

THE WHITE HOUSE  
OFFICE OF DOMESTIC POLICY

JUN - 6 1997

WR - Arkansas

CAROL H. RASCO  
Assistant to the President for Domestic Policy

To: \_\_\_\_\_  
\_\_\_\_\_

Draft response for POTUS  
and forward to CHR by: \_\_\_\_\_

Draft response for CHR by: \_\_\_\_\_

Please reply directly to the writer  
(copy to CHR) by: \_\_\_\_\_

Please advise by: \_\_\_\_\_

Let's discuss: \_\_\_\_\_

For your information: \_\_\_\_\_

Reply using form code: \_\_\_\_\_

File: \_\_\_\_\_

Send copy to (original to CHR): Bruce / Kathi: fiji

Schedule ? :  Accept  Pending  Regre

Designee to attend: \_\_\_\_\_

Remarks: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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STATE OF ARKANSAS  
OFFICE OF THE GOVERNOR

ROUTE SLIP

To: Ray

Date: 6-1-94

From: Carole

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|--|---|
| <input type="checkbox"/> For Approval                    | <input type="checkbox"/> For Necessary Action |
| <input type="checkbox"/> For Signature                   | <input type="checkbox"/> Initial And Forward  |
| <input type="checkbox"/> For Comment                     | <input type="checkbox"/> Note And Return      |
| <input type="checkbox"/> Prepare Reply                   | <input type="checkbox"/> Please See Me        |
| <input checked="" type="checkbox"/> For Your Information | <input type="checkbox"/> As Requested         |

Remarks:

The Governor wanted  
Carole to have a  
copy of this.

Thanks!



Jim Guy Tucker  
Governor

*Flagel / Gov. - as requested Mg.*

# Arkansas Department of Human Services

## Office of the Director

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### M E M O R A N D U M

**TO:** Governor Jim Guy Tucker

**FROM:** Tom Dalton, Director  
Department of Human Services

**DATE:** May 13, 1994

**SUBJ:** Comments on Democratic Leadership Council (DLC) Welfare Reform Plan

Per your request, we have reviewed the DLC welfare reform paper and would offer you the following analysis:

**Time Limits**--an essential element in any meaningful welfare reform plan, in our opinion, and one we will include in our upcoming second AFDC waiver. The DLC paper doesn't address the loopholes that may be in the Clinton plan as it has been explained to us in recent weeks. Is the time limit, i.e., two years, hard and fast? Can it be extended for continued education and training? Consideration is being given, by the current administration, allowing recipients to re-enter the welfare system for periods that might equal the time they stayed in the work force. We don't build this contingency into our current welfare reform designs.

Central to any time limit, say two years, is that planning to leave the welfare system begins the day the person makes application, not two years later. Employment opportunities and training must be pursued from the first. A type of "transition to employment" plan must be developed based on the individual's abilities and circumstances.

**Make Work Pay**--The DLC paper lists four things it believes must happen before this goal is achieved. We do not believe that federal or state revenues will be available for all of these efforts, at least not in sufficient amounts to address the nation's entire AFDC case load. This drives the Clinton administration's recent statements about limiting the numbers of recipients that will be enrolled into a reform effort, i.e., the recent trial balloon that would only apply mandatory work requirements to those age 25 or under.

*Caring People... Quality Services*

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A part of the dilemma facing welfare reform is the wide variance in AFDC benefits between states and hence the varying hours of work that would equate to the value of the AFDC grant. For instance, in Arkansas, ten hours of work per week at minimum wage would equal the dollar value of the average grant of \$186 per month. Our thoughts on the points raised by the DLC paper in this area are as follows:

1. Health coverage--We would continue Medicaid for three years in our waiver plans, instead of the current one year, after the AFDC recipient entered the work force. We have the benefit of the 3:1 federal match to support this. Should a national health reform, with an employer mandate pass, this will largely resolve the issue, but should it pass this year, a two to three year phase in is likely, hence, we must count on the three year Medicaid provision in this area.

We would add a word of caution, based on the possibility that, in the course of welfare reform, Congress will feel pressure to mandate changes to AFDC eligibility rules. These changes could entail mandating coverage, perhaps for the suggested two-year period, for two parent households. Another possibility could be a mandated minimum income eligibility floor in excess of limits now in place in a number of states, especially southern states. Either of these scenarios would add considerably to the cost of extending Medicaid coverage.

2. Expanded EITC (Earned Income Tax Credit)--The concept would certainly help close the gap, but Congress will find it difficult to raise the revenue needed to make a \$4.25 minimum wage job equal to one worth \$6.00. We would advise support of the concept, however, would recommend it apply only to those receiving earned income as a further incentive for work.
3. Expanded and reliable child care--We agree that this is one of the major stumbling blocks to welfare reform and certainly one of the most expensive. Our waiver planning would extend subsidized child care for three years instead of the current one year.
4. The Individual Development Accounts (IDA's), an interesting idea worth supporting, but we question how much value this type of "IRA" concept will have to a person struggling to support a family on entry level job market wages who is already in the lower tax brackets. If on the other hand the federal government is prepared to match funds placed into these accounts, then the concept might increase in merit.

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Put Work First--It's certainly easy to support this wording, especially since there seems to be some departure from traditional liberal philosophy on the subject. The concept of putting a higher priority on actually working than on receiving education or training has merit, to a point. The author is correct, we believe, let's get the welfare recipient into an entry level job and then view additional training and education as an avenue to advancement to higher wages. We would, however, put major emphasis on helping recipients get a GED, if they previously failed to finish high school.

We do differ with the DLC in what appears to be one of the primary premises upon which their proposals are based. That is that most AFDC recipients once worked and, therefore, just need to be "reconnected" or "nudged" back to the world of work. We agree that premise is true for some clients. However, many of our clients, particularly young mothers, do not have that previous connection to the workforce and, therefore, they need much more development of work-related skills and attitudes than other clients may need.

The idea of subsidizing private and public sector jobs with AFDC and Food Stamp benefits paid out as a wage would likely help create entry level jobs. We assume the author proposes only giving these benefits to those who qualify at their entry level wages, and converting the value of the benefits into a cash transfer to the employer as a wage subsidy. There would be criticism of this idea in some quarters. Past similar suggestions have been labeled as "subsidies to the fast food industry," etc. We think, however, the concept bears thoughtful consideration. Our plans to convert methodology would mesh with this concept.

These types of arrangements call for considerable broader inter-agency coordination than in the past. We must involve agencies like ADFA, AIDC and ESD closely.

Family Responsibility and Improved Child Support Enforcement--The key element here is improving the child support collection percentages. Considerable progress has been made, because of changes in IV-D laws, in ending past wide variances in the way judges establish support payment levels and in enforcement levels. We need to continue to improve the partnership with the judges in such areas as paternity establishment. The DLC mentions simplified paternity establishment at birth and this may be the area to really target as a step towards improving child support collections. The demographics tell the story; some two-thirds of black births today are out of wedlock; some 20% of white births, and these children end up on the AFDC roles in high percentages. A joint effort between DHS, the Department of Health, the Arkansas Hospital Association, and the State's judges could target improvement in this area.

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*Good*  
*4/8*

Teen Pregnancy Prevention and Family Stability--The DLC author emphasizes what we well know, illegitimate births are major contributors to long-term welfare dependency. We concur with all three points listed as ways to impact the problem. These steps are directed towards limiting access to AFDC payments as incentives. However, we question whether or not requiring underaged mothers to live at home with their parents will impact teenaged pregnancy rates. Most teenaged mothers in Arkansas already live at home while receiving AFDC. The point is made that more must be done to underscore the responsibility of the young men who father these babies, but the paper offers no suggestions. This area warrants major attention and a partnership between the public schools, the Department of Health, and the State's judges. The concept of public service jobs might be extended to young men working off their child support obligations under appropriate court orders if no gainful private sector employment is available. Our State's roads are littered with trash that these young men might remove, an incentive to other young men passing by to avoid a similar fate perhaps.

Community Service--The DLC author proposes establishing community service jobs at the end of two years for those AFDC recipients who have not found full-time employment. This is a very tricky proposition with major pitfalls that must be circumvented. These should be meaningful work jobs, not just busy work, but experience that will lead to long-term employment in either the public or private sector. At the same time, care must be taken to ensure such a process doesn't displace private sector employment opportunities already in existence or that would have been created. One possible amendment we are considering for our waiver is a State subsidy (e.g. 50%) to a local public employer (e.g. city, county or school district) that would create meaningful public jobs.

*Not well*

The value of the AFDC benefits, some 20% of poverty in Arkansas, must be weighed also against the cost of establishing these community service jobs. We can easily spend considerably more on these jobs, considering wages, benefits, and child care subsidies, than we spent on the welfare package, including even the value of food stamps. This is a reality that has been plaguing the Clinton welfare reform bill that would pass the congress. We would depart significantly from the DLC paper on the community jobs concept, with its problems of tying the value of AFDC benefits to the number of hours worked in such jobs. We would advise making every effort to assist the AFDC recipient into a private sector or existing public sector job, but would not create community, "make work," jobs as envisioned by the DLC. After two years of AFDC, job training, placement assistance, etc., we would offer extended health coverage through Medicaid, child care assistance, and food stamps, where income eligible, but otherwise we would consider our reasonable obligation met.

We believe Arkansas can be a leader in welfare reform. Thank you for the opportunity to comment on the DLC paper.

TD/pkj



## **The DLC Plan To Reform This Nation's Welfare System**

In calling for an "end to welfare as we know it," President Bill Clinton has created a rare opportunity to fundamentally change a public system that is failing both those it is intended to help and those who pay for it. The DLC believes that, rather than trying to fix the current income maintenance system, we should replace it with a work-based social policy. The challenge is to recast welfare as a job placement system that engages public and private actors to move people from welfare into work.

To achieve this goal, a political bargain must be struck: liberals must accept work requirements while conservatives must accept more public spending to support peoples' struggle to work. Recent surveys show that more than 90 percent of the public, regardless of class or race, want to see dramatic changes in the welfare system. Yet, Americans are less concerned about costs than about welfare's failure to reward basic American values: Work and saving; marriage and family; individual initiative; and a sense of community. The following plan highlights key policy shifts we at the DLC think are necessary to create a progressive, work-based social system that will reward the values most Americans live by and, in doing so, will connect our nation's poor to the mainstream economy.

**Time-Limited Assistance** -- Welfare should offer transitional assistance en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Such a policy will transform the system from one of income maintenance to one that creates an obligation and an opportunity to work. A time limit will nudge welfare recipients onto the road toward self-sufficiency and will provide a structure for case workers to encourage a quick return to the workforce for the client. Of course, the best time limit is one in which no one reaches the limit. Time limits though, without other reforms, will only worsen the situation of those 14 million persons receiving welfare.

**Make Work Pay** -- We must make work pay. Low wage jobs cannot compete with the package of benefits available in the welfare economy. For example, the average AFDC grant combined with food stamps equals \$652 a month or \$7824 a year. Medicaid, child care benefits and housing subsidies alone can add thousands of dollars more to the amount of the grant, even without raising a welfare recipient out of poverty. Yet, a full-time minimum wage job yields only \$8,840 a year, at least \$3,000 less than the available package of welfare benefits. We must make work, not welfare, pay. The following four changes to the current system will ensure that a full-time minimum wage worker will earn more than someone receiving welfare: Universal health care; reliance on the expanded EITC which makes a \$4.25 an hour job worth a \$6.00 an hour job; expanded and reliable child care; and federally funded matching grants for Individual Development Accounts (IDA's) -- the IRA's for America's working poor --to encourage savings and investment in one's future.

**Put Work First** -- The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

In order to build a system based on work, we need to move away from the current ineffective education and training bureaucracy and enlarge the role of non-governmental organizations in moving people from welfare to work. This would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work. The following are options will help move welfare recipients into work: Hiring private placement agencies like New York City's America Works; temporarily subsidizing private and public sector jobs with the AFDC and food stamp benefits paid out as a wage; and converting job training funds to loans for microbusinesses.

**Family Responsibility and Improved Child Support Enforcement** -- Many poor mothers depend on welfare because they receive little or no financial help from the fathers of their children. We must strengthen child support enforcement to supplement the income of poor families. More child support will give mothers struggling to juggle the demands of work and family, the flexibility to pursue part or full-time employment while raising their children in a home in which the father is absent. Dramatic improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while raising a working mother's real income. Improved child support must also be designed to make fathers accountable. We call for required and simplified paternity establishment at birth; appropriate payment levels; and improved benefit collection and enforcement.

**Teen Pregnancy Prevention and Family Stability** -- Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five.

The following changes to the welfare system will begin to stem the tide of illegitimate births by making public benefits conditional on behavior: 1) Minor parents must live in a household with a responsible adult, preferably a parent, to receive benefits; 2) benefit increases should be limited when additional children are conceived by parents already on AFDC; 3) and benefits, both bonuses and penalties, should be conditioned on school attendance to ensure that teens graduate from high school and postpone pregnancy. Additionally, we need to explore other ways to underscore the responsibility and obligation of young men who continue to contribute to the growing problem of illegitimacy.

**Community Service** -- At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer receive AFDC, but will be offered the opportunity to work at a community service job. Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. If the above policies are enacted and properly implemented, few will actually need community service jobs. But, while community service should be considered a last resort for welfare recipients, it should be held up to the same high standards of service this nation's national service program encourages. Community service awakens a spirit of civic involvement and responsibility in America that will only help connect America's poor to the social and economic mainstream of American life.