

WR - Castle  
Tanner

Time Limits:

The President expressed strong concern about what will happen to children when families are affected by time limits, and would like mandatory vouchers for the care of the child after the five-year time limit (H.R. 3266 contains vouchers, but ends after 5 years; doesn't prohibit states to continue).

He would consider legislation that contained a provision whereby those families who were affected by the time-limit could work in exchange for food stamps or welfare. He suggested states could work with cities and counties to create of such jobs; current employees could not be displaced (H.R. 3266 contains certification of non-displacement and non-replacement of current employees).

He stated it would be more difficult to veto welfare reform legislation if a mandatory 20% "hardship pool" were included in exchange for vouchers for those who have reached the five year time limit (H.R. 3266 accepts Gov.'s language of 20% state option).

Immigration:

Though he supports deeming, he wants legislation that incorporates no-fault deeming whereby a legal immigrant or its child is protected if they become disabled or injured through no fault of their own; he would even consider reduced levels of welfare spending to ensure that they are taken care of.

He also supported separating the legal and illegal immigration bills that the Congress considered, and would have supported lowering the cap on legal immigrants.

Medicaid:

Regarding AFDC/Medicaid eligibility, he is concerned about certain populations and is seeking exemptions for those who are dropped from Medicaid because of reaching the five-year time limit -- this is possibly an inadvertent result. He is also concerned that states would cut off disabled children when faced with difficult budgetary constraints.

He likes the Chafee-Breaux approach, believes block granting is an error and that it is bad public policy, and that it makes it difficult to sustain adequate spending levels on health care. Thought the Governors would agree with him. Also stated he wants to negotiate Medicaid if it is to be linked with welfare.

WR Castle-Tanner

## Castle-Tanner Time-Limit, Voucher, and Work Provisions

- Time Limits. The Castle-Tanner bill places a five-year Federal time limit on the receipt of cash assistance benefits and allows States to exempt up to 20 percent of the caseload from the time limit. States may opt to impose time limits of shorter duration.
- Vouchers. States that implement State time-limits of less than five years are required to provide mandatory vouchers for goods and services to children in families cut off assistance. There is only an option for States to provide vouchers after the Federal five-year time-limit has been reached.
- Work. The bill requires individuals to participate in work, as defined by the State, after no longer than two years on assistance. The bill also includes a set of Federal work rates, with separate definitions of allowable work activities, which increase between FY96 and FY02. The State definition of work under the two-years-and-work requirement may not necessarily qualify as countable under the Federally required work rates.
- Work Funding. The Castle-Tanner bill provides a separate, matched \$3 billion funding source for work activities, in addition to the cash block grant, in FY99 and thereafter.

## Administration Position

- The Administration has sought mandatory vouchers for children who reach time limits of any duration.
- The President indicated interest in basing post-time limit assistance on work.

## Potential Options

- Provide a general time-limit exemption for families in which an individual works 20 hours per week (or more at State option).
  - Adopt the Administration's alternate time-limit exemption policy, which allows exemptions for families working 20 hours, families in high unemployment areas, and an additional 15 percent of the caseload.
- Do not count months in which families work 20 hours per week (or more at State option) toward the time limit.
- Make payment of post-time limit vouchers to children/families contingent upon participation in unsubsidized work or a Government-provided work activity. Vouchers must be provided if work slot is not available.
- Provide work supplementation slots or job vouchers (to be redeemed by employers) in an amount equal to the full-family benefit or the child voucher amount. Payments would be made to employers.

- Allow States to choose between post-time limit child vouchers or work-based vouchers/assistance.
- Designate certain amounts of the \$3 billion work funding for post-time limit work/voucher activities.

### **Outstanding Concerns**

- A major point to be resolved is whether the provision of any type of post-five year assistance, service, or exemption is to be mandatory or optional to States.

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WR - Castle-Tanner

Date: 31 May

To: Bruce  
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From: Chad

Message: \_\_\_\_\_  
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Pages Including Cover: 12

Comments?



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CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES  
WASHINGTON, D.C. 20515-4208

May 31, 1996

E. Clay Shaw, Jr.  
Chairman  
Subcommittee On Human Resources  
B317 Rayburh House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

As you know, Representative Mike Castle and I have introduced H.R. 3266, the "Bipartisan Welfare Reform Act of 1996". In developing our bill, we melded the best elements of the governors' plan, the 'Blue Dog' Democrats' plan, and H.R. 4 into a single piece of legislation. I am confident that our bill can obtain significant bipartisan support.

Our bipartisan bill puts work first, demands personal responsibility, requires work, combats illegitimacy, creates incentives to promote two-parent families, contains tough child support requirements, and ensures states have the flexibility they need to test their own ideas. In addition, we provide additional funding for child care and establish a contingency fund to assist states in cases of economic recession.

I again want to thank you for your continued willingness to work to develop a welfare reform bill which can be enacted into law. I believe your most recent product addresses some of the concerns I have raised over the course of this debate and is indicative of your desire to move beyond the rhetoric and enlist a broad base of support for a welfare bill.

I have reviewed H.R. 3507, the " ". Although I believe there are fundamental differences with the Medicaid provisions and passage of a welfare/Medicaid package is highly unlikely, our welfare bills are close enough that the remaining differences could be resolved if we were just given the opportunity.

As I indicated, I am convinced that our bill would secure enough Democratic votes to ensure enactment and should therefore be the basis for any further discussions. I have enclosed a copy of a document highlighting the differences between our two bills for your review. It is my hope that this document will

provide an impetus for a serious dialogue prior to consideration of H.R. 3507 and I welcome your comments.

We have an historic opportunity to make a meaningful and lasting difference in the lives of millions of Americans. Let's not waste this chance -- I don't believe we will have another in the foreseeable future.

I look forward to hearing from you.

Sincerely,

John Tanner, M. C.

JT/cj

## Major Differences in Welfare Reform

**Maintenance of effort requirement.** Castle-Tanner requires states to continue 85% of fy94 state spending on welfare programs, with the possibility of reduction or increases of up to 5% based on performance. The Archer bill has a 75% maintenance of effort, with the possibility of a reduction of up to 8% (no provisions for increased MOE for states with poor performance. The lower MOE allows states to withdraw additional state funds without losing federal funding).

**Maintenance of Effort Definition.** The Castle-Tanner bill includes a tighter MOE definition that prevents states from counting current state spending that is not part of its current welfare program (i.e. education programs) in meeting the MOE requirement. The Archer bill would allow states to meet the MOE requirement through accounting shifts that count current spending on programs outside of the state welfare program.

**Transferability.** The Castle-Tanner bill restricts transfers of federal block grant funds to the child care block grant. The Archer bill allows states to transfer 30% of the federal welfare funds into the Social Services Block Grant, which can be used for many purposes unrelated to welfare and protecting children, in addition to the child care block grant. This will further reduce the amount of money invested in moving welfare recipients to work and in protecting children.

**Contingency fund** The Castle-Tanner bill provides additional contingency funds if the contingency fund is exhausted as a result of a national recession (national unemployment over 7.5%) or a regional recession (state unemployment over 9%). The Archer bill does not provide any safety net if the contingency fund is wiped out by a recession and limits the amount of contingency funds a state can receive in any month.

**State accountability.** The Castle-Tanner bill requires the Secretary to determine whether the state plan meets the requirements of the statute and allows the Secretary to penalize the states for violating the statute. The Archer bill does not require the state plan to be approved and restricts the ability of the Secretary to penalize states to a limited number of specific instances.

**Equitable Treatment** Castle-Tanner requires states to have objective and equitable standards for determination of eligibility and a state appeals process for individuals denied assistance in order for the state plan to be approved. The Archer bill requires the state to certify that it has objective criteria for determination of eligibility, but this provision is unenforceable because no action can be taken if the state doesn't comply (see State accountability). The Archer bill does not have a due process requirement for individuals denied assistance.

**Work funding** Castle-Tanner bill contains \$3 billion additional funds that the states can access in order to meet the costs of moving welfare recipients to work. The Archer bill does not contain any additional work funding. CBO estimated that there would be \$5.2 billion shortfall in federal funding necessary to meet the work requirements in the Archer bill. This shortfall will be even greater since the work requirements in Archer bill are more restrictive than the NGA resolution.

**Individual Responsibility Contracts** Castle-Tanner requires states to have individual responsibility contracts beginning immediately after a recipient qualifies for assistance that outline what the individual is required to do and what services the states will provide in order to make the individual self-sufficient. The Archer bill does not include this provision.

**Child care state match** The Archer bill provides states with a base amount equal to 100% of the fy95 federal grant if they spend 100% of fy94 state spending. Castle-Tanner requires states to spend 100% of fy95 money to receive 100% of their fy95 federal grant. This is not a technical difference -- it would result in states receiving \$1 billion federal funds without a state match, allowing states to reduce state child care spending by approximately \$800 million.

**Vouchers** Castle-Tanner requires states to provide vouchers for the needs of the child for families cut off as a result of state-imposed time limits of less than five years and gives states the option of providing vouchers for families cut off as a result of the federal five year limit. The Archer bill explicitly prohibits states from using federal funds to provide vouchers for families cut off after the five year time limit.

**Local governments.** Castle-Tanner contains a requirement that the state include local governments in all phases of the development and administration of the plan and prohibits states imposing unfunded mandates on local governments. The Archer bill does not include this provision.

**Medicaid linkage.** Under the Archer-Bliley bill, individuals who are cut off welfare because of a time limit will lose categorical Medicaid coverage as well. Some Republican members of Ways and Means have said this was an unintended consequence. This problem can be fixed by amending the welfare portion of the bill.

**Transitional Medicaid.** The Medicaid title of the Archer bill repeals Transitional Medicaid coverage for individuals who leave welfare for private sector employment. Transitional Medicaid is critical to the success of welfare reform by preserving health care for individuals who leave welfare for work.

**Social Services Block Grant** The Archer bill contains a 20% cut in the Title XX Social Services Block Grant, twice the 10% cut in Castle-Tanner. Since most states use Title XX funds for child care, this cut nullifies much of the additional child care funds.

**SSI eligibility age.** The Archer bill raises the eligibility age for SSI from 65-67, removing a safety net for the poorest of senior citizens (thereby making it more difficult to raise the Social Security retirement age without increasing the number of elderly in poverty).

**Food stamp block grant** The Archer bill contains an optional food stamp block grant that would have frozen funding and no minimum federal standards or eligibility rules. Castle-Tanner does not include a food stamp block grant.

**Food stamp excess shelter deduction.** The Archer bill would repeal the excess shelter deduction scheduled to take effect in 1997, which increases food stamp benefits for families with children which pay more than half of their income on housing. Castle-Tanner does not cap the shelter deduction.

**Food stamp time limit.** The Archer bill would cut off food stamps for non-disabled adults after four months if they aren't working or in a food stamp work program, even if the individual is willing to work but their isn't a work slot available. Castle-Tanner would not cut individuals off food stamps if a work slot wasn't available.

**Food stamps for immigrant children** Castle-Tanner minimizes the harm to children from the provisions regarding non-citizens by continuing food stamps for non-citizen children. The adults in the family would not be counted in determining the size of the food stamp benefit.

**Medicaid for non-citizens** The Archer bill places a financial burden on health care providers by denying Medicaid to non-citizens. Castle-Tanner applies deeming rules to non-citizens applying for Medicaid, but does not deny Medicaid to non-citizens. This will primarily affect non-citizens with catastrophic health care costs that their sponsors cannot afford.

**Deeming for non-cash programs** The Archer bill contains a requirement that states apply deeming to all non-cash means-tested benefits. This provision will place a tremendous burden on state government, but achieves negligible savings.

## **Changes from Archer Welfare Reform Bill In Castle-Tanner Welfare Reform Bill**

### **Maintenance of Effort**

**Change:** Require an 85% maintenance of effort, with adjustments up or down in the state MOE based on the performance of the state program. The Archer bill provides a 75% maintenance of effort.

**Reason for change:** A higher maintenance of effort provision will ensure that the states provide the resources for reform to work and have a stake in the success of the program. Although states will have some reductions in costs from caseload reductions as the reforms are implemented to move individuals into work and off welfare rolls, there will be increased costs for work programs and child care assistance to help welfare recipients obtain jobs and remain employed. A state would be able to reduce spending below the MOE level, but would have its federal grant reduced on a one-for-one basis. If a state has a reduction in caseload that allows it to reduce state spending more than fifteen percent, the federal government should share in the savings from the caseload reduction.

**Change:** Tighten the definition of state spending that can be counted in meeting the maintenance of effort to prevent the state from meeting the maintenance of effort with current state spending on programs that are not part of the state AFDC program. Explicitly provide that spending on traditional classroom education does not count toward meeting the maintenance of effort. Only allow states to count increased spending on existing state programs that were not part of the state AFDC program prior to enactment.

**Reason for change:** Allowing states to use current state spending on non-AFDC programs to meet the maintenance of effort provision would allow states to circumvent the maintenance of effort provision by using accounting shifts to offset reductions in welfare spending.

### **Performance Bonuses / Penalties**

**Change:** Replace the cash bonuses and penalties in the Archer bill with adjustments to the state maintenance of effort up or down based on success of moving individuals into private sector employment. Provides for a five percent reduction in state maintenance of effort for states that meet performance standards, and a five percent increase in state maintenance of effort for states that fail to meet participation rates. The Archer bill provides \$1 billion for supplemental cash grants equal to five percent of the block grant for states that meet the performance requirements and a five percent reduction in the block grant payment for states that fail to meet the participation requirement.

**Reason for change:** Adjustments in the maintenance of effort requirement provide a more rationale tool for rewarding positive results and provide an incentive for states to use federal funds efficiently. A high performance state would presumably have a lower caseload and has demonstrated that it is making efficient use of work funds. A lower maintenance of effort for high performance states is therefore justified. Conversely, a failure of a state to meet the participation rates is evidence that the state is not providing sufficient resources to meet work requirements. In addition, a state that has failed to meet the participation rates will have a greater need for cash assistance because the state is not meeting the requirements for moving individuals into work activities.

## Transferability

**Change:** Restrict transfers from the TANF block grant to only the child care block grant and limit the transfer to 20% of the block grant. The Archer bill allows states to transfer up to 30% of the block grant funds to the child care block grant or the Title XX Social Services Block Grant.

**Reason for change:** The ability of states to transfer 30% of the block grant into the Social Services Block Grant will allow states to divert welfare funds to unrelated programs that serve politically popular constituencies. Social Services Block Grant funds can be used for a variety of purposes that are outside the scope of welfare reform programs. Federal grants to states should be used for the purposes of the program.

## Contingency Fund

**Change:** Provide additional funds for states that qualify for contingency funds to draw funds even if the \$2 billion in the fund has been exhausted if the national unemployment rate exceeds 7.0% or unemployment in the state exceeds 9%.

**Reason for change:** Although the \$2 billion provided for the contingency fund in the Archer bill will be sufficient to respond to state emergencies under current economic assumptions, it will be inadequate if there is a national or regional recession not assumed in the CBO baseline. For example, the recession of the early 1990's increased AFDC spending by \$6 billion. The additional contingency funds will provide the ability to respond to an unanticipated national or regional economic downturn.

## State Accountability

**Change:** Require that the State plan be approved by the Secretary based on adherence to basic program goals and give the Secretary the authority to reduce or withhold payments to states if the state does not meet the requirements of the statute.

**Reason for change:** The federal government will be spending \$16.3 billion a year in grants to states for welfare programs. The federal government has an obligation to ensure that the states are using federal funds consistent with the purpose of the program within the context of greater state flexibility.

## Work Rules:

**Change:** Allow states to count individuals leaving welfare for private sector employment ("leavers") in meeting participation rates for six months provided that they remain employed. The Archer bill does not count leavers in the participation rates. (The Archer bill would count individuals who leave welfare for work indefinitely.)

**Reason for change:** Counting leavers for six months gives states credit for moving welfare recipients into private sector employment without weakening the work requirements. If leavers are not counted in meeting work requirements, states will have a perverse incentive to keep individuals in government-created work slots instead of moving them into private sector employment quickly. An individual who is earning enough in a private sector job to leave welfare is engaged in work by any definition.

## **Work program funding**

**Change:** Provide an additional \$3 billion for work funding that states can draw in addition to TANF funds beginning in 1999 if the state is spending 100% of 1994 levels on work programs and demonstrates that it needs additional funds in order to meet the work participation requirements. States would be required to match these funds. Require states to coordinate TANF work programs with one-stop shopping centers established by the CAREERS Act.

**Reason for Change:** The Congressional Budget Office estimated that there would be a \$13.6 billion shortfall in funding (federal and state) for work programs under the conference report. The changes in the work rules will reduce the costs of the work program, but there still would be an \$8.9 billion shortfall. States will be able to transfer savings in cash assistance from caseload reductions to work programs, but this will only cover a portion of the shortfall. The \$3 billion in federal funds, when combined with the state match amounts (approximately \$2.2 billion) will cover the portion of the shortfall that cannot be covered by savings from caseload reductions.

## **Individual Responsibility Contract**

**Change:** Adopt the requirement in the Coalition bill and the Senate bill that welfare recipients sign an individual responsibility contract developed by the state upon becoming eligible for cash assistance. The individual responsibility contract would outline what actions the individual would take to move to private sector employment. The contract will also outline what services the state will provide to the individual.

**Reason for change:** The individual responsibility contract will strengthen the work requirements by requiring all welfare recipients, including those not participating in work programs, to begin to take some actions toward self-sufficiency immediately upon receiving welfare benefits. It will require all welfare recipients to look for work, and will terminate benefits for individuals who don't look for work or refuse to accept a job offer. The individual responsibility contract will also outline what services the state will provide to move the individual toward self-sufficiency. States would have broad flexibility in developing an individual responsibility contract that is appropriate for the individual.

## **Worker Displacement**

**Change:** Add a state plan requirement that the state certify that the state plan will not result in the displacement of individuals who are currently employed.

**Reason for change:** Concerns have been raised that states may meet the work requirements by placing welfare recipients in public service jobs that had been held by state or local workers or by allowing private businesses to replace permanent workers with welfare recipients whose wages are subsidized by the state. The conference report does not adequately protect employees from being replaced by individuals in work programs whose wages are subsidized by welfare programs. Adding this language as a state plan requirement strengthens the protections against worker displacement.

## Individual protection

**Change:** Require the state plan to have objective and equitable standards for determining eligibility and certify that the state has established a due process appeal for individuals who have been denied assistance in order to have the state plan approved. The Archer bill includes provisions calling on states to provide for fair and equitable treatment in the state plan (not due process), but the language is not enforceable because the state plan does not have to be approved.

**Reason for change:** With the elimination of the federal entitlement, it is important that states have a fair and objective basis for determining eligibility and a due process appeal for individuals who have been denied assistance to prevent states from arbitrarily denying benefits to certain groups of individuals (i.e., denying benefits to individuals who apply late in the fiscal year when the block grant funds have been exhausted).

## Vouchers

**Change:** Add a requirement that states provide families that are cut off because of state time limit of less than five years with vouchers for the needs of the child. Vouchers would be paid directly to third parties to cover expenses that can be attributed to the care of the child. The states would not be required to provide vouchers for individuals after the five-year time limit, although states would have the option of doing so. The Archer bill adds a provision not included in the conference report explicitly denying states the option of providing vouchers to families that are cut off after the five year time limit.

**Reason for change:** Providing vouchers to cover expenses directly related to the care of a child will protect innocent children from being harmed by the action (or lack of action) of the parent. The vouchers will be payable to third parties, so the recipient whose benefits have been terminated will never receive direct payment. States will have considerable discretion in determining how to provide vouchers.

## Local Control

**Change:** Add a provision requiring the state plan to certify that 1) local governments and private sector organizations are included in all phases of developing the plan; 2) local officials who are responsible for administration of services are able to plan, design and administer programs in their jurisdiction; and 3) there are no unfunded mandates on local governments.

**Reason for change:** The success of welfare reform will require state and local governments to work together. Local governments have expertise and information about the needs of their communities that should be incorporated in a welfare program. Giving states additional flexibility from federal oversight should not come at the expense of local governments. This provision will ensure that local governments are fully involved in the state plan and are not adversely affected by decisions made by the state government.

## Child Care

**Change:** Require states to maintain 100% of 1995 state child care spending (instead of 1994) to be eligible for the additional child care funds.

**Reason for change:** The governors' agreement allows states to choose 1995 as the base year for determining federal child care grants, resulting in an additional \$1.2 billion in federal child care funds available to states. This additional \$1.2 billion would be completely unmatched, because states would only be required to maintain 100% of 1994 state spending to receive 100% of the 1995 federal grant. The increased state spending necessary to match the increased federal funds in 1995 would not be reflected, effectively allowing states to withdraw over \$800 million in state child care funds.

**Change:** Retain provisions in current law requiring states to have in place health and safety standards, but add language prohibiting states from implementing any regulations which have the effect of restricting parental choice.

**Reason for change:** The health and safety standards for federally-funded child care are necessary to ensure that federal funds are not used to subsidize unsafe child care providers. At a time when the federal government is increasing child care funding significantly and child care enrollment will increase, it is important to require child care providers to meet certain minimum standards. Ensuring that state regulations do not have the effect of restricting parental choice addresses the concern raised by critics of the health and safety standard provision.

## Social Services Block Grant

**Change:** Limit the reduction in the Social Services Block Grant (Title XX) to 10% instead of the 20% cut in the Archer bill.

**Reason for change:** Many states use Title XX funds to provide child care for low and moderate income families. Approximately 30% of Title XX funds are used for child care. The deeper Title XX cut in the Archer bill effectively takes back a portion of the additional child care funds added to the bill.

## Supplemental Security Income

**Change:** Eliminate provision increasing SSI eligibility age from 65 to 67.

**Reason for change:** This provision will result in a substantial increase in poverty among seniors. SSI is intended to serve as a safety net for low-income seniors whose Social Security benefits are insufficient to purchase basic necessities and are unable to find work. A higher eligibility age for SSI will make it more difficult to enact reforms that will be necessary to preserve Social Security in the future (such as an increase in the retirement age) by eliminating the safety net that is intended to protect low-income individuals who would be adversely affected by the reforms.

## Non-citizens

**Change:** Replace denial of Medicaid with deeming for Medicaid eligibility.

**Reason for change:** Denying Medicaid to non-citizens will place a burden on local governments, because hospitals will continue to treat non-citizens that need medical assistance.

**Change:** Exempt children from the food stamp ban.

**Reason for change:** This provision will reduce the impact of the ban on child poverty and nutrition.

**Change:** Exempt child nutrition programs from deeming provisions.

**Reason for change:** This provision would place a tremendous administrative burden on schools and family day care centers participating in child nutrition programs while achieving very small savings.

**Change:** Exempt all federal non-cash benefits (except Medicaid) from the deeming requirements.

**Reason for change:** The conference report would extend deeming requirements to over 60 programs that currently are not subject to deeming. This change would place a costly and burdensome mandate on states to establish the administrative procedure to implement deeming without any additional funds. Despite the burden of implementing this provision, it would result in minimal savings to the federal government.

**Change:** Exempt victims of domestic violence from deeming requirements

**Reason for change:** This change prevents individuals from being forced to choose between remaining in an abusive situation or living in poverty without any means of support.

## Food stamps

**Change:** Reduce food stamp savings from \$26 billion to \$22 billion over six years.

**Reason for change:** Reducing food stamp spending by \$26 billion will threaten the structural integrity of the food stamp program. The bipartisan budget negotiations tentatively agreed to \$22 billion in savings.

**Change:** Eliminate the optional block grant

**Reason for change:** The optional food stamp block grant will begin to undermine the national food stamp safety net. There would be no federal standards under the block grant, which would allow states to reduce benefit levels or restrict eligibility. Block grant funding would be frozen, hampering the ability of states to respond to changing economic circumstances or population increases. Since there is no requirement that states provide benefits to all families that meet the state's qualifications, states could deny benefits to eligible individuals in years in which the block grant funding was exhausted by an economic downturn.

**Change:** Adopt the work requirements from the Coalition bill, which requires able-bodied individuals between age 18-50 without children to work or participate in a work program, but does not eliminate benefits if there is not a slot available in a food stamp work program.

**Reason for change:** It is unreasonable to deny food stamps to an individual who is willing to work if a job slot is not available. Individuals would lose their benefits if they refused a job offer or refused to participate in an employment and training program if a slot is available.

**Change:** Eliminate cap on shelter deduction for families with children.

**Reason for change:** The shelter deduction that is scheduled to take effect in 1997 will increase the food stamp benefits for families with children that pay over half of their income for housing. In effect, this provision will ensure that families with children are treated the same as the elderly and disabled. The Archer bill would extend the cap on the shelter deduction, which will make it difficult for low-income families to obtain adequate housing and feed their children.

## **Child Nutrition**

**Change:** Restrict the ability of states to transfer funds between different child nutrition programs.

**Reason for change:** The provision in the conference report allowing states to transfer funds between child nutrition programs could result in the misallocation of federal child nutrition dollars. States that have unspent WIC funds that would otherwise be reallocated to states with greater need in the WIC program can instead transfer these WIC funds to programs that benefit middle-income children.

**Change:** Modify the cuts in child nutrition programs by 1) setting the cuts in reimbursements for family day care homes at the levels in the Senate-passed welfare reform bill instead of the deeper cuts in the conference report; 2) deleting provision reducing the number of subsidized meals provided to low-income children in family day care centers for more than eight hours from three meals to two; 3) setting the cuts in reimbursements for the summer feeding program at the levels in the Senate-passed welfare reform bill instead of the deeper cuts in the conference report. Offset the lower savings from these changes by 1) rounding reimbursement rates to the nearest quarter cent; 2) reducing the percentage of school lunch support that must be in the form of commodities from 12% to 8%; 3) freezing reimbursement rates for meals served to non-low-income children in family day care homes; and 4) freezing reimbursements for the amount of commodities served in child nutrition programs.

**Reason for change:** The net effect of these changes is to achieve the same amount of savings as the conference report in a way that spreads the burden more broadly and does not undermine the goals of child nutrition programs. The reductions in reimbursement rates for family day care homes and the summer feeding program in the conference report would cause many providers to conclude that the programs are more trouble than they are worth and decide to move underground. This will reduce the number of quality child care centers available for low-income parents, undercutting the efforts of the bill to increase the availability of child care for welfare recipients moving to work.

~~WR~~  
① *unemployed - cast*  
② *FAMS by excel order*

WR -  
Castle  
Tanner

TO: KEN

FROM: CASTLE/TANNER

TIME LIMITS:

Proposal:

1. Allow states to use contingency funds to provide goods and services to those who have exhausted their eligibility for TANF funds.
2. Include a provision which stipulates that providing work opportunities for those who have exhausted their eligibility for TANF funds and are not gainfully employed shall be a priority use of the additional work funds available in 1999.
3. Maintain state option to recycle up to 20% of caseload. Include a provision which requires states to recycle 10% of caseload in any year in which the national unemployment rate is 7% or above or the state unemployment rate reaches 9% or above.

IMMIGRATION:

Proposal:

Provide that a legal immigrant, who suffers a catastrophic illness or injury through no fault of their own after arriving in the United States leaving them incapacitated and resulting in an unexpected financial burden on their sponsoring U.S. citizen, shall be exempted from the deeming requirements for Medicaid in any month in which they are determined to be disabled (as defined in the Social Security Act). The SSI ban would be maintained.

MEDICAID:

Proposal:

Adopt the language in the Chafee/Breaux bill continuing Medicaid coverage for individuals losing AFDC as result of time limits.

MICHAEL N. CASTLE

DEPARTMENT OF JUSTICE

COMMITTEES:

BANKING AND FINANCIAL SERVICES

CHAIRMAN

SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL MONETARY POLICY

ECONOMIC AND EDUCATIONAL OPPORTUNITIES

SELECT COMMITTEE ON INTELLIGENCE

Congress of the United States House of Representatives Washington, DC 20515-0801

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May 14, 1996

The Honorable William J. Clinton President United States of America The White House Washington, D.C. 20500

Dear Mr. President:

On behalf of those who support H.R. 3266, "The Castle/Tanner Bipartisan Welfare Reform Act of 1996," we would like to thank you for the meeting we had with you and your staff last Thursday. We felt our meeting led to a greater understanding of what is needed to make welfare reform truly successful, and demonstrated our mutual desire to enact comprehensive welfare reform legislation this year.

It is our understanding that you are very supportive of our bipartisan effort and would consider lending your support to it if we were able to address your concerns over time limits; immigration; and maintaining the linkage between Medicaid and welfare.

The following is a brief summary of your concerns as we remember them:

Time Limits:

You expressed strong concern about what will happen to families who are affected by time limits, and would like assurances that the care of the child after the five-year time limit will be maintained (H.R. 3266 contains vouchers that end after 5 years, although it does not prohibit states from continuing).

While you would prefer vouchers to continue after 5 years, if that were not possible, you would support a mandatory 20% "hardship pool" that would include both those recipients who could never work and those who reached the time limit and still could not work (H.R. 3266 accepts Governors' language of 20% state option).

You also would consider legislation that contained a provision whereby those families who were affected by the time-limit could work in exchange for food stamps or welfare. You suggested states could work with cities and counties to create such jobs; current employees could not be displaced (H.R. 3266 contains certification of non-displacement and non-replacement of

WR - Castle-Tanner Copies # Rahm E # Bruce R # John A # Alice R # John H KA

The Honorable William J. Clinton  
May 14, 1996  
Page Two

current employees).

Immigration:

Though you support deeming, you would like legislation that incorporates a provision whereby a legal immigrant or their child is protected if they become disabled or injured through no fault of their own; you would even consider reduced levels of other welfare spending to ensure that this issue is addressed.

Medicaid:

Regarding AFDC/Medicaid eligibility, you are concerned about certain populations and are seeking exemptions for those who are dropped from Medicaid because of reaching the five-year time limit. You are also concerned that states might cut off disabled children when faced with difficult budgetary constraints.

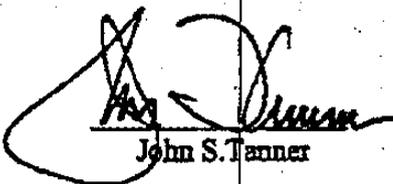
You like the Chafee-Breaux approach to Medicaid reform. You believe block granting is an error and that it is bad public policy, and that it makes it difficult to sustain adequate spending levels on health care; you thought the Governors would agree with you. You also stated you would like to negotiate Medicaid if it is to be linked with welfare.

Our staffs have already met to follow-up on these issues, and have made progress in working towards mutually agreeable solutions. We look forward to continuing to work with you to ensure that the Castle/Tanner legislation, or any welfare reform proposal contains the proper elements necessary to guarantee a workable and lasting solution to reforming our nation's welfare system.

Sincerely,



Michael N. Castle



John S. Tanner



Charles W. Stanholm



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

WR -  
Castle-Tanner

THE DIRECTOR

May 8, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin **AMR**

SUBJECT: Castle-Tanner Welfare Reform Bill

A group of moderate House Republicans and Democrats, led by Representatives Castle and Tanner, recently introduced a new welfare bill for consideration. H.R. 3266 builds upon the vetoed conference welfare bill, the latest NGA proposal, and the Administration's plan. With respect to two out of our three major areas of concern -- welfare-to-work and structural changes -- the bill is generally acceptable, as Attachment 1 shows. The bill could be characterized as relatively consistent with the Administration's priorities and as drawing upon some of the more positive changes proposed by the Governors. Unfortunately, the bill does not do as well in terms of our third concern -- the size of the budget cuts. It adopts most of the Administration's reductions but also makes very deep restrictions on benefits to immigrants.

As you can see from the table below, the overall level of budget cuts in Castle-Tanner are not significantly deeper than the levels in our budget plan. But this masks significant differences. To finance more spending in the welfare block grant, Castle-Tanner makes much deeper cuts in benefits to immigrants. Rather than expanded "deeming," their bill includes bans in SSI and Food Stamps. Under their approach, immigrants legally in the USA-- even those who become disabled-- would be ineligible for assistance.

Comparison of the Vetoed Welfare Bill (H.R. 4), Castle-Tanner,  
NGA, and the Administration Bill

Projected or Actual CBO Scoring, March 96 Baseline, Billions

	H.R. 4	Castle-Tanner	NGA**	Admin
<b>Savings by Program</b>				
Immigrants	-22	-16	-22	-6
<i>Medicaid Component</i>	-6	-2	-6	-1
Food Stamps	-25	-20	-24	-18
SSI Children	-10	-8	-7	-8
Other non-AFDC related	-3	-6	-3	-5
Non-AFDC subtotal	-60	-50	-56	-37
AFDC & Related Activities	0	8	8	-1
<i>Child Care</i>	0	4	4	3
<i>Contingency</i>	1	3	2	
<i>Other</i>	-1	2	2	-3
<b>Total</b>				
Total savings in bills ++	-59	-42	-48	-38
Without Medicaid Savings	-53	-39	-41	-39

\*\* The NGA bill technically took no position on immigrant provisions. Since their bill is based on HR 4, HR 4's provisions are assumed.

++ Totals do not include \$3.2 billion in net welfare savings enacted in the Earnings Test/ Debt Limit bill.

## **Budget Cuts**

This bill typifies the problems that must be faced by anyone simultaneously trying to block grant AFDC, add significant new funding for State work and child care programs, and reach a high budget savings level. While Castle-Tanner proposes higher spending for child care and work programs, they also cut about \$42 billion -- \$45 billion if you include net welfare savings that were enacted in the Debt Limit / Social Security Earnings Test bill. To save this much while adding funding for work programs and child care, non-AFDC cuts are 35% deeper than the Administration plan, and almost 85% as deep as the bill you vetoed.

*Immigrants.* The most significant difference between the Administration's plan and the Castle-Tanner bill is their proposal to ban benefits to legal immigrants -- they would cut almost three times as deep as the Administration's plan. The Administration's proposal, which tightens eligibility for legal immigrants through stronger rules for deeming of sponsor's income, would save approximately \$6 billion over seven years while Castle-Tanner would save \$16 billion over the same period. Castle-Tanner adopts an SSI and Food Stamps ban and deeming for Medicaid -- with limited modifications to reduce the impact. Even the House and Senate Immigration Bill proposals do not include benefit bans. In total, the Castle-Tanner SSI and Food Stamp bans would move approximately 600,000 legal immigrants off the rolls. This would include the primary wage earner in a low income household who lost his or her job due to a crippling accident or life threatening disease.

Most legal immigrants would be banned from SSI until they attained citizenship, including the disabled and those currently receiving benefits. Castle-Tanner would exempt those who have worked for about 5 years, compared to the exemption in H.R. 4 which would have required about 10 years of work. In addition, many legal immigrants would be banned from Food Stamps but, unlike H.R. 4, Castle-Tanner exempts children. Food Stamps is a household benefit though, and this exemption would not provide a household with children the resources necessary to purchase a basic diet.

Unlike H.R. 4, the bill does not ban immigrants from Medicaid. Instead, it restricts access to the program only for those legal immigrants who have had a sponsor promise to provide financial support (i.e., deeming). The deeming policy in the bill is similar to the policies in the House and Senate immigration reform bills, which passed by wide margins. Recent votes in the Senate to make the deeming policy for Medicaid in immigration reform a little closer to the Administration's position were defeated by wide margins. (See Attachment 2 for more information on immigrant issues.)

## **Welfare-to-Work**

The Castle-Tanner proposal looks pretty good in this area. The plan builds on recommendations made by NGA, allowing more flexibility for States to meet the work rates while more adequately matching resources to requirements. The proposal would allow States to count those who leave welfare for work toward the participation rates, and would give States the option to require only part-time work for mothers with young children -- two provisions that make it more realistic for States to reach the high work standards. The plan provides the same, generous level of child care recommended by NGA -- \$4 billion above the Conference level -- but adds an extra \$3 billion in work funding for States who demonstrate the need for such resources to meet the work requirements. On the down side, the Castle-

Tanner proposal retains an objectionable Conference provision that would give States a perverse incentive to simply cut families off assistance in order to reduce the participation rates.

### **Structural Concerns**

With the exception of the AFDC program, the structural changes to the income assistance programs opposed by the Administration and included in H.R. 4 and the Governors' proposal were not adopted by the Castle-Tanner bill. None of the egregious proposals intended to erode the national strength of the Food Stamp program -- a Food Stamp block grant, an annual spending cap, or unreasonable waiver authority -- were included in the bill. Furthermore, the bill does not propose to block grant Child Protection or Child Nutrition Programs. And the changes to the SSI program are very similar to the Administration's proposal.

In AFDC, the individual entitlement to benefits, which we would prefer, is eliminated, but the proposal would make a number of changes to the Conference block grant to increase its overall acceptability.

- The **contingency fund** is improved, including a higher funding level, a trigger mechanism based on the Food Stamps caseload, and the capacity for further expansion during national recessions.
- State **maintenance of effort** (MOE) requirements are higher. The base MOE level is set at 85 percent (compared to 75 percent in the conference bill), with up to 5 percent increases or decreases based on work performance. The definitions of allowable expenditures remain very loose, however, and the Secretary may not enforce the MOE requirement when "the State has reasonable cause for failing to comply."
- Provisions for the **equal protection of individuals** are improved. Eligibility and benefits would have to be determined in an equitable manner and provided with reasonable promptness, families in similar circumstances would have to be treated similarly, and those denied assistance would have the right to a fair hearing. While the proposal does not provide the full degree of individual safeguards sought by the Administration, the most critical elements are included, and the Secretary appears to have broad oversight in this area.
- The Administration supports **mandatory vouchers** to protect children cut off assistance due to time limits of any duration. Castle-Tanner would require States to provide vouchers to children when States set time limits shorter than five years, but would make vouchers only optional beyond the Federal five-year time limit.
- The proposal would maintain **categorical Medicaid eligibility** for cash welfare recipients. It does not, however, address the issue of Medicaid for recipients who lose cash assistance due to time limits or other State eligibility changes, and does not reauthorize transitional Medicaid (which provides 1 year of coverage for those leaving welfare for work). This could lead to lower health care coverage for some low income families. For example, while poor children born after 1984 would generally retain coverage, children born in 1984 or before and parents might lose access to Medicaid in many States. The Center on Budget and Policy Priorities estimates

approximately 1.5 million children over age 12 who currently receive Medicaid based on their eligibility for AFDC could lose coverage. In addition, some proportion of the 4 million adults now on AFDC could lose coverage due to either the time limit or State eligibility changes.

Another important point to note about the AFDC structural change proposed by Castle-Tanner - in comparison to the Administration's plan which does not block grant AFDC benefits -- is the budgetary effect of increasing funding for child care and work. Castle-Tanner block grants AFDC and related programs at roughly the current levels. In order to increase funding for child care and work and still reach a higher overall savings target, deeper reductions in other programs are needed to offset the child care and work increases. Castle-Tanner's deep immigrant cuts are used to do this. By contrast, the Administration provides substantial amounts for child care and work, but pays for them without increasing the overall costs of AFDC-related reforms by eliminating an out-of-control and rapidly growing part of the AFDC system known as Emergency Assistance. Immigrant or other cuts are therefore not needed to fund the Administration's child care and work programs.

### **Conclusion**

By and large, the House moderates have made a proposal that meets many of our stated concerns. The structural changes included in the bill improve significantly upon the vetoed conference report and the NGA proposal, and the provisions to refocus the welfare system on work are greatly strengthened compared to H.R. 4. The Castle-Tanner bill, however, proposes overall budget reductions that are very deep on benefits for immigrants.

<b>Congressional Moderates' Positions on Welfare Reform</b>	
	<b>Castle-Tanner</b>
<b>AFDC, WORK, &amp; CHILD CARE</b>	
<b>State Funding/Maintenance of Effort (MOE) Issues</b>	
<u>Overall MOE</u> -- Raise level to 80% or higher	+
<u>Transferability</u> -- Allow transfers to child care only; prohibit transfers to Title XX Social Services Block Grant	+
<u>Contingency Fund</u> -- Require 100% MOE to access funds	+
<u>Child Care</u> -- Include State match on additional child care funds	+
<b>Contingency Fund</b>	
<u>Base Fund</u> -- Increase to \$2 billion and make permanent	+
<u>Recessions</u> -- Allow further expansion of fund during recessions	+
<b>Work Participation</b> -- Greater State flexibility to meet work rates	+
<b>Family Cap</b> -- Provide complete State flexibility	-
<b>Equal Protections</b> -- Require States to establish fair and equitable treatment provisions and develop State accountability mechanisms	+
<b>Vouchers</b> -- Mandatory after five-year time limit	0
<b>Medicaid</b> -- Maintain categorical linkage with AFDC	0
<b>FOOD STAMPS</b>	
<b>Optional Block Grant</b> -- Drop any version from bill	+
<b>Annual Cap on Program Spending</b> -- Drop from bill	+
<b>Shelter Deduction</b> -- Do not change current law	+
<b>Time Limits/Work Requirements on 18-50s</b> -- States must offer work slot before terminating benefits	+
<b>IMMIGRANTS</b>	
<b>Bans</b> -- Drop Food Stamps and SSI bans	-
<b>Medicaid</b> -- Drop Medicaid ban	0
<b>OVERALL SAVINGS TARGET</b>	
Administration, -\$38; Castle-Tanner (House Moderates), -\$42	

(+) indicates position consistent with Administration; (-) indicates position inconsistent with Administration; (0) indicates partial support

May 8, 1996

**ATTACHMENT 2: SUMMARY OF BENEFITS FOR IMMIGRANTS PROVISIONS**

Approaches based on Bans				Approaches Based on Strengthened Deeming		
Provision	H.R. 4 - Welfare Conference	Castle-Tanner Welfare Bill	Chaffee Breaux (highly preliminary)	S. 1664 Senate Immigration	HR. 2202 House Immigration	Administration
Eligibility Bans	<i>SSI and Food Stamps</i> - applies to most immigrants. <i>Future Immigrants</i> - 5 year ban on all federal means tested programs including Medicaid	<i>SSI and Food Stamps</i> - Same as HR. 4 except children under 18 exempted from bans. <i>Future Immigrants</i> - Same as HR. 4 but no 5 yr. Medicaid ban.	<i>SSI Only</i> - grandfathers some current recipients. <i>Future Immigrants</i> - same as HR 4, including Medicaid. Would also include Food Stamps.	No bans	No bans	No bans
Deeming	Until citizenship for new immigrants  Applies to nearly all federal means-tested programs, including Medicaid.	Same as HR. 4  Applies only to Medicaid.	Same as HR 4.  Applies to nearly all federal means-tested programs, including Medicaid and Food Stamps.	Until citizenship or 40 quarters of work for new immigrants. 5 years for immigrants in the country  Applies to all federal needs-based programs, including Medicaid.	Until citizenship for parents and adult sons and daughters of citizens; 7 years or citizenship for spouses; until age 21 or citizenship for children. For new immigrants.  Applies to all federal needs-based programs, including Medicaid.	Until citizenship for new applicants. Current law exemptions, including those disabled after entry.  Applies to SSI, AFDC, and Food Stamps.
Exemptions	<u>Bans-Immigrants</u> : refugees, asylees, etc., veterans and families, those with 40 quarters of coverage who didn't receive benefits.  <u>Programs</u> : emergency Medicaid, disaster aid, child nutrition, immunizations, foster care, certain in-kind aid, secondary and elementary education and higher education assistance.  <u>Deeming -- Immigrants</u> : those with 40 quarters of coverage (10 years work) who didn't receive benefits  <u>Programs</u> : same as above.	<u>Bans-Immigrants</u> : Same as HR 4, Plus, disabled children, battered women and children; children on food stamps.  <u>Programs</u> : Same as HR 4, except Medicaid would not be part of the 5 year ban.  <u>Deeming --</u> Same as HR. 4	<u>Bans - Immigrants</u> : Same as HR. 4, Plus those currently in the country who are over age 75 or disabled.  <u>Programs</u> : Same as HR 4  <u>Deeming --</u> Same as HR. 4 <u>Programs</u> : Same as HR.4 plus Head Start, programs the AG determines are necessary to obtain food and shelter.	<u>Deeming - Immigrants</u> : those with 40 quarters of coverage who didn't receive benefits.  <u>Programs</u> : any program administered by non-profit service providers, Child Nutrition, WIC, and any program determined by the Attorney General to be necessary for life, health and safety (homeless shelters)  (Emergency Medicaid, disaster assistance, public health, pre and post partum Medicaid would be deemed.)	<u>Deeming - Immigrants</u> : battered women and children, those with 40 quarters of coverage who didn't receive benefits.  <u>Programs</u> : emergency Medicaid, disaster aid, child nutrition, immunizations, domestic violence and child abuse, student assistance under title IV, V, IX and X of the higher ed act and many community and migrant public health centers.	<u>Deeming - Immigrants</u> : those who become disabled after entering the country, those over age 75 with five years of residence, veterans and their families and those with 20 quarters of coverage.  <u>Programs</u> : only applies to SSI, AFDC and Food Stamps. No exemptions necessary.
State Options	State option to ban most legal immigrants from AFDC, Medicaid, SSBG and State programs. States could apply federal deeming rules to State means-tested programs.	Same as HR. 4	Same as HR. 4	States could apply federal deeming rules (not bans) to State needs-based programs.	States could apply federal deeming rules (not bans) to State means-tested programs.	States could apply federal deeming rules (not bans) to State cash assistance programs.
Seven Year Savings (CBO estimates)	\$ 22 billion	\$ 16 billion preliminary	\$12 to 14 billion preliminary	\$ 6 billion	\$ 4.5 billion	\$ 6 billion

NOTE: This table provides highly summary information. There are many technical details within and differences between the bills which are not provided.



DATE: 6-13-96

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*WP -  
Castle -  
Tanner*

FROM:

TO : See Below  
OFFICE : \_\_\_\_\_  
PHONE NO : \_\_\_\_\_  
FAX NO : \_\_\_\_\_  
TOTAL PAGES  
(INCLUDING COVER) : 2

- RICHARD J. TARPLIN
- HELEN MATHIS
- KEVIN BURKE
- SANDI EUBANKS BROWN
- ROSE CLEMENT LUSI
- STEPHANIE WILSON
- HAZEL FARMER

REMARKS:

*Susan Brophy  
Janet Munguia  
Bruce Leed  
Rahm Emanuel  
Ken Appel  
John Hilley*

TRANSCRIPT  
June 12, 1996  
NEWS CONFERENCE  
ARLEN SPECTER  
U.S. SENATOR (R-PA)  
WASHINGTON, D.C.

HOLDS NEWS CONFERENCE WITH OTHERS TO INTRODUCE A BIPARTISAN WELFARE REFORM BILL.

SENATOR JOSEPH BIDEN, SENATOR ARLEN SPECTER, CONGRESSMAN JOHN TANNER, AND CONGRESSMAN MICHAEL CASTLE HOLD NEWS CONFERENCE TO INTRODUCE BIPARTISAN WELFARE REFORM BILL

JUNE 12, 1996

BIDEN: Thank you for coming. I'd especially want to thank Congressman Castle and Congressman John Tanner for coming over to the Senate to join Senator Specter and me today.

Today, Senator Specter and I are introducing the Bipartisan Welfare Reform Act of 1996, the Senate companion legislation introduced in April in the House of Representatives by Representatives Castle and Tanner and 30 House members from both political parties. I'd like to very briefly review what got us to this point and what we're attempting to do.

Last September, the Senate passed a Bipartisan Welfare Reform Bill by an overwhelming vote of 87 to 12. Senator Specter and I both voted for that bill and President Clinton said he would sign it. Since then, however, something's happened on the way to the White House or in the White House or in both political parties and we've, quite frankly, bogged down.

+++ Elapsed Time 00:01, Eastern Time 13:32 +++

There's been a polarization of this issue, and nothing much has been accomplished since then. In an attempt to break the gridlock, last February the nation's governors, led by Mike and my governor, Tom Carper, proposed a Bipartisan Welfare Reform Bill, Republican and Democratic governors. And in April, Mike Castle and John Tanner and a group of other moderates wrote what I believe is a first-rate welfare reform bill.

No such bipartisan plan to date has been introduced on the Senate side. And as this issue will be back before us again very soon, Senator Specter and I decided that now's the time, and the Castle-Tanner proposal is the bill, that we should be moving on this side. For, quite frankly, nothing's going to happen at all in welfare, and something must happen in welfare now, unless we're able to reach a bipartisan consensus.

What this bill proposes in and of itself is not new. What is new is that it's being proposed altogether in a bipartisan fashion.

Date: 19 June

To: Bruce  
456-5557

From: Chad

Message: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Pages: 3

# fax

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## Possible Changes to Castle-Tanner

*WR -  
Castle-Tanner  
plan*

### Changes to achieve additional Savings

The preliminary CBO estimate of H.R. 3266 as introduced estimated total savings of \$42.6 billion. The original savings target when Castle-Tanner was introduced was \$50 billion and the Democratic cosponsors of Tanner-Castle have agreed to find additional savings to reach the \$50 billion savings target. The following items would bring the total savings in the proposal above \$50 billion.

#### Title I -- TANF Block Grant

Add a provisions that states cannot operate a separate financial support program with state funds targeted at child support recipients who would otherwise be eligible for assistance under the block grant. CBO assumed that states would set up a assistance program without federal funds so that they would not share child support receipts with the federal government. This does not appear to be anyone's intent, but affects CBO scoring. **Savings: \$658 million**

**Subtotal, additional savings in Title I: \$658 million**

#### Title II -- SSI

Add provision from H.R. 3507 ending payments of pro-rated benefits for individuals who become eligible for SSI in the middle of the month. Under current law, individuals receive a partial check on the 15th of the month. This would delay the initial check until the first of the next month. **Savings: \$835 million**

Adopt provision paying large retroactive benefit amounts in installments instead of one lump sum payment. This provision is in H.R. 3507 and the administration budget. **Savings: \$275 million.**

Permit recovery of SSI overpayments from Social Security benefits. This provision is in H.R. 3507. **Savings: \$185 million.**

Tighten restrictions on payment of Social Security and SSI benefits to prisoners and make payments to prison recipients who report ineligible recipients. **Savings: \$181 million**

**Subtotal, Additional Savings in Title II: \$1.476 billion**

#### Title IX -- Food Stamps

Set the standard deduction at a lower level. Tanner-Castle current reduces the standard deduction from \$134 to \$120 and freezes it through 2001, when it would be indexed to inflation. Additional savings can be achieved by reducing the standard deduction further. **Savings: \$1 billion**

**Subtotal, Additional Savings in Title IX: \$1 billion**

#### Title X -- Miscellaneous

Adopt EITC provisions from Administration budget. These provisions would 1) require a Social Security number to qualify for the EITC, thereby denying the credit to individuals not authorized to be employed in the U.S.; 2) restrict EITC eligibility for families with capital gains over \$2,500 and 3) disregard a portion of business losses in computing the EITC phaseout. **Savings: \$4.6 billion**

**Subtotal, Additional Savings in Title X: \$4.6 billion**

**Total Additional Savings: \$7.734**

## **Policy Changes Adopted in Committee**

Several changes were made during Committee markup of welfare reform in Ways and Means and Education and Opportunities Committee that improved the bill. Below are the changes adopted in Committee that would improve Castle-Tanner.

### **Title I -- TANF Block Grant**

Remove age limit from education eligibility. (Opportunities)

Prevent state termination of assistance to single custodial parents with children under age 11 where child care isn't available. (Opportunities)

Add requirement that states provide Medicaid benefits for one year to families leaving welfare programs because of increased earnings from work or child support collection. Allow penalties of up to 5% for states that violate this requirement. The baseline assumes transitional Medicaid coverage, so this provision should not be scored as increasing costs. (Ways and Means)

### **Title III -- Child Support Enforcement**

Allow states to share information from directory of new hires with private contractors. (Ways and Means)

Provide state child support agencies with authority to obtain information from public and private entities. (Ways and Means)

### **Title VII -- Child Care**

Increase child care quality set-aside to 4% (Opportunities)

### **Title X -- Miscellaneous**

Provide states with one year of enhance funding (75 percent rather than 50 percent) to complete implementation of automated child welfare information systems. (Ways and Means)

## **Other Changes**

Other suggestions have been made regarding changes to Castle-Tanner by the administration and by other groups interested in aspects of welfare reform policy. Below are the changes that we may be able to accommodate.

### **Title I -- TANF Block Grant**

Clarify that families losing TANF eligibility as a result of a time limit do not lose Medicaid coverage as well. CBO has not scored savings from the loss of Medicaid coverage under the time limit, so changing this provision should not have a scoring impact.

### **Title VIII -- Child Nutrition**

Eliminate provision restricting eligibility for child nutrition providers that have 25% of their enrollment receiving federal assistance.

WR - Castle -  
Tanner

## REACTION TO WELFARE REFORM AGREEMENT

### Child Care

The \$4 billion in additional funds should be sufficient to meet the CBO estimates of child care costs under the work requirements of the Senate bill.

**Suggested changes** A 100% maintenance of effort of 1994 child care spending should be required for a state to draw down the additional federal child care funds.

### Work Program Funding

Adopting the work requirements from the Senate bill will make it easier for states to meet the work requirements. However, there still will not be sufficient to meet the CBO estimates for the work program costs. The federal portion of this shortfall will be approximately \$5 billion.

**Suggested change:** Provide a \$5 billion block grant for work funding that states can draw down in addition to TANF funds beginning in 1999 if the state is spending 100% of 1994 levels on work programs.

### Individual Responsibility Contract

**Suggested change:** Adopt the language from the Coalition welfare reform bill requiring individuals to sign an individual responsibility contract within 30 days of becoming eligible for cash assistance. A similar provision was included in the Senate bill.

### Contingency fund

**Suggested change:** Require a 100% maintenance of effort for all AFDC spending before a state can draw down funds from the contingency fund. Add a mechanism increasing the funds in the contingency fund if national child poverty exceeds 1994 levels by more than 10%.

### Maintenance of Effort

By remaining silent on the issue, the governors agreement maintains the 75% maintenance of effort in the conference report instead of the 80% in the Senate bill. The lower maintenance of effort is justified by assumed caseload reductions before the states have had an opportunity to implement programs to move individuals into work.

**Suggested change:** Require a 90% maintenance of effort through 1998 and allow the MOE to drop to 80% in 1999 if states meet the participation rates in 1997 and 1998. Increase the state MOE back to 90% if the state fails to meet the participation rate in any year.

**Food stamps**

The total savings is higher than the level in the Senate bill or the tentative agreement in the budget negotiations.

**Suggested change:** Drop the optional block grant, modify the work requirements and set total savings at \$22 billion.

**Child welfare**

**Suggested change:** Eliminate optional child welfare block grant.



Date: Feb 8 1996

To: Bruce Reed  
456-5557

From: Chad Jenkins

Message: What do you  
think?

Pages: 3

# fax

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WR - Castle-Tanner Plan

DATE: \_\_\_\_\_



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**FROM:**

- JERRY D. KLEPNER
- RICHARD J. TARPLIN
- HELEN MATHIS
- KEVIN BURKE
- SANDI EUBANKS BROWN
- ROSE CLEMENT LUSI
- STEPHANIE WILSON
- HAZEL FARMER

**REMARKS:**

*FYI -  
Summary material for Tanner/Castle  
group press conference. There are  
7+ Democratic supporters and 13+ Republicans*

**Congress of the United States**  
Washington, DC 20515

FOR IMMEDIATE RELEASE  
March 22, 1996

Contact: Jeff Fleming  
225-4714 (Tanner)  
Kristin Nolt  
225-4165 (Castle)

**REPUBLICANS, DEMOCRATS ANNOUNCE BIPARTISAN WELFARE REFORM  
AGREEMENT ACHIEVING \$50+ BILLION IN SAVINGS OVER SEVEN YEARS**

U.S. Reps. Michael Castle (R-DE) and John Tanner (D-TN) today said a group of conservative Democrats and moderate Republicans have reached agreement on a comprehensive welfare reform bill saving about \$50 billion over seven years.

"This bipartisan proposal takes the best of The Coalition's plan, what our governors proposed, and what our Republican colleagues offered, to create a reform package that can succeed upon implementation," Tanner said. "It gives the states the flexibility they deserve and demands personal responsibility from those who need help with tough incentives that put work first, promote two-parent families, and remove the cash benefit now available to unwed teenage mothers. The government's obligation is not everlasting."

"This bipartisan welfare reform bill is flexible but fair, and combines the best parts of what Congress passed and what the governors proposed," Castle said. "I am hopeful that this agreement will help facilitate more bipartisan action on this issue in the House, serve as a road map for reform, and even spark negotiations on the budget. Fixing our welfare system is a priority for all of us, and is a major part of our effort to balance the budget. This bill keeps our commitment to reducing spending, saves taxpayers \$50 billion over seven years, and is a crutch for people who need help in tough times."

The bipartisan welfare reform agreement reached would save about \$50 billion over seven years while increasing by \$4 billion funding for child care and including the \$2 billion contingency fund the bipartisan proposal of the National Governor's Association is seeking.

Other highlights of the bipartisan proposal unveiled today include the same five-year time limits on cash benefits the Governors and others have proposed. The proposal also includes provisions requiring a family cap. It would give states the option to decide whether to provide cash benefits to teenage mothers under the age of 18 and denies cash benefits to those who cannot establish paternity. It also imposes tough child support enforcement.

A summary and detailed side-by-side comparison are attached for your information. If you have additional questions please do not hesitate to contact either Kristin Nolt (Rep. Castle) at 225-4165, or Jeff Fleming (Rep. Tanner) at 225-4714.

## NEWS FROM

## CONGRESSWOMAN

## CONNIE MORELLA

8th District, Maryland

230 CANNON HOB  
WASHINGTON, D.C. 20515  
(202) 225-5341FOR IMMEDIATE RELEASE  
March 22, 1996CONTACT: Mary Anne Leary  
202-225-5341Congresswoman Morella Announces New Welfare Reform Plan;  
Reflects Broad Bipartisan Agreement

Congresswoman Connie Morella announced agreement on new welfare reform legislation that has broad bipartisan support in the House in a press conference held this morning in the Capitol.

The compromise legislation is based on the work of moderate Republicans and conservative Democrats and builds on recommendations made by the National Governors' Association last month. It is estimated that the plan would save \$50 billion over seven years.

The new legislation includes such H.R. 4 elements as work requirements; family cap; time limits; limits on benefits to teenage mothers; paternity establishment; illegitimacy reduction; and child support enforcement.

## New provisions will:

- o increase child care funding by \$4 billion
- o provide for state flexibility on work requirements for women with children under six years of age to work 20 hours per week
- o require that states meet "maintenance of effort" requirements of 100% of 1994 spending levels before they can draw down federal child care and contingency funds
- o require that states meet 85% maintenance of effort for the cash welfare block grant before drawing down federal funds
- o improve immigrant provisions by excluding battered women, disabled children, and those over 75 years old

"The plan we have worked hard to put together is a great improvement over what we had earlier this year," said Congresswoman Morella. "We have a plan now that is practical, doable, and compassionate -- and one that will work because it will have the support of most Americans."

The legislation will be introduced in the House next week; the House will consider welfare reform after the Easter recess.

## Welfare Reform Proposal

(Note: The agreement is based on the welfare reform conference report with the following modifications)

### Maintenance of Effort

Require an 85% maintenance of effort through 2002, with an increase in the MOE to 90% for states that fail to meet the participation rates and a reduction to 80% for states that meet performance requirements.

### Transferability

Restrict transfers from the TANF block grant to only the child care block grant and limit the transfer to 20% of the block grant.

### Contingency Fund

Increase contingency fund to \$2 billion.

Allow states that qualify for contingency funds to draw funds even if the \$2 billion authorization has been exceeded if there is a downturn in the national economy not assumed in the CBO projections.

Require a 100% maintenance of effort before a state can draw down funds from the contingency fund.

### Work participation rules

Change work participation requirement to 25 hours a week.

Give states the option to reduce the work requirement to 20 hours for parents with children under age 6

Count job search as a work activity for up to six weeks

Count individuals leaving welfare to accept private sector employment in meeting participation requirements for six months provided that they remain employed.

### Child Care

Increase child care spending by \$4 billion above conference report.

Require states to match additional federal child care funds at current match rates (retain 100% maintenance of effort in the conference report for base level funds).

### Work program funding

Provide \$3 billion additional funds for work funding that states can draw in addition to TANF funds beginning in 1999 if the state is spending 100% of 1994 levels on work programs and demonstrates that it needs additional funds in order to meet the work participation requirements. Require states to coordinate TANF work programs with one-stop shopping centers established by the CAREERS Act.

**Individual Responsibility**

Adopt the requirement in the Coalition bill and the Senate bill that welfare recipients sign an individual responsibility contract developed by the state upon becoming eligible for cash assistance.

**Individual protection**

Require states to have objective and equitable standards for determining eligibility and certify that the state has established a due process appeal for individuals who have been denied assistance.

**State Accountability**

Provide the Secretary with the authority to reduce or withhold payments to states if the state does not meet the requirements of the statute.

**Family Cap**

Require states to opt out of the family cap.

**Child Welfare**

Eliminate optional child welfare block grant.

**Food stamps**

Reduce food stamp spending by \$22 billion over six years

Eliminate the optional block grant

Adopt the work requirements from the Coalition bill, which requires able-bodied individuals between age 18-50 without children to work or participate in a work program, but does not eliminate benefits if there is not a slot available in a food stamp work program.

Eliminates the school nutrition block demonstration

**Non-citizens**

Retain the denial of benefits to non-citizens with the following changes:

Exempt battered women from deeming requirements

Exempt children from food stamp ban.

Exempt disabled kids from SSI ban

Exempt individuals over 75 from the ban.

Exempt individuals who have paid FICA taxes for 60 months (20 quarters).

**WELFARE REFORM: COMPARISON OF H.R. 4 CONFERENCE REPORT,  
GOVERNORS' PLAN, AND CASTLE/TANNER COMPROMISE**

March 12, 1996

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
<p><b>Temporary Assistance for Needy Families (Cash Welfare Block Grant)</b></p>	<p>Ends the federal entitlement to AFDC, providing \$16.3 billion per year in block grants to states. The state maintenance of effort (MOE) is 75% for the first four years (lower for states that exceed targets in moving families off welfare and into work)</p>	<p>Same as H.R. 4</p>	<p>Same as H.R. 4, only MOE is raised to 85% through 2002, with an increase to 90% for states that fail to meet the participation rates, and a reduction to 80% for states that meet performance requirements</p>
<p><b>Contingency Fund</b></p>	<p>1.) \$1 billion contingency fund for states whose unemployment rates dip below 6.5%. To qualify, states would have to spend at least as much on welfare programs as they did in FY94</p> <p>2.) Establishes a \$1.7 billion revolving loan from which states can borrow during economic downturns</p> <p>3.) Provides \$800 million for states that experience surges in population growth</p>	<p>1.) \$2 billion contingency fund for states whose unemployment rates dip below 6.5% or whose children's food stamp caseload increases by more than 10% over FY94 or FY95 levels. MOE 100% before states can draw down contingency fund</p> <p>2.) Same as H.R. 4</p> <p>3.) Same as H.R. 4</p>	<p>1.) Same as Governors plan</p> <p>2.) Same as H.R. 4</p> <p>3.) Same as H.R. 4</p> <p>4.) Allow states that qualify for contingency funds to draw funds even if the \$2 billion authorization has been exceeded if there is a downturn in the national economy (nat'l unemploy. reaches 7.5%) not assumed in CBO projections (contingent on CBO scoring)</p>

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
Transferability	Allowed transfer of up to 30% of funds from TANF block grant to other titles of bill (child welfare, food stamps)	Makes it harder for states to jump back and forth between entitlement and block grant funding schemes in area of child welfare	Restrict transfers from the TANF block grant to only the child care block grant and limit the transfer to 20% of the block grant
Work Requirements	<p>1.) 50% of welfare recipients must be working by 2002, and 90% of two-parent welfare families must be working by 1999</p> <p>2.) States may exempt mothers with children under age 1 from work requirements</p> <p>3.) Welfare parents must work at least 35 hours per week by 2002</p> <p>4.) Allows up to 4 weeks of job search to count as an eligible work activity</p> <p>5.) Those who have worked their way off the welfare rolls during the previous 6 months cannot be counted toward meeting monthly work participation rates</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p> <p>3.) Welfare parents must work at least 25 hours per week in future years. States have the option of requiring mothers with children under age 6 to work only 20 hours/week.</p> <p>4.) Allows up to 12 weeks of job search and job readiness to count as a work activity.</p> <p>5.) Changes work participation calculation rate to take into account those who leave welfare for work as long as they remain employed</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p> <p>3.) Same as Gov.'s Plan</p> <p>4.) Allows up to 6 weeks to count as an eligible work activity</p> <p>5.) Count individuals leaving welfare to accept private sector employment in meeting participation requirements for six month, <u>provided that they remain employed</u></p>

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
<p><b>Child Care</b></p>	<p>1.) Folds 8 major federal child care programs into the existing Child Care and Development Block Grant to states. Funds may be transferred into the block grant, but not transferred out of the block grant into other welfare programs</p> <p>2.) Administrative costs are capped at 3 percent</p> <p>3.) Provides \$18 billion over 7 years -- \$2 billion more than current law</p>	<p>1.) Same as H.R. 4</p> <p>2.) Admin. costs are capped at 5 percent</p> <p>3.) Provides \$22 billion over 7 years -- \$4 billion more than H.R. 4 and \$6 billion more than current law (Gov.'s recently agreed to require add'l funds be subject to a state match)</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p> <p>3.) Same as Gov.'s Plan</p>
<p><b>Work Program Funding</b></p>	<p>No provision</p>	<p>No provision</p>	<p>Provide \$3 billion additional fund for work funding that states can draw in addition to TANF funds beginning in 1999 if the state is spending 100% of '94 levels on work programs and demonstrates that it needs add'l funds to meet the work participation requirements. Require states to coordinate TANF work programs with one-stop shopping centers established by the CAREERS Act</p>
<p><b>Family Cap</b></p>	<p>Mandates that states deny increased cash benefits for having more children while on welfare. The state must pass a law to opt out of the provision</p>	<p>States could opt to deny cash assistance to children born to welfare recipients</p>	<p>Same as H.R. 4</p>

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
Individual Protection		Require states to have plan that sets forth objective criteria for the delivery of benefits and fair and equitable treatment	Require states to have objective and equitable standards for determining eligibility and certify that the state has established a due process appeal for individuals who have been denied assistance
State Accountability			Provide Secretary with authority to reduce or withhold payments to states if the state does not meet the requirements of the statute
Child Welfare	States would continue to be reimbursed by the federal government for the maintenance -- or room and board costs -- involved in placing each eligible low-income child in foster care or adoption. Federal funding for other child welfare programs would come from two new block grants	States would continue to be reimbursed by the federal government for the maintenance, administration and training expenses related to foster care and adoption assistance. Other child welfare programs would be funded in a block grant. States could choose to receive all their foster care and adoption assistance in a block grant.	Eliminate optional child welfare block grant
Food Stamps	<p>1.) Able-bodied beneficiaries between ages 18-50 who do not have dependents are required to work for benefits</p> <p>2.) Allows states to set up optional food stamp block grant</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p>	<p>1.) Same as H.R. 4, but does not eliminate benefits if there is not a slot available in a food stamp work program</p> <p>2.) Eliminate optional block grant; set savings target of 22 billion, number agreed to in budget negotiations with House, Senate and White House principals</p>

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
Time Limits	<p>1.) Welfare parents cannot collect cash benefits for more than 2 years without working (states can require them to work much sooner than that)</p> <p>2.) Cash benefits are limited to total of 5 years. A 15% hardship exemption is provided</p>	<p>1.) Same as H.R. 4</p> <p>2.) A 20% hardship exemption is provided</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as Governors' plan</p>
Teenage Mothers	Gives states the option of whether or not to provide cash benefits to teenage mothers under age 18. If states provide cash benefits to minor parents, they must require teen parents to live at home and attend school	Same as H.R. 4	Same as H.R. 4
Paternity Establishment	Cash welfare is denied to parents who do not cooperate in establishing paternity. For those who do cooperate, benefits are reduced until paternity is established	Same as H.R. 4	Same as H.R. 4
Illegitimacy Reduction Bonus	States receive increased TANF funding beginning in 1998 if they reduce illegitimacy rates without increasing overall number of abortions. A 5% bonus is awarded for a 1% drop in the state's illegitimacy ration; a 10% bonus for larger illegitimacy reductions	Same as H.R. 4	Same as H.R. 4

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
<p><b>Supplemental Security Income</b></p>	<p>1.) Adds a new definition of childhood disability.</p> <p>2.) Ends the so-called "crazy" checks for children who exhibit age-inappropriate behavior but who aren't truly disabled</p> <p>3.) Payments to disabled children are based on the severity of disability. Children who require special assistance retain 100% of current law benefit, and children with lesser needs receive 75% of current law benefit</p> <p>4.) Continuing disability reviews must be performed every 3 years to determine if children still qualify for benefits, when children turn age 18, and at 12 months for low birth-weight babies</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p> <p>3.) Children that qualify as disabled receive 100% of the adult benefit</p> <p>4.) Same as H.R. 4</p>	<p>1.) Same as H.R. 4</p> <p>2.) Same as H.R. 4</p> <p>3.) Same as Gov.'s Plan (drop two-tiered system of SSI benefits, similar to Senate bill)</p> <p>4.) Same as H.R. 4</p> <p>5.) Deny SSI to drug addicts and alcoholics (orig. in H.R. 4)</p> <p>6.) Add provisions changing deeming of parent's income for SSI disabled children</p> <p>7.) Continuing disability review for SSI adult recipients</p>
<p><b>Child Support Enforcement</b></p>	<p>Requires states to create a central registry to track down the status of all child support orders. States are also given the authority to suspend driver's, professional, occupational, and recreational licenses of anyone whose child support payments are in arrears</p>	<p>Same as H.R. 4</p>	<p>Same as H.R. 4</p>

PROVISION	H.R. 4 CONFERENCE REPORT	GOVERNORS' PLAN	CASTLE/TANNER COMPROMISE
Non-Citizens	<p>1.) Non-citizens who arrive in the U.S. after the bill's enactment are ineligible for most welfare programs (SSI, food stamps, AFDC, Medicaid, and Title XX Social Services Block Grant) during their first 5 yrs. in the U.S. SSI and food stamps remain restricted until citizenship, and states have the option of prohibiting most other welfare after 5 yrs. in U.S.</p> <p>2.) Non-citizens currently in U.S. are ineligible for SSI and food stamps after Jan. 1, 1997, and states have option of denying them cash welfare, Medicaid, Title XX, and state and local benefits</p> <p>3.) Refugees, asylees, veterans, active-duty military personnel, and individuals who worked in U.S. for more than 10 years remain eligible for welfare</p>	1, 2, and 3). Gov.'s Plan did not address the issue of welfare to immigrants. The agreement accepts the savings but was silent on specific policies for achieving those savings	<p>1, 2, and 3). Same as H.R. 4, but makes the following exemptions:</p> <ul style="list-style-type: none"> <li>--battered women from deeming requirements</li> <li>--families with children from food stamp ban</li> <li>--disabled children</li> <li>--those over 75</li> <li>--those who have paid FICA taxes for 60 months (20 quarters)</li> </ul>
Savings	About \$58 billion/7years	About \$44 billion/7 years	At least \$50 billion/7 years

EXECUTIVE OFFICE OF THE PRESIDENT

WR -  
Castro -  
Tanner  
Plan

Office of Management and Budget  
Program Associate Director for Human Resources  
260 Old Executive Office Building  
Washington, DC 20503

Fax #: 395-5730

Phone #: 395-4844

FACSIMILE COVER SHEET

DATE: 3-4

TO: Bruce Reed

Fax Number: \_\_\_\_\_

Voice Number: \_\_\_\_\_

Number of pages (including cover sheet): 4

FROM: Ken Apfel

REMARKS:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CHARLES W. STENHOLM**

17TH DISTRICT  
TEXAS

COMMITTEES:

BUDGET  
AGRICULTURE

RANKING MEMBER,  
SUBCOMMITTEE ON  
GENERAL FARM COMMODITIES

SUBCOMMITTEE ON  
RESOURCE CONSERVATION,  
RESEARCH & FORESTRY

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

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| <input type="checkbox"/> HAUGEN, JOHN                      | <input type="checkbox"/> INTERN _____       |
| <input checked="" type="checkbox"/> LORENZEN, ED           |   |

\* Our fax number is 202-225-2234

COMMENTS: Keep this close hold for now. This is our offer to Castle and other House moderate Repubs; there is a high likelihood that he will accept all or most of this list.

Note: This fax transmission contains confidential information from the Office of Congressman Charles W. Stenholm intended only for the addressee(s). If you are not the intended recipient, do not disclose, copy, or distribute any part of this transmission. Instead, please notify us immediately at 202-225-6605. Thank You.

## Welfare Reform Proposal

### Maintenance of Effort

Require an 85% maintenance of effort through 2002, with an increase in the MOE to 90% for states that fail to meet the participation rates and a reduction to 80% for states that meet performance requirements.

### Performance Bonus

Provide performance incentives through a combination of cash payments to high performance states (up to \$1 billion) and higher MOE for low-performance states.

### Contingency Fund

Increase contingency fund to \$2 billion.

Allow states that qualify for contingency funds to draw funds even if the \$2 billion authorization has been exceeded if there is a downturn in the national economy not assumed in the CBO projections. (Contingent on CBO scoring)

Require a 100% maintenance of effort before a state can draw down funds from the contingency fund.

### Work participation rules

Change work participation requirement to 25 hours a week.

Give states the option to reduce the work requirement to 20 hours for parents with children under age 6

Count individuals leaving welfare to accept private sector employment in meeting participation requirements for one year provided that they remain employed.

### Child Care

Increase child care spending by \$4 billion above conference report.

Require states to match additional federal child care funds at current match rates (retain 100% maintenance of effort in the conference report for base level funds).

### Work program funding

Provide \$3 billion additional funds for work funding that states can draw in addition to TANF funds beginning in 1999 if the state is spending 100% of 1994 levels on work programs and demonstrates that it needs additional funds in order to meet the work participation requirements. Require states to coordinate TANF work programs with one-stop shopping centers established by the CAREERS Act

### Individual Responsibility

Adopt the requirement in the Coalition bill and the Senate bill that welfare recipients sign an individual responsibility contract developed by the state upon becoming eligible for cash assistance.

**Individual protection**

Require states to have objective and equitable standards for determining eligibility and certify that the state has established a due process appeal for individuals who have been denied assistance.

**State Accountability**

Provide the Secretary with the authority to reduce or withhold payments to states if the state does not meet the requirements of the statute.

**Family Cap**

Provide states with complete flexibility on family cap.

**Child Welfare**

Eliminate optional child welfare block grant.

**Food stamps**

Set savings target of \$22 billion

Eliminate the optional block grant

Adopt the work requirements from the Coalition bill, which requires able-bodied individuals between age 18-50 without children to work or participate in a work program, but does not eliminate benefits if there is not a slot available in a food stamp work program

**Non-citizens**

Exempt battered women from deeming requirements

Eliminate school nutrition and WIC from the ban

Exempt families with children from food stamp ban.

Exempt disabled kids from ban

Exempt individuals over 75 from the ban.

Exempt individuals who have paid FICA taxes for 60 months (20 quarters).

WR - Castle-Tanner

**WELFARE REFORM MEETING  
JANUARY 31, 1996**

**ATTENDEES**

Liz Liess (Cohen), Cynthia Jallard (Snowe), Booth Jameson (Castle), Stephanie Stitzer (Specter), Ed Lorenzen (Peterson), Jane Loewenson (Dodd), Chad Jerkins (Tanner), Sharon Winn (Jeffords), Patrick Atagi (Hatfield), Cynthia Rice (Breaux), Michael Ruffner (Senate Budget Committee-Majority), Joan Huffer (Senate Budget Committee-Minority), Laurie Rubiner (Chafee)

**DISCUSSION**

- **Medicaid Linkage:** Group prefers approach in Senate bill which retains AFDC linkage to Medicaid eligibility. Any change to this policy should be addressed as part of Medicaid reform.
- **Child care/funding for work programs:** Discussed additional funds based on CBO estimate of what is needed to meet the work requirements. Discussed linking these additional funds to a higher state maintenance of effort requirement -- if the general MOE remains at 80%, states could only access additional child care and work funds if they maintained their effort at 100%. Discussed establishing separate block grant for work funds, and including the work participation rates from the House bill and the work participation rules from the Senate bill.
- **Maintenance of effort:** Discussed increasing MOE from 80%. Agreed to think about different approaches to MOE, such as phase-cut or phase-in of higher and lower levels.
- **Contingency fund:** Additional funds (\$1 billion?) which would be accessed by a trigger based on child poverty rates or food stamp recipient numbers.
- **Performance bonus:** Discussed having performance bonus or penalty which would be linked to an increase or decrease in a state's maintenance of effort requirement. Tentatively agreed not to provide additional funds or take funds from the TANF block grant for performance bonus.
- **Children's ASI:** Keep Senate provision, drop two-tiered approach in conference agreement. Discussed beginning process of CDR's in January, 1997.
- **Child welfare:** Keep Senate provision -- no change to current law.
- **Food stamps:** Drop optional block grant. Soften work requirements. Total cuts should be \$22 billion.
- **Immigrants:** Deeming only until citizenship. Exempt elderly 75 years and older already in the country.

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

February 1, 1996

The Honorable Newt Gingrich  
 Speaker Of The House  
 H232 Capitol  
 Washington, DC 20515

Dear Mr. Speaker:

Despite the good efforts of the Congressional Leadership and the White House, the attempt to achieve a balanced budget agreement appears to be at an impasse. We believe that the best approach is to separate the issues of balancing the budget and cutting taxes.

As Democrat and Republican Members, we have proposed plans that separate tax cuts from balancing the budget. The Coalition has offered a budget which balances in seven years. Yesterday, a number of Republicans unveiled a six year balanced budget. The numbers and the underlying policies are so close that we believe consensus is possible.

Nothing in our budgets precludes tax cuts. Regardless of our views on this issue, we agree that Congress should consider cutting taxes separately from passing a balanced budget. Clearly there are additional savings for which many Members of Congress already have voted, which could be considered to offset the cost of tax cuts, once a balanced budget is enacted.

It is imperative to lock in the savings on which we can reach agreement. We can achieve the spending cuts necessary to balance the budget. We should enact the policy changes where we can reach agreement. We should write into law caps for both discretionary and entitlement spending, strict enforcement mechanisms, and provisions to end the so-called "emergency" supplemental spending. We believe a bipartisan majority in the House and Senate would support such legislation.

We must adopt a legislative strategy that guarantees separate votes on balancing the budget and cutting taxes. We sincerely believe this approach is our best chance to move the process forward.

Sincerely,

Mike Castle

Sam Campbell

Fred Lipton

John Dingell  
Allen Ottens

Congress

Charles Foy

Ellen Brander

Gennie Myzella

Cheri Stender

Charles F. Brass

Tim Reuter

Paul H. Hanson

Blaube Lambert Linsch

Ann Knight

Tony Belous

Wayne T. Gilchrist

Robert E. A.

Jim [unclear]

Buo Cramer

John [unclear]

Sue [unclear]

Sten [unclear]

Jane [unclear]

Jim Greenwood

Bill K. Brewster

\_\_\_\_ CONGRESS  
\_\_\_\_ SESSION

# H. RES.

*[Handwritten signature]*  
(Original signature of Member)

*WR -  
Castle-Tanner*

Insert  
title  
here

A resolution providing for the consideration of the bill

(H.R. 2915) to enhance support and work opportunities for families with children, reduce welfare dependance and control welfare spending.

## IN THE HOUSE OF REPRESENTATIVES

May 2 1996

Insert  
sponsor's  
name  
here

Mr. Tanner, (for himself and Mrs. Lincoln, Mr. Stenholm and Mr. Payne of Virginia)

# RESOLUTION

1 Resolved,

That immediately upon the adoption of this resolution the Speaker shall, pursuant to Clause 1(b) of Rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2915) to enhance support and work opportunities for families with children, reduce welfare dependence and control welfare spending. The first reading of the bill shall be dispensed with. An amendment in the nature of a substitute consisting of the text of H.R. 3266 shall be considered as adopted. The bill, as amended, shall be considered as the original bill for the purpose of further amendment under the five-minute rule. The bill, as amended, shall be considered as read. After general debate, which shall be confined to the bill and which shall not exceed three hours, with three hours equally divided and controlled by Representative Archer of Texas, Representative Gibbons of Florida, Representatives Tanner of Tennessee or their designees, the bill shall be considered for amendment under the five-minute rule.

**Section 2.** Immediately following general debate, it shall be in order for the House to consider the following amendments, which may be offered only in the following order:

- (a) an amendment in the nature of a substitute by Representative Gibbons of Florida;
- (b) an amendment in the nature of a substitute by Representative Archer of Texas;
- (c) an amendment in the nature of a substitute by Representative Tanner of Tennessee;

Each amendment may be offered only by the named proponent or a designee, shall be in order notwithstanding the adoption of a previous amendment in the nature of a substitute, shall be considered as read only if printed in the Congressional Record at least three legislative days prior to its consideration, shall be debatable for not to exceed one-hour to be equally divided and controlled by the proponent and a member opposed thereto, and shall not be subject to an amendment in the House or in the Committee of the Whole. If more than one amendment in the nature of a substitute is adopted, then only the one receiving the greater number of affirmative votes shall be considered as finally adopted. In the case of a tie for the greater number of affirmative votes, then only the last amendment to receive that number of affirmative votes shall be considered as finally adopted.

**Section 3.** Following the disposition of amendments in the nature of the substitute listed in Section 2, the bill as so amended shall be considered for amendment under the five-minute rule. No amendment to any amendment shall be in order. No amendment shall be subject to a demand for the division of the question in the House or in the Committee of the Whole. Debate on any amendment to the bill shall not exceed sixty minutes. At the

conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered to be ordered on the bill and any amendment thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

**Section. 4.** If on any day the Committee rises and reports that it has come to no resolution on the bill, the House shall, on the next legislative day immediately following House approval of the Journal, resolve itself into the Committee of the Whole on the state of the Union for the further consideration of the bill.