



DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

**Melissa T. Skolfield**

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Date: 12/8 Total number of pages sent: 3

Comments:

FYI —

I'm checking on display/publication date - could be today.

Amy Bush

# HHS NEWS

**DRAFT**#265  
(ACF-130)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE

Contact: Michael Kharfen  
(202) 401-9215

## FINAL RULES ENCOURAGE PARENTAL RESPONSIBILITY

HHS Secretary Donna E. Shalala issued regulations today that will enable an unmarried father to legally acknowledge the paternity of his child through a voluntary paternity establishment program.

Currently, paternity is not established for most of the more than one million children born each year to unwed mothers. The new regulations are intended to promote parental responsibility and ensure that both parents contribute to their children's financial and emotional well-being.

"Far too many children are unable to receive child support and other benefits because legal paternity has not been established," Secretary Shalala said. "These rules are a critical step in the Clinton Administration's continuing efforts to reform the welfare system and promote parental responsibility."

"The President's Work and Responsibility Act of 1994 contains several features to increase paternity establishment for all children born out-of-wedlock," Shalala added. "Performance incentives will encourage states to establish paternity for all births, hospitals will expand existing paternity programs, and welfare applicants will be required to name and help find the fathers of their children in order to receive benefits. And by establishing the toughest child support collection system ever

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DRAFT

#265  
(LACE-130)

proposed, the Administration's plan will rebuild bonds between parents and their children while helping to lift single-parent families out of poverty," she said.

The rules published today implement provisions of the Omnibus Budget Reconciliation Act of 1993. They require states to ensure that voluntary paternity acknowledgment is a basis for seeking a child support obligation. States must also provide due process safeguards and an explanation of the rights and responsibilities of acknowledging paternity.

"While we all are saddened when a parent abandons a child, the child suffers long-term wounds that last far into the future," said Mary Jo Bane, assistant secretary for children and families. "Establishing paternity is critical to ensuring that children get the emotional and financial support they need and deserve."

The new requirements build upon effective state paternity acknowledgement programs already in place and expand them across the country. The rules also streamline procedures in cases where paternity is contested.

When paternity is established, the child gains the right of inheritance as well as other potential benefits such as Social Security, medical and life insurance. Establishing paternity can also help provide information regarding inherited medical conditions and other hereditary factors.

The regulations issued today also change the way HHS audits child support enforcement programs to ensure they are operating according to federal law, placing emphasis on results rather than process.

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# HHS NEWS

NOTE EMBARGO

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

EMBARGOED FOR RELEASE:  
Sunday AMs, June 12, 1994

Contact: HHS Press Office  
(202) 690-6343

**REPORT SHOWS \$34 BILLION GAP IN POTENTIAL CHILD SUPPORT PAYMENTS;  
SHALALA PROMISES NEW "AGGRESSIVE" SUPPORT ENFORCEMENT SYSTEM**

America's child support enforcement system is failing to keep pace with the rising number of children who should receive payments from their non-custodial parents, according to a report released today. The report, prepared by the Welfare Reform Working Group, recommends fundamental, nationwide changes to close a \$34 billion gap in uncollected child support.

"Children in our country are being cheated by their own parents, predominantly their fathers, and we are not doing enough to protect them," Secretary Shalala said. "Improving child support enforcement would dramatically improve the well-being of millions of young mothers and their children: providing money for school clothes, food, books and child care."

Shalala pledged that "an aggressive, no-nonsense child support enforcement system will be a cornerstone of President Clinton's welfare reform proposals."

"We need to make it clear that parents -- both parents -- have responsibilities to support their children. The child support system must strongly convey this message," says the introduction of the report, signed by the co-chairs of the Welfare Reform Working Group. The three co-chairs of the group are Bruce Reed, deputy assistant to the president for domestic policy; David Ellwood, HHS assistant secretary for planning and evaluation; and Mary Jo Bane, HHS assistant secretary for children and families.

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"Government can assist parents, but cannot be a substitute for them," the co-chairs said. "We believe that movement toward universal paternity establishment and improved child support enforcement would send an unambiguous signal that both parents share the responsibility for supporting their children."

The report released today, "A Survey of America's Child Support Enforcement System," includes estimates showing that for every \$1 paid in child support, another \$2.50 could be provided by absent parents. The result is a gap in support which amounted to \$33.7 billion in 1990, according to figures cited in the report. This amount is higher than the total welfare payments made by states and the federal government under the Aid to Families with Dependent Children program, Secretary Shalala noted.

The report attributed the uncollected support to three primary causes: failure to establish support awards, inadequate award amounts, and insufficient enforcement.

Failure to establish awards accounted for \$19.3 billion of the 1990 collection gap. Inadequate award levels accounted for \$7.3 billion of the gap, and uncollected support due to insufficient enforcement totaled \$7.1 billion.

The report recommends better efforts to establish paternity at birth. "Of over a million out-of-wedlock births, only about one-third actually have paternity established," it says.

In addition, the report calls for automatically updating award amounts as an absent parent's income rises. The report also calls for reduced fragmentation and increased efficiencies in the child support enforcement system.

The importance of child support has grown rapidly in the past two decades, especially because of dramatic growth in out-of-wedlock births during the 1980s. "Rising numbers of children potentially eligible for child support, due primarily to the surge in out-of-wedlock births across the nation, are pressuring already overburdened state systems," the report says.

The federal-state child support enforcement system collected \$8.9 billion in support payments during 1993, according to estimates by HHS' Administration for Children and Families.

The Welfare Reform Working Group has been responsible for preparing options for the President's welfare reform proposals.

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### Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents—especially in interstate cases—to avoid payment without penalty.

As a result, non-custodial parents paid only \$13 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received \$47 billion: money for clothing, food, utilities, and child care. Closing that \$34 billion gap is a top priority for this Administration.

### Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed increasing funds for child support enforcement by 13 percent in the 1995 budget. The 1993 budget reconciliation bill also established hospital-based paternity programs, as a proactive way to establish paternity early in a child's life.

### Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. The plan focuses on:

**Universal paternity establishment.** Performance incentives will encourage states to establish paternity for all births. Simple early voluntary establishment of paternity will be encouraged through a variety of methods, while streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. The Clinton plan also requires each welfare applicant to supply the name and location of her child's father in order to receive benefits.

**Fair award guidelines and periodic updating.** A commission will study whether national awards guidelines should be adopted. States will automatically update awards for all families as non-custodial parents' incomes change.

**Automated monitoring and tracking.** States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities by fleeing across state lines.

**New penalties for those who refuse to pay.** Universal wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and

suspension also reaches self-employed people unaffected by wage-withholding.

**State initiatives and demonstration programs.** States can also choose to make the welfare reform plan's work and training programs mandatory for non-custodial parents who earn too little to meet their child support obligations—making them work off what they owe. Demonstration grants for parenting and access programs will foster non-custodial parents' ongoing emotional involvement in their children's lives. And child support assurance demonstrations will let some states give families a measure of economic security even if child support is not collected immediately.

**Welfare Reform Working Group  
Talking Points: INNER CITIES  
June 9, 1994**

**Note:** These talking points are directed toward urban mayors concerned about the financial effects of welfare reform.

**"Many of our initiatives, from job training to welfare reform to health care to national service will help to rebuild distressed communities, to strengthen families, to provide work."**

**President Clinton, State of the Union address 1/25/94**

**In recent decades, America's cities have fought poverty, job loss, and neighborhood erosion. President Clinton recognizes the desperate problems in so many inner cities and the efforts of elected officials and citizens to combat them.**

**The President's welfare reform plan responds to the need for economic and social opportunity for all city residents. It creates new jobs and revitalizes distressed economies. The expanded JOBS program will provide more welfare recipients with education, training, job search, and child care services. And more positions will be created as recipients move into the WORK program.**

**With other Clinton Administration initiatives, our proposal expands services for the working poor--child care, health care, the EITC--so that every job will be a good job and hard-working families can succeed. We want to make welfare a transitional benefit, allowing people to improve their skills, reenter the economic mainstream, and contribute to the community again. Universal health care will allow people to leave welfare without worrying about coverage for their families, while the expanded Earned Income Tax Credit (EITC) will lift millions of workers out of poverty by effectively making any minimum wage job pay \$6.00 an hour for families with two children.**

**Welfare reform is an integral part of the Clinton administration's commitment to empower and revitalize distressed urban areas. President Clinton's crime bill aids youth in disadvantaged neighborhoods. His School-to-Work initiative facilitates teenagers' transition into the work force. His Head Start expansion and immunization program will help children while creating additional jobs. And empowerment zones and enterprise communities will aid regions by combining tax incentives with relevant social services and economic development programs.**

**Recognizing local expertise, we build on local initiatives and foster their continued success. Our proposal:**

- gives communities funds to provide non-displacing jobs;
- facilitates partnerships among labor, business, community groups, and government;
- encourages communities to use diverse strategies appropriate to local

**labor markets--temporarily placing WORK recipients in private sector jobs, in public sector positions, or with community organizations.**

**By lowering the state match rate, our plan increases federal financial assistance for the provision of education, training, and child care services to city residents. Simplified administrative requirements and program rules will minimize resources spent on paperwork.**

# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
Thursday, Jan. 27, 1994

Contact: Melissa Skolfield  
(202) 690-6853

## RESPONSE TO SENATE REPUBLICAN PLAN

The co-chairs of President Clinton's Working Group on Welfare Reform issued the following statement today in response to the release of a welfare reform plan by a group of Republican Senators. The co-chairs are HHS Assistant Secretary for Children and Families Mary Jo Bane, HHS Assistant Secretary for Planning and Evaluation David T. Ellwood, and Deputy Assistant to the President for Domestic Policy Bruce Reed.

"We are pleased that the Senate Republicans have joined the debate on welfare reform. We will certainly look closely at their legislation as we work with Congress and the states and localities to finalize the administration's plan. We are pleased that so many of the plans being offered conform to the President's vision of a reformed system which reinforces the fundamental American values of work and responsibility.

"As the President indicated in the State of the Union on Tuesday night, welfare reform is a top priority for the administration and the nation this year. We are hard at work on legislation to introduce this spring, and we hope Congress will pass it this year.

"There is broad support throughout the country and across party lines for bold change in the welfare system. The American people recognize that the welfare system and the health care system are in crisis, and it is time to reform them both. We look forward to working with members of Congress in both parties to develop and pass legislation that fulfills the President's commitment to end welfare as we know it."

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# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
Friday, Dec. 3, 1993

Contact: Melissa Skolfield  
(202) 690-6853

STATEMENT BY THE  
WORKING GROUP ON WELFARE  
REFORM, FAMILY SUPPORT  
AND INDEPENDENCE

CO-CHAIRS

BRUCE REED, DEPUTY ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY  
DAVID ELLWOOD, ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, HHS  
MARY JO BANE, ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, HHS

"The Working Group on Welfare Reform met on November 20 to continue discussing strategies for fulfilling President Clinton's pledge to 'end welfare as we know it.' That meeting was part of an ongoing process, and we worked from a draft options paper written only to facilitate discussion. We will continue to consult with Congress, state and local officials and other interested parties. No decisions have been made.

"President Clinton's charge to the Working Group on Welfare Reform was to remake welfare in adherence to four principles: work, family, opportunity and responsibility. We're continuing to work toward fulfilling that pledge. We also intend to recommend a plan that will be deficit-neutral."

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## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

A fax message from:

**Melissa T. Skolfield**

Deputy Assistant Secretary for Public Affairs

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To: Bruce ReedATT: Kathy MaysFax: 456-7739 Phone: \_\_\_\_\_Date: 12/3/93 Total number of pages sent: 2

Comments:

Final statement attached - to be used in response to inquiries. If you get press calls, feel free to give names & numbers to ~~De~~ me or Jennifer Smith, & we will fax from here.

# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
Thursday, July 8, 1993

Contact: HHS Press Office  
(202) 690-6343

At their first briefing for reporters, held today at the Department of Health and Human Services, the co-chairs of the administration's welfare reform working group promised an "open and collaborative" process which will include a number of regional visits to gather public comments.

David Ellwood and Bruce Reed, co-chairs of the Working Group on Welfare Reform, Family Support and Independence, held the briefing as the working group undertakes a public process of developing ideas and policy options to fulfill President Clinton's pledge to "end welfare as we know it."

The process of developing reform recommendations for the president will involve a series of regional visits; close cooperation with members of Congress, governors, state legislators, state welfare directors, mayors and other local government officials; publication of a series of briefing papers; meetings with numerous groups and organizations interested in welfare reform; and establishment of an "intake center" to ensure that all proposals, suggestions and ideas are considered.

Regional visits are being scheduled for Chicago Aug. 11 and Washington, D.C., Aug. 19, and in New Jersey, California and Tennessee.

Ellwood is HHS assistant secretary for planning and evaluation, and Reed is deputy assistant to the president for domestic policy. A third co-chair will be the HHS assistant secretary for children and families; Mary Jo Bane has been nominated for the position.

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## **Public Input in Welfare Reform**

The Working Group has made public involvement and input a top priority as it develops its proposal for the President. To achieve this, the Working Group will be taking a number of specific steps to involve the public in its work:

**Hearings/Public Events** -- The Working Group will be holding a series of hearings and events across the country during the summer designed to provide the public with an opportunity to present the Working Group with their ideas and opinions. These events will also allow the Working Group to begin to get public reaction to some of the ideas it is developing.

**Working Papers** -- The Working Group will be publishing a series of working papers over the course of the summer and fall to provide information and spark public discussion of the issues underlying the welfare reform effort. These papers will be widely circulated. To receive copies, please write to the Working Group at the address listed below.

**Meetings/Briefings** -- Working Group staff will be setting up briefings and meetings for groups of organizations interested in welfare reform. A special office of Public Liaison is being set up by the Working Group to reach out to organizations concerned with welfare issues to ensure that information is widely disseminated and that a broad range of opinions are being solicited to inform the efforts of the Working Group.

**Intake Center** -- The Working Group is establishing an intake center for all mail and information requests. The Center will ensure that proposals, suggestions, and ideas are forwarded to the appropriate staff and that requests for meetings and speakers are handled in a timely manner. To contact the Working Group, please write to:

Welfare Reform Working Group  
Administration for Children and Families  
370 L'Enfant Promenade SW 6th floor  
Washington, D.C. 20047

## **Welfare Reform: Next Steps**

The Welfare Reform Working Group is charged with presenting a detailed proposal to create a transitional assistance system in line with the broad principles outlined by the President. To tackle this complex task, the Working Group is assigning staff to develop background information and policy options in the following areas:

**Making Work Pay** -- to explore ways of improving the economic incentives to work and the distribution of financial and other supports for the working poor, such as the Earned Income Tax Credit

**Child Support** -- to address issues ranging from paternity establishment and support enforcement to the possibility of a child support insurance/assurance program

**Absent Parents** -- to examine current government policies as they relate to absent parents so that they can better meet their parental responsibilities

**Transitional Support** -- to review strategies for providing assistance on a temporary basis along with the education, training, and other supports needed to get off welfare and into jobs

**Post Transitional Work** -- to examine the issues related to employing those reaching the end of their time-limited assistance

**Child Care** -- to explore how best to meet the need for child care in a system of transitional assistance and mandatory work

**Program Simplification** -- to look at the rules and regulations of benefit programs for low income families to find ways to make them more uniform and simple

**Private Sector Job Creation** -- to focus on including in a transitional assistance system the incentives necessary to create jobs for welfare recipients in the private sector

**Prevention/Family Stability** -- to ensure that efforts to prevent out-of-wedlock births and family break-up are given priority in the reform plan

While federal employees will be staffing the Working Group, they will be seeking input and proposals from individuals and organizations outside the government. Those who are interested in providing input, ideas and suggestions are invited to write to the Working Group. Specific proposals as well as general comments are welcome.

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Washington, D.C. 20447  
(202) 401-9215

**Charge to the Working Group on  
Welfare Reform, Family Support and Independence**

**"It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it -- not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever."**

**-- President Bill Clinton  
Putting People First**

President Clinton has charged the Working Group to develop a proposal to "end welfare as we know it." The Working Group is guided by four principles underlying the President's vision for reform:

**Make Work Pay** -- People who work should not be poor. They should get the support they need to ensure that they can work and adequately support their families. The economic support system must provide incentives that encourage families to work and not stay on welfare.

**Dramatically Improve Child Support Enforcement** -- Both parents have a responsibility to support their children. One parent should not have to do the work of two. Only one-third of single parents currently receive any court-ordered child support. The system for identifying fathers and ensuring that their children receive the support they deserve must be strengthened.

**Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare** -- People should have access to the basic education and training they need to get and hold onto a job. Existing programs encouraged by the Family Support Act of 1988 need to be expanded, improved and better coordinated.

**Create a Time-Limited Transitional Support System Followed By Work** -- With the first three steps in place, assistance can be made truly transitional. Those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with work and expected to support their families.

Based on these core principles, the Working Group will be developing a detailed proposal that will not simply change the welfare system but will ultimately provide a genuine alternative to it.

Working Group on Welfare Reform,  
Family Support and Independence

**Chairs**

Bruce Reed Deputy Assistant to the President for  
Domestic Policy

David Ellwood Assistant Secretary for Planning and Evaluation,  
Department of Health and Human Services

Assistant Secretary for the Administration for  
Children and Families, Department of Health and  
Human Services (Mary Jo Bane nominated)

**Members**

Ken Apfel Assistant Secretary for Management and  
Budget, Health and Human Services

Walter Broadnax Deputy Secretary, Department of Health and  
Human Services

Robert Carver Deputy Assistant Secretary for Returns  
Processing, Treasury Department

Maurice Foley Office of Tax Policy, Treasury Department

Thomas Glynn Deputy Secretary, Department of Labor

Ellen Haas Assistant Secretary for Food and Consumer  
Services, Department of Agriculture

Elaine Kamarck Office of the Vice President

Madeleine Kunin Deputy Secretary, Department of Education

Alicia Munnell Assistant Secretary for Economic Policy,  
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Larry Parks Senior Advisor to the Secretary, Department  
of Commerce

Wendell Primus Deputy Assistant Secretary for Human Services  
Policy, Department of Health and Human  
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Julie Samuels Director, Office of Policy and Management  
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Eugene Sperling Deputy Assistant to the President for  
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and Research, Department of Housing and Urban  
Development

Joseph Stiglitz Council of Economic Advisors

Fernando Torres-Gil Assistant Secretary for Aging, Department of  
Health and Human Services

Jeff Watson Deputy Assistant to the President for  
Intergovernmental Affairs

Kathi Way Special Assistant to the President for  
Domestic Policy

Surgeon General  
Assistant Secretary for Intergovernmental and  
Interagency Affairs, Department of Education  
Assistant Attorney General for Policy Development,  
Department of Justice  
Assistant Secretary, Employment and Training  
Administration, Department of Labor

# HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

July, 1993

## A Brief Overview of the EITC and Welfare Reform

Work is not a guarantee to escaping poverty.

- \* *In 1991, some 9.2 million workers were poor, 2.1 of whom worked full-time year round.*
- \* *And fully 5.5 million people living in poor families with children were part of a family containing a member who worked full-time year round.*

The EITC is a work-based refundable tax credit for low-income heads of households with children designed to help the working poor. Under current law, a family head with more than one child earns a 25-cent credit for each additional dollar earned up to \$7,990. Thus, a full-time, full-year worker at the minimum wage would receive a credit of \$1,998. The credit is reduced by almost 18 cent for each dollar earned above \$12,580, ending when earnings \$23,760 for the year.

Under the administration's proposal, that same family in 1995 would receive almost 40 cents for each dollar earned up to a maximum credit of \$3,375. And that same family would get some assistance through this program until their earnings hit \$28,000.

The administration's proposed EITC expansion would essentially lift families with 4 persons or less who were working full-time, full-year at a minimum wage job above poverty. The expanded EITC is very important to those groups who historically have not fared well in the labor market.

Compared to having no EITC at all, the proposed EITC would amount to a 40 percent higher return from working. Compared to current law, a two parent family with two children and one full-time minimum wage worker will get almost \$1,400 more per year. In effect, this budget raises the pay for such a person by 15 percent over what the situation was previously.

Single parents considering work instead of welfare will see a similar increase. For example, a woman with two children in Pennsylvania earning \$10,000 a year now has only \$2,000 more income than a welfare mother with no earnings. Under the President's proposal this family will have an additional \$1,300 or \$3,300 more than the non-working welfare mother. The return to work for this family has increased by 65 percent.

More generally, the proposed expansion in the EITC will substantially increase the anti-poverty effectiveness of government tax and welfare policy. In 1994, if the President's EITC proposal is enacted, over 2 million people will be removed from poverty even if no more people go to work. And we expect to move more people to work.

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# HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

July, 1993

Contact: ACF Press Office  
(202) 401-9215

## AFDC PROGRAM OVERVIEW

### Eligibility and Benefits

- Aid to Families with Dependent Children (AFDC) provides cash payments primarily to single parent families or two-parent families in which one parent is either incapacitated or unemployed (AFDC-Unemployed Parent, or AFDC-UP). Eligibility requirements and benefit levels are set at the state level. While state participation in the program is voluntary, all 50 states and the District of Columbia operate AFDC programs.
- Benefits levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 per month in AFDC benefits. Food stamp benefits fall as AFDC payments increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefits in all 50 states are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

### Total Caseload and Spending: Levels and Trends

- 13.6 million persons received AFDC in 1992, up from 7.4 million in 1970 and 11.46 million just two years earlier. While the number of recipients is rising, the average size of AFDC families has fallen, from 4.0 in 1970 to 2.9 in 1992.
- These increases have taken place in the face of falling benefit levels. The average monthly AFDC benefit has shrunk from \$542 in 1975 to \$388 in 1992, a 28.4% decline. Nonetheless, the rise in the number of families has driven total expenditures on AFDC up from \$21.3 billion in 1975 to \$22.2 billion in 1992 (constant 1992 dollars).

- Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.317 billion in 1975 to \$20.104 billion in 1992. Spending on AFDC-UP, on the other hand, has risen from \$944 million to \$2.119 billion over the same period. The number of families on AFDC-UP has increased by over 50 percent since 1990, although the average monthly benefit has fallen from \$649 to \$548.
- The share of the federal spending devoted to AFDC family support has declined from 1.5% in 1975 to 1.1% in 1992.

### Recipient Characteristics

- Thirty-eight percent of AFDC recipients in 1991 were white, 39% were Black and 17.4% Hispanic, as compared to 1973, when thirty-eight percent of AFDC recipients were white, 45.8% Black and 13.4% Hispanic.
- Only 7.9% of AFDC families reported any non-AFDC income. Ninety-one percent reported no father in the home (1991).
- Forty percent of female welfare recipients gave birth to their first child before turning 19. Just over half have a high school degree when they enter the AFDC program and 49% had not worked in the 12 months prior to entry (NLSY data).

### The JOBS Program

The Family Support Act of 1988 created a program for welfare recipients, Job Opportunities and Basic Skills (JOBS), to help families on AFDC avoid a long stay on welfare. The program is administered at the state level and non-exempt AFDC recipients are required to participate. Grounds for exemption include illness, pregnancy, and primary care of a very young child (under 3, generally) or an ill family member. The program is targeted to certain groups of AFDC recipients, including families in which the custodial parent is under 24, has not completed high school or has little or no work experience during the past year and families which have received assistance for 36 or more months during the previous 60 months.

- Each state's JOBS program must make an initial assessment of needs, including education, training and supportive services, and the employability of each program participant, and develop an employability plan.
- Each JOBS program must offer the following services: education activities, job skills training, job readiness, job development and placement and supportive services (see below). In addition, programs must offer two of a menu of other services, including on-the-job training, supported work or a Community Work Experience Program (CWEP). State welfare agencies provide the training, education and supportive services either directly or through contracts with Job Training Partnership Act (JTPA) entities, public or private organizations.

- States must provide child care to AFDC recipients if it is necessary in order for them to work or participate in education and training activities, including the JOBS program. In addition, States must reimburse recipients for transportation needed to participate in JOBS.
- Overall, 15 percent of adult non-exempt AFDC recipients nationwide were enrolled in JOBS programs during the last half of Fiscal 1991. Only three states (Kansas, Mississippi and Maryland) failed to reach the 7 percent level mandated by the Family Support Act for FY 1991.
- FY 92 federal funding for the JOBS program was capped at \$1 billion. However, state spending was only sufficient to draw down two-thirds of the available federal funding for FY 1992. Only 11 states claimed their full allocation of federal funding in FY 1992 and only 19 states intend to spend enough to claim their full allocations in FY 1993.
- Evaluations of the JOBS program are currently underway, but the findings are not yet available. Earlier work/welfare programs generally have been found to be cost-effective.

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THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

June 11, 1993

Statement of the Press Secretary

The Domestic Policy Council, chaired by President Clinton, has formed a Working Group on Welfare Reform, Family Support and Independence, charged with developing a plan to fulfill the President's commitment to end welfare as we know it.

The Working Group -- consisting of representatives from over a dozen agencies and departments involved in the task of reforming the country's welfare system -- will spend the summer and fall developing a detailed proposal to make work pay, dramatically improve child support enforcement, expand basic education and job training, and create a time-limited transitional system under which people who can work will go to work.

It will be chaired by Bruce Reed, Deputy Assistant to the President for Domestic Policy; David Ellwood, Assistant Secretary of Health and Human Services for Planning and Evaluation; and the Assistant Secretary of Health and Human Services for Children and Families, after a nominee for that position is confirmed by the Senate.

The Working Group will work closely on a bipartisan basis with Congress, as well as with governors, state and local officials, and others with an interest in welfare reform. To increase public participation, it will conduct hearings, visit model programs around the country, publish working papers, and establish a center for public information and suggestions.

# # #

# ***Working Group on Welfare Reform, Family Support and Independence***

## **Chairs**

Bruce Reed *Deputy Assistant to the President for Domestic Policy*

David Ellwood *Assistant Secretary for Planning and Evaluation, Department of Health and Human Services*

*Assistant Secretary for the Administration for Children and Families, Department of Health and Human Services*

## **Members**

Ken Apfel *Assistant Secretary for Management and Budget, Health and Human Services*

Walter Broadnax *Deputy Secretary, Department of Health and Human Services*

Robert Carver *Deputy Assistant Secretary for Returns Processing, Treasury Department*

Maurice Foley *Office of Tax Policy, Treasury Department*

Thomas Glynn *Deputy Secretary, Department of Labor*

Ellen Haas *Assistant Secretary for Food and Consumer Services, Department of Agriculture*

Elaine Kamarck *Office of the Vice President*

Madeleine Kunin *Deputy Secretary, Department of Education*

Alicia Munnell *Assistant Secretary for Economic Policy, Treasury Department*

Larry Parks *Senior Advisor to the Secretary, Department of Commerce*

Wendell Primus *Deputy Assistant Secretary for Human Services Policy, Department of Health and Human Services*

Julie Samuels *Director, Office of Policy and Management Analysis, Department of Justice*

Isabel Sawhill *Associate Director for Human Resources, Office of Management and Budget*

Eli Segal *Assistant to the President for National Service*

Eugene Sperling *Deputy Assistant to the President for Economic Policy*

Michael Stegman *Assistant Secretary for Policy Development and Research, Department of Housing and Urban Development*

Joseph Stiglitz *Council of Economic Advisors*

Fernando Torres-Gil *Assistant Secretary for Aging, Department of Health and Human Services*

Jeff Watson *Deputy Assistant to the President for Intergovernmental Affairs*

Kathi Way *Special Assistant to the President for Domestic Policy*

*Surgeon General*

*Assistant Secretary for Intergovernmental and Interagency Affairs, Department of Education*

*Assistant Attorney General for Policy Development, Department of Justice*

*Assistant Secretary, Employment and Training Administration, Department of Labor*

PLAN FOR WORKING GROUP ANNOUNCEMENT

→ Call JQ about Charlotte  
→ Lorraine Miller  
→ COMMENTS TO JEREMY

File:  
WR -  
Announcement

1. Press Release

- Draft (Julia Moffett)
- Final List (Kathi Way)
- Materials including talking points and Q&A's (Julia coordinating with Jeremy/Kathi)
- Press inquiries
  - o generally go to White House
  - o HHS handled by Avis Lavelle

2. Congress

- Courtesy call list (Rich Tarplin)
- Link with WH Legislative Office (Kathi and Rich)
- Mailing to all members
  - o Letters and Materials (Jeremy Ben-Ami)
  - o Distribution (Rich Tarplin)

3. Intergovernmental

- Courtesy call list (John Monahan)

4. Labor

- Courtesy call list (Debbie Fine)
- Strategy meeting by 6/11/93 to be arranged by Debbie

5. Other Advocacy Groups

- courtesy call list (Debbie Fine)
- Small group meeting: 6/16/93
  - o invite list (Debbie Fine)
- Large group meeting of Coalition on Human Needs: week of 6/14

6. Mailing

- Mailing list tentatively ready
- Materials drafted
- Question: who is signing letters

[Letter to general mailing list]

To All Interested Groups and Individuals:

On Thursday June 10th, President Clinton announced the interagency Working Group on Welfare Reform, Family Support and Independence. The Working Group, consisting of representatives of a dozen government agencies and offices, will be developing during the summer and fall a program to implement the President's pledge to "end welfare as we know it." The enclosed materials detail the charge to the Working Group, the general principles guiding the Working Group, and the process by which the Group is getting the work accomplished.

We are writing to begin what we hope will be a productive dialogue with individuals and organizations with an interest in welfare reform. We intend to conduct an open and collaborative process, drawing on expertise on Capitol Hill, at the State and local level, in communities, and in the research and academic worlds. We encourage all those with ideas and proposals concerning our work to contact us (see detailed information enclosed). We and our staff will be holding regular briefing sessions, publishing and distributing working papers on aspects of welfare reform, and attending public events around the country to draw on the knowledge and experience of people affected by and working in the welfare system.

We invite you to be an active participant in this important work. We hope that the attached materials are informative and that you will take the time to share with the Working Group your thoughts and suggestions on welfare reform. We look forward to working with you.

Sincerely,

[Letter to Members of Congress]

Dear Member of Congress:

I am pleased to inform you that on Thursday June 10th, President Clinton announced the formation of an interagency Working Group on Welfare Reform, Family Support and Independence. The Working Group, consisting of representatives of a dozen government agencies and offices, will work this summer and fall to develop a program to implement the President's pledge to "end welfare as we know it." I wanted you to hear from us immediately about this group and its work and to stress the importance the President and the Working Group place on working with the Congress in developing this proposal.

The enclosed materials provide you with further information about the President's charge to the Working Group, the general principles guiding its work, and the process by which the Group is getting the work accomplished. [I/We am/are] are writing to begin what [I/we] hope will be a productive dialogue with members of Congress and their staffs. We intend this to be an open and collaborative process, drawing on expertise not only on Capitol Hill, but at the State and local level, in communities, and in the research and academic worlds. The Working Group chairs are opening the dialogue in a series of courtesy calls with leaders of both Houses and the committees that will be working with us to develop welfare reform legislation. If your staff would like further information or a briefing over the next several months, they should be in touch with the office of the Assistant Secretary for Legislation at the Department of Health and Human Services at 690-6311.

We encourage you or your staff to be in touch with the Working Group to share your ideas, concerns and proposals (see detailed information enclosed). We and our staff will be holding regular briefing sessions, publishing and distributing working papers on aspects of welfare reform, and attending public events around the country to draw on the knowledge and experience of people affected by and working in the welfare system.

We invite you to be an active participant in this important work. We hope that the attached materials are informative and that you will feel free to share with the Working Group your thoughts and suggestions on welfare reform. We look forward to working with you.

Sincerely,

# ***Working Group on Welfare Reform, Family Support and Independence***

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~~Alexis Blum~~

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Teff Watson

*Surgeon General*

*Assistant Attorney General for Policy Development*

*Assistant Secretary, Employment and Training Administration, Department of Labor*

## ***Charge to the Working Group on Welfare Reform, Family Support and Independence***

*"We will scrap the current welfare system and make welfare a second chance, not a way of life. We will empower people on welfare with the education, training and child care they need for up to two years so they can break the cycle of dependency. After that, those who can work will have to go to work, either by taking a job in the private sector or through community service."*

*-- President Bill Clinton*

President Clinton has charged the Working Group with developing a proposal to implement his pledge to "end welfare as we know it." The Working Group is guided by four principles at the heart of the President's vision for reform:

**Make Work Pay** -- People who work should not be poor. They should get the support they need to ensure that they can work and adequately support their families. The economic support system must provide incentives that encourage families to work and not discourage them from leaving welfare.

**Dramatically Improve Child Support Enforcement** -- Both parents have a responsibility to support their children. One parent should not have to do the work of two. Only one-third of single parents currently receive any court-ordered child support. The system for identifying fathers and ensuring that their children receive the support they deserve must be strengthened.

**Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare** -- People should have access to the basic education and training they need to get and hold onto a job. Existing programs encouraged by the Family Support Act of 1988 need to be expanded, improved and better coordinated.

**Create a Time-Limited Transitional Support System Followed By Work** -- With the first three steps in place, assistance can be made truly transitional. Those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with them and expected to support their families.

Based on these core principles, the Working Group will be developing a detailed proposal that ultimately will not simply change the welfare system but provide a genuine alternative to it.

## ***Welfare Reform: Next Steps***

The Welfare Reform Working Group is charged with presenting a detailed proposal to the President to create a transitional assistance system in line with the broad principles outlined in his charge to the Group. To tackle this complex task, the Working Group is assigning staff to develop background information and policy options in the following areas:

**Making Work Pay** -- to explore ways of improving the economic incentives to work and the distribution of financial and other supports for the working poor, such as the Earned Income Tax Credit

**Child Support** -- to address issues ranging from paternity establishment and support enforcement to the possibility of a child support insurance/assurance program

**Absent Parents** -- to examine current government policies as they relate to absent parents so that they can better meet their parental responsibilities

**Transitional Assistance** -- to review strategies for providing assistance on a temporary basis along with the education, training, and other supports needed to get off welfare and into jobs

**Post Transitional Work** -- to examine the issues related to employing those reaching the end of their time-limited assistance

**Child Care** -- to explore how best to meet the need for child care in a system of transitional assistance and mandatory work

**Program Simplification** -- to look at the rules and regulations of benefit programs for low income families to find ways to make them more uniform and simple

**Private Sector Job Creation** -- to focus on including in a transitional assistance system the incentives necessary to create jobs for welfare recipients in the private sector

**Prevention/Family Stability** -- to ensure that efforts to prevent out-of-wedlock births and family break-up are given priority in the reform plan

While federal employees will be staffing the Working Group, they will be seeking input and proposals from individuals and organizations outside the government. Those who are interested in providing input, ideas and suggestions are invited to write to the Working Group at the address provided on the following page. Specific proposals as well as general comments are welcome.

## ***Public Input in Welfare Reform***

The Working Group has made public involvement and input a top priority as it develops its proposal for the President. To achieve this, the Working Group will be taking a number of very specific steps to involve the public in its work:

**Hearings/Public Events** -- The Working Group will be holding a series of hearings and events across the country during the summer designed to provide the public with an opportunity to present the Working Group with their ideas and opinions. These events will also allow the Working Group to begin to get public reaction to some of the ideas it is developing. The schedule of these public events should be available by the end of June.

**Working Papers** -- The Working Group will be publishing a series of working papers over the course of the summer and fall to provide information and spark public discussion of the issues underlying the welfare reform effort. These papers will be widely circulated. To receive copies, please write to the Working Group at the address listed below.

**Meetings/Briefings** -- Working Group staff will be setting up briefings and meetings for groups of organizations interested in welfare reform. A special office of Public Liaison is being set up by the Working Group to reach out to organizations concerned with welfare issues to ensure that information is widely disseminated and that a broad range of opinions are being solicited to inform the efforts of the Working Group.

**Intake Center** -- The Working Group is establishing an intake center for all mail and information requests. The Center will ensure that proposals, suggestions, and ideas are forwarded to the appropriate staff and that requests for meetings and speakers are handled in a timely manner. To contact the Working Group, please write to:

Welfare Reform Working Group  
Administration for Children and Families  
370 L'Enfant Promenade SW 6th floor  
Washington, D.C. 20047

ADDITIONAL TALKING POINTS FOR  
LABOR ON WELFARE REFORM

\* We are just beginning this process. We understand there will be issues of concern, and we all know them from the past. We are committed to working closely with you to iron out these issues. [EMPHASIZE that we are calling them ON DAY ONE to open lines of communication].

\* We know you have ideas and programs that you have researched and developed for years, and we want very much to work with you and to learn from what you have learned.

\* We would like to work with you to develop a structure for an on-going consultative process, both with me, David Ellwood and Mary Jo Banes, our staff and the issue groups.

## WELFARE REFORM SCRIPT

### INTRODUCTION

Hi, this is Bruce Reed/David Ellwood. I'm calling from WH/HHS to let you know about a press release that is going out today announcing the formation of the Working Group for welfare reform.

Although there are clearly other issues at the forefront right now, we have started doing the research on this initiative and want to start reaching out for input from groups like, ..... that have been working with these issues for years.

### WORKING GROUP

The Working Group is made up of senior staff from various departments and agencies, and is headed up by myself and Bruce Reed, Deputy Assistant to the President for Domestic Policy/ David Ellwood, Assistant Secretary for Planning and Evaluation at HHS.

The working group members and other staff focusing on welfare reform will be meeting and consulting with advocacy groups, state and local officials, Members of Congress and the academic community on an ongoing basis, for input both on the issues and the process. We will also send out working papers on the issues facing the WG and discussing some of the options under consideration.

We are currently beginning our work with the four principles that the President laid out during the campaign as a skeleton:

- Make work pay
- Dramatically improve child support enforcement
- Provide education, training, and other services to help people get off and stay off welfare
- Create a time-limited transitional support system followed by work

### NEXT STEP

You should be getting a packet of information in the mail early next week with additional and more detailed information on the structure and the process, but I wanted to call you myself today to let you know about it. You should feel free to call whenever you have questions as we move along and as you hear information from other sources.

I would also add that the Coalition on Human Needs will be scheduling a meeting for sometime in the next couple of weeks for all interested groups. Representatives from our group will be

there to give a brief overview and a chance for questions and answers.

**WRAP UP**

I want to underscore that this is the beginning of an ongoing dialogue. We are planning on presenting a proposal to the President by the end of the year, and before that time there will be plenty of opportunity to work together, and we are committed to doing that.

# HHS NEWS DRAFT

#162

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
(d r a f t)

Contact: Michael Kharfen  
(202) 401-9215

## HHS RELEASES PRESIDENT'S FAST-TRACK WELFARE REFORM DEMONSTRATION APPLICATION

HHS Secretary Donna E. Shalala released today a simplified application process that will enable states to submit welfare reform demonstrations and obtain approval within 30 days. President Clinton announced the new fast-track demonstration initiative two weeks ago at the National Governors' Association.

"The Clinton administration is helping governors enact real welfare reform in their states today even as Congress delays on national legislation," said Secretary Shalala. "We will help more states join the two-thirds that are already acting to move welfare recipients into work, promote parental responsibility and protect children."

Quick approval will be granted for state projects that meet one or more of five strategies outlined by the president. States can establish new work requirements with adequate child care, impose time limits followed by jobs for those willing to work, require minor mothers to live at home and stay in school, make parents pay child support or go to work, and use Aid to Families with Dependent Children (AFDC), and food stamps as cash subsidies to private employers to hire welfare recipients.

"More than half of all welfare recipients in the country are covered by demonstrations already approved by the Clinton administration," said Mary Jo Bane, assistant secretary for children and families. "We are encouraging states to use this quick and easy process to end welfare as we know it."

Letters will be sent to Governors and state social service commissioners today with the application.

In addition, HHS is creating a new electronic application process through the Internet, to make information available more quickly and to enable applications to be sent directly via E-mail. The new process is to be available at for web users at <http://www.acf.dhhs.gov>.

###

# HHS FACT SHEET DRAFT

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

August 16<sup>17</sup>, 1995

Contact: ACF Press Office  
(202) 401-6915

"So I say to you today, if you pass laws like these or come up with plans like these that require people on welfare to work, that cut off benefits after a time certain for those who won't work, that make teen mothers stay at home and stay in school, that make parents pay child support or go to work to earn the money to do it, or that use welfare benefits as a wage supplement for private employers who give jobs to people on welfare, if you do that, you sign them, you send them to me, and we will approve them within 30 days. Then we will have real welfare reform even as Congress considers it."

-- President Clinton  
Remarks to the National Governors Association  
July 31, 1995

The Clinton administration has already approved welfare waivers for two-thirds of the states, giving them freedom from federal rules to implement their own welfare reforms. Now, President Clinton is making it even easier for states to move people from welfare to work. Through a new executive action, President Clinton is simplifying the waiver application process and dramatically cutting the approval time from 120 to 30 days for state reforms that incorporate one or more of the following five strategies. Many states are already using these strategies to transform their welfare systems through waivers granted by this administration. In the absence of Congressional action, the Clinton administration is acting -- by putting states across the country on a fast track to ending welfare as we know it.

Under the new fast-track process, states will have the authority to:

- 1) **Require people on welfare to work and provide any necessary child care to permit them to do it.** States can require recipients to work in subsidized or unsubsidized jobs, to perform community service, or to engage in job search and serious job preparation. They can narrow the categories of recipients that are exempt from work requirements. They can also increase progressively the sanctions for non-compliance, so that work requirements have more teeth. To protect children, states must ensure that child care is available for those who are being required to work.

- 2) **Set time limits for welfare receipt to be followed by work, and cut people off if they turn down jobs.** States could develop a system of individualized time limits. They could also develop a system of time limits followed by work, preferably in the private sector, in subsidized work or community service if necessary. As a third alternative, states could establish time limits, with protections for those who are unable to work or find a job. Under any of the options, states can remove from the rolls those who turn down a bona fide job offer.
- 3) **Require non-custodial parents to pay child support or go to work to pay off what they owe.** States would be able to require unemployed or underemployed non-custodial parents who owe child support to work, or to participate in work experience, community service, or job preparation activities.
- 4) **Require under-age mothers to live at home and stay in school.** Minor mothers can be required to live with parents or relatives or in a supervised living situation, as long as the home is not dangerous to their physical or emotional health or safety. States can direct the AFDC payment to the responsible adult, rather than to the minor mother, and can require parents of minor mothers to assume financial responsibility for their children. States also can require minor mothers to stay in school, and can adopt reasonable sanctions and incentives tied to school attendance.
- 5) **Pay the cash value of welfare and food stamps to private employers as wage subsidies when they hire individuals on welfare or who leave welfare and go to work.** States can set up systems where AFDC and Food Stamps benefits become wages, paid by employers when recipients work, as long as the jobs meet minimum standards, and families receive at least as much total income as they would have on AFDC. States can choose to ask employers to pay into an account to help the recipient make the transition into unsubsidized employment.

Waiver requests that fall outside the boundaries of these five strategies will be considered as well, under the expeditious process the administration has already established for considering waiver demonstrations.

###



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

AUG 16 1995

The Honorable Fob James  
Governor of Alabama  
State Capitol  
Montgomery, Alabama 36130

Dear Governor James:

As you know, in his speech to the National Governors' Association, President Clinton set forth a challenge and opportunity for the nation's governors: "We don't have to wait for Congress to go a long way toward ending welfare as we know it. We can build on what we've already done.... We can do more based on what states already know will work to promote work and to protect children."

The President asked me to develop a fast-track waiver review process for approving state reforms that incorporate one or more of five innovative strategies that emphasize work and responsibility. These are strategies that many states already are using to reform their welfare system through waivers already granted by our Department. As the President stated in Burlington, Vermont, we will approve within 30 days waiver requests that embody these strategies.

Specifically, under our new fast-track process, HHS will provide states with the authority to:

- 1) **Require people on welfare to work and provide any necessary child care to permit them to do it.** States can require recipients to work in subsidized or unsubsidized jobs, to perform community service or to engage in job search and serious job preparation. They can narrow the categories of recipients that are exempt from work requirements. They also can increase progressively the sanctions for non-compliance, so that work requirements have more teeth. To protect children, states must ensure that child care is available for those who are being required to work.
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- 3) **Require non-custodial parents to pay child support or go to work to pay off what they owe.** States would be able to require unemployed or underemployed non-custodial parents who owe child support to work, or to participate in work experience, community service or job preparation activities.

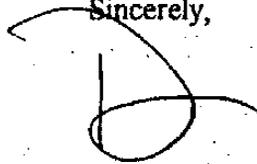
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Today we will forward to your staff a simple form that you can use to apply for waivers to demonstrate any or all of these strategies. Your requests under this procedure will be approved within thirty days. Waiver requests that fall outside the boundaries of these five strategies will be considered as well, under the expeditious process we already have established for considering waiver demonstrations.

If you have any questions, please do not hesitate to contact me or have your staff contact John Monahan at (202) 690-6060.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. Shalala', with a large, stylized initial 'D' and a flourish extending to the right.

Donna E. Shalala



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

Dear Governor:

As you know, in his speech to the National Governors' Association, President Clinton set forth a challenge and opportunity for the nation's governors: "We don't have to wait for Congress to go a long way toward ending welfare as we know it. We can build on what we've already done.... We can do more based on what states already know will work to promote work and to protect children."

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If you have any questions, please do not hesitate to contact me or have your staff contact John Monahan at (202) 690-6060.

Sincerely,

Donna E. Shalala

some supplemental provisions in orders.

In addition, many consumer protection federal court orders simply prohibit violations of Commission trade regulation rules (e.g., Disclosure requirements and Prohibitions concerning Franchising and Business Opportunity Ventures, 16 CFR 436) or rules other than the FTCA enforced by the Commission (e.g., Equal Credit Opportunity Act, 15 U.S.C. 1691). The provisions in such orders are presumptively valid beyond twenty years in that they require adherence to regulations and statutes that are already binding on the defendants as well as their competitors. Moreover, many of these orders do not contain supplemental provisions other than those that, as a matter of Commission policy, normally terminate after up to ten years. Therefore, there is no compelling reason to sunset such orders.

Finally, most competition and some consumer protection federal court orders simply prohibit violations of Commission administrative orders. These federal court orders will cease to have any effect once the underlying administrative orders are terminated pursuant to this Policy Statement. Therefore, there is no compelling reason to sunset these federal court orders.

By direction of the Commission,

Issued: August 7, 1995

Donald S. Clark,  
Secretary.

Concurring Statement of Commissioner  
Mary L. Azcunaga Concerning Revised  
Statement of Policy On Duration of  
Commission Orders

August 1995.

The Commission today has approved a revised statement issued in July, 1994, that applied only prospectively and did not apply to consumer protection orders. In 1994, when the Commission issued its statement, I wrote separately to say that the Commission should apply a sunset policy to all its administrative orders, both consumer protection and competition orders and existing and future orders. I also expressed the view that the Commission need not issue individual orders modifying or vacating existing orders but easily could accomplish the same goal through publication of an appropriate notice in the *Federal Register*. I am gratified that today's statement is fully consistent with my laws of a year ago and now. I am pleased to join the Commission in its current decision.

[FR Doc. 95-20144 Filed 8-15-95; 8:45 am]

SELLING CODE 0730-01-M

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Administration for Children and Families

#### Aid to Families With Dependent Children Program: Demonstration Projects Under Section 1115(a) of the Social Security Act

**AGENCIES:** Office of the Secretary; Administration for Children and Families (ACF), HHS.

**ACTION:** Public Notice.

**SUMMARY:** This public notice invites States to submit demonstration project applications under section 1115(a) of the Social Security Act to test welfare reform strategies in various areas. It further advises that the Department would commit to approving applications that comply with the demonstration components within 30 days of receipt.

**FOR FURTHER INFORMATION CONTACT:** Howard Rolston, Administration for Children and Families, Department of Health and Human Services, 370 L'Enfant Promenade, 7th Floor, West Wing, Washington, DC 20447, (202) 401-6220.

#### SUPPLEMENTARY INFORMATION:

##### I. General

Under Section 1115, the Department of Health and Human Services (HHS) is given latitude, subject to the requirements of the Social Security Act, to consider and approve demonstration proposals that are likely to assist in promoting the objectives of titles IV-A and B and XIX of the Act. The Department believes that State experimentation provides valuable knowledge that will help lead to improvements in achieving the purposes of the Act. Since January 1992, HHS has approved 33 welfare reform demonstration projects testing a broad range of strategies designed to promote the objectives of title IV.

The Department has reviewed the provisions of these projects, as well as those of prior projects, data from completed and continuing projects, other literature evaluating the welfare system, and the welfare reform proposals being considered by Congress. Based on this review, and our commitment to transform the Aid to Families With Dependent Children system into one that provides maximum opportunities and incentives for families to achieve financial independence, we have identified five strategies for improving the efficacy of the welfare system in helping recipients

become self-sufficient for which we believe additional experimentation would be especially useful. We have concluded that demonstrations testing these strategies are likely to provide important new information on ways to accomplish the objectives of the Social Security Act more effectively and efficiently. This information can guide the development of both national and state policy.

These strategies are: (1) Work requirements, including limited exemptions from such requirements; (2) time-limited assistance for those who can work; (3) improving payment of child support by requiring work for those owing support; (4) requirements for minor mothers to live at home and stay in school; and (5) public-private partnerships under which AFDC grants are diverted to private employers to develop jobs and training programs. These areas, and approvable demonstration project provisions, are discussed in detail in section II below.

To date, the Department has approved a number of demonstration projects including components using one or more of these strategies. We have reviewed comments submitted regarding each of these strategies. Our overall judgment is that testing additional demonstrations in each of these areas would likely promote financial security for dependent children within a stable family and, thus, further the objectives of the Social Security Act. (Specific rationales justifying demonstrations in each policy area are set out in section II.) Moreover, in view of every State's unique circumstances, the Department believes that it is critically important that each State be given the opportunity to test combination(s) of these strategies that are designed to address the needs of the recipients in that State.

Accordingly, we plan to approve within 30 days of receipt demonstration project applications that States submit which would implement, on a statewide or substate basis, any (or any combination) of the provisions discussed in section II. Further, because such projects may incorporate only the provisions already announced in this notice, which have been found by the Secretary to further the objectives of the Social Security Act, the Department will not apply its "Federal Notice" procedures generally applicable to demonstration projects. 59 Fed. Reg. 49250 (1994). Other policies and procedures stated in that notice remain applicable, including state public notice requirements, rigorous evaluation, and cost neutrality, except that the application and review process with

respect to the latter two requirements will be modified to facilitate the faster process.

## II. Demonstration Project Areas and Techniques

### A. Requiring People on Welfare to Work and Providing Adequate Child Care to Permit Them To Do It

Since Congress enacted the JOBS program in 1988, a central goal of the AFDC program has been to move recipients into the labor force, while ensuring that their children receive necessary child care while their parents are in activities that promote self-sufficiency. There is a mounting body of evidence that mandatory activities involving a connection with the work force can lead to substantial increases in employment and earnings among welfare recipients. Studies of various welfare-to-work approaches, conducted over the past decade in different parts of the country subject to different labor market conditions, have consistently shown significant gains in earnings. In the most recent results, from three sites in the Department's JOBS Evaluation, an approach emphasizing job search, work activity, and short-term employment-focused training yielded a 23-percent increase in overall employment and a 22-percent reduction in AFDC expenditures at the two-year point, and a 36-percent increase in employment with earnings equivalent to at least \$10,000 per year.

Although much is known in general about the effectiveness of such programs, more study is needed concerning what works and which approaches are most effective for which individuals. Therefore, we are inviting demonstrations that test the effects of requiring recipients to work in subsidized or unsubsidized jobs, to perform community service, or to engage in rigorous job search and job preparation. States can narrow the categories of recipients that are exempt from work requirements. They also can test the effects of progressively increasing the sanctions for non-compliance, so that work requirements have more teeth. To protect children, states must ensure that child care is available for those who are being required to work.

### B. Setting Time Limits for Welfare Receipt, to be Followed by Work

Most of the people who enter the welfare system do not stay on AFDC for many consecutive years. Two out of three persons who enter the welfare system leave within two years and fewer than one in ten spends five consecutive

years on AFDC. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods represent only a modest percentage of all people who ever enter the system, they do represent a high proportion of those on welfare at any given time. Finding ways of helping these persons become self-sufficient is extremely important in promoting their well-being and that of their children. Although many face serious barriers to employment, others are able to work but are not moving in the direction of self-sufficiency.

Many analysts believe that time-limited benefits would help to move employable welfare recipients toward work and away from reliance on welfare. There is not a large body of research in this area. Several states have begun demonstrations of various forms of time limits. More study is needed in order to know the effects of time limits.

For this reason, we are inviting demonstrations that test the effects of systems of individualized time limits, systems of time limits followed by work, preferably in the private sector, in subsidized work or community service if necessary, and systems of straight time limits, with exemptions from the time limit for those who, despite good faith efforts, are unable to work or find a job. Consistent with the objectives of the Act, demonstrations must protect families where the adult, through no fault of her or his own, is unable to find employment.

### C. Requiring Fathers to Pay Child Support or go to Work to Pay Off What They Owe

There is substantial evidence that many custodial parents now receiving AFDC would not need this support if they received child support from the non-custodial parent. One of the primary reasons for non-support by some non-custodial parents, especially never-married fathers, is unemployment and underemployment. Many of these fathers need both assistance and incentives to obtain employment and pay support. Without work requirements, job readiness assistance, job training, and community service, it will be difficult for many of these fathers to contribute very much to the financial support of their children.

The available program evaluation research focusing on non-custodial parents indicates that a number of programs show promise in assisting these fathers to support their children. The Parents' Fair Share (PFS)

demonstration programs have developed effective procedures to identify eligible non-custodial parents and have established court-based processes to require fathers to participate in work-based program activities and to enforce regular participation. Preliminary data from PFS shows that the work and training requirements provide states a promising mechanism to discover previously unreported income of non-paying, non-custodial parents. Also, in the PFS sites, as well as in other non-custodial parent demonstration programs, title IV-D agencies have developed flexible and responsive child support enforcement systems to complement non-custodial parent work and training requirements.

Further testing of these requirements will assist us in determining whether this approach will result in increased child support payments and will enhance non-custodial parents' overall support of their children. To build on the knowledge base being developed through PFS and similar demonstrations, we are inviting demonstrations that require unemployed or underemployed non-custodial parents who owe child support to work or participate in work experience, community service, or job preparation activities.

### D. Requiring Minor Mothers to Live at Home and Stay in School

It has become increasingly important to obtain at least a high school diploma in order to obtain employment and become self-sufficient. Moreover, a high school diploma may be essential to achieve a decent standard of living.

A study of teenage childbearing in the 1980's found that in 1988 only 56 percent of women in their twenties who had given birth at age 17 or younger had completed high school, compared with over 90 percent of those who delayed childbearing until after their teenage years. Little has changed since then. While we are beginning to obtain more knowledge of the types of programs that are successful in encouraging and helping minor mothers finish high school, we need to know considerably more about what works. Therefore, demonstrations testing ways of helping minor parents complete schooling are extremely important.

Congress already has recognized that one means of helping minor parents complete school and meet the needs of their children is to have these young parents live with their own families. States now have the option of requiring minor parents to live at home, provided that this is a safe environment for them. To facilitate these arrangements, and to

ensure that AFDC benefits are spent in a manner that achieves the goals of the Social Security Act, a number of states are experimenting with programs that direct the AFDC payment to the responsible adult, rather than to the minor mother. This strategy recognizes the importance of promoting general family responsibility.

Another strategy that has had success in Ohio and several other demonstration sites is setting up incentives and penalties for teen parents designed to have them stay in school. The recently completed study of Ohio LEAP found the program to be successful in increasing the rate at which teens who were already enrolled in school remained enrolled and in increasing the rate at which those who had already dropped out of school returned to high school or an equivalent program. Further testing of this type of strategy should enable us to determine whether these results can be replicated, and improved upon, in other settings and through variations in program design.

For these reasons, we are inviting demonstrations that require minor mothers to live with parents or relatives or in a supervised living situation, as long as the home is not dangerous to the physical or emotional health or safety of the minor; that direct the AFDC payment to the responsible adult, rather than to the minor mother; and that require minor mothers to stay in school and utilize reasonable sanctions and incentives tied to school attendance.

#### *8. Paying the Cash Value of Welfare and Food Stamps to Private Employers as Wage Subsidies When They Hire People Who Leave Welfare and Go To Work*

The effectiveness of subsidized employment in increasing employment, earnings, and self-sufficiency has been studied over the last 20 years. A number of rigorously evaluated programs have shown positive effects on increasing the earnings of welfare recipients who participated in them. This was also found to be true in the more recent national evaluation of the Job Training Partnership Act program.

By combining AFDC and Food Stamp benefits, a state could create a very substantial subsidy that encourages employers to hire AFDC recipients. This form of wage subsidy has the potential of increasing the number of recipients who are able to obtain unsubsidized employment.

Subsidized employment has generally been a very small scale activity within the JOBS program. Demonstrations using AFDC and Food Stamp benefits would provide important information on the ability of this approach, when

applied on a larger scale, to increase the employment, earnings, and self-sufficiency of AFDC recipients. They also will provide important information regarding the degree to which employers respond to wage subsidies.

Therefore, we are inviting demonstrations of systems where AFDC and Food Stamp benefits become wages, paid by employers when recipients work, as long as the jobs meet minimum standards, and families receive at least as much total income as they would have from AFDC and Food Stamps. States can choose to ask employers to pay into an account to help the recipient make the transition into unsubsidized employment.

#### Information on Application

The Administration for Children and Families, will be mailing state welfare departments a "Welfare Reform Demonstration: Special Application Form". This form should facilitate requests for waivers in the five specified areas. Requests for further information and/or forms should be addressed to Howard Rolston at the address listed above. Additionally, by August 21, 1995, states can obtain information on the waiver process and on electronic filing of waiver applications on the internet. On the world wide web, the URL (universal resource locator) is <http://www.acf.dhhs.gov>. Gopher users can use [gopher.acf.dhhs.gov](http://www.acf.dhhs.gov).

(Catalog of Federal Domestic Assistance Program, No. 93882; Assistance Payments—Research)

Dated: August 11, 1995.

Mary Jo Bass,

Assistant Secretary for Children and Families.

[FR Doc. 95-20294 Filed 8-15-95; 8:45 am]

BILLING CODE 4120-01-P

#### **Pending Demonstration Project Proposal Submitted by Florida Pursuant to Section 1115(a) of the Social Security Act**

**AGENCY:** Administration for Children and Families, HHS.

**ACTION:** Notice.

**SUMMARY:** This notice describes a new proposal for a combined welfare reform/Medicaid demonstration project submitted to the Department of Health and Human Services. Federal approval for the proposal has been requested pursuant to section 1115 of the Social Security Act.

**COMMENTS:** We will accept written comments on this proposal. We will, if feasible, acknowledge receipt of all comments, but we will not provide written responses to comments. We

will, neither approve nor disapprove any component of the proposal for at least 30 days following the date of receipt of the proposal to allow time to consider comments. In addition, we will neither approve or disapprove the school attendance component for at least 30 days following the date of this notice. Direct comments as indicated below.

**ADDRESSES:** For specific information or questions on the content of this project contact the State contact listed in II.

Comments on a proposal or requests for copies of a proposal should be addressed to: Howard Rolston, Administration for Children and Families, 370 L'Enfant Promenade, S.W., Aerospace Building, 7th Floor West, Washington DC 20447. Fax: (202) 205-8598 Phone: (202) 401-9220.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Background**

Under Section 1115 of the Social Security Act (the Act), the Secretary of Health and Human Services (HHS) may approve research and demonstration project proposals with a broad range of policy objectives.

In exercising her discretionary authority, the Secretary has developed a number of policies and procedures for reviewing proposals. On September 27, 1994, we published a notice in the Federal Register (59 FR 48249) that specified (1) the principles that we ordinarily will consider when approving or disapproving demonstration projects under the authority in section 1115(a) of the Act; (2) the procedures we expect States to use in involving the public in the development of proposed demonstration projects under section 1115; and (3) the procedures we ordinarily will follow in reviewing demonstration proposals. We are committed to a thorough and expeditious review of State requests to conduct such demonstrations.

##### **II. Pending Proposal Received From Florida**

**Project Title:** Florida—Family Transition Program (Amendments).

**Description:** Would expand the Family Transition Program demonstration, currently operating in two counties, to six additional counties. The demonstration limits, with some exceptions, AFDC benefits to 24 months in any 60-month period followed by participation in transitional employment. For families subject to the time limit, it replaces current \$90 and \$30 and one-third disregard with a single, non-time-limited disregard of \$200 plus one-half of the remainder;

# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
Thursday, July 8, 1993

Contact: HHS Press Office  
(202) 690-6343

At their first briefing for reporters, held today at the Department of Health and Human Services, the co-chairs of the administration's welfare reform working group promised an "open and collaborative" process which will include a number of regional visits to gather public comments.

David Ellwood and Bruce Reed, co-chairs of the Working Group on Welfare Reform, Family Support and Independence, held the briefing as the working group undertakes a public process of developing ideas and policy options to fulfill President Clinton's pledge to "end welfare as we know it."

The process of developing reform recommendations for the president will involve a series of regional visits; close cooperation with members of Congress, governors, state legislators, state welfare directors, mayors and other local government officials; publication of a series of briefing papers; meetings with numerous groups and organizations interested in welfare reform; and establishment of an "intake center" to ensure that all proposals, suggestions and ideas are considered.

Regional visits are being scheduled for Chicago Aug. 11 and Washington, D.C., Aug. 19, and in New Jersey, California and Tennessee.

Ellwood is HHS assistant secretary for planning and evaluation, and Reed is deputy assistant to the president for domestic policy. A third co-chair will be the HHS assistant secretary for children and families; Mary Jo Bane has been nominated for the position.

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## *Public Input in Welfare Reform*

The Working Group has made public involvement and input a top priority as it develops its proposal for the President. To achieve this, the Working Group will be taking a number of specific steps to involve the public in its work:

**Hearings/Public Events** -- The Working Group will be holding a series of hearings and events across the country during the summer designed to provide the public with an opportunity to present the Working Group with their ideas and opinions. These events will also allow the Working Group to begin to get public reaction to some of the ideas it is developing.

**Working Papers** -- The Working Group will be publishing a series of working papers over the course of the summer and fall to provide information and spark public discussion of the issues underlying the welfare reform effort. These papers will be widely circulated. To receive copies, please write to the Working Group at the address listed below.

**Meetings/Briefings** -- Working Group staff will be setting up briefings and meetings for groups of organizations interested in welfare reform. A special office of Public Liaison is being set up by the Working Group to reach out to organizations concerned with welfare issues to ensure that information is widely disseminated and that a broad range of opinions are being solicited to inform the efforts of the Working Group.

**Intake Center** -- The Working Group is establishing an intake center for all mail and information requests. The Center will ensure that proposals, suggestions, and ideas are forwarded to the appropriate staff and that requests for meetings and speakers are handled in a timely manner. To contact the Working Group, please write to:

Welfare Reform Working Group  
Administration for Children and Families  
370 L'Enfant Promenade SW 6th floor  
Washington, D.C. 20047

## **Welfare Reform: Next Steps**

The Welfare Reform Working Group is charged with presenting a detailed proposal to create a transitional assistance system in line with the broad principles outlined by the President. To tackle this complex task, the Working Group is assigning staff to develop background information and policy options in the following areas:

**Making Work Pay** -- to explore ways of improving the economic incentives to work and the distribution of financial and other supports for the working poor, such as the Earned Income Tax Credit

**Child Support** -- to address issues ranging from paternity establishment and support enforcement to the possibility of a child support insurance/assurance program

**Absent Parents** -- to examine current government policies as they relate to absent parents so that they can better meet their parental responsibilities

**Transitional Support** -- to review strategies for providing assistance on a temporary basis along with the education, training, and other supports needed to get off welfare and into jobs

**Post Transitional Work** -- to examine the issues related to employing those reaching the end of their time-limited assistance

**Child Care** -- to explore how best to meet the need for child care in a system of transitional assistance and mandatory work

**Program Simplification** -- to look at the rules and regulations of benefit programs for low income families to find ways to make them more uniform and simple

**Private Sector Job Creation** -- to focus on including in a transitional assistance system the incentives necessary to create jobs for welfare recipients in the private sector

**Prevention/Family Stability** -- to ensure that efforts to prevent out-of-wedlock births and family break-up are given priority in the reform plan

While federal employees will be staffing the Working Group, they will be seeking input and proposals from individuals and organizations outside the government. Those who are interested in providing input, ideas and suggestions are invited to write to the Working Group. Specific proposals as well as general comments are welcome.

WELFARE & WELFARE REFORM PRESS CONTACTS

Avis LaVelle  
HHS Assistant Secretary for Public Affairs  
(202) 690-7850

Julia Moffett  
White House Communications  
(202) 456-7151

Melissa Skolfield  
HHS Deputy Assistant Secretary for Public Affairs/Policy,  
Communications  
(202) 690-6853

HHS Press Office  
638-E Humphrey Building  
200 Independence Ave., S.W.  
Washington, D.C. 20201  
(202) 690-6343

Administration for Children and Families Press Office  
901 D Street, S.W.  
Washington, D.C. 20447  
(202) 401-9215

**Charge to the Working Group on  
Welfare Reform, Family Support and Independence**

**"It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it -- not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever."**

**-- President Bill Clinton  
Putting People First**

President Clinton has charged the Working Group to develop a proposal to "end welfare as we know it." The Working Group is guided by four principles underlying the President's vision for reform:

**Make Work Pay** -- People who work should not be poor. They should get the support they need to ensure that they can work and adequately support their families. The economic support system must provide incentives that encourage families to work and not stay on welfare.

**Dramatically Improve Child Support Enforcement** -- Both parents have a responsibility to support their children. One parent should not have to do the work of two. Only one-third of single parents currently receive any court-ordered child support. The system for identifying fathers and ensuring that their children receive the support they deserve must be strengthened.

**Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare** -- People should have access to the basic education and training they need to get and hold onto a job. Existing programs encouraged by the Family Support Act of 1988 need to be expanded, improved and better coordinated.

**Create a Time-Limited Transitional Support System Followed By Work** -- With the first three steps in place, assistance can be made truly transitional. Those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with work and expected to support their families.

Based on these core principles, the Working Group will be developing a detailed proposal that will not simply change the welfare system but will ultimately provide a genuine alternative to it.

*Working Group on Welfare Reform,  
Family Support and Independence*

**Chairs**

Bruce Reed *Deputy Assistant to the President for  
Domestic Policy*

David Ellwood *Assistant Secretary for Planning and Evaluation,  
Department of Health and Human Services*

*Assistant Secretary for the Administration for  
Children and Families, Department of Health and  
Human Services (Mary Jo Bane nominated)*

**Members**

Ken Apfel *Assistant Secretary for Management and  
Budget, Health and Human Services*

Walter Broadnax *Deputy Secretary, Department of Health and  
Human Services*

Robert Carver *Deputy Assistant Secretary for Returns  
Processing, Treasury Department*

Maurice Foley *Office of Tax Policy, Treasury Department*

Thomas Glynn *Deputy Secretary, Department of Labor*

Ellen Haas *Assistant Secretary for Food and Consumer  
Services, Department of Agriculture*

Elaine Kamarck *Office of the Vice President*

Madeleine Kunin *Deputy Secretary, Department of Education*

Alicia Munnell *Assistant Secretary for Economic Policy,  
Treasury Department*

Larry Parks *Senior Advisor to the Secretary, Department  
of Commerce*

Wendell Primus *Deputy Assistant Secretary for Human Services  
Policy, Department of Health and Human  
Services*

Julie Samuels *Director, Office of Policy and Management  
Analysis, Department of Justice*

Isabel Sawhill *Associate Director for Human Resources,  
Office of Management and Budget*

Eli Segal *Assistant to the President for National  
Service*

Eugene Sperling *Deputy Assistant to the President for  
Economic Policy*

Michael Stegman *Assistant Secretary for Policy Development  
and Research, Department of Housing and Urban  
Development*

Joseph Stiglitz *Council of Economic Advisors*

Fernando Torres-Gil *Assistant Secretary for Aging, Department of  
Health and Human Services*

Jeff Watson *Deputy Assistant to the President for  
Intergovernmental Affairs*

Kathi Way *Special Assistant to the President for  
Domestic Policy*

Surgeon General  
Assistant Secretary for Intergovernmental and  
Interagency Affairs, Department of Education  
Assistant Attorney General for Policy Development,  
Department of Justice  
Assistant Secretary, Employment and Training  
Administration, Department of Labor

# HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

July, 1993

## A Brief Overview of the EITC and Welfare Reform

Work is not a guarantee to escaping poverty.

- \* *In 1991, some 9.2 million workers were poor, 2.1 of whom worked full-time year round.*
- \* *And fully 5.5 million people living in poor families with children were part of a family containing a member who worked full-time year round.*

The EITC is a work-based refundable tax credit for low-income heads of households with children designed to help the working poor. Under current law, a family head with more than one child earns a 25-cent credit for each additional dollar earned up to \$7,990. Thus, a full-time, full-year worker at the minimum wage would receive a credit of \$1,998. The credit is reduced by almost 18 cent for each dollar earned above \$12,580, ending when earnings \$23,760 for the year.

Under the administration's proposal, that same family in 1995 would receive almost 40 cents for each dollar earned up to a maximum credit of \$3,375. And that same family would get some assistance through this program until their earnings hit \$28,000.

The administration's proposed EITC expansion would essentially lift families with 4 persons or less who were working full-time, full-year at a minimum wage job above poverty. The expanded EITC is very important to those groups who historically have not fared well in the labor market.

Compared to having no EITC at all, the proposed EITC would amount to a 40 percent higher return from working. Compared to current law, a two parent family with two children and one full-time minimum wage worker will get almost \$1,400 more per year. In effect, this budget raises the pay for such a person by 15 percent over what the situation was previously.

Single parents considering work instead of welfare will see a similar increase. For example, a woman with two children in Pennsylvania earning \$10,000 a year now has only \$2,000 more income than a welfare mother with no earnings. Under the President's proposal this family will have an additional \$1,300 or \$3,300 more than the non-working welfare mother. The return to work for this family has increased by 65 percent.

More generally, the proposed expansion in the EITC will substantially increase the anti-poverty effectiveness of government tax and welfare policy. In 1994, if the President's EITC proposal is enacted, over 2 million people will be removed from poverty even if no more people go to work. And we expect to move more people to work.

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# HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

July, 1993

Contact: ACF Press Office  
(202) 401-9215

## AFDC PROGRAM OVERVIEW

### Eligibility and Benefits

- Aid to Families with Dependent Children (AFDC) provides cash payments primarily to single parent families or two-parent families in which one parent is either incapacitated or unemployed (AFDC-Unemployed Parent, or AFDC-UP). Eligibility requirements and benefit levels are set at the state level. While state participation in the program is voluntary, all 50 states and the District of Columbia operate AFDC programs.
- Benefits levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 per month in AFDC benefits. Food stamp benefits fall as AFDC payments increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefits in all 50 states are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

### Total Caseload and Spending: Levels and Trends

- 13.6 million persons received AFDC in 1992, up from 7.4 million in 1970 and 11.46 million just two years earlier. While the number of recipients is rising, the average size of AFDC families has fallen, from 4.0 in 1970 to 2.9 in 1992.
- These increases have taken place in the face of falling benefit levels. The average monthly AFDC benefit has shrunk from \$542 in 1975 to \$388 in 1992, a 28.4% decline. Nonetheless, the rise in the number of families has driven total expenditures on AFDC up from \$21.3 billion in 1975 to \$22.2 billion in 1992 (constant 1992 dollars).

- Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.317 billion in 1975 to \$20.104 billion in 1992. Spending on AFDC-UP, on the other hand, has risen from \$944 million to \$2.119 billion over the same period. The number of families on AFDC-UP has increased by over 50 percent since 1990, although the average monthly benefit has fallen from \$649 to \$548.
- The share of the federal spending devoted to AFDC family support has declined from 1.5% in 1975 to 1.1% in 1992.

### Recipient Characteristics

- Thirty-eight percent of AFDC recipients in 1991 were white, 39% were Black and 17.4% Hispanic, as compared to 1973, when thirty-eight percent of AFDC recipients were white, 45.8% Black and 13.4% Hispanic.
- Only 7.9% of AFDC families reported any non-AFDC income. Ninety-one percent reported no father in the home (1991).
- Forty percent of female welfare recipients gave birth to their first child before turning 19. Just over half have a high school degree when they enter the AFDC program and 49% had not worked in the 12 months prior to entry (NLSY data).

### The JOBS Program

The Family Support Act of 1988 created a program for welfare recipients, Job Opportunities and Basic Skills (JOBS), to help families on AFDC avoid a long stay on welfare. The program is administered at the state level and non-exempt AFDC recipients are required to participate. Grounds for exemption include illness, pregnancy, and primary care of a very young child (under 3, generally) or an ill family member. The program is targeted to certain groups of AFDC recipients, including families in which the custodial parent is under 24, has not completed high school or has little or no work experience during the past year and families which have received assistance for 36 or more months during the previous 60 months.

- Each state's JOBS program must make an initial assessment of needs, including education, training and supportive services, and the employability of each program participant, and develop an employability plan.
- Each JOBS program must offer the following services: education activities, job skills training, job readiness, job development and placement and supportive services (see below). In addition, programs must offer two of a menu of other services, including on-the-job training, supported work or a Community Work Experience Program (CWEP). State welfare agencies provide the training, education and supportive services either directly or through contracts with Job Training Partnership Act (JTPA) entities, public or private organizations.

- States must provide child care to AFDC recipients if it is necessary in order for them to work or participate in education and training activities, including the JOBS program. In addition, States must reimburse recipients for transportation needed to participate in JOBS.
- Overall, 15 percent of adult non-exempt AFDC recipients nationwide were enrolled in JOBS programs during the last half of Fiscal 1991. Only three states (Kansas, Mississippi and Maryland) failed to reach the 7 percent level mandated by the Family Support Act for FY 1991.
- FY 92 federal funding for the JOBS program was capped at \$1 billion. However, state spending was only sufficient to draw down two-thirds of the available federal funding for FY 1992. Only 11 states claimed their full allocation of federal funding in FY 1992 and only 19 states intend to spend enough to claim their full allocations in FY 1993.
- Evaluations of the JOBS program are currently underway, but the findings are not yet available. Earlier work/welfare programs generally have been found to be cost-effective.

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THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript

June 15, 1994

PRESS BRIEFING

BY

THE PRESIDENT,

OFFICE OF MANAGEMENT AND BUDGET DIRECTOR LEON PANETTA,  
SECRETARY OF HEALTH AND HUMAN SERVICES DONNA SHALALA,  
ASSISTANT SECRETARY OF HHS FOR PLANNING AND EVALUATION DAVID ELWOOD,  
ASSISTANT SECRETARY OF HHS FOR CHILDREN AND FAMILIES MARY JO BANE,  
AND DEPUTY ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY BRUCE REED

The Roosevelt Room

11:15 A.M. EDT

MR. GEARAN: We're ready to start. We thought we should start with Secretary Shalala, and then Director Panetta.

SECRETARY SHALALA: Let me -- we have -- Leon and I have with us the three cochairs of the President's Task Force on Welfare Reform: David Ellwood, Mary Jo Bane and Bruce Reed, who will help us.

Let me start by talking about welfare reform in a slightly different way. As opposed to zeroing in immediately on the specifics of how the current welfare system will change, let me talk about how the situation for welfare recipients will change, given what the administration has laid out, beginning with the earned income tax credit, that immediately takes the entry-level job, specifically the minimum-wage job, for an individual that has a couple of kids, and adds 40 percent to it.

So when we start to talk about -- and use words like "jobs," and where are the jobs going to be, let's think about what we're doing to those jobs out there and how those jobs are different than they would have been before the Clinton administration started. So, number one is, we've already taxed the earned income tax credits, and the jobs themselves, we have pledged to lift families above the poverty line for the working poor, and we've done that.

Second, with health care reform, we believe that health care reform is inextricably tied to welfare reform. The President, in his State of the Union speech, referred to a million people who would probably get off of welfare if health care was there. And, indeed, in our focus groups, when you ask welfare mothers and when you talk to people who work in the welfare system, they all say that health care is significant.

It is not rational for a woman with a couple of small kids to take a job without health care. If those kids get sick, she gets bounced back. So as you begin to look at who enters this welfare system and how many of them find jobs -- 70 percent two years, 90 percent in five years -- they get back into the system often because they have no health care in those jobs.

Last year, of the people that got off welfare, only eight percent found jobs with health care. And so, the relationship between health care and welfare is clear to the welfare recipients first, and to people that work in the business. They talk a lot about risking their kids and what happens if a kid gets sick; they've

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got to get back into the Medicaid system in particular. So universal coverage, having health care attached to every job, along with the earned income tax credit, are two powerful economic incentives. Because, number one, we've raised the wage on the most minimum wage jobs, and number two, we've added benefits to it. And, number three, we're adding child care as part of this, and we're beefing up the Head Start program, starting to move into full-year, full-time, again to be supportive of parents.

So I'd suggest to you that if you start with a kind of overview of what the Clinton administration is after, from the point of view of the welfare recipient, we've done something with the job. It's not the same old job that we were trying to push people out into, in our previous attempts to get people into the private sector. So when we talk about moving people -- that this program fundamentally is about work and responsibility, that work is different from our point of view. Because we've got the earned income tax credit, because we've got health care, and because we've added child care and other ways to support your children. So it's a different mix.

And I start with those economic incentives because we see them as helping us to pull people off welfare while the new system that we're going to describe to you today is going to help us to push people off welfare. So there are two pieces here that are very important to see.

The new welfare reform proposal of the President -- if I might run through it -- has three themes to it: one is work, one is responsibility, and the third focuses on younger people in the system. And we phase-in by starting the program with people who have graduated after -- who were born after 1971.

The elements of the program are, in fact, from the moment you enter the program, whether you're 16 or whether you're 19, you're doing something. You're either going to school or you're in an educational and training program, but you're doing something. You do not enter the welfare program and simply start getting a check for the next 18 years because you've got a little kid.

If you're 16 years old, you finish school, you stay in your household. You stay with your parents or with another adult. You don't go out and set up an independent life. But most important, you stay and finish school. And if you're 18 years old, and you've finished high school, you're going to start by getting some work in education. Basically, you're going to sit down with your case manager, do a kind of assessment -- in some ways a kind of contract. The Japanese have had more experience with this, I think, than we probably have, but lots of people have thought about sitting down and making a contract with the individual.

But it's basically an employment assessment to figure out whether you need more training, whether you need more education. But again, you get started immediately on one or the other, or you move into the work force; but you don't stay at home. It's a change, a fundamental change, in the office, in what happens to you, in your own attitude about what's going to happen. No one who's able to work gets to take the check and go home and sit for a number of years under the new system. It is a substantial change in what we currently do.

The responsibility part stretches straight through. And I'm mixing it a little, as opposed to being orderly, because I want to make it very clear that we're interested in moving people to work; to work for wages; to work into the private sector. Those are different kinds of jobs because we did some reworking of the jobs. If we don't have private sector jobs, the states will develop some subsidized jobs. They can be in nonprofit, they can be in

government. But that is our back-up, as opposed to what we lead with. This is not working off your welfare check. Again, it's working for wages whether you're in the private sector job or whether you're in the nonprofit.

In terms of the individual's responsibility, we have a responsibility running up and down this. From the moment a child is born to a mother that is getting into the welfare system, we establish paternity. We hold both parents responsible throughout their lives for that child. Everybody says, well, those guys don't have jobs. They eventually get jobs. We know something about those young men that get to be older men. We know something about the older men that impregnate younger girls in terms of they tend to -- are more likely to tend to have jobs. We also know that welfare recipients tend to have work experience. There are a lot of myths about welfare recipients.

They may have had bad luck in their work. They may not have had skills to stay in the work force. But we're going to hold those young men or older men responsible financially for supporting their families. And we changed the incentives right through the system. We let the state do some things with those young men to keep the families intact if we can. We want them to get married if they can do that; but want that family to be able to support itself. So there are some things that we can do with that family.

And second, there should be no question in any man's mind in this country, if we pass our child support system with the establishment of paternity, that we intend to hold them financially responsible, and we will track them down. We will garnish their wages. We will take their driver's licenses away, if necessary. There are sanctions for not taking responsibility for your behavior. And we do the same thing with women. But the important element here is to hold the man responsible and to put a system in place in which that can indeed make a difference.

There are two-year time limits, but we actually don't see it as rigid, because people have seen the two-year time limits and think, oh, you don't have to do anything for two years. That's not true. You do something from the beginning. If you're a young woman with a young child and you're 18, while you don't go into full-time work, necessarily, from the beginning, because you get to take of your kid for a year, you're in training during that period. We all feel that it's very important that anyone who sits at home without doing something, without getting ready for work -- it might be 20 hours a week. We can fight over how much time a young mother ought to spend with her child, but look at the working-class women in this country. They're out doing something and going to work.

I came from a family in which all the women worked, not because they were feminists, but because they were working-class and they had to do it for economic reasons. More and more women working in the work force, moving into the work force, with young children. One of the reasons you'll find that feminists are more supportive of this in some ways is because -- when you listen to Eleanor Norton, she believes that the welfare population ought not to behave differently than the working population, the working-class population; and that we ought to get a better match. With women moving into the work force in larger numbers with young children, we cannot support a different kind of behavior among women that are on welfare. The child care is obviously critical here and that piece is very much a part of this.

When we talk about responsibility, we're talking about the responsibility of the fathers, we're talking about the responsibility of the government, which we will hold accountable. We're talking about the responsibility of the young women in terms of making decisions. We're talking about a very strong effort on our

part to try to reduce and change the pool of people that are going into welfare, particularly to reduce the number of teenagers that are getting pregnant in this country. And we can talk in a minute about our grant programs and moving into school comprehensive health care. But that at least gives you a feel.

We think that this is a bold change in the way we've been doing business. We believe it's responsible in the way it's phased in, in terms of what the system actually can do. We went out and asked the welfare -- the people that run welfare offices in the state in terms of what kind of numbers they could actually handle. Mary Jo Bane, as you know, ran the New York City welfare office, and we actually looked to figure out how much and what the phasing ought to look like in terms of what the system can absorb. So our numbers and our phasing in reflect that. We think it's a --

ASSISTANT SECRETARY ELLWOOD: She actually ran New York State.

SECRETARY SHALALA: Yes, New York State, that's exactly right.

We think that getting the incentives right and getting the values right -- often public policy is simply taking a look at where the programs are and not questioning the underlying assumption. The values are work and responsibility. The values are that no one gets to stay home with a check that's able-bodied and able to work. The values are that welfare is a transitional system. The values are that when you have a child and decide to have a child, whether it's an accident or not, you take responsibility for that child. So getting the values right and then building a program that also has the economic incentives right -- I watched Nightline last night. All those families made rational, responsible decisions. They were better off economically for them and their families by staying in the welfare system than they were getting off the welfare system.

We are trying to do everything we can to run the economic incentives the other way. If you take a subsidized job, you don't get the earned income tax credit under our system. So all of the incentives are to get into a private sector job. So getting the economic incentives right, getting the values right were very important to us as an underlying basis.

Let's go to Leon on the money, how we're going to pay for this. And then we'll come back and answer questions.

DIRECTOR PANETTA: Let me just make this brief. My task is always how to pay for things without raising hell, which is never easy to do.

Basically the goals that we tried to bring to this issue as we were looking at options are basically three or four. One is to keep the focus on the substance of this issue, and what we're trying to do in terms of the policy with regards to welfare reform, and not make the fundamental issue the financing of what we're trying to do. We thought it was very important to keep the focus of the debate on what we're trying to do in terms of welfare reform itself.

Secondly, that what we propose be credible; that it be doable; and that it be scorable. In other words, that we be able to score it not only at OMB, but obviously with CBO as well, so that we do not create some of the problems we faced on health care where there were divergences between what we basically laid out as a way to pay for it and the cost and where CBO was coming from. So we have been in very close contact with CBO in developing the options here so that, again, we would try to keep this as focused as much as possible on the policy side.

The areas we looked at -- obviously, when you're trying to fund a bill that is somewhere between \$9, \$10 billion, you have to look at a number of options. And we did look at a number of options and tested a number of options with the Hill to try to see where the reactions would be. Just to give you a couple examples, at one point we had thought about extending all of the cuts and reconciliation that were adopted last year as a way to try to find the funding. Unfortunately, if you take out the health care part of reconciliation, Medicare and Medicaid were being used to fund health care, it leaves you with a majority of those cuts impacting on veterans. And so it was about 30 seconds before the veterans' lobbies all came to bear, and basically said, we don't want to use veterans' cuts to support welfare.

We also looked at an issue that has been talked about for a while, which is basically deferring interest on annuities at a certain level that are the highest income levels. And we had a tremendous lobby forum on that issue, and presented a tremendous amount of pressure on that.

So because of, I guess, where I come from on Capitol Hill, I'm able to kind of test out those kinds of reactions up there and basically backed off -- backed off on issues where I thought there would be some real problems. And so the result was that we came out with the \$9.3 billion that is part of the program. The main focus was to keep it on spending obviously. If we introduced any new -- that would obviously then be another problem area for us politically -- want to again try to focus as much as possible on trying to tighten up on entitlement spending. And so you'll see out of the \$9.3 billion, roughly \$7.1 billion is achieved in entitlement savings. About \$1.9 billion are basically extensions of expiring provisions. And about \$300 million are basically compliance provisions, tightening up on some compliance areas.

The main pieces that we focused on were on capping the emergency assistance program that exists out there. Incidentally, these are things we were looking at in any event that need to be tightened up. These are not just issues that suddenly came out in welfare reform.

With regards to the emergency assistance program for those of you that are not aware of that it's an AFDC, part of an AFDC program, and it began in '89 at about \$189 million, and we expect it's going to go into about a billion dollars by the end of this decade. What's happening is the states, instead of using it strictly for emergency assistance, are able to game it, and the result is that they're basically taking long-term programs that they would fund -- basically defining them as emergencies. And this has basically turned into almost a revenue-sharing program. Had to be tightened up under any circumstances.

We are tightening it up. We're trying to do it in a way that doesn't adversely impact on those states. And we have developed a formula that basically ties it to what they receive plus what they're getting on AFDC.

SECRETARY SHALALA: It doesn't change existing services. It just makes sure that the states can't shift their costs over. So no one who's currently getting services is going to lose those services. We've been accused of cutting the poor off by these entitlements; and we're not doing that here.

DIRECTOR PANETTA: We also, obviously had looked at the area of tightening up on sponsorship of legal aliens, in contrast to the Republican proposal, which obviously cuts off all benefits to immigrants. And we think it's the wrong approach, and obviously penalizes people who come to this country -- I think against the very legacy that this country is all about.

Our approach was, is to see if we can tighten up with regards to the sponsorship of aliens. We did this on the -- last year in the unemployment compensation program we basically extended this provision. Normally there's a three-year limitation between when a sponsor has to pick up responsibility, and then when that person can qualify for benefits like SSI and others. We extended that from three to five years in the unemployment compensation bill. Basically what we did is we built on that provision here. We made that permanent law. We have extended it to AFDC as well as to SSI.

And what we do, however, is to -- we do not extend it to Medicaid, so they'll always be able to qualify for Medicaid benefits. And if, in fact, the sponsors are benefitting from these programs, we also exempt them. So there are a number of exemptions we've built into it.

We also, after the fifth year basically tie it to an income level -- a median income level -- and say that for a sponsor who's at a median income level, that that person, the alien who comes in would then not qualify until citizenship.

SECRETARY SHALALA: No poor person is affected by this decision. Poor people will continue to get benefits. This only -- I call it sponsor responsibility. When they bring -- when a sponsor brings someone into the United States, they sign a piece of paper saying they're not bringing them in for the purposes of putting them on the public dole. If that sponsor gets poor, the person gets the benefits.

And we simply keep taking into account the sponsor's income, because what's happening is, people are bringing over elderly parents. They're living in a middle class home, and as soon as they're eligible for benefits, they're collecting benefits for them. We want to continue to take the sponsor's income into account until they become citizens, which is simply tightening up again on a gaming that's been going on. The program was never designed for that, Leon, as far as I know. We always intended that sponsors continue to support someone until they become citizens.

But we're protecting the poorest of people -- people below the median income. We're protecting them so that we're not creating more poor people with this.

Q When you're saying that the sponsor is poor, they can bring in?

SECRETARY SHALALA: Yes. Absolutely.

Q -- people in --

SECRETARY SHALALA: Yes, absolutely.

DIRECTOR PANETTA: If the sponsor is poor and on AFDC, you know, receiving benefits --

Q Then they can bring them in and --

DIRECTOR PANETTA: That's correct.

Q Is this going to be a popular --

ASSISTANT SECRETARY ELLWOOD: It's existing law.

DIRECTOR PANETTA: It's existing law.

SECRETARY SHALALA: It's existing law.

ASSISTANT SECRETARY ELLWOOD: Actually it would be difficult for a sponsor who is poor now to have their -- to bring in their relatives because that would violate INS rules, which says the sponsor must have sufficient income in order to prevent this.

SECRETARY SHALALA: But if that sponsor went bankrupt and suddenly was poor, we're saying the person they sponsored -- or died, the person they sponsored will be taken care of. So we're protecting the poor with these laws. We're simply tightening up to hold sponsors responsible. So all of the accusations that we're going to throw poor immigrants off are simply not true.

DIRECTOR PANETTA: On the child care feeding program, what we did there was to try to better target the program. On child care centers, the feeding there is basically means tested so that almost 80 percent of the benefits flow to low-income kids. With regards to the family home situation, where we've been providing feeding, almost 80 percent of the benefits there do not go to low income. And so what we try to do is to target there -- we've worked with Bob Greenstein on a formula here that we think is workable to try to better target that program.

On drug and alcohol addicted recipients, as many of you know, there's legislation on the Hill right now that's moving through, that's tied to the independent agency provision. And it relates to drug and alcohol -- individuals that are on SSI who don't go to their drug treatment centers, who aren't basically adhering to the law. And the effort by the Congress is basically to begin to reduce benefits in those situations.

There's a savings that flows from that, and we're basically going to reference the savings that comes out of the conference that both the House and Senate will be engaged on. We think we ought to be able to get about \$800 million from that proposal.

The last proposal is one that we've had around for a while -- it was part of our proposal last year, and we think it needs to be done, which is basically to better target agricultural subsidies with regards to those that are \$100,000 or more in non-farm income. In other words, it's not those that are full-time farmers, it's those that are part-time farmers and have in excess of \$100,000 non-farm income. This is a proposal clearly we'll continue to face some opposition on, but I think that opposition is beginning to lessen. Again, having been a member of the Agriculture Committee, this is one of those provisions that I think ultimately we're going to get, and we've just to keep pushing on it.

The other pieces are basically the extensions of whatever expired provisions we could do that were not controversial. The last point I would make is on the Superfund provision, just so everybody understands, this does not impact on the Superfund program itself.

The way this works, and it's kind of an esoteric budget rule, but it's a convenient one for us, is that basically as when this provision is extended and you cover the Superfund provisions that you have to, the amount that flows into the Treasury basically goes on what's called the pay-go scorecard. And we are able then to reference that income in the general fund for purposes of covering part of the costs here. It doesn't detract from the Superfund, it allows you to basically pay for it there. And the consequences that we're able to reference it and essentially to some extent spend it twice because it basically is a provision that allows them to use it on the mandatory side, we control the expenditures on the discretionary side; but the fact that the additional revenues flowing to the general fund gives us the ability to reference those savings and in scorable OMB will give us credit for that.

The last provisions are basically tightening up on EITC in a couple areas where we think it needs to be done, particularly with regards to foreign students, foreign professors who shouldn't qualify for EITC; and on DOD personnel abroad where we need better information in order to make sure that those who qualify are receiving their EITC -- they can qualify for the EITC. Treasury has basically given us an opportunity to try to tighten up on the information we get to try to better enforce that.

Those are the principal provisions. As I said, I think not only are these all scorable, but I think we've done a very good job, working with HHS in the draft of the legislation itself to ensure that, as closely as possible, that CBO will be very close to where we are at with regards to the scoring of this measure.

SECRETARY SHALALA: I can't emphasize enough -- first, Leon's done a better than a very good job, a brilliant job. What we've done, despite the fact that we looked at every program, we have not made the poor poorer with this financing proposal. We have made programs that were designed for the poor serve only the poor, as opposed to other people that were sneaking in for a variety of reasons -- some, because they were gaining the system, and others because administratively, it -- originally, when we set up the food programs for home day care, it seemed simpler just to cover everybody as opposed to looking at incomes.

We actually have figured out a way to do it so that it doesn't require a lot more paperwork by people who are in census tracks that are high income. They can take slightly less money and not have to do a lot more paperwork. So I think what we've done, I think, is refocused and target our programs better as a way of collecting resources.

Questions.

Q Can I go back to the sponsored aliens? What group of people are we talking about? Is there any main group that's opened the prospect of ethnic politics, for example?

SECRETARY SHALALA: Well, as you well know, that the new ethnic groups in the United States are very concerned about what we have done. But I think that we're going to have to go explain it. One of the problems is that the Republicans simply want to take away all immigrant benefits to any new immigrant. What we have done is simply to hold -- to take the sponsorship seriously and to ask the sponsors to take responsibility for the people that they sponsor, and to make people eligible if they're very poor after a reasonable period of time, and then to hold sponsors who are middle class, who have incomes over \$40,000, responsible for the people they've sponsored until they get citizenship.

Q Are we talking about Russian Jews, for example?

SECRETARY SHALALA: We're talking about immigrants, not about refugees.

ASSISTANT SECRETARY ELLWOOD: Mostly, those are refugees.

SECRETARY SHALALA: We're not talking about refugees, we're talking about immigrants. And we really -- the law exists when you sponsor someone that you're supposed to not bring them in and put them on the public dole. We're simply holding people accountable for that, but we're recognizing -- the situation changes and where the immigrant is -- was brought over by people who have very low incomes.

DIRECTOR PANETTA: Let me just give you a political reaction, because as the son of immigrants, I'm very concerned about the kind of backlash that we're seeing in this country with regards to immigrants coming in. And, clearly, that's reflected in the Republican proposal, which is to cut off all benefits from immigrants coming into this country.

On the other hand, I understand the politics of that. There's a building politics that basically says let's bash immigrants who come into this country for whatever reason.

There are legitimate areas to look at. Sponsorship with regards to aliens is a legitimate area to look at and try to tighten up. We've made that case before. When it came to unemployment compensation, we think we can make it here. And, very frankly, I think it gives those who really want to take a responsible approach here of vehicle, to go back at the Republicans and say, don't just bash people, because it may be politically attractive right now; let's do the response to it.

Q This is a question on the work program. One of the two main criticisms he ran into yesterday from Republicans and some others was that the work requirement doesn't phase-in fast enough, doesn't cover enough people fast enough.

My question is, in more -- and one of the reasons, obviously, for that is to keep down costs. My question is, if more money could be found, if Congress comes up with more money, will you be open or amenable to including a broader group of people quickly, or do you think that simply -- the system can't handle a work program of 700,000, or a million or a million and a half? Is it a financial thing or an operational problem?

SECRETARY SHALALA: I think it was an operational problem. From my point of view --

ASSISTANT SECRETARY BANE: I'm Mary Jo Bane, the person who ran the New York State system. From my point of view, it was very much an operational thing. We're proposing to have half the case vote phased-in by the year 2000. We think that requiring the states to go any faster than that would put such burdens on them that they would be likely to do a bad job.

The last thing I want is to have a program with such high expectations and such high promises that the states can't do a good job.

My response to the criticism that we're not going fast enough is to say that we are allowing those states that want to, that are able to, to go faster, so that we will have money available in the program for states who want to phase-in faster and phase-in more routes to do that.

But we don't want to require, because we think that would make for a badly-run program.

SECRETARY SHALALA: What amused me was the very people that criticized us for phasing-in health care too fast and taking on too much are the people that are now telling us when we have responsibly gone out and asked the states and the governors how fast they could do this, we're allowing them two tracks now. We're taking their numbers and put them into our numbers in terms of what they can absorb.

But if they decide they can get their system up and running, we'd finance that, too.

Q And if a lot of states, though, decide to do it more quickly, as some are, are you capable of -- are you in this along with your budget numbers?

SECRETARY SHALALA: We think we've got the estimates as good as we can get them. The spending that we are proposing in the bill is, in fact, a capped entitlement. So, the federal government will not spend more than it agrees to spend, whatever the states do.

We also have provisions, though, so that we can reallocate money to those states that are going faster and some are going slower. We've done the best job we can on getting the estimates right, and I think --

Q Could you maybe describe in a little more detail, since this is such an important question, what the essence of these operational difficulties is that makes it not --

SECRETARY SHALALA: Yes. Mary Jo, why don't you lead us through what you actually have to set up.

ASSISTANT SECRETARY BANE: Well, if you walk into a welfare office now -- and we've walked into a lot of welfare offices -- what you find is a very large number of people who are engaged in the job of handing people forms to fill out, gathering documents on their eligibility, figuring out what their benefit level is, and writing them checks.

In very good welfare offices, you will find a group of people who are also engaged in finding -- in working with people to find jobs, to develop employability plans to help them get into education and training. In most welfare offices, though, that group of people is a kind of sideline. It's not the major thing that goes on in welfare offices.

So the first and most important thing we have to do is flip around the business of the welfare office. We have to make sure that the major business that the welfare office is in, is the business of helping people get into employment.

SECRETARY SHALALA: And stay there.

ASSISTANT SECRETARY BANE: And stay there. That's going to mean efficiencies, it's going to mean more automation, it's going to mean retraining, it's going to mean trying to make a change in the culture of the welfare office.

In addition, you will find in welfare offices at this point almost no development of job slots. States are allowed, under current law, to put people in what's called "community work experience," or workfare. We currently have about 15,000 people in those jobs. So the system, at this point, has virtually no experience in setting up those jobs.

We think it's real important to have that lead time for the states to be able to set up those jobs. We're anticipating about 400,000 jobs in the year 2000; that's a big deal to get from 15,000 to 400,000, and that's why we're proposing the phase-in we are.

MR. REED: And the other consequence of moving as quickly as Republicans do is that the jobs they will create will almost certainly have to be public sector jobs. Because if you tell the states you've got to create 700,000 or 900,000 jobs in a hurry, the only thing states will be able to do is send people out to go rake leaves. Under our system, states will have enough time to work with the private sector and do something that really has never been done before, which is subsidize private sector work and try to have a transitional program that doesn't become --

ASSISTANT SECRETARY ELLWOOD: May I also raise a point here really quickly; I'm sorry, which is just, they're actually going to workfare after two years, in which you keep getting your welfare check. So it's almost impossible to place someone in a private sector job and subsidize it when you're getting a worker. They're not getting paid a wage. We are saying, cut off your benefits, and then you go to work. So we can use that money to subsidize private sector employers. We really have given much more of an emphasis, and it's actually tougher, because if you don't show up, you don't get paid. And with workfare, if you don't show up, some elaborate sanction process begins, and the like.

Q When I look at this, though, I see these two dread terms familiar from WEN, "employability plan" and "job-ready." And those were the hallmarks of WEN 30 years ago, when people first decided that we should put some emphasis on work. And as anybody ever involved in WEN will tell you -- and, of course, the Labor Department used to have a role that they no longer have -- the Labor Department people always claimed that the social workers' insistence that people weren't job-ready kept them from getting access to -- and I know this is true; I used to go and look at welfare officers myself -- that the WEN workers on the welfare side probably would have found most of not job-ready.

And this still goes on. You look at the Washington State program where the program was much liked by the social workers and by the participants, but, in fact, it had actually impeded employment; as compared to Riverside where the emphasis was different and there wasn't a lot of time spent deciding whether people were job-ready or not, they were put to work.

What makes you think that this won't just turn into WEN again?

ASSISTANT SECRETARY BANE: A couple of things. One of the big drawbacks of WEN was that it required that the welfare office hand people over to the Labor Department, and they sort of -- we carried this to the extreme in New York State, by the way. We carried out WEN registration through our computer system. We registered people through computer systems and actually never even found if they made their way over to the Labor Department office under WEN.

Under the Family Support Act -- and we'll be continuing this -- the accountability is with the welfare office. As I said, the most important job we have is to change the culture of that welfare office. But I think the key thing that is going to keep it from becoming WEN is in fact the two-year time limit.

The two-year time limit -- that means that the expectation is that before two years, most of the time, but by two years for sure, the kind of thing that you will need to have gotten for yourself to get into the labor market has to be done. And I think that's going to put a very different cast and a very different feel on this whole operation.

Q How is it for the office? Are the offices penalized if they don't get people? Are they funded or not funded according to performance -- as part of a larger question, which has been the problem with the Family Support Act has been that while some states are moving ahead on this, most states don't want to give -- devote the funds necessary to really do welfare reform. What is it? Fifty-three percent of the money in the Welfare Reform Act is accessed.

SECRETARY SHALALA: It's much more than that. It's actually about 70.

Q It's gotten better.

SECRETARY SHALALA: It's gotten much better.

Q What do you do with the state that doesn't want to play? And how -- I mean, I'm really -- the thing that I'm concerned about is the culture of the welfare office, the culture of the bureaucracy, and the different kinds of skills that are needed to encourage someone to work rather than to just hand them a check, the different kinds of skills and also the more bodies needed.

SECRETARY SHALALA: If you saw the number of waiver requests I have on my desk, you will wonder whether there are any states that want to play in welfare reform these days. (Laughter.) Political pressure is enormous.

ASSISTANT SECRETARY BANE: With the welfare office, as with the recipients, we try to do a combination of opportunities and serious expectations. So, indeed, we'll be providing some help with technical assistance. We're going to be providing a better federal match rate. We're going to be providing --

Q A better federal for what? For --

ASSISTANT SECRETARY BANE: For the jobs program; for the work program; for child care; for the various investment programs that the states do so that we'll be providing those opportunities. It will make it easier for states to do those kind of investments.

But, in addition, we'll be developing a set of performance standards; we'll be developing a set of expectations. Some of those will be written into the legislation. Some of those will phase in over time. And if the states don't meet those, we have a set of financial penalties on --

MR. REED: The ultimate outcome measure is that anyone who gets the two-year limit, the states are going to have either find or create a job for. So there's every incentive for the states to get people into the work force as quickly as possible.

SECRETARY SHALALA: Into the private sector.

MR. REED: In the work program, there are strong sanctions from the states if they don't create work slots for the people who have gotten that far.

SECRETARY SHALALA: When I said this has responsibility running through it, it's the state, too, and the federal government that we're going to hold accountable. I mean --

Q So the states are going to face a variety of sanctions. You mentioned before about if they don't establish paternity. And so if they don't get a certain number or percentage to work, they're off --

SECRETARY SHALALA: That's correct.

Q Let me ask you one last question, and then I -- And that is, most -- from what I can gather from the field, most education and training programs aren't worth very much, and they are only worth something when the client or whatever you want to call that person goes out in the work force and comes back and says, hey, I need these skills. Why give them the option of going into education and training front end at all?

SECRETARY SHALALA: Because that's too big of a statement. It is true that for a significant number of people

getting them started in the work force and then tying it to education will work. That's the one thing we've learned out of the research that's been done. But it doesn't work for everybody. For some people, the community college set-up will work.

The importance of the employability plan is to fit it with the individual as opposed to come to the gross conclusion, based on research, that everybody is better off starting to work. So it's the flexibility to fit it with the individual.

For some individuals, two years of a community college will make all the difference in the world. For other individuals, to get their heads straight, they're really ready to go to work. They've had a terrible experience with education, and they're much better if they go right into the work force with some help to get -- some quick work-readiness thing, they're better off getting right in.

ASSISTANT SECRETARY BANE: Well, interestingly, Riverside, California, which was one of the programs cited as one the most work-oriented and the most effective in getting people quickly into work, actually puts just as many people into education programs as nearly anyplace else. But they're short and they're very much geared toward work, even when they're before the work experience itself.

Q I would like to ask a question, and I hope it's not incorrect. There's obviously some behavior modification in here, which is what the public is going to be looking for, given the attitudes towards welfare, it seems to me. The men you're going to track down and you're going to garnishee their wages, and you're going to take away their driver's license. What are you going to do about young women who just keep on having babies without regard to their care or their futures or anything? Isn't that a big problem?

SECRETARY SHALALA: No -- it's not that it's not a big problem. It's a big problem for anyone that does that and stays on the public dole. How big a problem it is within the welfare rolls, we could give you a statistic on how many people have more than two children. In fact, the welfare population on average looks very much like the rest of the population, 1.9 --

Q But that's not a good one. That's a caseload thing. They don't count all the kids that are in foster care or are older or moved away. I mean, that's not a good --

SECRETARY SHALALA: We're doing two things here. Number one, we've got -- and one of our main approaches is to work with young people in the schools, with their families; a lot of emphasis on working with young people, trying to reduce the number of people that get started from the beginning having a child when they're teenagers, so that there's a lot of front-end on this, a lot of prevention emphasis in terms of teenage pregnancy prevention or even getting people into that mode.

Second, the messages here are that it's going to be very tough. It's hard enough -- as the woman on Nightline last night had -- I just had a long conversation with a bunch of welfare recipients; I've been out on the West Coast -- it's hard enough to have one child and be working and go to school and doing all of this, when you have more than one, with the child care juggling and everything else, We want young people, no matter what community they're in, to see how tough this is and that they don't get to stay home, they've got to juggle all of this. So some of it has to be their real-life reality check about how tough this is as part of this.

There are clearly going to be some people who, in any kind of a system, are marginal, that live disorganized lives, that fool around with drugs. There is a child welfare system in place in

this country. Some of it may not be very good in terms of pulling kids out of those families and putting them into foster care. In some cases, the job for some people may have to be a sheltered workshop kind of job, a publicly subsidized job, that they just can't make it on the private sector. But they can do something.

And I think the point is that every adult who's able to work has to get out there and do something. For some people that are more marginal, that may be in a family situation which makes it tough, it may have to be a more sheltered work-type situation. And for some families in which there are a couple of disabled kids, it may be better to let that mother stay at home. There are going to be some exemptions in this system. But every incentive is going to be that you've got to get to work, and from the beginning when you get into the welfare --

Q So you're going to have a campaign -- I happen to know --

SECRETARY SHALALA: It's not a campaign, it's what happens to you from the moment you enter the welfare system, you've got to go to work.

Q Let me finish my sentence. The point is that I know a woman and she has a grandson. He is age 19. He has fathered two children by different women. He has already gone -- served time in jail for nonsupport. I mean, are you going to go after those people? Are you going to try to change attitudes in communities where illegitimacy is an unknown word, where people think it's rather a sort of almost status to have a child without a father?

ASSISTANT SECRETARY ELWOOD: I think we're are. I mean, the thing to understand is we're trying to change the rules in all kinds of different ways, ranging from if you have a kid, you can't get out of your parent's household. That is not a route to independence. You've got to stay there. You've got to stay in school. We're saying that if you have any additional children, you've going to go right back to work. We're giving states the option of having a family cap -- not pay additional amounts for additional children. We're also going after the fathers like has never been done before. Right now, two-thirds of the fathers walk away never having to do anything.

And so what we've tried to do is send a signal, first, you shouldn't have a child until you're ready, until you're ready to nurture and provide. But once you do, there are very, very clear responsibilities associated with that.

Q Why is the option for no additional benefits only an option? Why didn't you mandate that? Why are you giving states the option?

ASSISTANT SECRETARY ELWOOD: I think precisely because this is an issue of state flexibility. This is one, as you know, people have very strong feelings on both sides. It seems to us that the best people to decide a tough issue like that, which has important and profound -- is to give it to the states.

Q But as a political matter that the harder it is -- because it's a tough issue, that you sort of ducked it.

SECRETARY SHALALA: There are two -- I wouldn't argue that we ducked it. It's exactly the issue that ought to be decided within the state. But simultaneously, we tried to avoid adding mandates to the states. And this is an issue that adds cost to the states. So in a couple of areas where we had an issue that would clearly add financial requirements, we left it to the states.

The evidence, as you well know, and as we have said publicly, is not clear on this issue that it makes any difference at all. I have not pretended that I personally think it's going to make any difference, that small amount of money. I happen to think, cumulatively, with all of the messages and all of the economic incentives making you -- doing everything we can so that people see that they're better off in the work situation versus staying on welfare, there's no chance to stay on welfare is what's going to change -- what may change behavior about having children. But we don't have any evidence that that will, one way or another. That states want to try it. We would like to find out what happens, and so we have left it to the state.

And my guess is it will be a mixed bag out there in terms of what states adopt and what they don't. I happen to think the politics on that is changing. And we may have an overwhelming politics not to do it, but to get everything else --

Q Not to do --

SECRETARY SHALALA: Not to eliminate the extra payment for the extra child. We don't eliminate food stamps or Medicaid or anything else. It's just the cash -- the extra cash payment.

ASSISTANT SECRETARY ELWOOD: Also remember, this is a state and federal system, where the states get to decide any benefit level they want. They can set \$120, as they do in Mississippi, or \$500 as they do in other states. They have enormous flexibility. So saying that we're going to leave this benefit decision up to states, it seems to me very consistent --

(The President enters.)

THE PRESIDENT: Keep going. This is great. (Laughter.)

SECRETARY SHALALA: We're talking about the option that we've left to the states on the extra benefit if you have an extra child. What David is essentially arguing is the states now set the benefit level and there's a difference -- that leaving the extra child benefit to them is not an inappropriate decision.

Q Can I just follow up on that? If the argument is allowing the states to experiment in that way, can you see any circumstances under which you would allow states to experiment with the variation of the Murray idea, of denying benefits entirely for someone below a certain age -- under 18, under 21? It's not in your plan, but could you accept that at any point as a state experiment?

SECRETARY SHALALA: No, no, no. Changing welfare to a transitional program, seeing it as a way of helping people to pull together their lives and move into the work force is fundamentally different than denying help to the poorest of the poor. I happen not to have any problem with the extra benefit for the extra child issue because we're keeping the safety net in place, particularly for the transitional period where we're making the investment.

But the answer is -- and that doesn't mean that we're not interested in what states are going to do with foster care, that we don't think that they ought not to straighten their child welfare procedures. Certainly New York City has a long way to go, and they're working on their child welfare approaches and what you do with foster children and what kind of institutions teenagers end up in. I mean, there's lots of room and lots of interesting ideas out there, but absolutely cutting off poor kids.

THE PRESIDENT: There's also a difference -- there's a philosophical issue. You could argue that states should have the authority to do the caps on the number of kids covered because that

will reduce teen pregnancy and out-of-wedlock births, and that at least we ought to give it a chance to operate. I remember several years ago I was in Atlanta when Rich's Department Store was still open downtown, and they had an alternative school there.

And I had a meeting with all the students and it was fascinating. It was before John Miller was elected governor. I can't remember -- sometime -- I remember because I asked them about who their governor was, and it was Joe Frank Harris. And 20 percent of these kids -- they were all dropouts who had come back and it was of the cities and schools projects. And 20 percent of these students had been teen mothers; 100 percent of them knew somebody who had been addicted to drugs. And I asked them a question. I said, how many of you believe that the teen pregnancy rate would go down if benefits were limited to one child or two children, or strictly limited. Eighty-five percent of them raised their hands.

Well, you can see -- there were literally, we counted, there was 120 kids or something, 100 and some kids, and almost 90 percent of them raised their hands. You can test that out. If you deny benefits altogether to people who happen to be poor on the theory that they won't be poor, that's not the same thing as saying people won't have a baby out of wedlock. And, frankly, all the evidence we have now confirms the representative character of the dozen women we celebrated yesterday in Kansas City. That is that given the perception -- the awareness that there is a way to get off of this thing and do well, they'll do it and do it in a hurry.

So that's why, philosophically, I wouldn't be in favor of Murray's approach because I do not think the evidence is there that being on welfare itself maintains the welfare culture. I think what maintains the welfare culture is the high rate of out-of-wedlock births and the disincentives to get off, to stay home, to do the right thing, to move into jobs even though they may have modest wages.

So I have -- for me to ever entertain that I would have to be convinced that that would really be a disincentive to poverty and irresponsible behavior, or at least it ought to be experimented with.

Q There's a question I had for Mr. Panetta, but now he's off the hook since you're here. (Laughter.) I wanted to ask, one of the reasons -- this has a limited chance of passing this year because of the timing of it. One of the reasons the timing is late is because the task force had to spend so much time finding the money. When you were putting together your first budget last year, why weren't some of these decisions made then? Why wasn't money put up up front to increase the chance of actually having a program come out in a way that might have given it a chance to pass this year?

THE PRESIDENT: Well, I can tell you the short answer is we thought we were going to have a hard enough time passing the budget.

SECRETARY SHALALA: Health care -- both.

THE PRESIDENT: Well, the budget last year. He's talking about last year. Last year we knew there were certain things we had to do last year. We had to pass the budget and we had to pass NAFTA last year. And it was a question of when we could do what. I mean, that's the short answer.

Do you want to amplify on that?

MR. PANETTA: I think it's really just -- it becomes a very practical decision. If we added it to the -- please, let's not talk about adding anything to the budget last year in terms of the

battle we fought. (Laughter.) That would have been that much more difficult.

If we had added it to the budget this year, which was one of the arguments, to do it early on -- the problem is that if we had added it to the budget it would have become the focal point for a large attack on elements of it that would have, again, undercut our ability to move the budget through. We wanted to move a budget through quickly, building on what happened last year, and not undercut it with that kind of additional hit.

What it then gave us was the ability to basically scrub a number of options as we put the financing package together. And I think one of the things we've been successful at is the fact that for all of the disputes that have developed in the last few days on the financing, I think we are in pretty solid shape in terms of --

MR. STEPHANOPOULOS: You would have added it, you would have put the money in as a whole before you had the policy. It just would have been a big fat target. You want to spend money --

Q But you did it for national service, for example, right, where you did put it in to fill the hole.

THE PRESIDENT: But it was a smaller amount of money.

SECRETARY SHALALA: We also knew the outline of the plans, Mr. President. We knew the outline of the national service plan. For me to be up there testifying on a whole, without basically knowing the shape of the welfare plan would have been almost irresponsible.

MR. PANETTA: With all due respect to your first point, the fact is, while the financing was ongoing, we were still working the policy side of welfare reform as well.

Q Can I ask in a different way maybe? (Laughter.) This one is predicated on the assumption that while the task force was operating there were some higher numbers circulating and some policy choices associated with those higher numbers, which I am guessing might have been, ideally, more desirable from your point of view.

I'm wondering if that doesn't greatly increase the case, or strengthen the case, for something like what the Kerrey-Danforth Commission is doing now, or perhaps some of the ideas to go into tax expenditures that are coming from some of your friends in the DLC now -- that it's perhaps time to go at the budget again in a very significant way because of the kinds of needs of the country that could be addressed if you did.

THE PRESIDENT: Well, of course, it does. I mean, that's why I brought in the commission and that's why I've tried to pass a health care bill that would bring costs in line with inflation. I mean, if you look at where our budget is now, even though -- Leon just sent me a report today saying that we're going to get a majority of our new investment proposals out of most committees in this appropriations process and it looks quite good. But to do it we have eliminated 118 government programs, we've cut 200 others. We're going to have the first reduction in domestic discretionary spending since 1969, overall reduction.

So we have cut domestic spending and increased investment. But there is a limit to how much you can do that. We have cut defense as much as we can, and I think we should not cut more, particularly in the present environment. What we pay on interest on the debt is a function of what the debt is and what interest rates are, as you know.

But Medicare and Medicaid are growing at twice the rate of inflation. The tax expenditures are there as a fact. Social Security is only going to become a problem as demographics make it so, and really it's a race. In other words, Social Security as a percent of GDP is about what it was 20 years ago, and it's only grown with the cost of living allowance. The problem with Social Security will be if the raising of retirement age, which starts a month, a year, you know -- when is it? In 1997 or something like that -- whether that doesn't happen quick enough to deal with the impact of the baby boomers coming in.

But the short answer to your question is, yes. Basically what happens is it's not going to be very much fun to be in Congress and it won't matter much whether you've got a Republican or Democrat in your seat within ten or 15 years if all they do is write a check for defense, write a check for interest on the debt and write a check for the entitlements and make speeches about things that would be nice but there's no money there for public investment.

That is the trend. If you look at the trend lines, they're quite alarming. And therefore, this wall between what is an entitlement and can't be cut means that all the budget -- the deficit reductions are falling on defense and domestic discretionary spending, and increasingly will be on domestic discretionary spending because there is a limit to what you can do with defense, particularly with, as you know, some of the things that we face now.

Q Mr. President, are you worried that the public support for welfare reform could fall off as sharply as public support for health care reform seems to have done? Senator Dole was in your vestibule this morning, saying that support for health care reform has dropped 40 percent.

THE PRESIDENT: Yes, but there's a reason for that, which cannot be replicated in the welfare reform. In the first place, it's easier for people to understand and grasp. And secondly, it's easier to stake out policies that clearly reflect values. And there won't be the kind of organized erosion underneath.

What's happened to health care, I think, can turn right around and happen the other way. What's happened in health care is a classic example of why we are still the only country in the world that can't figure out how to cover all our citizens. If you look at what was dominating the news in the months after I put out health care and what was going on underneath, which was -- as one of the members of Congress said, Whitewater was partly about health care.

You had this major, major assault from the NFIB, from the insurance companies, from Rush Limbaugh, from the whole right, radical right in the country, the people who were determined to terrify people about health care. So now there's still, frankly, large support for the elements of health care reform. But they had this image of what's in this bill that is not accurate. And the intensity factor of the antis has been inflamed. It's a variation of what they finally killed health care for over the decades.

I still think we've got a chance to get it, and I think that the biggest enemy that we have is the overall cynicism of the American people. They've been told for so many years that the government can't do anything good and nothing good every happens. Welfare reform is entirely different, Mary, because it plays into both the American people's desire to support work and family and independence, and their desire to change the way government works. Whereas, health care is a harder sell because in health care you have to use the power of the government to make the private system work, which is a harder sell in a skeptical environment; plus the size and complexity of it.

I do not believe that you can replicate this. As a matter of fact, all the preliminary skirmishing has been over how to pay for it, which is the best way to pay for it. What it really ought to be is, do we agree on child support enforcement mechanisms, which I think are terribly important -- total changes all in nongovernmental running. We can more than double child support collections.

Can we agree on the dimensions of it? One of the things that might be a source of conflict down the road if we can pass a bill is what should be the dimensions of the anti-teen-pregnancy campaign? These things, there could be some controversies. But I think that 80 percent of the people will stay hitched to this from the beginning to the end, and will be mad at the Congress if they don't pass it. That's what I think.

Q Could I ask you -- this won't work unless somebody is thrown off the rolls in the end. If somebody is thrown off the rolls, what provisions have you made for their kids in all of this? What happens at that moment, when somebody doesn't play by the rules, they go off, who takes care of the kids?

SECRETARY SHALALA: Well, there are two answers to that. Number one, they get thrown out of the cash payment system. They keep the Medicaid system and food stamps. Number two, we do have a child welfare system in place in this country which has to take responsibility for the children. How many that number's going to be I can't tell you. But we do have a system in place in this country that catches the kids as part of this.

But every welfare recipient we have talked to is not as focused on the cash payment as they are their need for health care and for child care as a way of getting off. Not one of them thought that the cash payment was as significant. And I think that's in part because the cash payment has become such a minor -- it just hasn't kept up with inflation. That's not the significant piece.

THE PRESIDENT: I will say -- you may have said this before I came in -- but an enormous number of those women -- I know we only had a dozen there -- but a big percentage of those women said that what had really made it possible for them to make the transition from welfare to work was the transitional benefits and child care and medical coverage that came out of the Welfare Reform Act of '88, that still do not apply to all welfare recipients. Now, in various states they're just in these pilot projects, but they work where it's done. To me, it was amazing how many people specifically mentioned that.

Q Can I just very quickly follow up on that? Does that mean, then, that if whatever Congress produces in health care this year delays universal coverage for several years, you can't impose the work requirement on welfare recipients until that universal health care goes into place?

THE PRESIDENT: No, but what it does mean is that transitional Medicaid benefits will be more important. And it means that, in every state, that the people who are working with these folks will have to work harder to place them in jobs, like with the bank -- like the young woman introduced to me yesterday, worked for a bank -- there are some lower-wage jobs in bigger companies where people all get health benefits. They'll have to work that much harder to try to make sure the jobs they place them in have health benefits.

Q This is related to that question. Everything I've always heard about health care for the poor is that managed care provides better coverage for less money. Why not just move ahead with that, independent of the rest of the health care plan?

THE PRESIDENT: Well, we gave a waiver to Tennessee to do it.

SECRETARY SHALALA: States are moving in that direction.

Q Can't you do it on a national basis? Why not do it nationally --

THE PRESIDENT: I think -- let me just say this. I still have real hope that we'll get a bipartisan bill if we get a little different look at it, and change the -- scrape all the rhetorical barnacles off. And I think one of the things you may see in that is a proposal to do something like that with Medicaid. I think that that's certainly one of the things floating around here.

And let me go back to what Mary said. I believe that there will be some partisan skirmishing on this welfare reform bill. But I think it will be mostly around immigration and funding. I think we will have a bipartisan consensus on welfare reform. And I think it will be seen as a triumph for making government work when we get through. And I still haven't given up on trying to achieve that same thing in health care.

Q You mentioned immigration. This transcends welfare reform, really, but one of the things we see here -- partly in your bill, more in the Republican bill and in other issues -- is let's find somebody to take the money out of, let's take it out of the hide of immigrants. You put what's happening in California on top of that. How worried are you about how ugly that tendency might get over the next couple of years?

THE PRESIDENT: Well, I'm concerned about it. But I think the answer is that the American people will have to -- particularly the people in the states affected, who have paid a disproportionate amount of their own tax money to deal with the problem -- have to believe that we're being more aggressive in dealing with the issue.

In California, for example, we've increased the number of border patrol guards and they seem to be having some impact in California. That's the feedback we're getting. We've done a number of other things to try to alleviate the burden on California. The restrictions we have here with regard to immigration are not designed to just load up a bunch of new expenditures on state and local governments. That's what previous administrations have done. They're designed to ask the families of those immigrants who live in America and who have money to do what they ought to do and to take care of them and not expect the taxpayers to do it.

I think if you don't want it to get ugly, to use your term, the answer is to have an aggressive and responsible policy rooted in the fundamental principle that we support immigration, but we don't support illegal immigration. But once people get here, especially if they're little children, we don't want to punish them, but you don't want to have the taxpayers bled dry on it. And you don't want to have the state and local governments bearing the total burden for the failure of a national policy. Those are the touchstones and I think you just go through those things and you can have the firmest and best policy you can and try to keep the more extreme and more destructive policies from emerging. That's the only approach I can think of that would have a reasonable chance of working.

SECRETARY SHALALA: Part of the answer on Medicaid is capacity. And that is, every state doesn't have the capacity to put every Medicaid recipient in. And second, our findings aren't clear on -- it's not just the saving of money. It's how you do oversight

on managed care for low-income people. But we very much want to try it in a variety of different settings, which we're in the process of doing. But there are states who have no managed care. North Dakota has no managed care. Montana has -- I don't think Montana has any. So it's a difference between rural and urban states.

I guess we should wrap this up. Let me simply say that if you put your head inside of that of a welfare mother in the United States today, a teenager thinks that she's better off having a child. A welfare mother looks at the job possibilities without health care and without child care and thinks that she's better off. I believe that we have some myths about welfare people not making rational decisions. And what we're trying to do is to change that decision by putting the incentives in another place.

And that's what the President's proposal, I think, does a bang-up job trying to do. That's why it's bold; because we really have thought about everything that is a negative incentive and put a set of positive incentives out there.

Thank you very much.

END

12:32 P.M. EDT