. Teens were required to live under supervision, as determined by the state. Cash benefits would be entirely cut off after four months of non-cooperation. However, because of waivers received under the MOU, there is no life-time limit on welfare benefits in Oregon as there is in many other states.

The Welfare Act and Temporary Aid to Needy Families

In 1996, the Republican majority in Congress passed the welfare reform act and President Clinton signed it into law. Temporary Aid to Needy Families (TANF) replaced AFDC and reduced funding of non-cash assistance and congressional oversight of welfare programs. Federal welfare changed, overnight, from an open-ended cash entitlement into a temporary assistance program. Cash for TANF was provided to the states in the form of block grants based on historic spending. The National Governors' Association had lobbied for block grants because they allowed the states and Congress to cap welfare expenditures.

Under Maintenance of Effort (MOE) requirements, the governors would lose funds–dollar for dollar–if they did not reach 80 percent of historic levels of spending. Surpluses from declining case loads could be used to improve services, such as child care and job training, to people eligible for TANF. Oregon would receive more funds under the block grants (based on 1994 figures) than under the old AFDC formula because its caseloads had already begun to decline.

While poor families experienced a windfall on paper, other groups in Oregon suffered. Congress cut food stamps to legal immigrants in an effort to save $22 billion. Supplemental Security Income was also cut and this alone would cost the state $23 million. Besides legal immigrants, disabled children and the childless poor faced the biggest reduction in benefits. Congress had devolved responsibility for welfare to state governments.

Manpower Demonstration Research Corporation

In 1998, the JOBS Plus program received a lot of good press because of a favorable report by the Manpower Demonstration Research Corporation (MDRC), which had been commissioned by the U.S. Department of Health and Human Services. It tracked 5,500 welfare applicants in Multnomah and Washington counties for two years. JOBS Plus, however, was not actually part of the evaluation on which the report was based, for it did not exist in Multnomah County at the time.

Recently, a spokesperson for MDRC admitted that no one knows what happened to many people who left the rolls during the evaluation. MDRC also reported that 79 percent of welfare recipients tracked until mid-1996 still lived below the federal poverty level two years after leaving public assistance. Advocates for the poor claim that these people need more child care and job training.

Recent numbers on declining caseloads are more remarkable than the two-year-old figures reported by MDRC: in Oregon, state programs have employed 80,000 people previously on welfare. The average reported wage was $7.05 per hour–significantly higher than the minimum wage of six dollars per hour. After 18 months, 92 percent of those who had left welfare had not returned. The bottom line for many Oregonians is that caseloads have fallen dramaticaly, by 51 percent since March, 1994.

The Critics and Other Problems

Welfare activists view these numbers with raised eyebrows. Chuck Sheketoff, founder and director of the Oregon Center for Public Policy (OCPP), credits JOBS Plus with providing unsubsidized work for six percent of those leaving assistance. The major decrease in case loads, according to Sheketoff, has come because of work requirements under JOBS and the number of jobs available in Oregon's expanding

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Declines in Caseloads vs. Declines in Poverty

The Oregon Department of Human Resources (DHR) uses poverty data provided by the Federal Census Bureau. The Census releases the data several months after the end of each year.

As the DHR encourages poor Oregonians to get off welfare, it does not track their progress by analyzing data available through the food stamps program. A significant portion of the data available through the food stamps program reflects a segment of Oregonians living below the poverty line who are no longer eligible for cash grants from Oregon's Adult and Family Services Division (AFS). A second group is also represented: those who are eligible but have not applied. The state now uses poverty data provided by the Census Bureau from so small a sampling that two years of data must be pooled. This data is not available until the following year.

Chuck Sheketoff, founder and director of the Oregon Center for Public Policy, commissioned the consulting firm ECONorthwest to use food stamps data to compare trends in poverty with recent declines in welfare case loads. This data reflects the economic condition of both those Oregonians who have lost their eligibility for cash grants from AFS and those who are eligible but have not applied because they are intimidated by changes in the cash grant program.

By using information available from the food stamps program, the state could obtain a more reliable and timely picture of the effects of reductions in welfare caseloads. Two important conclusions resulted from ECONorthwest's study. One was that the income of the average family living below the poverty line had risen. However, the second and more important conclusion is that Oregonians "are not moving out of poverty at the same rate as they are leaving the cash-aid rolls." The important point derived from the study, according to Sheketoff, is that declines in caseloads are not the same as declines in poverty.

–J.H.

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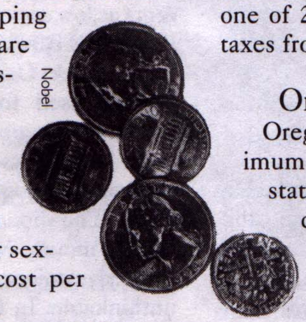
economy. During this period the percentage of Oregonians living on or below the poverty level has remained at 12 percent.

The problems of helping those still on the welfare rolls in Oregon are illustrated by several statistics: two-thirds have mental health problems, one-half admit substance abuse, and one-half claim they have been beaten or sexually abused. Oregon's cost per case has risen 28 percent.



Nobel

More bad news comes from a Children's Defense Fund report that shows poverty puts children at greater risk than being born to teenage parents or growing up in a single parent family. The risks include lifelong poverty, unemployment, teen births, low birth weight, infant mortality, lead poisoning, neglect, addiction, HIV/AIDS and subjection to violent crime.

Meanwhile, the state is spending 20 percent less than its historic funding of welfare services for those eligible for TANF. Surplus funds from declining case loads have been diverted to the state's general fund, where they may be used for non-welfare services. MOE levels for block grants have been met by including payments for services to the unemployed who are diverted to JOBS Plus but do not qualify for TANF. This was not the intent of the federal waivers and appears to be an attempt to link the regular unemployment program with the JOBS program.

Oregon's Earned Income Credit and Working Family Credit

Under JOBS, when a welfare family's new wage earner begins to earn unsubsidized wages, he or she quickly looses TANF. Co-payments for child care kick in at the same time and may lower the family's income even if the income falls below the federal poverty level.

Introduced in 1997, the Earned Income Credit (EIC) and the Working Family Credit (WFC) were intended to help working parents remain free of the need for cash assistance once they have taken jobs. Neither made it through the legislature intact. As of this writing the WFC does not benefit the lowest wage earners in Oregon. The current complexities of filling out the tax forms for the EIC exclude many who are eligible from benefiting. There is some bipartisan sentiment in the legislature that those paid the least should benefit the most from tax breaks and receive refundable credits for child care beyond their tax liabilities. Oregon is one of 24 states that still collects income taxes from the working poor.

Oregon's Minimum Wage

Oregon has the second highest minimum wage in the country. However, the state's wage-related eligibility standards have not been formulated to encourage those on assistance to work. More families have been denied services each time the minimum wage has risen.

Manpower and the Critics

The MDRC report, released in 1998, actually evaluated a program which in 1996 had encouraged participants to wait for good jobs above the minimum wage. Though touted as the poster child for welfare reform, our current program requires participants to take the first minimum-wage job available. It also no longer requires employers participating in JOBS Plus to show a commitment to hire and it mandates a 30-day job search in advance of enrolling for services. Some providers complain that they are losing up to one third of their potential cases because people in need are intimidated by work requirements.

Meanwhile, many welfare reform advocates are crowing that the work ethic is returning to the poor in this country. They cite many true stories of long-term welfare clients succeeding in the workforce. In Oregon a first wave of welfare clients has moved easily into low paying jobs created by a robust economy; and many people, under JOBS, are gaining work experience that should help qualify them for better jobs in the future. For the time being, a few more Oregonians are living their lives closer to the federal poverty line rather than well below it. However, one question begs to be answered: what will happen when the economy in Oregon falters?

Nobel

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and 650 local member programs (food pantries, shelters, group homes, soup kitchens) that cover every county in the state, the Oregon Food Bank is the hub. Regional food banks, particularly those in rural areas, struggle to find more food in communities with few resources, and small food pantries in church basements gather food and face the daunting challenge of re-energizing an aging, overused volunteer workforce in order to keep their doors open.

Upon hearing that a large social service agency might close its doors if the demand gets much higher, our director, in a fit of frustration, announced that what we really need to do is encourage all our member programs to close their doors for one day. They should put a sign on their doors that says, "If you need help, call your member of Congress." Hundreds, maybe even thousands of people might call their elected officials on that day and say, "I'm hungry. My family is out of food. We do not have enough money to go to the store. You need to help us now."

One small way in which our legislature could help to alleviate hunger in Oregon is to increase the state's earned income tax credit. During the 1997 session, lawmakers passed a limited state earned income tax credit to help the working poor keep more of their hard-earned dollars. The Oregon Food Bank's statewide network and many partners in the advocacy community worked hard to get that bill passed. It is only a small step, however. As proud as its supporters are of this bill, it needs to benefit more people than it does. The increased work load of the people at the Oregon Food Bank indicates that the stakes have risen. The legislature needs to address the causes of poverty rather than rely on the good will of a few Oregonians to solve the problem of hunger in Oregon.

Source

"Laid-off tech, timber workers face similar fates," the Portland *Oregonian*, September 6, 1998.

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