

THE WHITE HOUSE
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO
Assistant to the President for Domestic Policy

To: BWCE

Draft response for POTUS
and forward to CHR by: _____

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

Please advise by: _____

Let's discuss: _____

For your information: _____

Reply using form code: _____

File: _____

Send copy to (original to CHR): _____

Schedule ? : Accept Pending Regret

Designee to attend: _____

Remarks: CALL MAJRICE. NO
MEETINGS SHOULD BE TAKING
PLACE!!

LET'S DISCUSS!
-Jeremy



DEPARTMENT OF THE TREASURY
WASHINGTON

NOV - 9 1994

ASSISTANT SECRETARY

NOV 07 1994

*WR -
Hase
Ways & Means*

The Honorable Carol H. Rasco
Assistant to the President for Domestic Policy
West Wing, Second Floor
The White House
Washington, D.C. 20500

Dear Carol:

In the upcoming weeks, members of my staff will be scheduling meetings with the staff of the Ways & Means Committee to discuss tax-related provisions contained in the Administration's welfare reform proposal, focusing in particular on questions raised in the enclosed letter from members of that committee to Secretary Bentsen. You are invited to send a member of your staff to attend these meetings. That person should contact Maurice Foley at 622-1336 for additional information.

Sincerely,

Les

Leslie B. Samuels
Assistant Secretary
(Tax Policy)

Enclosure

ONE HUNDRED THIRD CONGRESS

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON, DC 20515-6348

October 6, 1994

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The Honorable Lloyd Bentsen
 Secretary of the Treasury
 U.S. Department of the Treasury
 15th and Pennsylvania Avenue, N.W.
 Washington, D.C. 20220

Dear Mr. Secretary:

As you know, H.R. 4605, the Work and Responsibility Act of 1994, contains several substantive tax law changes as well as certain changes to Internal Revenue Service (IRS) procedures. Additional changes related to IRS involvement in child support collection and enforcement are contained in H.R. 4570, the Child Support Responsibility Act of 1994.

The Committee would like the assistance of you and your staff in evaluating the following provisions as we prepare for a Committee markup early in the next session of Congress. So that we can make the most of the information you provide, we would appreciate a response by January 9, 1995.

Federal Tax Treatment of WORK Wages

Section 207 of H.R. 4605 would exclude from gross income any remuneration received by an individual in a WORK program (i.e., a Federally subsidized temporary employment program for recipients of Aid to Families with Dependent Children (AFDC) who are no longer eligible to remain on the welfare rolls). In addition, such WORK wages would be disregarded for purposes of Federal unemployment tax, certain contribution rules, the employee's eligibility for the earned income tax credit (EITC), and the employer's eligibility for the targeted jobs tax credit (TJTC).

The Committee would be interested in the Department of the Treasury's (Treasury's) views on the tax policy rationale for the bill's treatment of wages from the WORK program. Further, the Committee would like you to share any data or analysis that shows how this treatment would affect participating employees' work incentives and perceptions of the tax system once their WORK

The Honorable Lloyd Bentsen
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eligibility terminates, as well as participating employers' incentives to create non-WORK jobs. The Committee is particularly interested in Treasury's assumptions regarding the participants' eligibility for EITC, and whether such participants will be better or worse off once they are able to find regular employment.

Disclosure of Tax Information for Child Support Enforcement

H.R. 4605 would establish a National Welfare Reform Clearinghouse to enable Federal and State agencies to locate absent parents and collect child support from them. In order to accomplish these purposes, sections 625-626 of the bill would expand the existing authority of the IRS to disclose tax return information to child support enforcement agencies and require employers to report information (through the transmission of the employee's W-4 Form or other means) on all new hires to the Federal Government. Section 627 would mandate a study of making certain Clearinghouse data available to noncustodial parents. In addition, section 653 would direct the Department of Health and Human Services (HHS) and Treasury to study how IRS return information might be used for the modification of child support orders (and further expands IRS tax return disclosure authority for purposes of conducting the study).

With respect to these provisions, the Committee would be interested in Treasury's analysis of the effect of increased sharing of tax return data on overall levels of Federal tax compliance, as well as on child support collections. The Committee also would be interested in any recent studies or reports on the ability of the IRS to ensure that non-Federal agencies (and their employees) comply with applicable Federal restrictions and safeguards on the use and re-disclosure of tax data. In addition, the Committee would be interested in your ideas about how employers could be required to report data on new hires without such reporting being perceived by affected employees as intrusive and by employers as unduly burdensome.

As you may know, H.R. 4570, the Child Support Responsibility Act, contemplates much broader disclosure of Federal tax return data and would mandate inclusion of detailed information regarding an individual's child support obligations on the W-4 Form. The Committee would be interested in Treasury's analysis of these provisions, including the effects on Federal tax compliance.

IRS Collection of Child Support Arrears and AFDC Overpayments

H.R. 4605 would make two significant changes in the role of the Federal tax system in collecting overdue child support. First, section 662 of the bill would rearrange the priorities for the Federal tax refund offset so that child support debts owed to the family would take priority over most Federal agency debts, as well as over child support debts assigned to the State. Second, section 663 would bar the imposition of additional IRS fees for adjusting the amount of arrears that the IRS is authorized to collect under existing Code section 6305. In addition, section 712 of the bill would add a new refund offset for AFDC overpayments with an instruction to Treasury to implement the new offset in a manner similar to the existing offset for child support arrears.

The Committee would like the assistance of Treasury in analyzing the impact of multiple refund offsets on Federal income tax compliance. In this regard, the Committee would appreciate knowing whether the Administration relied on or took into account any recent IRS studies or the General Accounting Office (GAO) reports in designing the bill's expansion and reordering of the Federal tax refund offset. The Committee also would be interested in Treasury's analysis of the feasibility and desirability of utilizing the Federal refund offset program to enforce the payment of debts between private individuals.

In addition, the Committee would be interested in Treasury's view of the provision barring the imposition of user fees with respect to adjustments in arrearages. We would appreciate your analysis of alternative means of permitting the IRS to cover its cost and any evidence that the current dollar level of user fees impedes efficient and timely collection actions.

Full IRS Collection of Child Support

H.R. 4570, the Child Support Responsibility Act, would provide for so-called "full" IRS collection of child support arrearages and for the reconciliation of child support obligations and payments on the annual income tax return. Specifically, section 412 would require Treasury, in consultation with HHS, to issue regulations simplifying the full collection process under Code section 6305 and reducing the amount of child support arrearages needed before an individual may apply for collection under such section. In addition, section 105 of the bill would provide for the reconciliation of child support obligations and payments on each annual income tax return and for the collection of any net liabilities as Federal income taxes.

Although these provisions are not part of the Administration's bill, the Committee would be interested in Treasury's analysis of them, including any suggestions for simplifying current IRS procedures for the collection of child support. The Committee would be particularly interested in your assessment of the IRS's ability to collect overdue child support on a much wider scale than current law permits, as well as its ability to cope with the additional complexity of requiring annual reconciliation of non-tax obligations on the Federal income tax return. The Committee is also interested in any studies or analyses that Treasury has conducted on the impact of such measures on overall taxpayer compliance.

Individual Development Accounts

Section 734 of the Administration's bill would permit individuals who are participants in a demonstration project and recipients of either AFDC or food stamps to establish Individual Development Accounts (IDAs). IDAs would be modeled after individual retirement accounts (IRAs) with a maximum contribution limit of \$10,000 per eligible individual. Amounts that participants in a demonstration project deposit in the IDA could also be eligible for matching contributions from the project. If matching grants are made, the match rate would have to be between 50 percent and 400 percent, and the amount of matching contributions would be limited to \$2,500 per participant.

The Committee is interested in the data or analyses that the Administration relied on in deciding to include IDAs in the legislation. We would hope that such research might show how many participants are expected to be eligible for and participate in the new IDAs, including participants' expected contribution levels and economic profiles.

The Committee also is interested in Treasury's views on whether the goals of the IDA program could be achieved by an administratively simpler approach of back-loaded tax treatment (that is, no deduction for contributions and no taxation of the proceeds when withdrawn). In this regard, we are interested in Treasury's analysis of the expected number of IDA participants who might claim itemized deductions.

Further, the Committee is interested in any research or evidence that led you to conclude that reducing the taxation of capital income would lead to a significant increase in saving by eligible individuals. In particular, the Committee is interested in any data derived from similar programs designed to help poor people save money for education, home purchases, or new business

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formations. Finally, the Committee would like you to analyze the potential impact, if any, of the IDA program on the national savings rate (taking into account any projected tax revenue losses associated with the provision).

Advanced EITC Payments Through State Demonstration Projects

Section 741 would authorize the Secretary of the Treasury to designate up to four States in which demonstration projects would be created to distribute advanced EITC payments to EITC participants in those States who elect the advance payment option. The payments would be made through a State agency identified by the State in its application to the Treasury for designation as a "demonstration" State. The amount of advanced payments allowed could be increased by the State from the current-law level of 60 percent to 75 percent of the maximum available credit for families with one child.

It would be helpful to the Committee if you could provide us with whatever analytical information on which Treasury relied in designing the proposal, including the rationale for increasing the advanced amount from 60 percent to 75 percent. In addition, the Committee would be interested in whatever data Treasury used to determine: (1) how and when States would make the advance payments to the participating workers; (2) how States would obtain the information necessary to determine the eligibility of participants and the amount of advanced payments that eligible participants would receive; and (3) the method the State would use to select and notify eligible participants and how the State would provide those workers with the option to elect the advance payment options.

Further, the Committee is interested in Treasury's view on the administrative and economic advantages and disadvantages of such a State-based payment system, compared to the current system in which the advance payment option is implemented by employers through the wage withholding system. We would also be interested in any data regarding the effect of the alternative system on: the opportunity for inadvertent error and intentional misuse of the EITC, and the EITC's effectiveness as an economic incentive to work.

The Committee also is interested in your assessment of IRS's ability to implement such a new system, including the feasibility of designating the "demonstration" States in a timely manner (i.e., by the end of 1995, as stated in the Administration's proposal), accommodating the four demonstration States in IRS's established procedures applicable to the employer-based system in

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the other 46 States, enforcing the requirement that a State reimburse the Federal Government for excess EITC payments, and ensuring that an employee does not "double-dip" (e.g., by receiving advanced EITC payments from both his employer and his State agency).

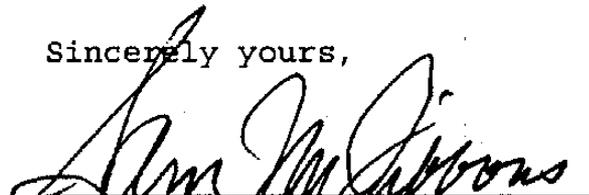
Disclosure of Alien Sponsor's Tax Return

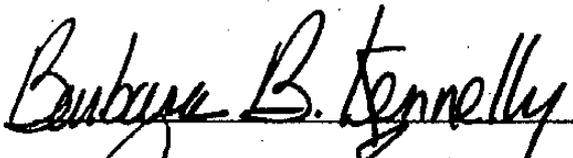
Section 903 of H.R. 4605 would require the IRS to disclose the tax return data of any person who sponsors an alien if the sponsored alien subsequently applies for certain government welfare benefits. Under this provision and current law, the income of a sponsor is deemed to be the income of the alien for a period of five years (for purposes of determining the alien's eligibility for the AFDC and Food Stamp programs, as well as the SSI program).

The Committee is interested in Treasury's views on the possible impact and precedent of providing access to tax return information belonging to one party for the purpose of verifying another party's eligibility for benefits. In addition, the Committee would be interested in knowing whether the Administration has considered other cost-effective means of enforcing the sponsor-to-alien income deeming provision contained in this section of the bill.

Sincerely yours,

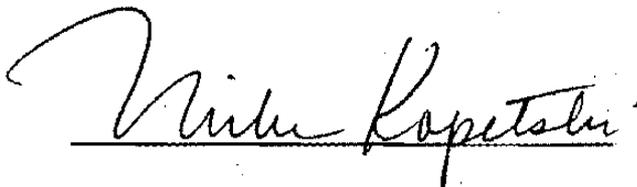

Harold E. Ford, Chairman
Subcommittee on Human Resources


Sam M. Gibbons
Acting Chairman











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U.S. HOUSE OF REPRESENTATIVES
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October 6, 1994

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The Honorable Donna E. Shalala
 Secretary of Health and Human Services
 U.S. Department of Health and Human Services
 200 Independence Avenue, S.W., Room 615
 Washington, D.C. 20201

Dear Madam Secretary:

It is the goal of the Committee on Ways and Means to be ready to consider welfare reform legislation at the beginning of the next session of Congress. Already, Members of the Committee have made significant progress toward this goal by holding a series of hearings on welfare topics this past summer. Over the next two months we hope to continue gathering information that will enable us to assess the many welfare policy changes under consideration. We are writing today to ask you to help us with this task.

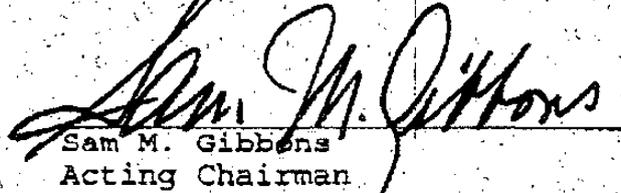
We share the President's goal of basing our nation's welfare system on values that Americans hold most dearly -- work, family and responsibility. On the whole, we believe that the comprehensive welfare reform bill that President Clinton sent to Congress earlier this year, H.R. 4605, the "Work and Responsibility Act of 1994," reflects a commitment by his Administration to design Federal policies that support these values. However, the legislation has numerous and complex features which ultimately will help to determine its effectiveness. It is with respect to some of the most critical features of the bill that we request information from your agency.

The attached document, "Request for Background Information on H.R. 4605," outlines the information we seek. So that we can make the most of the information you provide, please respond no later than January 9, 1995.

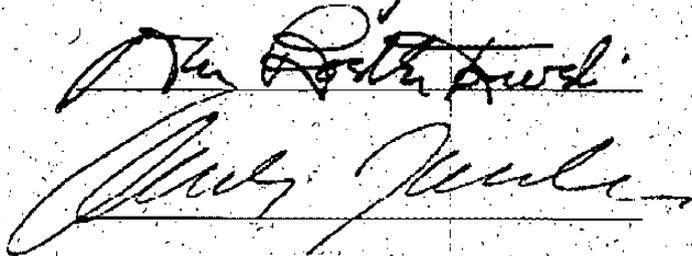
We look forward to your response and to working with you on welfare reform legislation in coming months.

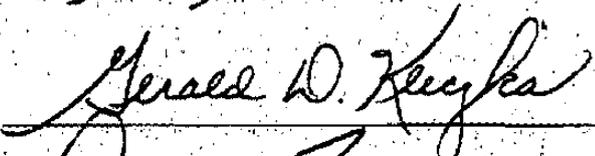
Sincerely,

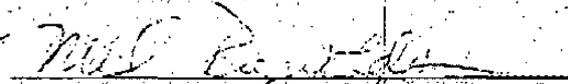

Harold E. Ford
Chairman
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Sam M. Gibbons
Acting Chairman

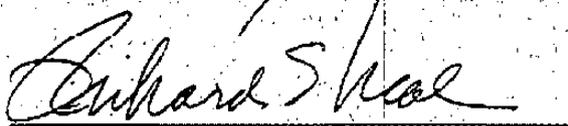

Barbara B. Kennelly

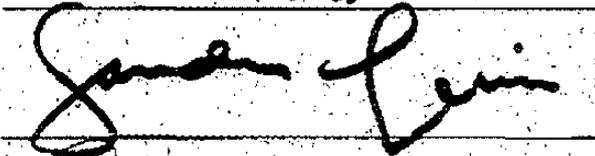

Tom Roth

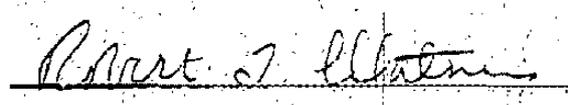

Gerald D. Keyser

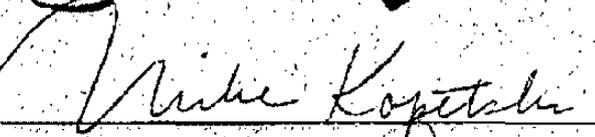

Neil Rappaport

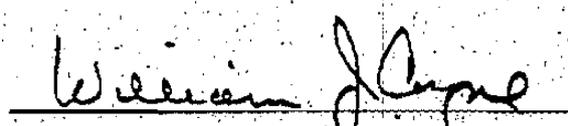

Pete Stark

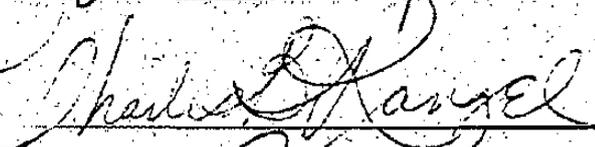

Richard Stroh

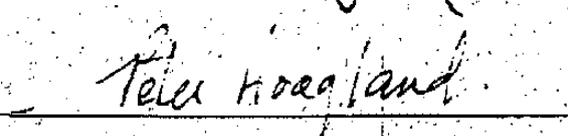

Gordon Linn

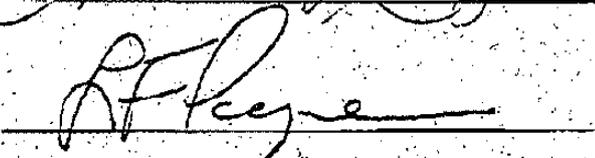

Robert J. Blumenthal

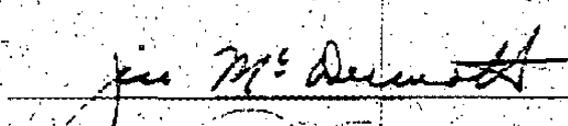

Mike Kopetski

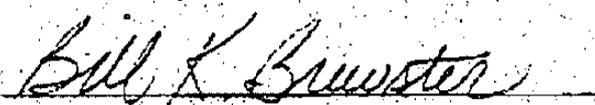

William J. Joyce

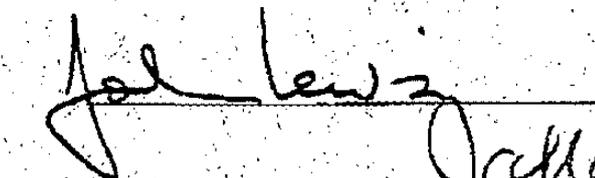

Charles D. Kangel


Tom Hoagland

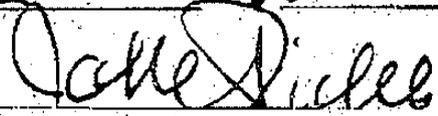

RF Keene


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Ted Lewis


Mitch M.G. Seder


John Dicker

REQUEST FOR BACKGROUND INFORMATION ON H.R. 4605,
THE WORK AND RESPONSIBILITY ACT OF 1994

Health Benefits

One of the central assumptions of welfare reform was that universal health insurance would be available. Unfortunately, Congress did not pass health care reform this year. In the Administration's view, do we need to guarantee low-income, working families a health care benefit package in order to prevent them from falling onto the welfare rolls, or remaining trapped on welfare, due to medical needs? Short of universal health insurance coverage, what kind of health care benefit package would provide this guarantee? Is the one year Medicaid transitional assistance, authorized under the Family Support Act of 1988, sufficient? Under H.R. 4605, how many and what fraction of families leaving welfare would exhaust the Medicaid transitional assistance and remain in need of health insurance coverage?

Education, Training, and Employment Efforts

Have ongoing evaluations of State JOBS programs provided strong evidence of the most cost-effective strategies for helping welfare families achieve long-term self sufficiency? If so, please discuss and compare education and training strategies, strategies that focus on immediate job placement, and strategies that include a combination of these features. Given this evidence and projected labor market conditions, what fraction of AFDC families do you project will reach the two-year time limit of H.R. 4605 without having found private-sector employment? What earnings level will be achieved for those who do find jobs? What proportion of families will achieve more than a poverty-level existence?

Target Population

If funding and implementation constraints require a strategy for phasing in welfare reform, what would the most cost-effective strategy be? What does the research suggest? That is, for what categories of recipients would the benefits relative to the costs of participation be highest? Does the research evidence suggest that this could vary by State or locality?

Job Creation/Job Placement

Please provide the research evidence on the quality, availability, and accessibility of private-sector jobs for welfare parents, including parents who have participated in education and training programs. Is job availability or accessibility an issue for certain categories of individuals or in certain geographic areas? If so, what does the research evidence suggest are effective mechanisms for creating jobs or

for linking individuals to existing jobs? In your view, what effect will the provisions of H.R. 4605 have on job availability and accessibility? Will there be sufficient jobs in high-unemployment areas?

Sanctions

In the Administration's view, what are the likely benefits of adopting the sanctions policies of H.R. 4605 (relating to failure to participate in the JOBS program and to accept available work) relative to the sanctions policies of current law or other approaches? What are the likely costs (e.g., for monitoring, dispute resolution activities, and hearings, as well as costs to families and children) of adopting the policies of H.R. 4605? In a given year, what proportion of families does the Administration project will face sanctions under the bill for failure to participate in the JOBS program? What proportion of families required to participate in JOBS is projected to lose the entire AFDC payment under sanctioning? What effect is this projected to have on child welfare caseloads? Will homelessness increase? How will State and local assistance programs be affected?

Job Retention Strategies

According to the research evidence, a significant percentage of families leave welfare for work within the first two years; however, most of these families eventually return to welfare. What does the research evidence say about why families return to welfare and the strategies that would be most effective in helping them stay off welfare?

Two-Year Time Limit

What research evidence led the Administration to propose a time limit of two years in a lifetime? Were other approaches to designing a time limit examined by HHS staff, and if so, what are the relative costs and benefits of each approach? How difficult will it be to keep track of the receipt of welfare in a nationwide automated system? Can the States provide the data necessary to maintain this system?

What does the research evidence suggest will be the effect of the two-year, lifetime limit on AFDC receipt contained in H.R. 4605? Please discuss the effect of the limit on welfare receipt, family income, and family well-being, under two different assumptions: (1) a "high-powered" JOBS program is in effect; (2) an "average" JOBS program is in effect.

Work Programs

Based on the research evidence, what are the strengths and weaknesses of each of the following mechanisms for providing work for welfare recipients who are unable to secure work in the private sector: (1) work in exchange for welfare benefits (community work experience); (2) public-service jobs; (3) the work-for-wages plan under H.R. 4605? Please discuss the implications of each for raising the income levels of families through work, reducing welfare receipt, enforcing a work mandate, minimizing administrative costs and bureaucracy, and protecting the best interests of children.

Under H.R. 4605, what does the Administration expect would happen to children whose parents fail to participate in the WORK program? Do you project any effect of the WORK-for-wages program on child welfare caseloads?

Federal-State Financial Participation

Over the JOBS program's history, States have drawn down a disappointing, albeit growing, percentage of Federal JOBS funds. Does the Administration have any evidence to suggest that States do not agree with the goals set out in the Family Support Act of 1988 for the JOBS program or that States are unable to assume a significant share of the costs of the program? Have the States who have cut taxes since 1988 fully funded their JOBS programs? In order to be effective, what amount of new State funds would have to be spent under H.R. 4605 during the first five years of program implementation? In order to be effective, what amount of new State funds would have to be spent under H.R. 4605 during the second five-year period? If States were to fail to provide these new funds, what would be the implications for H.R. 4605?

Child Care

Safe and affordable child care is a key component of welfare reform. Based on the research evidence, what type of child care opportunities should be available to low-income working families, in order to: (1) prevent families from falling onto the welfare rolls, or remaining trapped on welfare, due to child care issues, and (2) ensure that children are protected and receive appropriate care? How many low-income, non-AFDC families will be in need of child care assistance when H.R. 4605 is fully in effect? What level of child care expenditures under the At-Risk program would meet this need, and how does that figure compare to the funds actually made available under the bill?

With respect to child care standards and other quality issues, H.R. 4605 would conform the Federal policy for the AFDC and At-Risk child care programs with the policy under the Child Care and Development Block Grant (CCDBG). What does the research evidence to date suggest about the extent of compliance with the quality standards under the CCDBG program? To what extent are States effectively monitoring compliance? What effect have the standards had on the quality of child care provided to children and child outcomes?

Family Cap

Based on the research evidence, what are the likely benefits of denying AFDC payments to children conceived by individuals on welfare? What are the likely costs? In the Administration's view, will this policy deter welfare mothers from conceiving children on welfare? Please provide data on the number of States you project would adopt a family cap under H.R. 4605, the number of welfare families in those States who you project would be subject to the family cap, and the average benefit loss to the families.

Single-Parent Families

Does the research evidence suggest any relationship between trends in divorce, out-of-wedlock childbearing, and teen pregnancy, and if so, what are the relationships? From the standpoint of welfare receipt, what distinctions, if any, can be drawn among the categories of single-parent families? From the standpoint of child well-being, what distinctions, if any, can be drawn among the categories of single-parent families? What does the research evidence to date suggest are the most effective strategies for reducing early childbearing?

Family Formation and Keeping Families Together

What other policies have you considered which would encourage family formation and discourage family breakup? Would extending the duration of the AFDC unemployed-parent program beyond a minimum of six months encourage families to remain intact?

State Child Support Enforcement Mandates

H.R. 4605 includes numerous new mandates on States regarding child support enforcement, including a requirement for adoption of the Uniform Interstate Family Support Act (UIFSA), and a requirement that each State establish a central State registry and payment center for all orders. With respect to each of the major new mandates, what are individual States now doing, and to what extent are the policies in

H.R. 4605 compatible with evolving State policies? Why does H.R. 4605 only require reporting of child support arrearages to credit bureaus? Would it be beneficial to report all child support orders to credit bureaus?

Role of Noncustodial Parents

Based on research evidence to date, to what extent do noncustodial parents of children on welfare provide financial and emotional support to their children? What does the research evidence suggest are the benefits and costs of promoting greater financial and other involvement of noncustodial parents in the lives of their children? What strategies are likely to be most effective in increasing the involvement of noncustodial parents? In the Administration's view, do increased opportunities for involvement lead to increased payment of child support? In the Administration's view, what effect will the child support provisions of H.R. 4605 have on State paternity establishment rates and the establishment and collection of child support awards?

Federal Registries

H.R. 4605 would require the establishment of Federal registries of new hires, child support orders, and lifetime welfare receipt. Is the technology in place to implement the registries? If not, what are your estimates of the Federal and State costs for developing and implementing the registries? Are there examples of private-sector analogues that work (e.g., credit card or credit check registries)?

AFDC Emergency Assistance

Expenditures under the AFDC Emergency Assistance program are projected to grow considerably over the next five years. Please provide information on the expected high-growth service categories, as well as any State-specific information you have detailing existing expenditures by service category. In the Administration's view, is the growth in Federal outlays for emergency assistance actually leading to additional services in the States, or merely substituting Federal for State funds?

Welfare Hotels and AFDC Emergency Assistance

Please provide the most recent, State-specific information available on the use by States of AFDC or AFDC Emergency Assistance funds for welfare hotels and other forms of housing assistance. What proportion of Emergency Assistance expenditures fund welfare hotels and other forms of housing assistance? Is the housing assistance short term or long term in nature? In your view, why are a few States

reliant on welfare hotels as part of their housing strategies? If the goal is to help States reduce reliance on welfare hotels while protecting the Federal budget and other program priorities, what Federal policy changes would be most effective? Is the issue best addressed through changes to housing or human services policies? Would it make more sense to invest scarce funds in the construction or rehabilitation of affordable housing rather than to pay high rents for welfare hotels? If so, should the Federal or the State governments be largely responsible? In the Administration's view, will recent Federal funding increases for assistance to the homeless and other housing programs provide States with adequate tools to address the problem?

Income Testing of Meal Reimbursements to Family Day Care Homes

In relation to the estimated five-year savings of \$500 million, what are the administrative costs of income testing meal reimbursements to family day care homes?

Cost

In the five-year projection period, some of the returns to investments in such activities as child support enforcement and training might not show up fully when compared to the costs. What are the projected costs and savings of H.R. 4605 over a ten-year period?

Well - Have Ways + Means

QUESTIONS

Title I -- AFDC block grant

1. The funding formula *Cibbons*
2. The rainy day funds *Levin*
3. Equal protection of children *Ford*
4. Mandates and State accountability *Payne*
5. Definition of work *Cardin*
6. The 2-year and 5-year limits *Rangel*
7. Supportive services (education, training, child care, and health benefits) *Kendall*
8. Encouraging abortion *(state?)*

Title II -- Child welfare and foster care

9. Block grant/allocations *Matsui*
10. Protecting children

Title III -- Immigrants

11. Legal immigrants

Title IV -- SSI

12. SSI kids (Who would be covered)
13. SSI kids (What would be covered)
14. Drug addicts and alcoholics

Title V -- Child Support Enforcement

15. Understanding the mark

QUESTIONS
TITLE I -- AFDC BLOCK GRANT

I. Funding Formula

I have a series of questions about how much money will be available and how the funding formula works.

1. What are the net savings to the Federal government in Title I?

It is my understanding that, under the Republican bill, States will receive a payment that is based on an average of what they received during the fiscal years 1991 to 1993.

1. How did you arrive at the decision to use 1991 through 1993 figures to allocate block grant funds? [Answer: 1994 data was available for all States but New Jersey.]

Couldn't you have used 1994 figures anyway?

2. Doesn't this formula disadvantage those States that have experienced population growth in recent years? How do you plan to compensate for demographic changes over the next five years?
3. On February 23, the Governors wrote and asked that adjustments be made in the block grant for economic circumstances, major natural disasters, higher than average unemployment, or other indicators of distress. Why weren't these adjustments made in the Republican bill?
4. Why wouldn't the block grant need to be adjusted in the future for changes in the size of the poverty population?
5. Is there another manner in which funds could be allocated to the States, such as growth in child poverty? If you were to choose this method, how would the distribution among States change?

The February 16 press release announcing Subcommittee action notes that each State would receive the same proportion of block grants funds as it received in funding through three of the four programs replaced by the block grant between fiscal years 1991 and 1993.

1. Which of the three programs included in the block grant is not being counted for purposes of allocating the block grant funds among the States?
[Answer: JOBS funds.]

Why is this?

Why does the Subcommittee report, on page 5 say that funds will be allocated based on all four programs, if the Subcommittee decision was to use only three of the four? What else changed between Subcommittee and full Committee?

2. Doesn't this formula then punish those States that have already implemented aggressive work and training programs? Doesn't it reward States that have just paid benefits and done little to get people to work? Why would you want to do that?

According to the markup document, funds would be allocated to States on a quarterly basis.

1. Under such a distribution scheme, what would happen if a State used up its quarterly allotment prior to the end of the quarter? Would money from the rainy day fund be available to offset any shortfall?

Would a State be penalized if it ran out of money in successive quarters? If so, how?

The Republican bill appears to contain no requirement that States match the Federal contribution to these programs.

1. Why is this? Don't you believe that some type of State contribution is necessary to ensure the States spend wisely to achieve the goals set forth in this bill?

2. Under the Republican bill, would States be able to pass the buck to county and city governments? Could States mandate a local contribution? Wouldn't this be an unfunded mandate on local governments?
3. For those States with county or locally run welfare programs, would this bill allow funds to be passed through directly to localities, rather than through the State?
4. How do you reconcile the fact that the Republican bill requires no State match for general block grant funds, but does require a contribution when a State experiencing a recession makes use of the rainy day fund?

II. Rainy Day Fund

I have a series of questions about the rainy day fund.

In the Republican bill, a Federal rainy day fund of \$1 billion would be created to help States during difficult economic times. Several Governors have questioned the usefulness of the rainy day fund, given the limited amount of money in the fund and the requirement that States pay interest on any money borrowed.

1. How do you plan to guarantee to States that funds will be available when they need them? What would happen when the \$1 billion in rainy day funds had been exhausted? [Congress would have to appropriate more money.]
2. What would happen if a significant number of the States were to need to draw from the rainy day fund at one time? How would these funds be distributed amongst the States?
3. Given that in order to make use of the rainy day fund States must be experiencing high unemployment, don't you think it would be difficult for States to come up with the interest owed to the rainy day fund? Would a State be required to immediately pay back funds borrowed from the rainy day fund, even if the recession continued unabated?
4. What is the view of the National Governors' Association with respect to the rainy day fund? [NGA says the funds may not be sufficient and that States can't pay interest in the middle of a recession. Source: Feb. 23 letter]

Using the method of calculation contained in the mark, during the last recession between 1989 and 1992, 10 States would not have met the trigger, despite growth in unemployment, and thus would not have qualified for a share of rainy day funds. Another 14 States would not have qualified for rainy day funds until 1992.

1. What is the point of this fund if no State will actually qualify for it?
2. How does the mark guarantee that the rainy day funds would be available to States when they need them and not after the crisis has passed?
3. During the last recession, from 1989 to 1992, the AFDC caseload rose by nearly one million, a 26 percent increase. Would the rainy day fund really contain enough money to compensate for such a tremendous growth in caseload?
4. Would there be any adjustment for changes in the economy, inflation, natural disasters, or growth in poverty?
5. Wouldn't growth in the AFDC caseload be a better and more timely indicator of need for rainy day funds than a State's unemployment rate?

The Republican bill also allows States to set aside a portion of block grant funds in a State rainy day fund.

1. What happens if a State does not have the excess funds to dedicate for such a purpose?
2. Would States be penalized for not putting aside such funds?
3. Why should we allow States to use funds the Federal government gives them for children to build roads?

III. Equal Protection of Children

This nation has a responsibility to protect vulnerable children. I am extremely concerned that this block grant will leave the basic health, safety and well-being of poor children in jeopardy. Let me make certain I completely understand the Republican bill in this area.

1. Is there any requirement that States guarantee cash payments to needy families under the block grant?
2. Could States choose to serve certain families and ignore the needs of others?
3. Why is it necessary to say in the bill that States can pay different benefits for families who come from out-of-State? Don't States have complete flexibility under the block grant to pay whomever they want, however much they want?
4. On page 10 of the Subcommittee report, it says "there are specific issues over which the Federal government should maintain a major interest either because the Federal government is responsible for deciding in a general way how Federal dollars should be spent or because there are overriding policy concerns to which all States should respond."

By what standard do we judge that there is an overriding policy concern?

Why is there an overriding Federal interest in making certain that families who move across State line get paid the old States benefit, but there isn't an overriding Federal interest in assuring that all children get equal treatment, regardless of their State of residence?

5. Could States make two-parent families ineligible for cash payments? Wouldn't such a decision discourage marriage among poor adults? Why would the Federal government want to permit this?
6. Does the bill require States to establish uniform rules for deciding who is eligible and who is not? [No, they assume States will do this, but it is not required.]
7. How does this bill ensure that States will use block grant funds to serve the neediest families?

8. How does the bill ensure that a child whose family becomes poor in December won't be denied benefits simply because of the month in which the family applied for assistance?
9. Would States be able to lower benefits based on the time of year the family applied for assistance (e.g., would a family filing in December get a lower benefit than one filing in February)?
10. Would States be allowed to serve children in one part of the State but not another?

The Republican bill states that families who are denied cash assistance will still be eligible for Food Stamps and Medicaid.

1. It has been reported that the Republicans plan to fold the Medicaid and Food Stamp programs into their own block grants. How can you assure that all needy children will receive food and medical assistance if other Committees are moving to limit funds available for these services?
2. Who will be eligible for Medicaid? Compared with current law, how many children will receive Medicaid benefits?

Who will be eligible for Food Stamps and other nutrition programs? How many children will these programs serve as compared to current law?

IV. Mandates and State Accountability

Rewarding or Punishing State Performance

Let me make certain that I understand the penalties that would be imposed on States. There are annual audits but only four basic penalties:

-- If a State spends money in violation of the block grant rules, the State could lose up to 25 percent of the funds.

-- States lose 3 percent of the funds for failure to submit an annual report.

-- States lose 1 percent of funds for failure to have an income and eligibility verification system that helps track down illegal aliens

-- States lose up to 3 percent of the funds for failure to meet the 2-20 work participation requirement.

1. **Is there any penalty on the State if the rate of out-of-wedlock births triples in the State? [No]**
2. **Will States be held accountable for how many private sector jobs found by recipients? [No]**
3. **Will States be rewarded if they help recipients find jobs that last longer than two years? Longer than two months? [No]**
4. **Will States be punished if they don't help people who are illiterate to read? [No]**

The Governors have said they want flexibility and are willing to be held accountable for poor performance. But in this block grant there is virtually no accountability.

1. **The Subcommittee report says on page 6: "The Secretary shall retain funds for as many quarters as are necessary to repay misspent funds." How will the Secretary know that funds have been misspent? How will this work?**

I've looked through the markup document and have found more than 60 mandates that are imposed upon the States. I am concerned by the move to impose further mandates upon the States -- whether those rules are motivated by conservative or liberal ideology.

1. One philosophy of the Republican bill seems to be to give States flexibility. If that is the goal, why does the bill, beginning on page 9:

- Prohibit cash payments to teen parents;
- Impose family caps; and
- Impose a five-year limit on benefits?

Why can't we trust the States to deal with these issues?

Do the States support these Federal mandates? [No]

2. On page 4, under reasons for change, the Subcommittee report criticizes current State plan requirements as follows:

"..the elaborate State plan is based on the philosophy that the Federal government knows best what States should do."

Can't the same criticism be leveled at these new Federal mandates established in the Republican bill?

3. Could a State use its own funds to provide benefits to a teen parent and her family? What about to provide benefits to additional children born on AFDC? What about to pay benefits after the five year time limit? [Answer: Yes]

If this is the case, what is the point of imposing these conservative mandates, which supposedly are designed to change the behavior of welfare families, if the States can just use their own money to get around them?

It is my understanding that the Clinton Administration has been both accommodating and expeditious in its approval of State waiver requests.

1. I would like HHS to comment on how many waivers have been requested and approved, and what the nature of the request is.
2. How does the current waiver process, particularly under this Administration, inhibit State flexibility?

3. Overwhelmingly, the provisions States are seeking to waive seem to be those imposed in the 1980s by Republican Members and Republican Presidents. Can you assure me that States won't come to Washington seeking relief from the conservative mandates contained in this bill?

In looking through the waiver requests granted by HHS, the majority have sought to waive Republican-sponsored provisions limiting the amount of assets an AFDC family may have to purchase a car, the amount of money families on AFDC can keep when they go to work, and the treatment of two-parent families.

1. Wouldn't you say that these Republican-sponsored provisions have discouraged work and marriage among AFDC recipients?

Several Governors have said that the mandates imposed by this bill would make it impossible for them to carry out programs they already have in place.

1. How does this proposal provide State flexibility when it prohibits States from choosing which populations of individuals to serve, such as teen parents, and how to serve them? Doesn't it really serve to gag State creativity?
2. Am I correct that in their February 23 letter the Governors -- on a bipartisan basis -- opposed the provisions in this bill that dictate which families can receive benefits? [Yes]

We are all supportive of increased State flexibility, but I want to make certain we hold States accountable.

1. I want to read you something from section 403(f) of the preliminary statutory language made available at the Subcommittee markup:

"Except as expressly provided in this section, the Secretary may not regulate the conduct on States under this part of enforce any provision of this part."

What does this mean?

If the Secretary can't hold States accountable, who will? What, if anything, is the Secretary allowed to do under this section?

2. We are providing States with a large pot of money. Will they be required to demonstrate any positive outcomes, such as increased employment or earnings of beneficiaries? [No, there are no such performance measures in this bill]
3. How will we judge whether States found jobs for people who otherwise wouldn't have found work? Is there any guarantee that these recipients are actually finding jobs and not just being cut off AFDC?
4. What guarantee do we have that the States won't waste taxpayer dollars?

V. Definition of Work [To be revised based on full committee mark]

1. Over the years, Republican administrations have limited the ability of States to move families from welfare to work, by demanding Federal rules that limit the amount of money working AFDC families could retain and still be eligible for assistance. Many State waiver requests have sought freedom from these mandates.

Why doesn't the Republican bill mandate that States develop policies that reward work -- making work financially more rewarding than welfare? Isn't that more important than worrying about whether people are migrating to high benefit States?

[Note: the Subcommittee bill expressly permits States to pay lower benefits to people who move from out-of-State but is basically silent on rewarding work.]

I am curious about how "work" is defined.

1. Could a State define a work activity in any manner it sees fit?
2. Could a State define job search as a work activity?
3. Could a State define education or training as a work activity?

The Republican bill states that all recipients would be "working" by the end of two years.

1. How many hours would a recipient have to be engaged in a work activity? Is there any minimum participation requirement, such as the one that exists under current law?

As I read the mark, it requires that 2 percent of the State's entire caseload be engaged in work activities in 1996.

1. What does this 2 percent represent? Does it include individuals who are in education and training? Does it include those who have hit the two-year time limit?

2. How many people would be affected by the work requirement?

Will States be able to find enough jobs for these people?

3. If a State created enough jobs to employ all the individuals who hit the two year limit, what impact would this have on the existing low-wage job market for non-AFDC recipients?

4. Does the Republican bill provide any exemption for parents who are disabled or who have a disabled child living with them?

What about for parents of newborn babies?

5. Am I correct that the Republican bill only authorizes the block grant for 5 years? [Yes, from 1996 through 2000]

Why do the work requirements extend permanently? How can this work? How can we impose a 20 percent work requirement in 2003 on a program that no longer exists?

6. The press release announcing Subcommittee action claims that 1 million people will be required to work under the Subcommittee bill. How do you reach this conclusion?

[Assume States continue to pay benefits as under current law. Assume the block grant is reauthorized after 2000]

Are States required to pay cash assistance under the block grant? [The answer seems to be yes, but Republican staff have implied that no cash benefits have to be paid]

Are States required to continue paying benefits to everyone now eligible? [No]

Then how can you claim that 1 million people will be required to work? In truth, the requirement is that 20 percent of some unknown number is required to work.

VI. Two-year and Five-year Time Limits

According to the Republican bill, all recipients must be engaged in a work activity after two years or lose benefits.

1. How would the time limit be applied? Would it be applied retrospectively to recipients who are receiving AFDC benefits at the time of enactment?
2. How would current recipients be treated, or would the time limit apply only to new applicants?
3. How is a work activity defined for purposes of the time limit? Could a parent be engaged in job search and still meet the time limit?
4. How will the necessary jobs be created for these individuals?
5. What would happen in the case of a parent who received AFDC for 18 months in 1995 and 1996, found a job and worked for 12 years and then fell on hard times and needed AFDC benefits again in 2008. Would the 18 months of benefits already received be counted against her, despite her 12 year work record?
6. How would States count the length of time families are on AFDC, particularly for those families who move on and off AFDC throughout a year? Would this be complicated for the States to administer? Wouldn't this amount to another mandate on the States? Do States support such a Federal mandate?
7. Would both parents in a two-parent family be required to work?
8. What if a State refuses to have people in jobs and instead opts for indefinite training? Would this count toward the two-year limit?
9. What happens if a person hits the time limit in one State and then moves to another?

Does this proposal contain any funds that would help States develop electronic/computer tracking systems to keep track of the movement of recipients from one State to another?

10. What if a State doesn't want to apply a time limit of two years on receipt of benefits?

What Happens After Two Years?

1. What benefits would a family who was cut off AFDC receive? [Answer: Food Stamps and Medicaid]

How can you guarantee that these benefits will be available when it has been reported that you intend to block grant both of these programs? How will you ensure that funds exist to provide Food Stamps and Medicaid to all eligible children?

Five-year Time Limit

1. Would the five-year limit apply retroactively, or only after enactment?
2. How many people would be affected by this cut off? [Answer: Half the caseload; or 2.5 million families]
3. What if there were no jobs available in a State?
4. Would families cut off AFDC still be eligible for Food Stamps and Medicaid? How can you guarantee that the other committees of jurisdiction won't limit eligibility to these programs to five years or less?
5. Are there any exemptions to the five year limit in this bill?

VII. Supportive Services

Research has taught us that many families on welfare need support services, such as education and training, child care, and health insurance, in order to work and become independent of welfare.

1. Does the Republican bill guarantee any support services, such as education, training, child care, or health insurance, to AFDC recipients either while on AFDC or once they hit the two-year limit?
2. Would a State be required to offer any of these support services?
3. Under current law, a recipient who leaves AFDC for work receives transitional child care and Medicaid for one year. Would this still occur?

[Answer, the rhetoric says yes, the language is not so clear.]

4. Does the Subcommittee bill repeal the Medicaid transition for new recipients who come on and go to work under the block grant?

[Page 13 of the Subcommittee report says the following recipients get Medicaid: (1) An individual who, on enactment, was receiving AFDC; (2) an individual who is otherwise eligible for medical assistance under the State Medicaid plan; and (3) an individual who would be eligible for cash if the aliens, minor mother, and family cap requirements were not in place.]

How does that protect the Medicaid benefits of someone who gets cash assistance under the block grant and subsequently goes to work?

5. Can you promise that this guarantee of a transitional Medicaid benefit will still exist after all the committees of jurisdiction have worked their will?
6. Would a State be required to provide any education or training services to beneficiaries?

How does this relate to current law? Isn't this weaker?

How can we expect a recipient who is illiterate to find a job without some education services?

7. Would a State be required to offer any type of services to a recipient before that individual hit the two-year limit?

8. Is there anything in this bill that actually will help families on welfare go to work?

I'd like to ask a few questions about child care under this bill.

1. Could you please tell me what the average cost of child care is today?

What percentage of income do families spend on child care? [Answer: 7 percent of their salary]

How many children presently receive child care under the AFDC child care, Transitional child care, and At-Risk child care programs?

2. Am I correct in my understanding that this bill repeals the AFDC child care guarantee, the transitional child care program, and the At-Risk child care program?
3. Can you give me any assurance that services such as those currently provided under these three programs will remain available to families under the block grant?
4. If child care services are cut back, what do you expect will happen to the children of parents required to go to work?

VIII. Encouraging Abortion/Teen Issues

There have been some concerns raised that the provisions in the mark that deny benefits to teen parents and for additional children born to a family on AFDC may actually increase the number of abortions among poor women.

1. Isn't it true that the majority of out-of-wedlock births are to adults, not teens? [70 percent of out-of-wedlock births are to adults; 30 percent are to teens]
2. Is there any research evidence that shows teens get pregnant in order to receive AFDC benefits?

3. How many teenagers are currently receiving AFDC? Can we break this figure down by age of the teen parent? (how many are under 14, 15, 16, 17)

Given these facts, wouldn't it be simpler to leave the decision as to how to treat teen parents up to the States?

4. How does this policy jive with recent reports in the *New York Times* and *Washington Post* that teens don't get pregnant and have children simply to receive AFDC benefits?

If I remember correctly, one young woman who receives AFDC testified before the Subcommittee that she would in fact have had an abortion if she had known she would be ineligible for AFDC benefits. Is this the type of behavior you are trying to promote?

5. Hasn't research shown that many of these girls become pregnant by men over 20 years old? Wouldn't a better approach be to go after these men to pay their child support obligations or for statutory rape?
6. As I recall, we addressed this issue in the 1988 Family Support Act. Didn't we give States the option to require the minor parent to live at home? How many States have elected this option?
7. Does the Republican bill also require the State to pay reduced benefits for six months to ANY child for whom paternity has not been established?

What happens after six months if the family has cooperated and paternity has not been established by the State?

Does this apply to teens and non-teens?

8. Do States support the idea of denying AFDC to all children of teen parents who were born out-of-wedlock? Have any States asked for this authority?

Do States support a mandate of reduced benefits for children who need paternity established? Have they asked for this authority? Why not penalize the State for failing to act, rather than the child?

TITLE II -- CHILD PROTECTION BLOCK GRANT

IX. Block Grant/Allocations

1. Could you explain how you arrived at the \$4.145 billion funding figure for FY 96?

How much funding would States lose over the five year period of this legislation? [Answer: \$5.6 billion]

2. How big a reduction would States experience by the year 2002? [HHS estimates a 26 percent reduction in FY 2000; a 20 percent reduction over 5 years.]
3. According to the markup document, funding for this block grant would be adjusted based on CBO's projected caseload growth. What happens if CBO estimates incorrectly?
4. Under your allocation formula, wouldn't States that have experienced population growth in recent years be penalized by the distribution formula in this bill?
5. Under current law, States are required to match the Federal contribution for many of these services. Does this bill require a State match? Why not?

Doesn't it make sense to require at least some minimal contribution from the States?
6. Under current law, only children who are eligible for AFDC receive services under the Title IV-E foster care and adoption assistance programs. It appears that you would break this link and that all children in a State will be eligible for Federal child protection services, regardless of income. What do you believe the impact of this will be on the Medicaid program, as well as on the States ability to serve all eligible children?
7. I do not recollect the Governors requesting a block grant for child protective services, as they did for AFDC funds. What is the motivation behind shifting responsibility for these most vulnerable children to the States?

8. How many children would end up being served by the child protection block grant as a result of their family losing coverage under the family assistance block grant?

Would States be required to serve all children who need protective services?

10. What would happen to an abused child if a State ran out of money before the end of the year?
11. I noticed that this block grant contains a five year sunset provision that is not included in the other block grants. Can you explain why this was necessary here but not in the AFDC block grant?

X. Protecting Children

1. How much discretion will States have in deciding how to use funds in the child protection block grant?
2. How can we guarantee that funds will be used to provide services to all children in need?
3. Is there anything in this bill that would prevent States from spending all their money on foster care payments and nothing on investigations into abuse and neglect situations or placement of children into adoptive homes?
4. Would children covered under the block grant still be eligible for Medicaid? Would all children covered be eligible for Medicaid? Or just those below a certain income?

I want to make sure I understand how we will guarantee that no child will die from abuse or neglect under this block grant.

1. Are there any oversight provisions contained in this proposal that will ensure that States act in the best interest of the children in their care, rather than to incur financial savings?
2. Several State child welfare programs are presently under court order. What type of enforcement or review mechanism exists in this proposal for such States?

3. The summary memo sent by Mr. Shaw makes reference to specific Federal requirements that would be relaxed. Could you please tell us exactly what those requirements are?
4. The draft calls for the reporting of data to the Federal government. What will be done with the information gathered? Will it be used to improve delivery of services to children?
5. What protections exist in this proposal to prevent children from moving from one foster care placement to another, without ever being placed in a permanent home?
6. How does this proposal guarantee that States won't simply stop providing services to abused and neglected children when block grant funds run out?

I want to make sure that I understand how this proposal encourages adoption of children.

1. One of the goals put forth in the Contract with America is to increase the number of children being adopted. How will this legislation accomplish this goal?
2. Is there any requirement that States target resources on finding and placing children in adoptive homes, rather than just letting them move around within the foster care system?
3. What incentive will there be for people to adopt children with disabilities or other special needs if there is no adoption subsidy or Medicaid coverage available to help defray the costs associated with adopting these children?
4. Adoption assistance payments increased by 254 percent nationally between 1988 and 1994, as States have placed more children into permanent homes. Won't capping these payments inevitably lead States to slow down or stop adoptions to stay within the caps?

TITLE III -- BENEFITS FOR LEGAL IMMIGRANTS

XI. Who is Affected

I would like to ask a few questions about the people who would be made ineligible for benefits under this Title.

1. How many elderly and disabled SSI recipients who are legal immigrants will be thrown off the rolls as a result of this proposal? [About half a million]
2. How many AFDC recipients who are legal immigrants will be made ineligible for benefits? [About half a million] How many of these are children?
3. Could States use their own money to provide benefits to these individuals?
4. According to the markup document, legal immigrants would remain eligible for a number of education and training programs, such as job training for disadvantaged adults, Job Corps, and Basic Educational Opportunity Grants, in order to assist them in obtaining the skills necessary to find employment.

According to the markup document released by the Committee on Education and Economic Opportunities, however, a number of these programs listed would indeed be denied to legal immigrants. Could you please explain this? Which committee's actions will take precedence in the final document.

Given this occurrence, can there be any assurance that any of the other programs outside the jurisdiction of this committee will actually be available as promised, such as child care, Medicaid, and Food Stamps?

Let me ask you how people in the following examples would fare under this proposal.

1. A legal immigrant who works at a restaurant and has paid his taxes, and then becomes disabled when he is hit by a truck while crossing the street. Would he be ineligible for SSI disability benefits?
2. A legal immigrant who served in the U.S. military, is a veteran, has worked and paid taxes. If his house and community are destroyed in a tornado, leaving him homeless and jobless, would he be denied Federal assistance?
3. A legal immigrant child who is abused by a parent. Would she be denied child protective services and foster care?

The markup document discusses making the sponsorship agreement binding. I'd like to ask a few questions about this.

1. In order to make the sponsorship agreement legally binding, would the sponsorship affidavit issued by the Immigration and Naturalization Services have to be amended or redesigned to create a contractual arrangement?
2. Do we have a ruling from the House Parliamentarian about whether this provision is within the Committee's jurisdiction?

Impact on States

1. What will happen to the Federal savings from making more than a million individual ineligible for AFDC, Food Stamps, SSI, Medicaid, and other programs?
2. Given the Supreme Court ruling that States must provide public assistance to legal aliens on the same basis as citizens, will this proposal provide any financial assistance to States to offset this cost shift?
3. While I understand that States may experience some savings because they will no longer have to pay the State match for AFDC, Medicaid, or SSI State Supplement to these individuals, CBO estimates that the costs of public assistance will exceed the savings in many States.

[According to CBO, New York, California, and Illinois, face a net increase in costs of \$1.8 billion -- after taking into account the savings they will derive]

4. Won't there be a significantly different impact on States depending on whether or not they operate a general assistance program? Won't those who operate general assistance programs, such as New York and California, be worse off than those that don't, such as Texas and Florida?
5. Doesn't the cost shift due the denial of federal benefits to legal immigrants amount to an unfunded mandate on the States?

I would like to ask you a few questions about the Constitutional obligation of States to care for legal immigrants.

1. Isn't it true that the U.S. Supreme Court has said that -- under the Equal Protection Clause -- States must provide public assistance to legal aliens on the same basis as citizens?
2. How many States have State constitutions which require that aliens be provided equal benefits?

3. You have a provision in your proposal that tries to overcome the Federal constitutional issue by authorizing the States to deny aid to legal immigrants, but it is of questionable effect -- according to what legal experts tell me.
4. Do you have a breakout of what the impact is going to be on local governments -- those who run public hospitals, for example, who will have to care for sick legal immigrants who no longer have Medicaid? Will any of the Federal or State savings accrue to them? What will be the unfunded costs?

TITLE IV -- SSI

XII. Who would be Covered

I would like to go through a few examples to understand who would and would not receive SSI cash benefits under this proposal.

1. Tell me how the bill works. Doesn't it make kids who apply for benefits in the future and who qualify under the so-called "listings" of impairments -- that is, they are so severely disabled that their medical conditions are listed in the disability regulations -- ineligible for SSI cash benefits?
2. How many children of these severely disabled children -- who, like Alison Higginbotham, meet or equal the listings -- would be made ineligible for SSI cash benefits over the next five years? I understand CBO says that its about 475,000 kids in the year 2000. Is that correct?
3. Under this proposal, wouldn't two children with identical circumstances -- who both meet or equal the listings -- but who applied a few weeks apart be treated very differently? [Alison is grandfathered on cash benefits, while a child identical to Alison who applies in the future may be eligible only for State block grant services]
4. Is it your intention to grandfather benefits to children who currently "meet" the listings or also to children who "equal" the listings? Where does it say that in the markup document? What about children who equal the listings in the future? Do you intend that they be eligible for Medicaid and block grant services?
5. Let me ask you a questions about the elimination of the Individual Functional Assessment. How many children will have their benefits terminated within a few months after enactment when the Individual Functional Assessment is repealed? SSA says 250,000 will be immediately terminated. CBO says about 365,000 children will be made ineligible by the year 2000. Is that correct?
6. Under the bill, the Individual Functional Assessment is terminated 3 months after enactment. Is that correct? [Yes]

And do cash benefits for those 250,000 children who receive their benefits under the IFA cease 6 months after enactment? [Yes]

Now, we know that nearly half those 250,000 children who will be cut off of cash benefits and Medicaid would have been able to qualify under the

listings if the Social Security Administration had continued to develop their medical evidence. So, if a parent with an IFA child who could meet or equal the listings does not reapply within the first 3 months after enactment, isn't that child made permanently ineligible for cash benefits or Medicaid?

It is my understanding that under the Chairman's mark a child cannot be getting SSI and also receive cash benefits under the family assistance block grant.

1. How does this reconcile with the fact that poor children who are disabled will no longer be receiving a cash grant under the SSI program unless they are disabled to the point of institutionalization, yet they still would be considered SSI eligible for purposes of receiving the medical grant?

Will we be leaving these children out in the cold with regard to any type of cash assistance?

According to the CBO estimate, you cut the SSI children's program by some \$17 billion; \$5 billion of which you put back in the form of a block grant to States to provide services to eligible children.

1. What happened to the other \$12 billion that was cut from the SSI children's program? What will it be used for?
2. Why wasn't more invested in the block grant for disabled children?
3. Would States be required to apply for block grant funds? What happens if a State doesn't apply?

XIII. What would be Covered

Alison Higginbotham's mother told us that she needed cash assistance to cover the costs of gas, lodging, and tuition for a special course for Alison; a special bed; special toys; a special tricycle; handles for the doors; paving the driveway for a wheel chair; a ramp and rails on the back porch; and funeral expenses.

1. Would any of these costs be covered by the block grant?
If so, which ones?
2. Under the block grant, would parents have to pay cash out of their own pockets for these types of services and then wait for reimbursement at a later date?
3. Could States choose what services they would offer? Would there be any minimum standard set?
4. What happens if a State runs out of block grant money?
5. When does the block grant begin? [FY 1997] What is the effective date for denying cash benefits to children eligible for the block grant? [90 days after enactment] So, if this bill becomes law in July, there will be no cash and no services for children for a full year.

I would like to ask a question about Medicaid coverage for children under the block grant.

- Would all the children who are no longer going to be entitled to SSI benefits still be eligible for Medicaid?

I would like to ask some questions about the block grant for services.

1. Can a child who meets or equals the listings in the future, but who is denied cash SSI benefits under the bill, be denied access to any services by the State? [Yes, it is left to the State to decide which children from among those who meet or equal the listings may receive services and to decide which services those children may receive.]

I just wanted to make sure -- since my colleagues have repeatedly assured me that children who meet or equal the listing will receive services in place of cash. But, in fact, they can't assure me of that.

2. So, a State could decide that it was not going to serve children who could, for example, feed and bathe themselves, even though they were quadraplegics? Could a State set that as a standard for receipt of benefits?

3. Could the State set a limit of the duration of the services? [Yes] So, they could provide that a child can have one wheelchair per year, but if that child is hit by a baggage truck at the airport, as Alison Higginbotham was on her way to our hearing, and the wheelchair is destroyed, the State could deny the child a replacement?

Let me ask you a couple of questions about the impact of this provision on blind children.

1. Would blind children who apply in the future be subject to the same restrictions as other disabled kids? Would they be made ineligible for cash benefits? [It appears from the mark that blind children would not have their benefits taken away, but it is not clear.]
2. So, a child who is a paraplegic and would not otherwise have to be institutionalized would be denied cash benefits, but a blind child would not be denied benefits. Is this correct?

XIV. Drug Addicts and Alcoholics

I would like to ask you a few questions about treatment for drug addicts and alcoholics.

1. You have placed a portion of the money saved by eliminating SSI benefits for addicts into the Federal Treatment Capacity Expansion Program (CEP). How much funding has been appropriated for that program?
2. Can you tell me when the authorization for this program expires?
[at the end of FY 1995]
3. Is a State required to match funds? If so, in what proportion?
4. Can you tell me if any States have applied for money to set up a program?
[Only 17 grants, which expire at the end of FY 1995.]
5. Is there any assurance that any SSI beneficiary would receive treatment under this program?
6. When does money begin to flow into this program under the provisions of this bill? [FY 1997] So, would there be any funding for the program in 1996?

TITLE V -- CHILD SUPPORT ENFORCEMENT

XV. Child Support Enforcement

1. What provisions of the Clinton bill are not included in this mark?
2. What provisions of the Women's Caucus bill are not included in this mark?
3. What new provisions are added in this mark?

[To be added after we see Subcommittee mark.]