

NLWJC - Kagan

DPC - Box 063 - Folder-016

Welfare-Privatization [3]



Cynthia A. Rice

05/15/97 08:57:59 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, John Monahan @ 690-5672 @ fax, Richard J. Tarplin @ 690-7380 @ fax

cc:

Subject: Today's Houston Chronicle Story

Panel OKs private option for
welfare screening

Critics fear profits would override access

By POLLY ROSS HUGHES
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AUSTIN -- In spite of public testimony urging lawmakers to prevent private companies from screening Texas welfare applicants, a state Senate panel Wednesday approved a bill leaving that option open.

Groups representing churches, health care consumers, the needy and state workers told members of the Health and Human Services Committee they fear private companies would put corporate profits above public needs, would reduce access to benefits and would not be held accountable to taxpayers.

"There's a good chance that we may convert the system of public welfare, and there's a realistic danger the taxpayers of Texas will get fleeced," said Bill Beardall, a lawyer with the Texas Appleseed Advocacy Fund, which provides legal assistance for the poor. "We want to make sure that doesn't happen."

The bill, sponsored by Sen. Bill Ratliff, R-Mount Pleasant, and backed by Gov. George W. Bush, calls for private companies to help streamline a computer system to screen applicants for welfare programs. The new system is billed as a one-stop shopping approach for applicants and would match welfare applicants with work programs.

But the bill also leaves the door open for Texas to eventually go ahead with a more sweeping privatization project worth \$2 billion over five years. That proposal has been rejected by the federal government, but some Texas lawmakers are trying to reverse that decision.

Texas' original privatization project, which is at the heart of a dispute between Bush and the Clinton administration, calls for private corporations to actually operate Texas' system and screen applicants for an assortment of welfare-related programs.

"We're interested in achieving our goals, which include finding innovative ways to save taxpayers' dollars and improve services for needy Texans," said Bush spokesman Ray Sullivan. "We also want to preserve our options for the future."

On Tuesday, the U.S. Department of Health and Human Services sent a letter formally rejecting key parts of Bush's original privatization plan, saying federal law requires government employees, rather than private ones, to decide who is eligible for Medicaid and food stamp benefits.

"The status quo is completely unacceptable," said Bush, who blames national labor unions for influencing the decision. "The White House cratered under political pressure."

Meanwhile in Washington, conservative lawmakers who support the Bush privatization plan are expected to meet with White House chief of staff Erskine Bowles on Friday to discuss their irritation with the president's decision.

Bowles is also hoping to meet the same day with several Democrats led by Rep. Sheila Jackson Lee of Houston who oppose the governor's plan.

"The Clinton administration has already ruled that the determination of eligibility for state programs may not be privatized," Jo Smith, representing the League of Women Voters of Texas, told state senators at the Wednesday hearing.

"The league agrees with that ruling," she added. "A corporation's first loyalty, under law, is to its shareholders, rather than the private citizens of the state of Texas."

Sue Thornton, legislative consultant for Texas Impact, which represents Protestant, Jewish and Greek Orthodox denominations, said religious groups cannot handle the extra burden welfare reform is placing on them. She also said private companies would start to deny benefits the moment economic times force case loads up.

"Our nets are bulging right now," she said. "Volunteers are not trained case workers. We're concerned we may achieve profits by reducing client access."

Lisa McGiffert, who lobbies on health issues for Consumers Union, pointed out that the bill does not allow for public

debate on what plan ultimately results from it.

"We also would like to see a change to limit the scope to automation," she said.

Roy Evans, a state employee from El Paso, said as a state worker who determines eligibility for welfare applicants, he is privy to highly sensitive information such as Internal Revenue Service, immigration, medical and child support records.

While he is subject to felony prosecution for breaching the confidentiality of such records, he said Ratliff's measure contains no such safeguards.

Mike Gross, an organizer with the Texas State Employees Union, said the specter of privatization of welfare eligibility in Texas is "radical, unprecedented and probably irrevocable."

He estimates the plan could result in the loss of 5,000 to 10,000 state jobs.

Members of the Health and Human Services Committee, which approved the bill 9-0, sending it to the full Senate, heard from Ratliff that the bill's initial focus would be hiring a private company to design a better computer system for the state.

"Recent communications at the federal level have drawn that line, and I'm prepared to live with whatever that is," said Ratliff. "I'm just not sure we can draw that line today."

Yet, Ratliff faced persistent questions from Sen. Mike Moncrief, D-Fort Worth, who intends to offer an amendment to scale the bill back to a simple automation project.

"I want quality of care to be first and foremost and the bottom line not to be the primary consideration," Moncrief said.

? If the Senate passes the bill, it will go to the House, which has already passed a far more modest version allowing private companies to provide computer and software but not to screen welfare applicants.

That bill's sponsor -- Rep. Robert Junell, D-San Angelo -- was not available to comment on Ratliff's bill Wednesday. However, earlier he indicated he would call for a conference committee to work out a compromise.

Chronicle reporter Bennett Roth contributed to this story.

Congress of the United States

Washington, DC 20515

May 13, 1997

The Honorable William Jefferson Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We would like to encourage you to disallow the portion of the Texas Welfare Plan that involves the Texas Integrated Eligibility System (TIES) presented to the Administration for approval.

We believe the TIES plan, which would allow a private company by automation to decide which applicants would receive public assistance, should and must be disallowed. The State of Texas has 690,000 recipients of its Aid to Families and Dependents, and 1.4 million recipients of food stamps who would be adversely affected by this change.

The need to provide adequate service to the poor is of vital importance and we concur that it is not a function that can be left solely to private entities under this particular plan. Some private entities may not hold the same interest as well-trained social service professionals in providing assistance to those who are less fortunate in our communities.

As local, state, and national governments work to address deficit issues in creative and innovative ways we should all be mindful of the mission and purpose of the social service system. By your example, it is clear that reducing costs and reforming welfare should not mean the abdication of authority in a critical area of public policy. It is important that the process of eligibility determination be a considered, fair, and humanistic process.

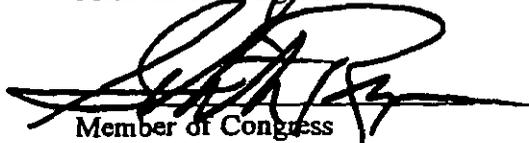
While welfare reform has wide-spread support, there is a right way and a wrong way to implement such reform. Therefore, since we understand that a meeting has been requested by those who support TIES, we are requesting a meeting with the Administration to present the opposing view as supported by legislation being offered in the Texas legislature.

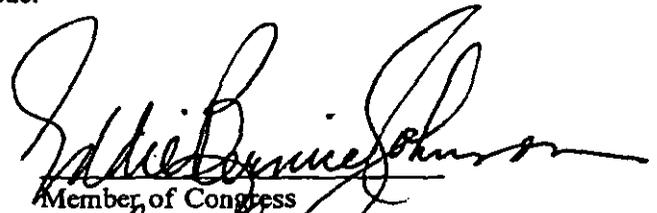
Thank you for your consideration. We appreciate your office contacting Kathi Wilkes at 225-3816 for the meeting to be arranged.

Thank you once again for your leadership on this issue.

Sincerely,


Member of Congress


Member of Congress


Member of Congress

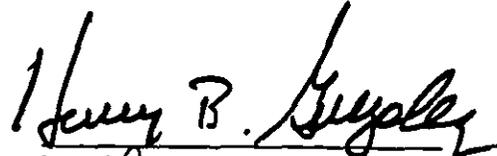

Member of Congress

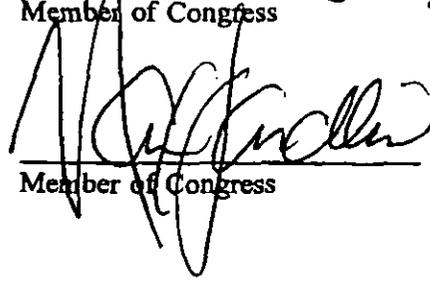
cc: Erskine Bowles

Letter to President Clinton
May 13, 1997
Page Two


Member of Congress


Member of Congress


Member of Congress


Member of Congress

Member of Congress

REVIEW & OUTLOOK

Clinton Promises

Trying to provide better health care coverage for some 150,000 needy children, Texas Governor George W. Bush wants to generate some savings by spending less on welfare administration. After nine months of stalling, the Clinton White House has just turned him down.

This is the same Bill Clinton who famously promised "to end welfare as we know it." This is the same Bill Clinton who has been pressing to expand health coverage for poor children, insisting that the budget agreement with Congress earmark \$18 billion for that purpose. This is the same Bill Clinton who during last year's election campaign signed a welfare reform bill supposedly giving wide discretion to the states. In the end, though, this same Bill Clinton overruled his own Cabinet to side with his reactionary union allies.

The story is worth recounting simply to show what it's like to negotiate with our present President, but also because it has huge potential implications for welfare reform nationwide. The administrative costs that Governor Bush wants to pare in Texas cost federal and state governments a whopping \$28 billion a year—to deliver \$250 billion a year in welfare benefits. Several governors are convinced these administrative functions could be privatized, with likely administrative savings of 20% to 35%.

Many states are already experimenting with contracting out parts of their welfare apparatus. Thirty states use Lockheed Martin to collect child support payments, for example, and the company also runs the federal computer to find deadbeat dads. Maximus Corp. of McLean, Va., which helps run local welfare offices for states, has doubled in size in the past year. Wisconsin is allowing both private companies and nonprofits such as Goodwill Industries to bid on screening, training and placing welfare recipients in jobs. California and Arizona have plans similar to that just vetoed in Texas.

Paring state bureaucracies, of course, is anathema to public employee unions; to them the loss of state jobs spells smaller union dues and less political clout. When Governor Bush and Texas legislators decided to contract with private firms to set up one-stop assistance bureaus that would allow recipients to apply for all their benefits at once, the unions went ballistic. Their radio ads featured the sound of exploding bombs; "Texas is under attack. They're coming after

us," an announcer intoned. "The guys who brought us the \$3,000 toilet seat are trying to take over public services for families, children and seniors."

Worried that Governor Bush's plan would create a bandwagon effect in other states, the unions helped convince the White House to sit for nine months on his request for a federal waiver. On March 28, President Clinton met at the White House to discuss the Texas welfare plan with four union leaders, including AFL-CIO President John Sweeney.

In April, a memo to the President warned that "we must give Texas an answer immediately." The memo—signed by Health and Human Services Secretary Donna Shalala, Agriculture Secretary Dan Glickman and White House domestic policy adviser Bruce Reed—observed that "the state has engaged in good faith discussions with various agencies for more than nine months, and state officials are now publicly criticizing the administration." It suggested the White House approve a compromise plan, giving Texas leeway on administration of income supports while barring private workers from the food stamp and Medicaid programs, on which the welfare reform bill provided tighter federal regulation.

"As you know, labor leaders would like us to refuse the Texas request entirely," the memo read. "They see even limited privatization as a dangerous precedent and have made clear they view this decision as critically important to public employee unions." On May 5, Governor Bush fired off an angry letter to Secretary Shalala complaining about "double talk and run-arounds." And last Friday, Governor Bush finally got his answer: No.

Mr. Clinton rejected not only the Texas waiver, but also the compromise proposed by his own Cabinet officials. At a news briefing Ms. Shalala explained that only state employees could determine eligibility for federal programs. Governor Bush's office criticized the White House for "letting its waiver policy be determined by the AFL-CIO."

For all the Clinton welfare promises, and all the ballyhoo about the welfare reform bill, the Clinton White House is now fighting a rear-guard action to save welfare as we know it. We have to wonder what this says about whether the White House will make a good-faith effort to honor the federal budget agreement now being ballyhooed as welfare reform was a year ago.

THE WALL STREET JOURNAL

TUESDAY, MAY 13, 1997

W2-PIV

Kasparov's Brain

The scariest thing about Garry Kasparov's encounter with Big Blue was Kasparov's brain. It is not the sort of thing we often get a chance to see so clearly.

On one side of the chessboard was a 2,800 pound IBM RS/6000 SP supercomputer rigged with more than 500 microprocessors capable of analyzing about 200 million chess positions *every second*. And on the other side sat a man who looks pretty much like any one of us, except that—he isn't one of us.

Kasparov's brain lives in that same intense ether of human achievement that also gave us Mozart's notations, Einstein's calculations and the colors seen only in Monet's mind's eye. Normally, we appreciate such genius merely by gawking. But by pitting himself against Deep Blue—with all these parallel processors crunching all the imaginable gambits a small army of grandmasters could pour into it—Garry Kasparov let us sense the power and potential of our kind.

That on any given day Kasparov might win, lose or draw with Deep Blue hardly matters. Deep Blue's face-off with history's greatest chess master was an event redolent of optimism and hope. Which is to say we're not inclined to lose much sleep over mankind's impending prostration before machines of its own devising. But so far that has indeed been this event's metaphor—men battling machines for "control." Ultimately, it's a wasteful, destructive notion.

This is Sierra-Club thinking. It is



Garry Kasparov

technology as threat—cold, inanimate and inherently meriting our suspicion. Poor Kasparov is driven to his knees by the faceless technicians behind Big Blue's curtain; this is high-tech via Hollywood. It is the world of Robocop, Frankenstein or the Terminator, who at film's end is reduced to a single, metallic clawed hand, preprogrammed microprocessors driving it forward to destroy two helpless humans.

That may be entertainment, but the presumably more rational world of politics and policymaking has contributed to the fear, often creating in the late 20th century a climate of almost pre-medieval spookiness about science and technology. In this country, it destroyed the nuclear power industry and turns courtrooms into cauldrons of scientific superstition; across Europe people cower today at the hobgoblin of bioengineered foods. Alarmed at the growth of these phobias, the New York Academy of Sciences not long ago convened a symposium on them and published its papers in a valuable collection titled "The Flight From Science and Reason."

IBM's supercomputer Deep Blue does not exist to conquer or humble the world's chess champion. Deep Blue, or massively powerful technologies similar to it, are typically used today to discover new drug therapies by sorting quickly through hundreds of chemical combinations that once required months of human tedium.

The creation of Deep Blue, in short, is a marvelous *human* achievement. Its creators deserve our admiration. That it took so many of them so long to combine such awesome computing power in a way that could stand up to one human genius is reason on all sides for humility—an occasionally useful virtue in times such as these.

Asides

Conservative Cat

These last few days had been very distracting for the British nation. The great debate on the future of Europe and England's place in it had to be put aside; the bigger issue was the mansion at 10 Downing Street and Humphrey's place in it. Would the black and white stray who had set up residency with the Majors and been awarded the title of Chief Mouser now be evicted by the new chatelaine—quoted as finding cats "unhygienic?" A photo-op of Cherie Blair clutching

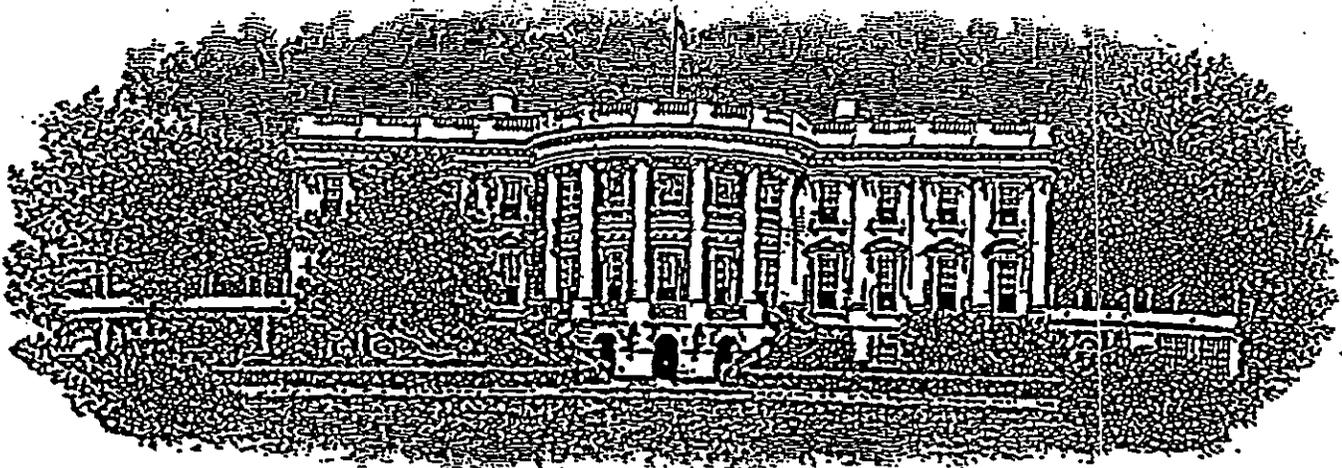
Humphrey and saying she was misquoted was needed to placate England's 4.9 million cat-dominated households—there's a reason this nation birthed "Cats." No doubt Mrs. Blair promptly went off to scrub and pop a handful of allergy pills. Humphrey, we are happy to report, was not taken in by this public disavowal of past beliefs, unlike many of his countrymen. Refusing to sup with socialists, he went down to St. James's Park on Sunday and caught himself a baby duckling.

THE WALL STREET JOURNAL

TUESDAY, MAY 13, 1997

pd m 02/21

The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: Elena / Bruce

FAX NUMBER: ~~6-2846~~ 6-2878

TELEPHONE NUMBER: 65565

FROM: CYNTHIA RICE, SPECIAL ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY

TELEPHONE NUMBER: 456-2846 (phone) 456-7431 (fax)

PAGES (INCLUDING COVER): 10

COMMENTS: Re Texas info

① Letter - same as yesterday but
2nd header on page 2 reworded

② Old Q+As - HHS long updated ones



DEPARTMENT OF HEALTH & HUMAN SERVICES

Melissa T. Skolfield

Assistant Secretary for Public Affairs

Phone: (202) 690-7850 Fax: (202) 690-5673

To: Cynthia Rice

Fax: 456-7431 Phone: _____

Date: 5/13 Total number of pages sent: 8

Comments:

FYI - I'll also send you
the other Q+As soon.

Johy

May 13, 1997

NOTE TO BARRY TOIV:

We are sending the attached letter to the Commissioner of Texas Department of Social Services at approximately 2:30 p.m. today. The letter only restates the issues and guidance we discussed in the May 2 meeting with Commissioner McKinney.

I've also attached the current Q&As on the Texas TIES project, in general, in case Mike does get questions at his briefing. We'll send more after the letter is sent.

Please let me know if you have any questions.

Thank you.

Melissa Skolfield

DRAFT

Michael D. McKinney, M.D.
Commissioner
Texas Health and Human Services Commission
P.O. Box 13247
Austin, Texas 78711

Dear Commissioner McKinney:

I am writing to follow up on our most recent meeting and to respond to your letter dated March 5, 1997 to me concerning the Texas Integrated Enrollment Services (TIES) project. You asked that I provide, on behalf of the Administration, guidance under which Texas could release the TIES request for offers (RFO), if it so chooses.

In this letter, I describe the current status of our discussions, the flexibility available to the State under current law, the limitations regarding functions which must be performed by State merit system employees, and next steps in the process of moving forward with the TIES project. Because Texas is considering an integrated eligibility system, I address both Medicaid and Food Stamp policy in this letter, the content and language of which have been approved by the Department of Agriculture. Official notification by the Food and Consumer Service (FCS) of the Department of Agriculture will be provided to you by the FCS regional office.

Current Status of Our Discussions

Our staffs have been working together to resolve many issues related to the development of the TIES project, a highly complex undertaking by the State that involves the integration of three large Federal programs (Temporary Assistance for Needy Families, Medicaid and Food Stamps), as well as a number of other Federal and State programs. The State has submitted for review a draft RFO which seeks innovative approaches to the delivery of public services. The draft RFO calls for proposals which would replace the State's computer system and which would re-engineer the methods by which eligibility is determined. Among the important technical and policy issues potentially raised by the draft RFO is the fundamental question of the extent to which functions historically performed by State merit system employees could be performed by private contractors.

The State has not submitted an actual proposal to privatize State functions, nor requested a waiver of any Federal statutes or regulations. Rather, we have engaged in discussions so that the State would be in a position to communicate to the vendor

Page 2 - Commissioner McKinney

community any restrictions regarding those activities which could be performed by non-merit system, non-State employees (hereinafter "non-public employees"). Recognizing that you did not express interest in discussing a time-limited, sub-State demonstration during last week's meeting, this letter addresses the limitations set forth in Food Stamp and Medicaid law and regulations.

Flexibility Available in Current Statutes and Regulations

Current Food Stamp and Medicaid statutes, regulations and precedent provide the State with the opportunity to automate and re-engineer business processes, as well as to use contract staff to perform a number of functions. Such functions include design, development and operation of the large and complex information system which the State expects to implement in TIES. The State could also employ contract staff to develop and recommend an integrated and re-engineered eligibility process for the programs included in TIES. Contract staff could provide training and assist management in the transition to TIES. In addition, as you know, Texas has very broad authority to administer the Temporary Assistance for Needy Families (TANF) program and, with respect to the administration of TANF, can use non-public employees without limitation.

Therefore, significant opportunities exist for the State to take advantage of the efficiencies and expertise available through the vendor community in developing and administering TIES. There are, however, limitations imposed by law on contractor involvement related to client certification and eligibility determination, as described below.

Extent of Work by Non-Public Employees

Section 1902 of the Social Security Act and section 11(e)(6) of the Food Stamp Act and implementing regulations reflect the principle that most activities included in the eligibility determination process (referred to as the certification process in the Food Stamp Act) must be performed by public agencies. A non-public employee may not take actions involving discretion or value judgments, including all elements of the eligibility determination process that relate to the evaluation of information provided by an applicant or bearing on the eligibility decision.

Redesigning the eligibility determination process could have the effect of merging discretionary and non-discretionary activities. Whereas previously a series of separable administrative steps occurred as part of the eligibility determination process, current technology may enable the State to combine multiple steps into a single, seamless process. The initial contact, application, data entry, interview process, request for and

Page 3 - Commissioner McKinney

evaluation of appropriate documentation, as well as the resulting eligibility decision and benefit calculation, may no longer necessarily be separable and sequential steps. To attempt to separate certain portions of the eligibility determination process for the purpose of isolating individual activities involving discretion would seem to defeat the State's purpose in integrating and streamlining program enrollment.

It is more appropriate to restate the intent of these provisions -- i.e., in an integrated and streamlined process, most if not all activities involving personal contact with an applicant or recipient, including data entry during an interactive discussion with the applicant, have the potential to involve the use of discretion or judgment, and to directly influence or affect the eligibility determination process. Therefore, these activities, and any other activities in which specific eligibility criteria are discussed with an applicant or eligibility-related information is collected and evaluated, must be performed by a State merit system employee.

As we discussed in our meeting, there are narrow instances in which Medicaid and Food Stamp law and regulations permit involvement of non-public employees for the purpose of expanding and enhancing State outreach efforts. In the outstationing provisions of the Medicaid program, non-public employees are permitted to perform a number of initial processing activities, but are not permitted to evaluate the information presented by the applicant, or make the actual eligibility determination. Under the Food Stamp Program, volunteers may simply assist potential clients in filing applications with the State. In both cases, these non-public employees are precluded from engaging in activities that could have the effect of screening out potential applicants. Activities involving the use of discretion that could result in potential applicants being screened out must be performed by State merit system employees. A significant non-State presence in the integrated enrollment process could result in some screening out of potential applicants by non-public employees.

Possible Next Steps

The State may release the draft RFO, under the condition that the State include the applicable language from this letter in the draft RFO. HHS will approve Federal matching funds for project planning activities for the costs incurred through the planning phase.

In order for HHS to consider approving and funding a contract which may result from release of the RFO, the State must submit an implementation advanced planning document (IAPD) for HHS' prior approval following the solicitation process, in accordance

4

with the rules at 45 CFR Part 95, Subpart F. The IAPD must meet

Page 4 - Commissioner McKinney

the requirements specified in the cited rules and provide a rigorous and positive cost benefit analysis for the project. The State may want to advise potential offerors to make use of HHS' cost benefit analysis guidance for State systems. We will consider HHS funding for the actual project itself at such time as the State submits an IAPD for approval by the Federal agencies.

HHS and USDA staff are available to continue their ongoing discussions with your office. Mark Ragan, Director of the Office of State Systems, Administration for Children and Families or his staff will be in contact with your office shortly. Ruthie Jackson, FCS Regional Administrator will also be in contact with your office to advise you of FCS funding.

I want to express my appreciation for your understanding of the complex issues raised during our consideration of the TIES project. I also appreciate the time and effort you and your staff have contributed towards moving these issues to resolution.

If you have any questions concerning the content of this letter, please do not hesitate to call me or Mr. Ragan at (202) 401-6960.

Sincerely,

Kevin Thurm

CLOSE HOLD - For Internal Use Only

Questions and Answers on Texas TIES

Q As some Republicans in Congress have suggested, doesn't your guidance contradict the welfare reform bill which grants states the flexibility to run their own programs?

A No. Based on the welfare law that the President signed in August, Texas already has the authority to proceed now with the welfare portion of their proposal. However, Congress and the President retained the laws on Medicaid and Food Stamps because they have different missions and serve different people. Our guidance to Texas is consistent with current law:

Remember, Texas is proposing a big, complex undertaking that involves three large programs: cash assistance, Medicaid and Food Stamps, which are overseen by two separate federal departments and which have different rules and regulations. We want to move forward to help the State make its programs efficient, but we must be consistent with current law and protect beneficiaries. And we have told the State that they can proceed with their RFO based on the conditions we discussed, i.e. consistent with all of the relevant statutes and regulations governing cash assistance, Medicaid and Food Stamps.

This Administration has a long record of supporting state flexibility. We granted 80 waivers to 43 states to test innovative strategies to move people from welfare to work. We have granted 13 Medicaid waivers to help states make their programs more efficient and effective. And President Clinton signed the welfare law last year that gives states additional flexibility to design their cash assistance programs. However, we must be consistent with current law and the President's first priority is to protect beneficiaries of these programs.

Q Some members of the House of Representatives are talking about a bill to approve the Texas project. Would you oppose legislation?

A It is unwise for Congress to legislate on administrative actions that should be worked out between program agencies and our state partner. Based on the welfare law that the President signed in August, Texas already has the authority to proceed now with the welfare portion of their proposal. However, Congress and the President retained the laws on Medicaid and Food Stamps because they have different missions and serve different people.

We want to help Texas move forward to make its programs efficient, but we must be consistent with current law and protect the beneficiaries of the three federal programs - cash assistance, Medicaid and Food Stamps - which have different rules and regulations. Today we provided a letter to the State recounting the options we presented at a meeting with Commissioner McKinney last week and we have told Texas that the State could proceed with its Request for Offers (RFO), under the conditions we discussed.

Q What took you so long in reaching a decision?

A This is a very complicated project involving multiple federal benefit programs and federal agencies. It is not easy to attempt to integrate these programs into one system. We wanted to carefully consider the many statutory and regulatory provisions in these federal programs to determine the extent of our legal authority. As you may know, under the new welfare law, the states have the flexibility to design the administration of their cash assistance programs. Yet, Congress and the President retained the laws on Medicaid and Food Stamps because they have different missions and serve different people. And we carefully considered what would be in the best interests of protecting the rights of the beneficiaries of these three different federal programs.

Because this project does involve the concept of privatization, we felt it was important to clearly state the statutory requirements relating to public vs. private eligibility determination for the various programs involved. We read the statutes for these programs as requiring that eligibility determination be in the hands of state administrators. Making decisions about the eligibility of needy people for benefits is one of the most fundamental functions of government. We also wanted to insure that we identified these issues early in the process so as to help the state avert delays later on in the development of the project.

Q Did you draw the line with state agencies as a compromise to the unions?

A No. We carefully considered this complicated project involving multiple federal programs and agencies and based our decision on our legal authority, not on politics or union interests. We also made our decision on what is right and in the best interest of protecting the beneficiaries of these three different programs.

Q Does this decision mean that you believe public employees are better than private ones in protecting the rights of beneficiaries?

A It means simply that we are following the laws as passed by Congress which are designed to let states seek innovative approaches to improve the efficiency of benefit programs while protecting the rights of beneficiaries. Making decisions about the eligibility of needy people for benefits is one of the most fundamental functions of government.

Q Does this decision close the door to other states to privatize their programs?

A No. Under the new welfare law, states have broad authority to design the administration of their cash assistance programs for families. We encourage states to seek innovative ways to serve people better and find more efficiency in programs within the authority permitted by law.

Q But I've seen a memo to the President that suggested a much more lenient approach, which would let Texas privatize many more functions? Why the change?

A I'm not going to comment on an internal memo. We presented some new options to the state and believe any of them could be the basis of a mutually acceptable agreement. These options are designed to let the state proceed as quickly as possible with their RFO, because they would be consistent with all of the relevant statutes and regulations governing cash assistance, Medicaid, and Food Stamps.

BACKGROUND: The memo laid out an option that would be consistent with Medicaid law and practice, and would have required the granting of administrative waivers for Food Stamps.



Cynthia A. Rice

05/13/97 12:02:49 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP, Emily Bromberg/WHO/EOP
cc: Laura Emmett/WHO/EOP
Subject: Texas Update

Kevin Thurm is planning to call the state commissioner shortly and fax him the letter.

Skolfield promised McCurry Q&As by 12:30 -- they are currently in internal review at HHS. Before we knew this, Toiv asked me for Q&As. I've since talked to Toiv and we've agreed to wait for the HHS ones.

Angus King checked in the COS office -- apparently they have not yet officially said yes to the Texas request for a meeting.

I am working on materials for the COS in case there's a meeting and will have the final letter soon.

Also Podesta and Thurm apparently spoke last night about how to answer a reporter's question about sub-state waivers and think the answer should be that the Administration is willing to consider sub-state waivers and would have to look at the results of a sub-state waiver before considering any state-wide policy.



Cynthia A. Rice

05/13/97 12:45:36 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Cynthia A. Rice/OPD/EOP

Subject: Texas 12:45 Update 

Thurm will talk to McKinney at approximately 2:30 today (McKinney is unavailable til then).

HHS sent me and Toiv the letter they will send Texas and their older Q&As. They will send updated Q&As once the Thurm-McKinney conversation happens.

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Diana Fortuna/OPD/EOP
Emily Bromberg/WHO/EOP
Laura Emmett/WHO/EOP

latest draft

DRAFT

Michael D. McKinney, M.D.
Commissioner
Texas Health and Human Services Commission
P.O. Box 13247
Austin, Texas 78711

Dear Commissioner McKinney:

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The State has not submitted an actual proposal to privatize State functions, nor requested a waiver of any Federal statutes or regulations. Rather, we have engaged in discussions so that the State would be in a position to communicate to the vendor

Page 2 - Commissioner McKinney

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Therefore, significant opportunities exist for the State to take advantage of the efficiencies and expertise available through the vendor community in developing and administering TIES. There are, however, limitations imposed by law on contractor involvement related to client certification and eligibility determination, as described below.

Limitations on Work by Non-Public Employees

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Redesigning the eligibility determination process could have the effect of merging discretionary and non-discretionary activities. Whereas previously a series of separable administrative steps occurred as part of the eligibility determination process, current technology may enable the State to combine multiple steps into a single, seamless process. The initial contact, application, data entry, interview process, request for and

Page 3 - Commissioner McKinney

evaluation of appropriate documentation, as well as the resulting eligibility decision and benefit calculation, may no longer necessarily be separable and sequential steps. To attempt to separate certain portions of the eligibility determination process for the purpose of isolating individual activities involving discretion would seem to defeat the State's purpose in integrating and streamlining program enrollment.

It is more appropriate to restate the intent of these provisions -- i.e., in an integrated and streamlined process, most if not all activities involving personal contact with an applicant or recipient, including data entry during an interactive discussion with the applicant, have the potential to involve the use of discretion or judgment, and to directly influence or affect the eligibility determination process. Therefore, these activities, and any other activities in which specific eligibility criteria are discussed with an applicant or eligibility-related information is collected and evaluated, must be performed by a State merit system employee.

As we discussed in our meeting, there are narrow instances in which Medicaid and Food Stamp laws and regulations permit involvement of non-public employees for the purpose of expanding and enhancing State outreach efforts. In the outstationing provisions of the Medicaid program, non-public employees are permitted to perform a number of initial processing activities, but are not permitted to evaluate the information presented by the applicant, or make the actual eligibility determination. Under the Food Stamp Program, volunteers may simply assist potential clients in filing applications with the State. In both cases, these non-public employees are precluded from engaging in activities that could have the effect of screening out potential applicants. Activities involving the use of discretion that could result in potential applicants being screened out must be performed by State merit system employees. A significant non-State presence in the integrated enrollment process could result in some screening out of potential applicants by non-public employees.

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Sincerely,

Kevin Thurm

**OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

200 Independence Avenue, SW
Room 630F
Washington, DC 20201



F A X C O V E R S H E E T

DATE:

TO: Elena Kagann

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: 4

Message:

Per our conversation, this draft apparently reflects all HHS + USDA comments. We are meeting with USDA to ~~make sure we~~ handle any loose ends.

DRAFT - Texas TIES - 5/8/97 - 4:30 PM

DRAFT

May XX, 1997

Michael D. McKinney, M.D.
Commissioner
Texas Health and Human Services Commission
P.O. Box 13247
Austin, Texas 78711

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DRAFT W.P. Prista

DRAFT - Texas TIES - 5/8/97 - 4:30 PM

2

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DRAFT - Texas TIES - 5/8/97 - 4:30 PM

3

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Enclosure

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OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



F A X C O V E R S H E E T

DATE:

TO: Elena Kagam

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: 4

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DRAFT - Texas TIES - 5/8/97 - 4:30 PM

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DRAFT - Texas TIES - 5/8/97 - 4:30 PM

2

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Enclosure



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

copy for
me;
return to
Pomeroy

May 6, 1997

MEMORANDUM TO:

Erskine Bowles
Bruce Reed
John Podesta

FR: Frank Raines 

RE: Texas Privatization Proposal

As you are aware, the Statement of Administration Policy (SAP) on the Senate Disaster Supplemental Appropriations Bill did not make reference to a possible amendment having the effect of approving the Texas privatization plan. The question at hand is how and when to oppose this amendment and whether to issue a veto threat.

The Administration has already verbally expressed its strong opposition to the amendment that will likely be offered (and likely adopted) tomorrow by Texas Senators Gramm and Hutchison. My recommendation is to not send up an Administration letter at this time and instead include our formal opposition to the proposal in our upcoming SAP to the House and Senate conferees. This approach will give us more time to determine the appropriate level of opposition (e.g., a senior advisor veto threat, Secretarial veto threat, etc.)

If you decide that a formal written Administration response is needed now, I would recommend that we send up a revised SAP tomorrow morning on the disaster supplemental with the following new paragraph included:

“ We understand that an amendment may be offered to mandate that the Administration approve a proposal by the State of Texas to release a “Request for Offers” that could lead to contracting out large portions of the administration of Federal public assistance programs. The Administration supports the objective of making administration of these programs more efficient. However, it strongly opposes this amendment.. Any proposal of the scope of Texas’ raises many issues of how to judge contractor performance: fairness to current employees of the State; how to ensure fiscal integrity; and many other issues. The Administration is working diligently with Texas to resolve these issues, as it would in the case of any such proposal. Congressional action is inappropriate while the Administration is reviewing the proposal.”



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

(Senate Floor)
May 7, 1997

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

** This Statement of Administration Policy (SAP) is identical to the SAP issued on May 5, 1997, with the exception of a paragraph on pages 4 and 5 to address an amendment that may be offered regarding the Texas Public Assistance Program.

S. 672 - SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS BILL, FY 1997

(Sponsor: Stevens (R), Alaska)

This Statement of Administration Policy provides the Administration's views on S. 672, a bill making FY 1997 emergency supplemental appropriations for recovery from natural disasters and for overseas peacekeeping efforts, as reported by the Senate Appropriations Committee.

The Congress and the Administration must work together to ensure that this bill gets enacted as quickly as possible. The recovery of hundreds of thousands of Americans from the tragedy of the recent natural disasters depends upon our action. While FEMA, SBA, the Corps of Engineers, and other Federal agencies are providing immediate relief to the victims of the recent natural disasters, it is essential that this legislation be enacted soon so that the process of long-term economic redevelopment can begin.

The bill as reported by the Committee provides \$5.6 billion in urgently needed disaster assistance funds. To ensure that these funds reach the hundreds of thousands of citizens in 33 States who desperately need our help and to support the efficient operation of our troops abroad, it is essential that this bill remain free of extraneous provisions that could slow its progress. Unfortunately, the Committee bill includes a number of such provisions.

As a result of the recent bipartisan budget agreement, it is our understanding that Title VII of the bill providing for an automatic continuing resolution will be dropped from the Committee bill. It is essential that this be done. Based on the Senate Committee bill, which included the automatic continuing resolution, the President had indicated that he would veto it because it includes strongly objectionable extraneous provisions. The Senate Committee bill includes:

- o a provision that would create an automatic continuing resolution for FY 1998. While the goal of ensuring that the Government does not shut down again in the absence of enacted appropriations is a worthy one, such a provision is clearly extraneous to this emergency disaster relief legislation. The particular version included in the Committee bill is premature, prejudging the outcome of the budget talks by locking in low levels of discretionary spending. Such language is unacceptable, and, as a result, the President would veto this bill if this language is included. Further details are included in the Attachment.

- o a provision prohibiting the Department of Commerce from developing a plan in FY 1997 for the 2000 decennial census that would use any sampling whatsoever. The Administration strongly opposes the provision. The Secretary of Commerce has indicated that he would recommend that the President veto this bill if it were to contain this provision. Without sampling, the cost of the decennial census will increase dramatically as its accuracy, especially with regard to minorities and groups that are traditionally undercounted, will decrease. The 1990 decennial census was the first to be less accurate than the one that preceded it. Congress instructed the Census Bureau to consult with the National Academy of Sciences to find a way to improve the results. These experts unanimously recommended the use of statistical sampling.
- o a provision that would waive certain provisions of the Endangered Species Act (ESA). The Administration strongly opposes the provision. The Secretary of the Interior has indicated that he would recommend that the President veto this bill if it were to contain this provision. Such a waiver is unnecessary and could result in waiver of the ESA for routine, non-emergency operations and maintenance. Current law allows Federal agencies to implement effective emergency procedures in order to accommodate the ESA during emergency responses to floods, and these procedures are routinely utilized.
- o a provision that would prevent the Department of the Interior from promulgating rules on RS 2477 and prohibit implementation of the Department's January 1997 policy guidance on that legislation. The Administration strongly opposes this provision. The Secretary of the Interior has indicated that he would recommend that the President veto this bill if it were to contain this provision. The scope of this provision far exceeds a similar but more limited provision in the FY 1997 Interior Appropriations Act. The Administration believes that the January 1997 policy fairly balances the interests of a right-of-way claimant with Federal land planning and management responsibilities. States should not be permitted now to expand rights granted under a Federal statute repealed more than 20 years ago.
- o a provision establishing a block grant to States to assist legal immigrants losing their eligibility for Supplemental Security Income (SSI). The Administration would oppose a block grant for this purpose. A block grant would fail to ensure that legal immigrants are provided protections wherever they live in our country and would not provide long-term protection. It would also force States to recreate an administrative structure that already exists for SSI. The Administration would also oppose any amendment to establish a block grant for providing services to legal immigrants under Medicaid. The Administration has proposed legislation to restore SSI and Medicaid benefits for disabled legal immigrants and children of legal immigrants.

As a result of the recent bipartisan budget agreement, the Administration strongly supports a simple extension of benefits through the end of the fiscal year to ensure that the Congress has sufficient time to enact the Administration's legislative proposals and to ensure that benefits for needy legal immigrants are not abruptly curtailed.

WIC

The President's budget requests a \$100 million FY 1997 supplemental for WIC to maintain the FY 1996 year-end participation level of 7.4 million. Our most recent information from States suggests that a minimum of \$76 million in new budget authority is necessary to maintain the FY 1996 year-end participation level. While an improvement over the House Committee's funding level, the \$58 million funding level proposed by the Senate Committee would result in State agencies having to cut participation by 75,000 to 100,000 low-income women, infants, and children by year's end. The Administration remains firmly committed to fully funding the WIC program at a participation level of 7.5 million persons in FY 1998 and strongly supports a supplemental of \$76 million this year.

Dual Use Technology

The Dual-Use Applications Program helps to develop and incorporate technologies used and tested by the cost-conscious commercial sector into military systems. By adopting these dual-use technologies, the Department will be able to take advantage of cost savings that flow from the production efficiencies of larger-scale commercial manufacturing lines. Reducing funding for this program would result in higher costs for future defense systems. This is an Administration priority and should not be used as an offset.

Assisted Housing

The President's FY 1998 Budget requests that Congress appropriate funds sufficient to renew all expiring housing assistance contracts in FY 1998 and all future years. The Administration does not object to funding FEMA's Disaster Relief program through the rescission of \$3.6 billion of recaptured excess reserves in HUD's assisted housing program, provided that the Congress is committed to approving sufficient resources to renew all expiring housing assistance contracts in FY 1998 and future years.

Bosnia

The Administration appreciates the Senate Committee's speedy approval of supplemental appropriations for the Department of Defense's operations in Bosnia and Southwest Asia. The Department of Defense recognizes that improvements are needed in the fiscal oversight of contingency operations, and it is in the process of establishing systems to develop, monitor, and report contingency operation cost estimates to the Congress. We appreciate the concern of the Committee for the impact of contingency operations on training. However, we are disappointed

that the Committee chose not to fund fully the Department's requirements. We request that the Senate restore the \$207 million cut for contingency operations so that the Department can meet its full requirements as reflected in the House bill.

The Administration is further concerned that the Senate is proposing to cut off funding for Bosnia operations unless a detailed cost report on all Bosnia related activities is submitted within 60 days. Subjecting the military to such a funding cut off would unnecessarily threaten the viability of ongoing operations. The Administration will work with the Committee outside the constraints of the provision in question to provide any new cost data that was not already presented to the Congress in testimony and written responses over the prior two months.

U.N. Arrearages

The Administration appreciates the Committee's provision in Contributions to International Organizations for payment of \$100 million of arrearages on past assessed contributions. This is a good first step toward paying the \$1.021 billion of arrears owed to the United Nations and other organizations. A successful outcome soon to the ongoing negotiations between the Congress and the Administration on reform and funding for these organizations would bolster U.S. negotiators working to achieve reforms in these organizations. The Administration asks that the \$100 million be available to pay arrears not just to the U.N. but also to other organizations.

Extraneous Micro-management Provision

The Administration strongly objects to the inappropriate and unwise reduction of \$1.5 million in funding for non-career personnel in the Department of Housing and Urban Development (HUD). The reduction, targeted at HUD's top officials, would severely impede and potentially cripple Secretary Cuomo's efforts to reform the management of the Department and rebuild public trust in HUD.

Federal Elections Commission

The Administration urges the Senate to include the requested \$1.7 million in additional funding for the Federal Elections Commission (FEC) in the Senate version of the bill. The Administration proposed this additional funding for FEC to support additional staff and related costs for investigations and audits pursuant to the Federal Election Campaign Act.

Texas Public Assistance Program Amendment

The Administration understands that an amendment may be offered to mandate that the Administration approve a proposal by the State of Texas to release a "Request for Offers" that could lead to contracting out large portions of the administration of Federal public assistance programs. The Administration supports the objective of making administration of these programs more efficient. However, the Administration strongly opposes this amendment. Any

proposal of the scope of Texas' raises many issues of how to judge contractor performance; fairness to current employees of the State; how to ensure fiscal integrity; the impact on families who depend on these programs, and many other issues. The Administration is working with Texas to resolve these issues, as it would in the case of any such proposal. Congressional action is inappropriate while the Administration is reviewing the proposal.

Other Issues

Additional Administration concerns with the bill as reported by the Committee are contained in the attachment.

ATTACHMENT

ADDITIONAL CONCERNS
S. 672 - SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS BILL, FY 1997
(AS REPORTED BY THE SENATE COMMITTEE)

The Administration looks forward to working with the Congress to address the following concerns:

Automatic Continuing Resolution for FY 1998:

The Administration believes that the provision of the Senate Committee bill that would provide for an automatic continuing resolution (CR) for FY 1998 is extremely ill-advised and clearly extraneous to this bill. The President would veto this bill if it were to contain the Senate Committee language.

The following are among many unfortunate effects that this provision would have.

- o Critical services and functions would be reduced, including Veterans Medical Care, highway construction, food assistance for Women, Infants, and Children (WIC), education (e.g., Head Start and Pell Grants), the environment (e.g., cleaning up Superfund sites and maintaining and improving our national parks), and research and technology (NIH, NASA, and NSF).
- o Core functions of government would be undermined:
 - Many of the new border patrol agents being hired this year would have to be RIFed, and the proposal to hire another 500 in FY 1998 would be blocked.
 - The FAA would be unable to hire the additional 500 air traffic controllers and 173 security personnel proposed in the FY 1998 Budget, and the number of existing air traffic controllers would have to be cut to the lowest level since 1988. Aviation safety inspections would also be reduced.
 - Reduced IRS tax law enforcement would result in \$350-\$500 million in lost revenues, and tax refunds could be delayed five to ten days.
 - The proposed increase of 544 FBI agents would be blocked, and planned prison activations would be curtailed.
 - Social Security processing time for initial disability claims could increase by roughly 50 days (+37 percent) beyond the currently-projected 135 days, and about 65,000 fewer appeals decisions (-10 percent) could be reached.

- o Defense spending would be reduced \$6 billion below the Administration's request and the FY 1997 enacted level, undermining our ability to support the world's strongest military force. The current force structure would have to be reduced by at least 30,000, and procurement of new systems such as the New Attack Submarine would have to be canceled.

Specific examples of problems that would be created by the Committee bill's automatic CR provision include the following. (Comparisons are to the FY 1998 Budget.)

- o An average of 700,000 fewer women, infants, and children per month would receive food and other services through WIC.
- o Up to 52,000 fewer children would participate in Head Start (presuming that the quality of the program would be maintained).
- o College aid would be cut by \$1.8 billion, allowing a maximum Pell grant level of only \$2,620 — compared with the \$3,000 level proposed by the President — and eliminating nearly 400,000 students from the program. No new aid would be available to older students.
- o NIH would be cut by \$592 million (4.5 percent) from the proposed FY 1998 funding level of \$13.1 billion. The number of NIH-funded new research projects could be cut by over 1,350 in FY 1998.
- o America's global leadership would be undermined since it would be very unlikely that a Foreign Operations appropriations bill could be enacted into law. The provision of the Senate Committee bill would require cuts in payments to Israel and Egypt or — because Congress would almost inevitably modify it — almost no funds would remain for economic support for other nations.
- o Roughly 7,000 fewer Direct Single Family Rural Housing Loans would be issued, a reduction of 37 percent.
- o The Federal crop insurance program would be terminated.
- o New national parks and heritage areas authorized in the 1996 Omnibus Parks bill could not move forward in Kansas, Massachusetts, Oklahoma, West Virginia, Virginia, Tennessee, Georgia, Pennsylvania, Iowa, South Carolina, Ohio, and New York.
- o Some 52,000 economically disadvantaged adults and 28,000 dislocated workers would be denied employability services and training, while 10,000 low-income youth would be denied summer jobs.

- o VA Medical Care would be denied to 200,000 veterans.
- o The President's goal of cleaning up 900 Superfund sites by the year 2000 would effectively be precluded.

Department of Agriculture

Disaster Reserve Assistance Program. The Administration urges the Senate to limit livestock indemnity payment eligibility to producers in Presidentially-designated emergency disaster areas. Nationwide eligibility for ad hoc disaster payments for livestock losses could set a costly precedent and would likely dilute the amount of assistance that would be provided to producers who have suffered catastrophic losses.

Army Corps of Engineers

Devils Lake. The Administration is pleased that the Senate Committee has included \$5 million for design work related to the construction of an emergency outlet at Devils Lake, North Dakota. The Administration urges the Congress to support this vital project in the FY 1998 Energy/Water Development appropriations bill.

Department of Energy

Brookhaven National Laboratory. On April 23rd, the President proposed \$19.7 million for the Department of Energy's Brookhaven National Laboratory for activities related to the remediation of ground water contamination. The Administration urges the Senate to support this proposal. Appropriate offsets were included in our request.

Department of Housing and Urban Development

Public Notice of Contracting by HUD. The Administration opposes section 324 of the Senate Committee bill, which would require reporting in the Federal Register of information on all HUD contracts over \$250,000 that were awarded during the prior quarter. HUD, like other Executive agencies, is already required to publish notice in the Commerce Business Daily (CBD) of contract awards likely to result in subcontracting opportunities. (The CBD notice is immediately available each day on the Internet -- duplicative reporting in the Federal Register each quarter would benefit neither contractors nor the public.) The broadened scope of information required by section 324 is of questionable value and would impose both for HUD and GPO an administrative burden and cost that is contrary to the important government wide streamlining and acquisition reforms that Congress enacted over the last several years.

Department of Transportation

Overflight Fees. The Administration objects to the Committee's proposal to exempt general aviation operations from the overflight user fee that was authorized last year. The Administration has strongly supported a user fee-financed Federal Aviation Administration (FAA). To achieve this goal, all users must pay a fair share of the FAA's costs. In addition, the Administration has some concerns regarding the exemption of Canada-to-Canada overflights. Canada is expected to implement a Canadian enroute charge based, in part, on distance flown in Canadian air space, by November 1, 1997. To the extent that this charge makes it less expensive to fly in U.S. airspace than Canadian airspace, the U.S. could end up subsidizing Canadian carriers which are presently flying entirely in Canada.

Federal Emergency Management Agency

The Administration opposes the proposed rescission of \$5 million from the Federal Emergency Management Agency's (FEMA's) Salaries and Expenses contained in the Senate Committee bill. Rescission of these funds would have a severe, adverse impact on FEMA's ability to manage its continuing disaster operations, which are now ongoing in 49 States and every U.S. territory.

Funding for TWA Flight 800 Investigation

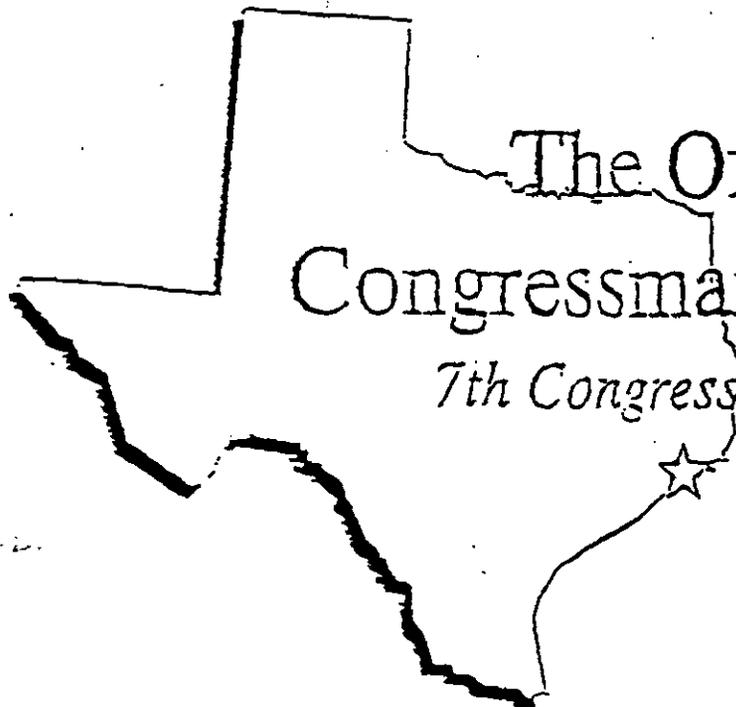
The Administration requests the Senate to fully fund the Administration's \$20.2 million supplemental request for the TWA Flight 800 investigation and recovery efforts. Since July 1996, the National Transportation Safety Board (NTSB), the FBI, Navy, and other agencies have worked together on the investigation of the crash. All of these agencies have incurred costs to support this effort. Failure to fund the Administration's request would force the Navy to absorb costs that are unrelated to its core mission, result in other activities being canceled or deferred to cover these unanticipated costs, and hamper the NTSB's efforts to bring closure to this investigation.

General Provisions

Medicare - Denver Waiver. The Administration is disappointed that the Senate Committee bill (section 314) would prohibit HCFA from implementing or administering the managed care competitive pricing demonstration in Denver in FY 1997. The Administration strongly believes that no delay is warranted in testing an important alternative payment methodology for Medicare managed care plans. The Administration believes that the project is well designed and has taken into consideration constructive comments from the managed care industry and other concerned parties.

Restriction on Funds Used to Enforce Electronic Tax Transfer System. The Administration objects to section 322 of the Senate Committee bill. This provision is unnecessary as IRS has successfully implemented the Electronic Federal Tax Payment System (EFTPS), which allows Federal tax deposits to be made over the phone or by personal computer. Under section 6302 (h) of the Internal Revenue Code, 1.2 million employers were required to file through EFTPS by July 1, 1997, and as of April 26, 1997, over 995,000 are enrolled. The IRS will not impose penalties on businesses that are simply trying to become acclimated to EFTPS and are trying to comply with the filing requirements.

Cooperative Purchasing. The Administration opposes section 323 of the Senate Committee bill, which would repeal section 1555 of the Federal Acquisition Streamlining Act (FASA) of 1994. This section of FASA would allow State and local governments, non-profit organizations, and Indian tribes, if they choose to do so, to buy products that are currently available to Federal agencies under contracts negotiated between the General Services Administration (GSA) and private suppliers. Often, GSA is able to leverage the buying power of the Federal Government to obtain very advantageous prices from suppliers, and section 1555 allows these other entities to take advantage of those lower prices. Participation by suppliers in the program would be entirely voluntary. Since there would be no requirement for these other entities to buy off the GSA contracts, they would only do so if they felt they were getting a better deal than currently obtainable. Repeal would harm taxpayers in order to protect certain local suppliers who fear this new source of competition.



The Office of
Congressman Bill Archer
7th Congressional District

1236 Longworth Building
Washington, D.C. 20515-4307
Phone: (202) 225-2571
Fax: (202) 225-4381

Date: May 7, 1997 Time: 9:50 am

To: Mr. Eckstein, Books 456-1907

Fax #: _____

From: _____



Andrew M. Shore
Senior Legislative Assistant

Comments: _____

Bill Archer
Member of Congress
7th District, Texas

1236 Longworth Building
Washington, D.C. 20515
(202) 225-2571
Fax (202) 225-4381

Re: Texas Welfare Privatization



CHIEF OF STAFF TO THE PRESIDENT

They - please advise

E - Eight members of the Texas delegation want to meet w/you next week to discuss Texas privatization before a final decision is reached.

also ask Doug

V.

Congress of the United States
House of Representatives
Washington, DC 20515

May 6, 1997

Mr. Erskine Bowles
Chief of Staff
Office of the President
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. Bowles:

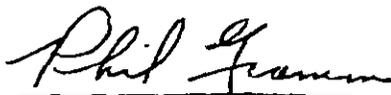
You may be aware that on Friday, May 2nd, Dr. Michael McKinney, Commissioner of the Texas Department of Health, met with representatives of the Department of Health and Human Services and the Department of Agriculture to discuss the State's implementation of the Texas Integrated Enrollment Services Project (TIES).

It is our understanding, from representatives of the State of Texas, that the meeting did not produce any significant result. It has now been nine months since Texas initially applied for a federal waiver and we are disappointed that the Administration continues to delay definitive answers to the request. Additionally, with the end of the session for the Texas Legislature nearing, it is urgent that we resolve this issue so that they may make appropriate adjustments to their budget.

We believe that everyone agrees that the TIES project achieves the goal of improving enrollment operations for public assistance programs. We are seeking your support to allow Texas the flexibility to improve these programs for its beneficiaries. Furthermore, we believe that the proposal put forward by Texas is an integral component of Congress' and the President's continuing goal to "end welfare as we know it," by allowing states to increase program efficiency and thereby focus their efforts on serving those in need.

At the very least, it is important that we, as Members of the Texas Delegation, have the opportunity to discuss this crucial Texas project with you prior to any final decision by the Administration on this matter. We would like to meet with you as soon as possible, preferably on either May 13th, 14th or 15th, in H-208 of The Capitol, to have an open discussion of this matter. Please have your staff contact Linda Figura, Congressman Archer's Executive Assistant, at 225-2571 to arrange a meeting.

Sincerely,


Phil Gramm


Phil Gramm

Ray B. Hutchins

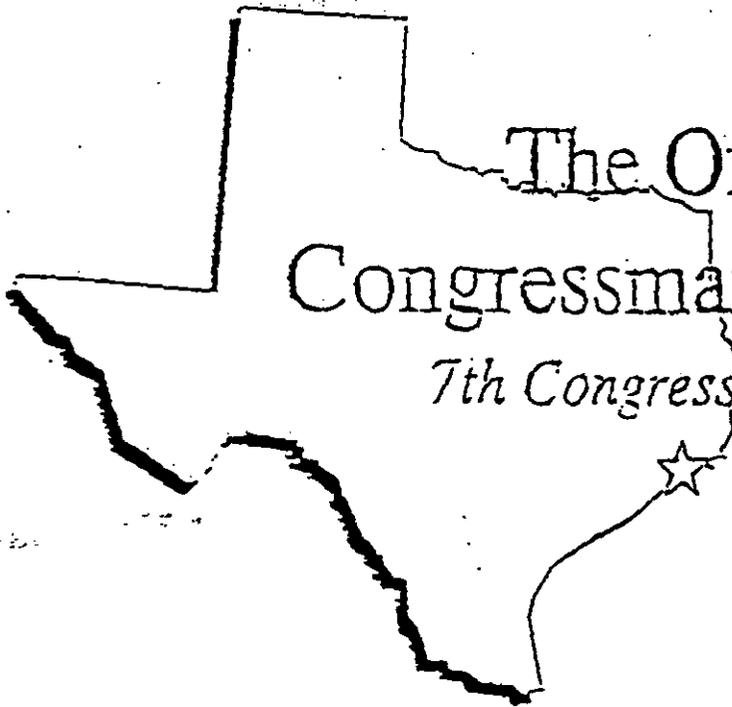
Dick Armes

Ralph M. Hall

Tom DeFay

Charlie Steinhorn

Sam Johnson



The Office of
Congressman Bill Archer
7th Congressional District

1236 Longworth Building
Washington, D.C. 20515-4307
Phone: (202) 225-2571
Fax: (202) 225-4381

Date: May 7, 1997 Time: 9:50 am

To: Mr. Eskick Books 456-1907

Fax #: _____

From: _____



Andrew M. Shore
Senior Legislative Assistant

Comments: _____

Bill Archer
Member of Congress
7th District, Texas

1236 Longworth Building
Washington, D.C. 20515
(202) 225-2571
Fax (202) 225-4381

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V.

Congress of the United States
House of Representatives
Washington, DC 20515

May 6, 1997

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Chief of Staff
Office of the President
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

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Sincerely,





Kay Bely Hutchins

Dick Armes

Ralph M. Hall

Tom DeFay

Charlie Stenholm

Sam Johnson

Q&As on Welfare Meeting with Texas Delegation

5/7/97

[These Q&As assume the Chief of Staff agrees to meet with the members of the Texas delegation.]

Question: Did you get a letter from Sen. Gramm, Rep. Archer and other members of the Texas delegation asking for a meeting next week with the President's Chief of Staff? Do you plan to agree to the request?

Answer: We did get the letter. We do plan to meet with these members of Congress to discuss the response we have given to the state of Texas. We do not intend to re-open the issue of the Texas request at this meeting, but instead to discuss with members of Congress the position we have taken with state officials.

Last week, HHS and USDA officials met with the Texas Health and Human Services Commissioner. They told him that the state could release an RFO subject to written guidelines that will be provided by the agencies. By the time the Chief of Staff meets with members of Congress, the agencies will have conveyed these guidelines, which will make clear what federal statutes and regulations allow -- and what they prohibit -- with respect to privatization.

[In general, Texas will not be allowed to privatize eligibility determination or information gathering functions. The state, however, will be able to contract with a private party to do outreach and to revamp computer and other automation systems.]

As you know, Texas wants to create a state-wide system of offices, run by a private contractor, where residents would apply for Medicaid, Food Stamps, welfare, and other public assistance. On Friday, HHS and USDA officials met with the Texas Health and Human Services Commissioner. They promised to provide written guidelines within the week that will make clear what the State can and cannot do with respect to privatization. In general, Texas will not be allowed to privatize eligibility determination or information gathering functions. The state, however, will be able to contract with a private party to do outreach and to revamp computer and other automation systems.

Yesterday, Senator Hutchison filed an amendment to the supplemental appropriations bill which would allow Texas to create a state-wide, privately-run benefit eligibility system. We have sent a Statement of Administration policy to the Congress saying we strongly oppose this amendment, that we are working with Texas to resolve these issues, and Congressional action is inappropriate at this time. Meanwhile, some members of the Texas delegation, including Representatives Stenholm, Arney, DeLay, and Archer and Senators Gramm and Hutchison, have sent Erskine a letter requesting a meeting with him on the subject next week.

Additional Q&As on Texas
5/6/97

Question: What exactly did Texas ask for?

Answer: Texas wants to create a state-wide system of offices, run by a private contractor, where residents would apply for Medicaid, food stamps, welfare, and other public assistance. The exact nature of this system would depend on the terms of the agreement between Texas and the contractor.

To proceed with this plan, the state of Texas wants to release a Request for Offers (RFO) to ask bidders to propose a specific system to meet these goals. Texas' initial request to federal agencies was for permission to proceed with the RFO process.

Question: Has the Administration provided Texas with any response?

Answer: On Friday, HHS and USDA officials met with the Texas Health and Human Services Commissioner. They told him that the state could release an RFO subject to written guidelines that will be provided by the agencies later this week. These guidelines will make clear what federal statutes and regulations allow -- and what they prohibit -- with respect to privatization.

[In general, Texas will not be allowed to privatize eligibility determination or information gathering functions. The state, however, will be able to contract with a private party to do outreach and to revamp computer and other automation systems.]

We have never stated publicly the bracketed information, but this was the line taken by the agencies in this meeting with Commissioner McKinney. This distinction does not apply to Temporary Assistance to Needy Families, i.e., cash welfare, which the new welfare law explicitly allows to be privatized.

cc: Enkine Bowles
John Palresta
Bruce Reed

FACSIMILE

DATE 5.6.97

TO: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER) :

Kagan E.

FROM: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER) :

Kevin Thurm
Deputy Secretary
DHHS

202/690-6133

RECIPIENT'S FAX NUMBER (202) 456-2878

NUMBER OF PAGES TO SEND (INCLUDING COVER SHEET) : 3

COMMENTS:



STATE OF TEXAS
OFFICE OF THE GOVERNOR

GEORGE W. BUSH
GOVERNOR

May 5, 1997

The Honorable Donna Shalala
Secretary
U.S. Department of Health and Human Services
Room 615P, Hubert H. Humphrey Bldg.
200 Independence Ave., SW
Washington, DC 20201

Dear Secretary:

Our Texas representatives returned from Washington frustrated by your administration's continuing refusal to give us a definitive yes or no answer on our Texas Integrated Enrollment System.

They learned nothing new, and your representatives did not give us permission to do anything that we cannot already do. The assertion by the HHS spokesman in the Texas press that you gave us a "green light" to proceed is not correct. Dr. McKinney tells me he was specifically told he does not have federal permission to release our request for offers.

Texans don't like double talk and run-arounds. It is clear by your refusal to say yes that you are not interested in a project that will save Texas taxpayers \$10 million a month while improving access to services for people who need our help.

Texas will deem your failure to give us a clear answer for almost a year for what it is, a bureaucratic and evasive way to tell us no.

We will proceed with a different way to achieve our goals of saving taxpayers' money and getting people the help they need to move from welfare to work.

Sincerely,

A handwritten signature in black ink, appearing to read "G.W. Bush", written over the printed name "GEORGE W. BUSH".

GEORGE W. BUSH

GWB:kph

cc: Mr. Erskin Bowles, Chief of Staff
The White House

Bush vows to pursue private welfare system

Letter details displeasure after federal rebuff

By Bill Minutaglio *5/6/97*
and George Rodrigue

Staff Writers of The Dallas Morning News

AUSTIN — Texas will continue exploring plans to privatize its welfare system even though it has been rebuffed by federal officials, according to Gov. George W. Bush.

Mr. Bush sent a letter Monday to White House officials expressing displeasure with last week's federal decision stalling a Texas proposal that would have begun privatizing the state welfare system.

"We will proceed with a different way to achieve our goals of saving taxpayers' money and getting people the help they need to move from welfare to work," Mr. Bush said in his letter to the White House.

That "different way" could include seeking legislation that would allow a privatization plan similar to what Texas had proposed, said Karen Hughes, Mr. Bush's spokeswoman.

"We have a lot of options, and we will look at them all," said Ms. Hughes.

"Texans don't like double talk and run arounds," Mr. Bush said in his letter to Secretary of Health and Human Services Donna Shalala and White House Chief of Staff Erskine Bowles.

Republican leaders of Texas' congressional delegation, meanwhile, sought to set up a meeting Wednesday with Mr. Bowles.

Their goal is to persuade the Clinton administration to approve Mr. Bush's plans or to push through legislation that overturns the administration's stand, according to Mindy Tucker, a spokeswoman for Rep. Sam Johnson, R-Plano.

"We probably are the only hope of getting something done this year in a timely fashion," she said.

White House officials did not respond to requests for comment on the matter.

In addition to Mr. Johnson, Texas' Republican caucus promised to deploy an array of political firepower: Majority Leader Dick Army of Irving; Ways and Means Committee Chairman Bill Archer of Houston; Majority Whip Tom DeLay of Sugar Land; and Sen.

Phil Gramm and Kay Bailey Hutchison.

Republican legislators charge that Mr. Clinton's aides are thwarting their 1996 welfare reform bill, which grants states substantial freedom to run their own programs.

U.S. Health and Human Services Department spokesman Michael Kharfen, however, said the federal government's objections stem from laws that govern the food stamp program.

According to Mr. Kharfen, those laws require all people responsible for food stamp "eligibility determination" to be government employees.

As recently as April 4, however, top administration officials said in a memo that Mr. Clinton was free to waive the ban on private employees.

Meanwhile, Democratic legislators see little chance the Senate will pass any bill flaily attacking the Clinton administration's handling of Texas' request.

State lawmakers who support the plan have said that it could save Texas up to \$120 million annually. Critics have said that privatization would not be in the best interests of welfare recipients — and that thousands of state workers could be laid off while billions of dollars were granted to private firms.

EDS, Lockheed Martin and Andersen Consulting are the major firms interested in competing for Texas contracts to privatize the state's welfare system.

Their plans have been contested by union officials. "We don't want to destroy a system that has been shown to work," said Mike Gross, spokesman for the Texas State Employees Union, which represents thousands of state welfare workers.

National union officials, worried that Texas' request could set a national precedent that would cut thousands of government jobs, pressured the White House to reject the state's request.

Republican leaders charged that Mr. Clinton overturned his own advisers to repay union leaders for their political support.

WR-priv.



Cynthia A. Rice

05/02/97 05:41:35 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Something to think about re: Texas

The supplemental approps bill is apparently going to be on the Senate floor very soon. Given today's meeting at HHS, Hutchison will likely offer her amendment to grant Texas whatever it wants. We should decide:

- 1) What will our Statement of Administration position be on the supplemental?
- 2) What materials do we want to give our allies in the Congress to help them defeat the Texas proposal?
- 3) Are we willing to negotiate to avoid getting stuck with the complete Texas privatization?

TEXAS WELFARE MEETING Q&As
5/2/97

Question: I understand that Texas Health and Human Services Commissioner McKinney complained bitterly today after his meeting with Deputy HHS Secretary Kevin Thurm, accusing the Administration of selling out to the unions by refusing to grant the state of Texas' request to privatize their welfare programs. Do you have any comment?

Answer: We're disappointed that the Commissioner characterized the meeting as unproductive. The agencies presented some new options to the state today, and we hope we can come to some understanding soon.

Question: Why has it taken the Administration so long to give Texas an answer?

Answer: The Texas proposal is a very complicated project involving multiple federal programs and agencies. There were a great many legal questions to consider. And we want to make sure that the decision we reach is right and will protect families who rely on Medicaid and Food Stamps.

CLOSE HOLD - DO NOT DISTRIBUTE**Talking Points Following DS Meeting [Bad Outcome]**

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- We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement. These options are designed to let the state proceed as quickly as possible with their RFO, because they would be consistent with all of the relevant statutes and regulations governing cash assistance, Medicaid, and Food Stamps.
- We want Texas to go forward and we're considering policy, not political concerns. This has always been about how we can help Texas make its programs efficient, but still be consistent with current law and protect the beneficiaries of the three federal programs -- cash assistance (TANF), Medicaid and Food Stamps -- which all have different rules and regulations.
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Q Are you surprised by Texas' response?

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Q So will you oppose an amendment in Congress to grant this request by legislative action?

A It is unwise for Congress to legislate on administrative actions that should be worked out between program agencies and our state partner. We presented some new options to the State today and believe any of them could be the basis of a mutually acceptable agreement.

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CLOSE HOLD - DO NOT DISTRIBUTE - FOR INTERNAL USE ONLY**Questions and Answers on Texas Integrated Enrollment System (TIES)**

Q What is Texas TIES?

A TIES stands for the Texas Integrated Enrollment Services project. This is an initiative by the state of Texas to create a one-stop-shopping arrangement whereby citizens in need could supply income and resource information in a single application which would result in eligibility determinations for a wide range of means-tested public assistance programs. The project would be operated by a contractor hired by the State.

Q What exactly did Texas ask for at this point?

A Texas asked for permission to use federal funds to pay for the initial planning phase of this project. The initial phase involves releasing a Request for Offers (RFO), a document which would ask bidders to propose a specific system. Texas has not yet indicated exactly what the system would entail.

Q Will this be a significant decision?

A Texas is the only state to request an integration of cash assistance, Medicaid, and Food Stamps eligibility, and we are granting approval to Texas to proceed with its project within the requirements of the law. We are encouraged that Texas is seeking ways to improve the efficiency of its programs. Many states are upgrading their computer systems to improve the timeliness and ease in conducting their programs.

Q What took you so long in reaching a decision?

A This is a very complicated project involving multiple federal benefit programs and federal agencies. It is not easy to attempt to integrate these programs into one system. We wanted to carefully consider the many statutory and regulatory provisions in these federal programs to determine the extent of our legal authority. As you may know, under the new welfare law, the states have the flexibility to design the administration of their cash assistance programs. Yet, Congress and the President retained the laws on Medicaid and Food Stamps because they have different missions and serve different people. And we carefully considered what would be in the best interests of protecting the rights of the beneficiaries of these three different federal programs.

Because this project does involve the concept of privatization, we felt it was important to clearly state the statutory requirements relating to public vs. private eligibility determination for the various programs involved. We read the statutes for these programs as requiring that eligibility determination be in the hands of state administrators. Making decisions about the eligibility of needy people for benefits is one of the most fundamental functions of government. We also wanted to insure that we identified these issues early in the process so as to help the state avert delays later on in the development of the project.

Q Did you draw the line with state agencies as a compromise to the unions?

A No. We carefully considered this complicated project involving multiple federal programs and agencies and based our decision on our legal authority, not on politics or union interests. We also made our decision on what is right and in the best interest of protecting the beneficiaries of these three different programs.

Q Does this decision mean that you believe public employees are better than private ones in protecting the rights of beneficiaries?

A It means simply that we are following the laws as passed by Congress which are designed to let states seek innovative approaches to improve the efficiency of benefit programs while protecting the rights of beneficiaries. Making decisions about the eligibility of needy people for benefits is one of the most fundamental functions of government.

Q Is this the end of the line for this project?

A No. We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement. These options are designed to let the state proceed as quickly as possible with their RFO, because they would be consistent with all of the relevant statutes and regulations governing cash assistance, Medicaid, and Food Stamps. We want Texas to go forward and we're considering policy, not political concerns. This has always been about how we can help Texas make their programs efficient, but still be consistent with current law and protect the beneficiaries of the three programs -- cash assistance (TANF), Medicaid and Food Stamps - which all have different rules and regulations.

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Q Does this decision close the door to other states to privatize their programs?

A No. Under the new welfare law, states have broad authority to design the administration of their cash assistance programs for families. We encourage states to seek innovative ways to serve people better and find more efficiency in programs within the authority permitted by law.

Q You told the Texas Human Services Director that you were drawing the line at the Food Stamp law. What does that mean?

A The fact is that these different benefit programs have different statutory and regulatory requirements. Under the new welfare reform law, the states have very broad authority to administer the cash assistance program for families. Yet, Congress and the President retained the laws on Medicaid and Food Stamps because they have different missions and serve different people. Medicaid is about providing health insurance for people as diverse as senior citizens and children. Food Stamps is a fully federal program concerned with the nutritional health of a wide range of needy Americans. It is not easy to attempt to integrate these programs together with their different requirements and purposes.

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BACKGROUND: The only exception is Medicaid outstationing, which allows states to do some eligibility determination at medical facilities (as well as welfare offices)

Q But I have a memo to the President that suggested a much more lenient approach, which would let Texas privatize many more functions? Why the change?

A I'm not going to comment on an internal memo. We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement. These options are designed to let the state proceed as quickly as possible with their RFO, because they would be consistent with all of the relevant statutes and regulations governing cash assistance, Medicaid, and Food Stamps.

BACKGROUND: The memo laid out an option that would be consistent with Medicaid law and practice, and would have required the granting of administrative waivers for Food Stamps.

TEXAS WELFARE MEETING Q&As

5/2/97

Question: I understand that Texas Health and Human Services Commissioner McKinney complained bitterly today after his meeting with Deputy HHS Secretary Kevin Thurm, accusing the Administration of selling out to the unions by refusing to grant the state of Texas' request to privatize their welfare programs. Do you have any comment?

Answer: We're disappointed that the Commissioner characterized the meeting as unproductive. The agencies presented some new options to the state today, and we hope we can come to some understanding soon.

Question: Why has it taken the Administration so long to give Texas an answer?

Answer: The Texas proposal is a very complicated project involving multiple federal programs and agencies. There were a great many legal questions to consider. And we want to make sure that the decision we reach is right and will protect families who rely on Medicaid and Food Stamps.

TEXAS WELFARE PROPOSAL
5/2/97

Talking Points

- We are considering Texas's proposal to privatize substantial parts of its Medicaid and Food Stamp operations.
- No final decisions have been made. As you know, HHS officials are meeting today with Texas Health and Human Services Commissioner McKinney to discuss some options.
- We hope we can come to an understanding with the state of Texas soon. But that understanding will have to protect the interests of program beneficiaries. We will not allow Texas to run its Medicaid and Food Stamp operations in a way that risks taking away Food Stamps and Medicaid from people who should receive them.

Q&AS

Question: Didn't the President reject a proposal recommended by the relevant agencies on how far to allow Texas to privatize?

Answer: The President did ask the agencies to take another look at this issue. His principal interest is what's best for families who rely on Medicaid and Food Stamps, and he wants to make sure that the agencies' decision is consistent with that interest.

Question: Do you expect this matter to be settled at today's meeting between HHS Deputy Secretary Kevin Thurm and Texas Health and Human Services Commissioner McKinney?

Answer: I do not know. I hope the state of Texas shares our interest in doing what's best for the recipients of public assistance, and that we can come to some understanding soon.

Question: Why has it taken the Administration so long to give Texas an answer?

Answer: The Texas proposal is a very complicated project involving multiple federal programs and agencies. There were a great many legal questions to consider. And we want to make sure that the decision we reach is

right and will protect families who rely on Medicaid and Food Stamps.

CLOSE HOLD - DO NOT DISTRIBUTE**DRAFT - Talking Points Following DS Meeting [Bad Outcome]**

- We're disappointed if Dr. McKinney characterized the meeting as unproductive. We thought it was a good meeting with an honest discussion of the issues.
- We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement. All of them are designed to let the state proceed as quickly as possible without the need for any further administrative actions, because they would be consistent with all of the relevant statutes governing cash assistance, Medicaid, and Food Stamps.
- We want Texas to go forward and we're considering policy, not political concerns. This has always been about how we can help Texas make their programs efficient, but still ~~be consistent with current law and~~ protect the beneficiaries of the three programs -- cash assistance (TANF), Medicaid and Food Stamps, ~~which all have different rules and regulations.~~ 7
- Remember, this is a big, complex undertaking the state has proposed. It involves three large programs: cash assistance, Medicaid and Food Stamps, which are overseen by two separate federal departments. Texas already has the authority to proceed with the welfare portion of their proposal now, based on the welfare law that the President signed in August. But our concern is that they'd be doing so much - re-engineering their computer program, outplacement, integrating eligibility determination for these three very different programs - all at once. We want to get it right.

Q Are you surprised by Texas' response?

A We appreciate their frustration. We also want to move forward as quickly as possible to help the state, but ~~we must be consistent with current law~~ and protect beneficiaries. 7

Q So will you oppose an amendment in Congress to grant this request by legislative action?

A Yes. ~~We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement.~~ *We don't think Tx's proposal adequately protects Med. + F&S beneficiaries.*

Q What exactly were the options you proposed in the meeting?

A We don't want to go into specifics because we're still ~~trying to~~ ^{hopeful of working} something out. But all of the options are designed to let the state proceed as quickly as possible without the need for any further administrative actions, because they would be consistent with all of the relevant statutes governing cash assistance, Medicaid, and Food Stamps.

CLOSE HOLD - DO NOT DISTRIBUTE - FOR INTERNAL USE ONLY**Questions and Answers on Texas Integrated Enrollment System (TIES)
revised draft 5/1/97 5:30 p.m.**

Q What is Texas TIES?

A TIES stands for the Texas Integrated Enrollment Services project. This is an initiative by the state of Texas to create a one-stop-shopping arrangement whereby citizens in need could supply income and resource information in a single application which would result in eligibility determinations for a wide range of means-tested public assistance programs. The project would be operated by a contractor hired by the State.

Q What exactly did Texas ask for at this point?

A Texas asked for permission to use federal funds to pay for the initial planning phase of this project. The initial phase involves releasing a Request for Offers (RFO), a document which would ask bidders to propose a specific system. Texas has not yet indicated exactly what the system would entail.

Q Will this be a significant decision?

A Not really. Texas is the only state to request an integration of cash assistance, Medicaid, and Food Stamps eligibility, and we are granting approval to Texas to proceed with its project within the requirements of the law. We are encouraged that Texas is seeking ways to improve the efficiency and effectiveness of its programs. Many states are upgrading their computer systems to improve the timeliness and ease in conducting their programs.

Q What took you so long in reaching a decision?

A This is a very complicated project involving multiple federal benefit programs and federal agencies. It is not easy to attempt to integrate these programs into one system. We wanted to carefully consider the many statutory and regulatory provisions in these federal programs to determine the extent of our legal authority. As you may know, under the new welfare law, the states have the flexibility to design how they design the administration of their cash assistance programs. Yet, Congress and the President decided not to make changes to the Medicaid and Food Stamp programs. And we carefully considered what would be in the best interests of protecting the rights of the beneficiaries of these three different programs.

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need to be more straight forward -
don't put
down state
initiatives.
see last page

Q Is this the end of the line for this project?

We hope not.

A No. We presented some new options to the state today and believe any of them could be the basis of a mutually acceptable agreement. All of them are designed to let the state proceed as quickly as possible without the need for any further administrative actions, because they would be consistent with all of the relevant statutes governing cash assistance, Medicaid, and Food Stamps. We want Texas to go forward and we're considering policy, not political concerns. This has always been about how we can help Texas make their programs efficient, but still be consistent with current law and protect the beneficiaries of the three programs - cash assistance (TANF), Medicaid and Food Stamps - which all have different rules and regulations.

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