

May 8, 1995

Ms. Dawn E. Francis
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Dear Dawn:

Thank you for your report entitled "Iowa Welfare Reform and Federal Welfare Reform". I appreciate your sharing this with me, and I have passed along your report to my staff.

I appreciate your interest in my Administration's efforts to address the challenges facing our nation, and I hope that you will stay involved.

Sincerely, **BILL CLINTON**

BC/TB/JM/emu-ckb (Corres. #2208650)
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cc: ODP w/incoming

To: PRESIDENT CLINTON

**IOWA WELFARE REFORM AND
FEDERAL WELFARE REFORM**

April 24, 1995

Presented By

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IOWA WELFARE REFORM AND FEDERAL WELFARE REFORM

April 24, 1995

Presented by Dawn E. Francis
Des Moines Public Schools

The Iowa Welfare Reform Plan was implemented with Iowa families in January of 1994. While most families are on the new Iowa Welfare Reform Plan, there are a small number of families who are in a control group who remain on welfare under the old rules. The plan for Iowa Welfare Reform is called the Family Investment Plan (FIP). The goal of the plan is to **invest in families** to help them get off welfare and achieve self-sufficiency by providing them with the needed education, training, jobs, child care, transportation, and other support services needed. Under Iowa Welfare Reform, the definition of self-sufficiency is to be free of FIP (welfare), although being free of FIP does not necessarily mean a family is truly self-sufficient.

There are some very positive aspects to Iowa Welfare Reform, such as:

1. Intensive case management services provided to **some** of the high risk families to help them work through the numerous barriers to self-sufficiency, by providing linkages to services such as parenting classes, GED classes, college/technical school/apprenticeship programs, mental health services, substance abuse assessment/treatment, child care, transportation, and so on. A study done by the Project Self-Sufficiency Program through the Des Moines Area Community College has shown that this intensive one-on-one assistance to families **DOES WORK** to help families become financially self-sufficient, have healthy family functioning, and remain self-sufficient and not fall back onto the welfare rolls. Case managers generally have very small caseloads of 20-25 families. It should be noted that there are several case management programs in the Des Moines area such as Project Self-Sufficiency that are **NOT** funded through the welfare reform initiative, but that are assisting high risk families to achieve financial self-sufficiency and healthy family functioning.
2. Some families who become employed are now able to keep their full welfare grant for four months after they become employed, if they have earned less than \$1,200.00 in the last 12 months, before having their grant cut back based on their earnings. This helps to ease **some** families gradually from welfare to self-sufficiency.
3. Families with small children who leave welfare due to an **increase in earned income (work)** are now eligible for a year of transitional

medicaid and two years of transitional child care, and after those two years they can access CDBG Child Care funds with eligibility set at or below 155% of poverty level. This helps some families have the resources to maintain self-sufficiency and not return to welfare.

4. Families with children over six months of age are required to be going to school, working, or in a job training program while receiving welfare. Families develop a plan and some have the ability to access support services such as child care funding, transportation, and training programs to meet their goals.

5. Families are allowed to have higher personal asset values, such as cars and savings accounts, which assists some of them in maintaining self-sufficiency.

6. Families are given the time and some are given the support services they need to work their way off welfare with dignity and respect.

The current data on Iowa Welfare Reform shows some very positive results. Of all welfare families, 88% are involved with Promise Jobs where they are signing Family Investment Plans agreeing to be either in school, training, work experience, or employment to work toward becoming self-sufficient. The other 12% are exempt from Promise Jobs for a variety of reasons such as a mental or physical disability, having a child under 6 months old, and so on. The average welfare grant has gone DOWN by -\$29.11 as 33.4% (as of 12-94) of welfare families have at least one source of earned income (compared to only 18% of families having at least one source of earned income prior to welfare reform). The number of cases (caseload) per worker has also been steadily decreasing each month since April of 1994.

THE PROBLEMS WITH IOWA WELFARE REFORM

While the Iowa Welfare Reform Plan has a good design and good intentions, there are some serious problems. One of the most significant problems has to do with the fact that Iowa Welfare Reform is seriously under funded in several areas which has created barriers to families, particularly families with small children, who are trying to attain self-sufficiency and get off welfare. To begin with, Iowa had to apply for a federal waiver to do welfare reform. The federal government approved the waiver with the stipulation that Iowa maintain cost neutrality. In other words, the federal government approved of Iowa doing welfare reform as long as Iowa does not spend any more federal dollars on welfare reform than it would have under the old welfare program.

This federal requirement seems quite ludicrous when you look at welfare reform as an **ECONOMIC DEVELOPMENT ISSUE**. For example, Governor Branstad gave a company called IPSCO 74 million dollars to come to Iowa and create 300 new jobs. In other words, to get the new jobs Iowa had to **INVEST MORE MONEY UP**

FRONT, and Iowa expects at some point to recoup (cost neutrality) that 74 million on down the road after IPSCO becomes operational for a period of time. There is no question that it **WILL COST MORE MONEY UP FRONT** to provide the support services people need to get off and stay off welfare, i.e., job training, work experience, education, child care, transportation, and other support services. However, eventually cost-neutrality will be achieved as more and more welfare families enter the work force and are able **TO STAY IN THE WORK FORCE** as they have the support services needed. As they work, their welfare grant will become less and less until they are off welfare. These working families then become taxpayers, consumers, and productive citizens.

The lack of adequate funding for support services in Iowa Welfare Reform is evident in several areas. Currently, there are over 3,000 welfare families on the Promise Jobs waiting list for post-secondary education as there is not enough money to fund everyone who requested post-secondary education. This lack of funding includes funding for the actual education as well as child care, transportation, and other support services necessary for those in post-secondary education. Those on the waiting list are involved in other components of Promise Jobs while they wait, such as employment, work experience, or other types of job training. However, the Iowa Department of Human Services, Division of Economic Assistance, is now saying they will NOT have enough money to fund everyone who wants post-secondary education, and they are going to have to develop some criteria and make some hard choices as to who will be allowed to have post-secondary education and who won't be allowed to have it. There is a real cause for concern as to how they will determine the criteria for this, and who will determine if someone qualifies.

Another area that lacks adequate funding is child care. For those working welfare families who make at or below 100% of poverty level (this includes their earned income AND their welfare grant), they are eligible to have their child care costs paid for by the state Community Development Block Grant Child Care Fund. For those working welfare families who make just over 100% of poverty level, but who make just low enough wages to still receive a small welfare grant, there are no child care funds available. While welfare does allow a child care disregard, these amounts do not adequately cover family's child care costs. The disregards are \$175.00 per month per child for children ages 2 and older, and \$200.00 per month per child for children under the age of 2 years old. The average cost for full time care for children under 2 is about \$95.00 per week per child, or \$380.00 per month. The average cost for full time care for children age 2 and older is about \$80.00 per week per child, or \$320.00 per month. As you can see, the child care disregard does not even come close to meeting actual child care costs for working welfare families with young children.

In addition, the state Community Development Block Grant Child Care Fund is currently serving over 3,000 welfare families who are working or in school. This Block Grant was intended for NON-WELFARE working poor families to help them stay employed and not slip onto welfare. Unfortunately, the eligibility for this Block Grant was cut back 18 months ago from 155% and below of poverty level to 100% and below of poverty level. Many non-welfare working poor families are now unable to access

this source of child care funding, and are at high risk of going onto welfare or putting their children in unsafe child care situations because they don't have this child care funding.

Recently, the Iowa Department of Human Services applied for and received a federal waiver to allow working welfare families to **VOLUNTARILY LEAVE WELFARE** and still be eligible for transitional child care assistance for two years. This would apply to those working welfare families who are making too much money to qualify for block grant child care assistance as they make over 100% of the poverty level, but they are still making low enough wages to still receive a small welfare check. Prior to this waiver, families could only access transition child care if they left welfare due to an increase in earned income. However, these families **WILL NOT BE ELIGIBLE FOR THE YEAR OF TRANSITIONAL MEDICAID**, so they must choose between child care and health care for their children.

There are also those working welfare families who receive **SMALL INCREASES IN UNEARNED INCOME** such as child support, SSI, or Social Security. If these increases occur before they get a wage increase at work, and if these increases are enough to knock them off welfare, they are closed due to **UNEARNED INCOME** and are not allowed to access transitional child care or transitional medicaid. A federal waiver has been applied for, but even if approved these families would not be eligible for the year of transitional medicaid, so they must choose between child care and health care for their children.

In regard to health care, we are being told that a family who is eligible for and receives Transitional Medicaid benefits for one year **MUST ALSO** go on their employers health plan if the employer offers one, even if they have to pay for coverage. We are aware of one former welfare family who has to pay \$260.00 per month for herself and her one child for health care, despite the fact she has free Medicaid coverage for one year. It would seem reasonable to review this policy, and if the employer requires a co-payment, exempt that family from having to go on the employers plan until the one year of Medicaid runs out to help them stay on their feet and not return to welfare.

Finally, we need to develop more jobs that people can access that will pay a high enough wage for people to be able to support their families.

SUMMARY AND IMPLICATIONS FOR FEDERAL WELFARE REFORM

Overall, Iowa has a very positive Welfare Reform Plan that is seriously under funded in several areas, and this new plan is creating barriers to self-sufficiency for families, particularly those families with small children. As the U.S. Senate and House of Representatives begins making decisions on federal welfare reform, they need to seriously look at **WELFARE REFORM AS AN ECONOMIC DEVELOPMENT ISSUE**, and in doing so provide additional up-front funding to make welfare reform work. I would like to propose the following recommendations:

1. We need to address Welfare Reform issues as **ECONOMIC DEVELOPMENT** issues. By providing **ADDITIONAL AND ADEQUATE UP-FRONT** funding for support services such as education, job training, child care, transportation, family support programs, and so on, we truly **INVEST IN FAMILIES** and help them get off welfare and **STAY OFF WELFARE**. These former working welfare families are now taxpayers, consumers, and productive citizens. Eventually we will recoup (cost-neutrality) the additional up-front money we need to spend to make welfare reform work. We can make it clear to the general public that these up-front costs are **NOT** going to be increased money into welfare families' pockets for them to spend on whatever they please. Education, training, and child care costs are reimbursed **DIRECTLY** to the provider of the services and **NOT** the welfare family.
2. We need to develop more jobs with a high enough wage to support families and make them self-sufficient. We don't want to create an underclass of minimum wage workers.
3. The federal government should put limits on eligibility for welfare benefits based on family need and circumstances, and not have a 2 year or 5 year lifetime limit. Each family has its own set of circumstances as to why they may not be able to become self-sufficient. If they can show just cause, i.e., lack of opportunities/funding for job training, further education, or jobs that pay enough to support their family without welfare.
4. The federal government should not disqualify the children of unwed teenage mothers from ever receiving welfare benefits, or the teen mother and child from being eligible for subsidized housing. While we all want to see the number of teenage out-of-wedlock births decrease, these kinds of penalties are not going to have an effect on decreasing these births. Funding for family support centers to provide intensive services to families to help them make healthy choices and become self-sufficient would be much more productive. There are many of these programs around the country, some funded by states welfare reform programs and others funded through other sources, that have been very effective in assisting families in becoming financially self-sufficient and making healthy choices for themselves.

CONCLUSIONS

I am very disturbed by the direction that federal welfare reform is going. It appears that people just want welfare families to go away, and no one is taking a hard look at the societal costs in the long run. The approaches being discussed at the federal level are very punitive. I am fearful that, if implemented, we will see a rise in criminal activity for both adults and children, and more dysfunctional families and

children. This will cause greater societal costs, both financially and morally, in the long run.

I believe that the welfare system does need to be drastically reformed, and that those who can work should work and be responsible for becoming self-sufficient. I don't see how this can happen for many families without putting in more funding upfront to provide the support services needed by these families to achieve self-sufficiency. Without additional funding for these support systems, I am fearful that we are replacing one seriously broken welfare system with another system that is equally as broken.

WR -
Iowa

Some Statistics on Iowa's Welfare Reform Demonstration Project

- As part of Iowa's welfare reform project, welfare recipients are required to sign a self-sufficiency contract, the Family Investment Agreement (FIA), which outlines the activities and time frame needed to move to economic independence. Since the Family Investment Agreement program was first implemented in January, 1994 approximately 27,000 welfare recipients have signed FIA contracts.
- In October, 1993, 18% or roughly 6,600 of the welfare caseload was working. As of March, 1995 32.8% of the welfare caseload or 12,119 cases are working. Therefore, as a result of welfare reform an additional 5,468 recipients are working (but not necessarily entirely off of public assistance).
- As of March, 1995, 32.8% of welfare recipients participating in IFIP (roughly 95% of the entire caseload) were working. In comparison, 17% of those in the control group (roughly 5% of the entire caseload), receiving welfare the old way, without the threat of a time limit, were working.
- Since Iowa started removing parents and their children from the welfare rolls six months ago, 881 families have lost their benefits.

Talking Joints

Iowa Waiver - Iowa Family Investment Program (IFIP)

"This is a dramatic change in the basic philosophy of the welfare system. It moves from an income maintenance system to a system that supports individuals in making the transition from welfare to employment and self-sufficiency."

Governor Terry Branstad

"We look forward to working closely with the state of Iowa as it tests a number of new strategies for promoting independence and responsibility for those families now on welfare."

Secretary Shalala

On August 13, 1993, Iowa became the second state to be granted a waiver from the Clinton Administration, allowing the state to test innovative welfare reform strategies. Early in his presidency, President Clinton made clear to the nation's governors his commitment to encourage state creativity and flexibility in the administration of public assistance programs. The Iowa welfare reform demonstration is further evidence of the Clinton Administration's support for allowing states to be, as they were intended, the laboratories of democracy.

Iowa's Family Investment Program (IFIP) builds on the principles of President Clinton's vision for welfare reform: work and responsibility, without punishing poor children. Iowa's demonstration project is focused on work with both incentives and requirements for recipients to transition from welfare to economic self-sufficiency.

Iowa's waiver demonstration embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. Iowa was the second state to test time-limited benefits. Similar to the personal employability plan provision in the Work and Responsibility Act of 1994, welfare recipients in Iowa's demonstration are required to sign a self-sufficiency contract, the Family Investment Agreement (FIA), that outlines what activities must be done to achieve self-sufficiency and establishes a time frame for accomplishing individual goals. Sanctions are imposed on adult recipients who fail to make a good faith effort to comply.

Iowa is making work pay. By increasing resource limits, earned income disregards, and the automobile asset limit, Iowa has created an economic support system that provides incentives to encourage families to work and not stay on welfare. In order to ensure that families can get off and stay off of welfare, Iowa received approval to extend child care benefits to families after they leave the welfare rolls. The state has also eliminated the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program, encouraging two parent families to work and stay together.

Iowa is using an innovative approach to prevent welfare dependency. The Clinton Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. That is why Iowa has created the Individual Development Account (IDA) Program, as part of their waiver demonstration, that allows welfare recipients to accumulate and build assets by establishing Individual Development Accounts, so that public assistance may not be needed in the event of future temporary financial setbacks. Funds deposited in the accounts are not counted as ordinary income and can be withdrawn only to pay for education, training, home ownership, business start-up or family emergencies.

FOR IMMEDIATE RELEASE
Friday, August 13, 1993

Contact: David Siegel
(202) 401-9215

HE: Secretary Donna E. Shalala today approved a major welfare demonstration submitted by the state of Iowa. Elements of the plan will encourage recipients of Aid to Families with Dependent Children to take jobs and accumulate assets through a new program of "Individual Development Accounts."

"Last February in Washington, President Clinton met with the nation's governors to talk about his commitment to welfare reform. As part of this process the president made it clear he wanted to encourage state creativity and flexibility in the administration of public assistance programs," Secretary Shalala said.

"Our action today in approving Iowa's demonstration is further evidence of our support for this concept. We look forward to working closely with the state of Iowa as it tests a number of new strategies for promoting independence and responsibility for those families now on welfare."

Under the demonstration, Iowa's AFDC program will be restructured in several major ways:

- o AFDC recipients will be able to accumulate and build assets by establishing Individual Development Accounts. Funds deposited in the accounts will not be counted as ordinary income and can be withdrawn only to pay for education, training, home ownership, business start-up or family emergencies.

- o Recipients will be encouraged to take jobs under a new formula which disregards 50 percent of their earnings in the calculation of welfare payments. During the first four months of employment, all income will be disregarded for individuals who do not have significant work histories.

- More -

- 2 -

o The current law limiting each family's assets to \$1,000 will be substantially changed to enable each member of an AFDC family to possess up to \$5,000 in assets. The vehicle asset ceiling will also rise from \$1,500 to \$3,000 per automobile.

o A Family Investment Program is created for most AFDC parents, who will be eligible for enhanced training and support services in exchange for an agreement that welfare receipt will be temporary or time-limited.

HHS' action today clears the way for the state to begin operation of the program immediately. The demonstration will operate for a period of five years and will include a rigorous evaluation utilizing random assignment to control and experimental groups.

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WR-Iowa

Iowa Welfare Benefits Have Expiration Dates

LIMITS from page 1

A look at the program here underscores a central truism in the welfare debate: Governments can reduce welfare roles simply by ending benefits, but helping recipients find a permanent place in the work force requires significant resources.

"If the terms of successful welfare reform are to reduce the rolls, just eliminate the program," says Evelyn Brodtkin, a sociologist at the University of Chicago. "To increase the prospects for people to enter the labor market in a way that gives them a shot at making it, that requires education and training of sufficient quality, and decent day care."

Iowa's experimental program, authorized under a federal waiver issued in late 1993, is predicated on the principle that each individual has different impediments to work. The state tailors a contract with each recipient to help the individual overcome those obstacles. People are placed on various tracks to help them achieve the education and job training they require, and can receive additional support, such as medical and child care.

The contract ends either when the recipient reaches the point of self-sufficiency or breaches the terms of the agreement. If the latter occurs, the recipient faces loss of all benefits. In six months and a mandatory waiting period of another six months before being eligible to negotiate a new contract.

"What's really important in our program is the individualized nature," says Charles Palmer, director of the Iowa Department of Human Services. "The supports that people need as they make the transition are also important to address. Identification of barriers that really do stand in the way is important. I don't think it's just an automatic that everyone on welfare can today walk out into the labor market and be self-sufficient."

Every Wednesday and Friday Ms. Davis sits with a group of welfare recipients in a class-like setting at what is called a job fair to hear prospective employers rattle off openings. On a recent Friday, the opportunities for employment were surprising: database consultants, bakers, and accounting clerks, to name a few, all paying \$6 to \$8 per hour, with benefits promised after a certain period.

For the welfare recipients here, the job fair is mandatory - part of the contract they sign with

the state to move toward self-sufficiency.

Most recipients, like Davis, voice approval of the new program. "I'm not on welfare by choice, but because of low education," she says.

Participants like it

Her welfare contract states she needs to complete her high school equivalency diploma and develop work skills. "The new program makes you willing to go out there and find work."

Antoinette Newsome agrees. In the middle of a divorce and having to support four daughters, she lost her part-time job at a department store when she missed work to take care of an ailing child. Now Ms. Newsome sees the Iowa program as a quick way to get back on her feet financially.

With one of the lowest unemployment rates in the nation - roughly 3 percent - and little of the poverty found in large cities, the Promise Jobs program benefits from a strong job market. Further, not all states have the same level of organized, professional caseworkers administering the program at the local level.

"There is a great divergence among the states," she says. "Quality, usefulness, and punitiveness - some may be good, some bad, but there is no accounting of their net level... Adequate funding is not to be expected in all states."

What happens to those recipients who lose benefits because they either breached their contract or refused to negotiate one is harder to ascertain.

Iowa has removed roughly 900



READY TO WORK: On Wednesdays and Fridays in Des Moines, Donna Davis and others in Iowa's welfare-to-work program attend a job fair. Participants sign a contract to complete job-training requirements within a set period or lose their benefits.

"I don't need the system. I need a job that is financially sound - \$7.50 or \$8 per hour maybe," she says. "I feel this program is going to propel me back into full employment. The medical benefits will help."

A promising start

Since October 1994, the Promise Jobs program has helped more than 1,400 people find jobs, well over a 1,000 of whom are still employed. This, in turn, has helped lower the average welfare grant by roughly \$30, saving the state more than \$1 million per month.

"The new program has new formulas for balancing benefits and wage earnings," says Darrell Jensen, a work-experience coordinator at Promise Jobs. "By policy we cannot require anyone to take employment that would decrease their income."

While the early indicators point to success, Professor Brodtkin is cautious. She expresses concern that what works in Iowa won't necessarily work in other states.

families from the rolls since the new program started. Although the state has tried to track these families, it hasn't been able to keep track of more than half of them. Some probably move to other states with less punitive measures; others may have become homeless.

What happens to these families is important, because other states that are experimenting with time limits provide less support for recipients trying to make the transition from welfare to work. Further, the Senate is about to take up the House welfare plan, which limits families to a lifetime maximum of five years of public assistance.

The Clinton administration also supports the idea of time limits, but differs with Republicans in Congress over the education and job-training provisions: If Washington is able to pass a welfare-reform package that includes time limits, it will open the door for all states to implement a provision that looks promising but has a relatively short track record.

IMPACT OF CAPS

Iowa Welfare Benefits Come With Tough Expiration Dates

By Kurt Stillinger

Staff writer of The Christian Science Monitor

DES MOINES, IOWA

DOMNA DAVIS has been on and off welfare for 35 years. She has three children, each by a different father, but has never been married. Lacking a high school diploma, she has had trouble finding jobs adequate to meet her needs.

Getting Ms. Davis and A.E. million other adults on welfare nationally to the point of self-sufficiency is one of the most controversial challenges Congress and state governments face.

Lawmakers from Boston to Sacramento are turning to time limits as a way to force recipients to become financially independent. Republicans have passed such a provision in the House, and 11 states now have programs limiting the duration of benefits.

But Iowa is the only state so far to actually remove people from its rolls, making it an important first indicator of whether such an approach will decrease dependency or increase despair.

Proponents say time limits are necessary to wean people from a system that has fostered illegitimacy and perpetual poverty. Critics counter that forcing people off welfare could blot homelessness and devastate children. Some 9.4 million children receive benefits from the main welfare program, Aid to Families With Dependent Children.

See LIMITS page 18

After Liberation

For concentration-camp survivors, the battle was not over at WWII's end. Some remained in camps for up to 10 years before finding new homes.



PAGE 10