May 17, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: CAROL RASCO
BRUCE REED
KATHI WAY

SUBJECT: WELFARE REFORM REMAINING ISSUES

Final decisions are outstanding on two elements of the welfare reform plan -- family caps and time limiting the WORK program. The attached memorandum presents the pros/cons of each issue.

Based on our conversations with you, we believe the best way to resolve these issues is through state flexibility. Throughout the plan, we have been careful to give states as many options as possible. Therefore, we recommend the following:

1. Family Caps: We gather from our recent discussions with you that you support letting states decide for themselves whether to pay additional benefits for additional children conceived on welfare. We agree that making this a state option is the best course, politically and substantively.

2. Time-Limiting the WORK Program: The toughest challenge is to making sure that the WORK program does not become a guaranteed job for life. Many Democratic governors have told us that they will be unable to support the Administration's plan unless it gives them some kind of option to prevent people who could be working in the private sector from remaining on the public WORK program indefinitely. If that's what our friends say, it's hard to imagine that we can survive Republican attacks on this issue. We will have a tough time making the case to the American public that we are "ending welfare as we know it" if people who could support themselves can still stay on the system for life.

The Mainstream Forum bill puts a three-year time limit on the WORK program, and gives states the option to extend it for a significant percentage of the caseload. We could adopt some variant of this option, with a somewhat higher percentage. This approach is politically attractive, but it could give states that just wanted to cut their caseloads the power to cut off people without regard to circumstance.

Alternatively, we could propose a more narrow, targeted state option, which would allow states to time limit the WORK program only for people who have significant previous work experience and who live in areas of low unemployment where there are jobs available to match their skills. This approach would dramatically reduce the risk that a state might cut off someone who couldn't make it in the private sector on their own: If they've worked before, they should be able to work again, and a total of five years on assistance (2 in JOBS, 3 in WORK) is long enough to outlast any business cycle.

We recommend the second, safer option. It provides greater protection and lessens the chance that this whole question will become a major political issue. The left will not be happy with either option, and neither will HHS; they would prefer a WORK program that goes on forever. But we feel we need some kind of limit both to make the program work and to keep the entire welfare reform debate from dwelling on this issue. We also fear that without some provision of our own, we will have a very hard time warding off draconian measures from the right.

Next week, we will give you a detailed memo on the politics of welfare reform and ideas on how best to start talking about the plan. We are also preparing a comprehensive rollout strategy.

690 7383

INSERT PARAGRAPH:

A modified proposal would allow states the option to design a narrow time-limit on the WORK program that would only apply to participants with significant previous work experience in areas of low unemployment where there are jobs available to match their skills. This approach could be further targeted by requiring states that seek to impose such a limit to first demonstrate a high job placement rate from their JOBS and WORK programs. Applying the limit only to people with significant previous work experience substantially reduces the likelihood that a state might cut off someone who simply could not make it in the private sector — although advocates will argue that it still leaves open that possibility.

May 17, 1994, 14:51pm

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

FACSIMILE TRANSMISSION

TO: WELFARE REFORM WORKING GROUP STAFF CONTACTS

SUBJECT: MEMO

FROM: Geri Goins

DISTRIBUTION:

ARLENE JOHNSON/MARY JO BANE
COOKIE WALDEN/KATHI WAY
KATHY MAYS/BRUCE REED

Number of Pages: 14

To: Bruce Reed
Kathi Way

From: Naomi Goldstein

Re: Attached draft memos

Date: May 17, 1994

Here is the draft decision memo, and the draft side-by-side bill comparison, with a cover memo.

DRAFT May 17, 1994 2:30 pm

MEMORANDUM TO THE PRESIDENT

FROM: Mary Jo Bane
David T. Ellwood
Bruce Reed

SUBJECT: Major Welfare Reform Policy Issues

DATE: May 17, 1994

Two major policy issues remain to be resolved before the welfare reform legislation is put into final form. The first is the family cap. The other is whether states should be allowed to put time limits on WORK program participation. Both have important policy and political ramifications.

The Family Cap/Child Exclusion

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. The package includes strong components that emphasize the obligations of both fathers and mothers, and that send a very strong message that young people should not have children until they are ready and able to care for them.

The most controversial element of the parental responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap (which children's advocates are now calling the child exclusion) is opposed on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is little evidence that failing to provide a $60 increase in benefits will influence behavior. The increased benefit now provided for additional children is comparable in amount to the increased tax deduction provided to working families. And a number of states are already experimenting with the idea.

No

States, including many states with Dem govs., strongly support a state option

Those who support the family cap option note that workers do not receive a pay raise when they have additional children. They argue that sending a strong signal about responsible childbearing is extremely important. The family cap saves $220 million over 5 years, money which can be spent on child care.

center of the

The idea of limiting benefits for additional children is popular with the public and strongly supported by the right. It is vehemently opposed by the traditional left, by women's groups, by many of the churches and by some elements of the right to life movement.

An alternative to including the family cap option would be to announce at the time of introducing welfare reform that the administration would support a limited number of additional state demonstrations of family cap approaches. After we had reviewed the results of these demonstrations to see whether family caps were effective in reducing pregnancies, we would then decide whether to make it a state option or mandate a family cap nationwide.

NO

Limiting Extended Participation in the WORK Program

The plan includes a requirement that states operate a WORK program to provide work opportunities through subsidized private or community jobs to those who are unable to find unsubsidized jobs within the two year time limit. In designing and explaining the WORK program, we need to be able to answer questions of two sorts:

- You mean you're going to allow people to stay in these guaranteed jobs forever?

- You mean you'll leave children without any income because their parents haven't been able to find a private sector job?

We would like to be able to answer both these questions with a firm "no," but doing so requires careful structuring of the program.

The plan contains a number of provisions to ensure that WORK positions will not last forever. It includes serious sanctions for non-cooperation, including a six month denial of benefits or subsidized work to a family where an adult refuses to accept a private sector job. It also includes a limitation on the amount of time a person can spend in any one subsidized slot, mandatory job search between slots, and a thorough assessment after two placements. It is structured so that recipients are always better off taking private sector jobs: as in private sector jobs, recipients are not paid if they do not work, but as long as they are in a subsidized job they are denied the income supplement of the EITC. These provisions are tough enough to have generated serious criticism from children's advocates, even from those who have come around to accepting the idea of work requirements after two years.

The real disagreement at this point, however, is over whether the WORK program itself should be time-limited and families deprived of all benefits after some period of time. The Mainstream Forum proposal, for example, limits community service to three years over all, with a state option to extend the time limit at state expense, and also a state option to readmit to the work program a limited number of people who hit the time limit. These provisions are supported by those who want to provide additional insurance that the work program does not become a large guaranteed-for-life job creation program. Some Democratic governors would like an option to time limit the WORK program.

The argument against limiting the WORK program is basically one of fairness to people who have been playing by the rules and to their children: people who are unable to find private sector jobs, or people whose productivity is not high enough to make them attractive to private sector employers. People left in the WORK program after several years are likely to be among the most vulnerable in the society, since those simply unwilling to take private sector jobs will have been sanctioned much earlier in the process. While most Americans agree that after a certain length of time people should be expected to work for welfare benefits, they are rightly reluctant to deny support for the children of parents who play by the rules but cannot find unsubsidized jobs. The specter of homelessness or foster care for children when parents are playing by the rules is not consistent with most Americans' basic values.

REDRAFT

A modified proposal would allow states the option of time-limiting the WORK program for participants with previous work experience and in areas of very low unemployment. Although such a proposal would reduce some of the criticisms of more general time limits, it remains open to the charge that some parents who through no fault of their own were unable to find private sector work would be denied all benefits for their children. It would also be very difficult to specify: work experience and low unemployment could be defined in ways that would encompass most recipients.

NOT HELPFUL

This issue is a crucial one for the left. Even a modified version of time limits on work could drive Democrats away from support of the plan. In addition, some governors worry about the burden that might be placed on their general assistance programs by people deprived of other benefits and work opportunities. They don't have to do it

Key Decisions

There are obviously serious policy arguments to support either decision on each of these issues. One challenge in crafting this bill is to find a set of policies that do not seriously divide the party. Both issues are highly charged politically. They are both touchstone issues for both the liberal and the conservative wings of the Democratic party, but especially for left-of-center Democrats.

DROP

We're supposed to be helpful in offering solution

DRAFT 4/17/94 2:30 pm

MEMORANDUM TO THE PRESIDENT

From: Mary Jo Bane
David T. Ellwood
Bruce Reed

Re: Side by Side Comparison of Welfare Bills

Date: May 17, 1994

Enclosed is a detailed side by side comparison of four major welfare reform bills. There are both more liberal and more conservative bills than those described here, but these are the most important. The headings are self explanatory except for the Matsui bill which will be introduced next week. This is likely to be supported by a significant number of more liberal Democrats when it is finalized and introduced next week. There is also a proposal put forward by the American Public Welfare Association which is fairly similar to ours.

In many ways the most remarkable thing about all these bills is their similarity. Essentially all sides agree on an increased emphasis on work, child support enforcement, prevention, and support for working families. Where there are differences we tend to be in the middle, leaning mostly toward the Mainstream Forum. There seems to be widespread acceptance of the idea of time limits, though the Matsui bill rejects specific time limits, and even they call for half of all JOBS participants to be in a work program. The transitional assistance program is very similar across bills. In areas such as child support enforcement and prevention, our bill contains most of the elements in other bills and more. Still there are a few key differences that you should be aware of which mostly involve the WORK program.

- The nature of the work program. We call for a work-for-wages model as does the Mainstream Forum. The House Republicans and Matsui bill use CWEP (though for very different reasons).

- Work expectations. Our plan calls for 15 to 35 hours work requirement, depending on state benefit levels and the decisions of the state. The Mainstream Forum and House Republican plan require 35 hours work in all cases. The Mainstream Forum plan is likely to be very expensive since they call for work for wages with the federal government picking up 80% of the cost of the jobs and wages. In states like Mississippi, this will be considerably more money than is now spent on AFDC.

- Ultimate time limits on the WORK requirement. The Mainstream Forum has a three year time limit with a state option to extend. The House Republicans have a

state option to terminate benefits after 3 years. In both cases, apparently the safety net can end for families and children after 5 years of help, even if there are no jobs available.

- Sanctions. Matsui calls for limiting sanctions to the adult's portion of the grant. Our bill and the others ultimately put the entire cash grant at risk if persons refuse to participate in work.

- Phase-in. Our phase-in is similar, but slightly slower than the Mainstream Forum's. The Republicans phase-in very rapidly after the year 2000.

- Family caps. Matsui rejects family caps, the other bills contain them.

- Child care for the working poor. Both the Mainstream Forum and the Matsui bill provide more than twice as much child care for the working poor as we do. The House Republicans provide none.

- Financing. The Republicans and Mainstream Forum use an immigrant cut off for funding. The Matsui bill has not identified a funding option.

We have more detailed side by side comparisons if that would be helpful. Please understand that these comparisons are preliminary as all the bills are changing, and the language is not always easy to interpret. We will be updating and improving this chart over the next few days.

DRAFT

nat. campaign

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Prevention and Parental Responsibility				
Prevention	-national mobilization for responsible parenting including national goals, programs in schools, nationwide informational clearinghouse -enhanced responsible family planning for AFDC and non-AFDC teens -community based, comprehensive teen support/pregnancy prevention demonstrations -state option of family cap (?)	-community based, comprehensive teen support/pregnancy prevention demonstrations - no option for family cap	-national campaign to teach risks of teen pregnancy -states encouraged to provide adequate family planning and education -required family cap	-state option of family cap
Rules for Teenagers	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and optional bonuses -time clock starts when turn 18	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses -unclear when clock starts	-no benefits for persons under 18 unless state passes law explicitly allowing them. -parents under 18 must live at home or with adult.
Supporting Two-Parent Families	state option for equal support of two parent families	requirement of equal support of two parent families	requirement of equal support of two parent families	allow states to pay couples who marry 50% of AFDC benefit

NO

married only

in hosp paternity

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Paternity establishment	-in hospital paternity establishment sought in all cases -simplified administrative procedures -strict cooperation requirements for AFDC -states required to establish paternity within 1 year	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-AFDC denied or sharply reduced until paternity established
Strengthen Enforcement	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission -regularly update awards	[likely to be similar to administration]	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission	-expand federal parent locator service -W-4 reporting -simplified wage withholding -strengthen interstate procedures
Innovative programs	-training and work programs for non-custodial parents -child support assurance demonstrations	-child support assurance demonstrations	-training and work programs for non-custodial parents	-training and work programs for non-custodial parents

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Transitional Assistance and Work				
Transitional Program	Enhanced JOBS program -employability plan -high participation -up-front job search -training and education closely linked to placement -worker support to help people stay in jobs	Enhanced JOBS program -employability plan -high participation -some JOBS funds reserved for placement and retention	Enhanced, more flexible JOBS program -employability plan -high participation -up-front job search -job development activities -explicit options to contract out JOBS program activities	Enhanced JOBS program -employability plan -high participation -up-front job search -training and education closely linked to placement
~~Time-Limits~~	2 Years Up to	No limits, but states required to have at least 1/2 of JOBS participants in a public or private sector work program	2 Years Up to	Up to 2 years (less allowed)
Work Program	Work for wages model -15 to 35 hours work required -emphasis on private sector placements -EITC not provided -Supplemental benefit if earnings less than AFDC -12 month limit on each placement -job search required after each placement -sizable sanctions for private sector job refusal, quits, etc.	Not clearly spelled out - Probably work for welfare (CWEP) in most cases - Only adult's portion of grant lost for failure to work	Work for wages model -30 hours required -5 hours job search required -EITC not provided -sizable sanctions for private sector job refusal, quits, etc.	Primarily Work for Welfare -35 hours work required -sizable sanctions for private sector job refusal, quits, etc.

(12 weeks, right?)

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Overall Limits on Work Participation	- loss of eligibility if refuse private job offer or fail to perform adequately - other state options?	None	3 year maximum with state option to extend in some cases. No benefits afterwards.	State option to limit work to 3 years. No benefits afterwards.
Exemptions and Extensions	-ill or disabled -caring for disabled child -child under 1 year once, 4 months subsequently -completing GED, school-to-work, work/study	-ill or disabled -caring for disabled child -child under 3 years	-ill or disabled -caring for disabled child -child under 6 months once, 4 months subsequently -completing GED, work/study	-ill or disabled -caring for disabled child -child under 6 months once, 4 months subsequently
Phase-in	Persons born after 1971, with state option for faster phase-in.	None listed	Persons born after 1971, and going down by one year each year after 1997. State option for faster phase-in	New applicants initially, gradually reaching 90% of entire caseload in 2002
Other Benefit Changes	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	- requirement of more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Support for Working Families				
Earned Income Tax Credit	-strategies to encourage advanced payments -state option to provide advance payments through welfare office	-none	-information on EITC provided to all welfare recipients	-none
Child Care for Working Poor	-$800 million more in federal dollars by FY1999	-$2 billion more in federal dollars by FY 1999	-$2 billion more in federal dollars by FY 1999	-no provision
Health Coverage	-existing transitional benefits -health reform	-expanded transitional benefits and higher income threshold	-expanded transitional benefits	-no provision

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Reinventing Government Assistance				
Simplify eligibility/ Improve coordination	-numerous simplifications -interagency waiver board -enhanced coordination among programs, including one-stop	-none	-some simplification -interagency waiver board -enhanced coordination among programs, including one-stop	-interagency waiver board
Modify Performance Measures	-restructured quality control system -outcomes based performance measures	-none	-outcomes based performance measures	
Reduce Fraud/Abuse	-federal clearinghouses for beneficiaries, child support orders, new hires. -required use of Social Security number for welfare applicants -improved computer verification methods\ -EBT expansions	-none	-improved computer verification methods\ -EBT expansions	-study idea of required use of Social Security number for welfare applicants -EBT demonstrations

DRAFT . May 17, 1994 2:30 pm

MEMORANDUM TO THE PRESIDENT

FROM: Mary Jo Bane
David T. Ellwood
Bruce Reed

SUBJECT: Major Welfare Reform Policy Issues

DATE: May 17, 1994

Two major policy issues remain to be resolved before the welfare reform legislation is put into final form. The first is the family cap. The other is whether states should be allowed to put time limits on WORK program participation. Both have important policy and political ramifications.

The Family Cap/Child Exclusion

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. The package includes strong components that emphasize the obligations of both fathers and mothers, and that send a very strong message that young people should not have children until they are ready and able to care for them.

The most controversial element of the parental responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap (which children's advocates are now calling the child exclusion) is opposed by some on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is ~~little~~ NO evidence that failing to provide a $60 increase in benefits will influence behavior. The increased benefit now provided for additional children is comparable in amount to the increased tax deduction provided to working families. And a number of states are already experimenting with the idea under waivers granted earlier.

Those who support the family cap option note that workers do not receive a pay raise when they have additional children. They argue that sending a strong signal about responsible childbearing is extremely important. The family cap saves $220 million over 5 years, money which can be spent on child care for the working poor.

The idea of limiting benefits for additional children is popular with the public and strongly supported by the right and many moderate Democrats. Many governors support the option. It is vehemently opposed by the traditional left, by women's groups, by many of the churches and by some elements of the right to life movement. The U.S. Conference of Mayors and many minority elected offials have expessed concerns.

An alternative to including the family cap option would be to announce at the time of introducing welfare reform that the administration would support a limited number of additional state demonstrations of family cap approaches. After we had reviewed the results of these demonstrations to see whether family caps were effective in reducing pregnancies, we would then decide whether to make it a state option or mandate a family cap nationwide.

I really think this needs to be discussed

Limiting Extended Participation in the WORK Program

The plan includes a requirement that states operate a WORK program to provide work opportunities through subsidized private or community jobs to those who are unable to find unsubsidized jobs within the two year time limit. In designing and explaining the WORK program, we need to be able to answer questions of two sorts:

- You mean you're going to allow people to stay in these guaranteed jobs forever?

- You mean you'll leave children without any income because their parents haven't been able to find a private sector job?

We would like to be able to answer both these questions with a firm "no," but doing so requires careful structuring of the program.

The plan contains a number of provisions to ensure that WORK positions will not last forever. It includes serious sanctions for non-cooperation, including a six month denial of benefits or subsidized work to a family where an adult refuses to accept a private sector job. It also includes a limitation on the amount of time a person can spend in any one subsidized slot, mandatory job search between slots, and a thorough assessment after two placements. It is structured so that recipients are always better off taking private sector jobs: as in private sector jobs, recipients are not paid if they do not work, but as long as they are in a subsidized job they are denied the income supplement of the EITC. In short, anyone who refuses to work, refuses to seek or take an unsubsidized job, or who behaves irresponsibly will not have additional WORK opportunities. These provisions are tough enough to have generated

serious criticism from children's advocates, even from those who are willing to accept work requirements after two years.

The real disagreement at this point, however, is over whether the WORK program itself should be time-limited and families deprived of all benefits after some period of time. The Mainstream Forum proposal, for example, limits community service to three years overall, with a state option to extend the time limit at state expense, and also a state option to readmit to the work program a limited number of people who hit the time limit. These provisions are supported by those who want to provide additional insurance that the work program does not become a large guaranteed-for-life job creation program. Some governors, including some moderate Democrats, strongly support an option to time limit the WORK program. In their view the rhetoric of "ending welfare" requires some sort of ultimate end, and they worry about the problems of creating an open ended job commitment.

The argument against limiting the WORK program further is basically one of fairness to people who have been playing by the rules and to their children: people who are unable to find private sector jobs, or people whose productivity is not high enough to make them attractive to private sector employers. People left in the WORK program after several years are likely to be among the most vulnerable in the society, since those simply unwilling to take private sector jobs will have been sanctioned much earlier in the process. While most Americans agree that after a certain length of time people should be expected to work for welfare benefits, polls show they are reluctant to deny support for the children of parents who play by the rules but cannot find unsubsidized jobs. The specter of homelessness or foster care for children when parents are playing by the rules is not consistent with most Americans' basic values.

None of us favors a state option which allows an arbitrary cut off of all persons after some period, regardless of their economic prospects. The alternative proposal would allow states to design a narrow time-limit on the WORK program that would apply only to participants with significant previous work experience in areas of low unemployment where jobs are available which match their skills. This approach could be further targetted by requiring states that impose such limits to first demonstrate a high placement from their JOBS and WORK programs. Applying the limit in this way reduces the likelihood that persons who could not make it in the private sector would be cut off -- though the possibility remains, and the provision could be loosened significantly as part of the Congresional process.

This issue is a crucial one for the left, a matter of principle. Even a modified version of time limits on work could drive some Democrats away from support of the plan. Some local officials worry about the burden that might be placed on their cities by people deprived of other benefits and work opportunities. It is also an issue for the right which ~~is why it has proven so difficult~~. *Believe* ~~affect~~ *public support* ~~[illegible]~~ *even in the form of work must have limits*

Key Decisions

DROP

There are obviously serious policy arguments to support either decision on each of these issues. One challenge in crafting this bill is to find a set of policies that do not seriously divide the party. Many on the left are deeply concerned already. Another issue concerns the question of where to position the bill we introduce initially. Traditionally welfare reforms move to the right as they go through Congress. Both issues are highly charged politically. They are both touchstone issues for both the liberal and the conservative wings of the Democratic party, but especially for left-of-center Democrats.

NO

Decision: Family Cap

___ Include a family cap state option in the welfare reform proposal.

___ Do not include a family cap option; authorize additional demonstrations and await results.

Decision: WORK time limits

___ Allow states to time limit the WORK program for participants with signifigant work experience in areas of low unemployment.

___ Do not allow states to set fixed time limits on the WORK program.

DRAFT

Memo to the President

From: Leon Panetta

I understand you have received a decision memo on the two major issues that need to be resolved before we introduce our welfare proposal: the family cap and time limits on the WORK program. This memo reviews the arguments on the second issue and recommends that the WORK program not be open ended.

The Current Proposal

The plan you are being asked to endorse promises a job to any young mother who has been unable to find unsubsidized work at the end of two years (and who has not been granted an exemption or extension). We are all agreed that such job opportunities should be provided; the issue is for how long and under what conditions.

I was under the impression that a consensus had emerged that at the end of some reasonable period of time, such as a year or two, individuals in the WORK program would be reassessed and that states would have the option to reassign them to a subsidized slot or terminate their benefits, depending on such factors as the employability of the individual and the state of the local labor market. I am now told that the plan includes no such mechanism but instead some relatively weak sanctions similar to those in the current AFDC system. These would permit states to terminate benefits for up to 6 months if participants refused work or didn't show up but only if the behavior in question was "without good cause," had occurred repeatedly (four times), and a lengthy appeals process had been exhausted. Such sanctions are likely to be cumbersome and infrequently used; moreover, because they are only temporary, it is possible for someone to refuse to work and still continue to receive welfare after a brief hiatus. Those whose performance was minimal but not subject to the temporary sanction would continue to have opportunities to work which would also be open ended.

Arguments against an open-ended WORK program

There are three arguments against such a plan: 1) it provides welfare recipients something not available to ordinary citizens: a job guarantee; 2) it undermines the normal disciplines of the work place because there are few consequences for nonperformance; and 3) it will be perceived as another costly entitlement because it is far more expensive than the current AFDC system.

Politically, it will be opposed by moderate Democrats in Congress and among the Governors.

It provides welfare recipients something not available to ordinary citizens.

Much of the current resentment against welfare recipients is due to a perception among the public that they are treated more generously than ordinary working Americans. Mothers who are working at low-paying jobs resent paying taxes so that other mothers can stay home with their children. Families who limit the number of children they have to the number they can afford to support resent paying taxes to pay for children born on welfare. Similarly, those who have struggled to find and keep jobs are likely to resent the fact that welfare recipients will be guaranteed work regardless of their skills or performance. In short, I believe it would be unwise to provide an open-ended entitlement to a job among just one group of Americans.

It undermines the normal disciplines in the work place

Although it is essential to provide people with job opportunities through the WORK program, it is equally important to expect something from them in return -- such as regular attendance, an effort to perform assigned tasks to the best of their abilities, and a cooperative attitude toward other workers and customers. Employers cannot be expected to keep workers who do not meet these expectations and the states cannot be expected to find new jobs for them indefinitely. A failure to grapple adequately with these workplace issues will give the entire program a bad name among employers, co-workers, and program administrators and ultimately undermine its success. I believe that sanctions for nonperformance must go beyond temporary denial of an AFDC check after repeated instances of inappropriate behavior. Granted that some children could be put at risk if their parents are more strongly sanctioned. However, assuming that most welfare recipients want to work and will do their best when given the opportunity, the number of children involved need not be very large. It would be better to devote extra resources to monitoring the well being of such children, refering them to the child welfare system or setting up a protective payment system if necessary, than to hold the success of the entire program hostage to such concerns. Parental responsibility should mean making an effort to support your children when given the opportunity.

It creates a program that is even more costly than the current AFDC system.

Most people, including many in Congress, expect welfare reform to cost less than the current system. They may buy the idea that some upfront investments are needed to prepare people for work and to provide them with an initial job opportunity but they are not likely to support a program that entails a costly government-sponsored jobs program that has all the earmarks of a new, permanent entitlement.

Because of the way our current plan is phased in, and because it is possible to cap, legislatively, the number of WORK slots in line with our somewhat optimistic expectations about the number of people who will need them, we have been able to keep the 5 and 10 year costs of the program within reasonable bounds. However, outside analysts and journalists, using different assumptions, will almost certainly estimate much higher costs. A reasonable estimate of what the program will cost once it is fully phased in is ..... The only way to reduce such long-run costs is either to be extremely optimistic about the success of the JOBS component (combined with Health Care Reform and the EITC) or to put some limits on the WORK component. (?)

The current plan will not be politically viable.

The Mainstream Forum, as you know, has proposed a three year limit on their community service jobs program with an option for states to extend the program at state expense or to allow extensions for some individuals. The House Republicans have proposed a similar limit, although they are now being severly criticized by the far right for being "too soft." The following governors are also in favor of such limits: ..... Bayh Zeller Walters

Our proposal is likely to be debated for up to a year before it is enacted. Virtually everyone predicts that the debate will move rightward over this period. Although the liberal wing of the party will criticize us for having moved the debate in this direction, I do not think we can prevent such criticism or buy much support by softening our proposal. I do think you want to enter 1995 with a sound proposal that keeps your reputation as a New Democrat intact. An unlimited work program with only limited sanctions for less than responsible behavior does not square comfortably with that objective.

Alternatives to the Current Plan

If you agree with the above, then I recommend that you direct the group working on the plan to consider one of the following:

- A proposal similar to the Mainstream Forum's.

- A proposal that would allow states to develop criteria under which cash benefits could be terminated for employable individuals who don't perform in their jobs or who fail to take existing private sector jobs.

- A proposal that would create a work for wages jobs program under DOL auspices with a fixed number of slots. It would be open to all parents, whether on welfare or not, although welfare recipients who had reached the two-year limit, UI exhaustees, and dislocated workers with substantial job tenure could be given priority.

I would be happy to discuss these issues with you further.

THE WHITE HOUSE

WASHINGTON

FAX COVER SHEET

OFFICE OF THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
SECOND FLOOR, WEST WING
THE WHITE HOUSE
WASHINGTON, DC 20500
(202)456-2216 PHONE
(202)456-2878 FAX

8:15 → 1 person take the lead
Talking pts every nt.
How to react, update on process
Cong + legis. people ~~staying off~~ things

TO: Bruce Reed

FAX #: 362-0493

FROM: CAROL H. RASCO

DATE: 5/30/94

NUMBER OF PAGES (including cover sheet): 6

COMMENTS:

If you have any problems with the fax transmission, please call at (202)456-2216.

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

Attached is a memo from Jennifer O'Connor & Shalala awaiting me when I returned to office at 6:30 p.m. Also attached is my "perhaps too blunt" response. Carol

RESPONSE MADE BY E-MAIL COPY

THE WHITE HOUSE

WASHINGTON

May 20, 1994

MEMORANDUM FOR CAROL RASCO
JOHN PODESTA

FROM: Jennifer O'Connor JMO

SUBJECT: Secretary Shalala's memo to the President on Welfare Reform

Attached is a memo to the President on welfare reform which Secretary Shalala just sent over. Her staff said that the Secretary would like him to see it as soon as possible and they asked that we expedite it to him as quickly as we can.

I have only circulated it to the two of you and Christine. Please let me know if you want me to get it to anyone else, if you need any further assistance from me, and what you think the timeline will be so I can let them know.

CC: Christine Varney

PRESERVATION PHOTOCOPY

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

MEMORANDUM TO THE PRESIDENT

FROM: Donna E. Shalala

SUBJECT: Time-Limiting the WORK Program

DATE: May 20, 1994

I am writing to express my very strong view that you should not put time-limitations on the WORK program. Doing so would violate the fundamental values underpinning your welfare reform proposal. Such limitations would endanger already vulnerable children, and alienate many progressive friends and a significant number of leading Democratic members of Congress. You should dismiss any compromise on this issue.

Values

Welfare reform is about work and responsibility. It is a very simple contract: if you take responsibility for yourself, if you are willing to work to support your family, then we will support your efforts. If you are not willing to help yourself, then you must face the consequences. The plan includes severe sanctions for people who refuse to play by the rules. People who refuse to take responsibility, people who refuse to work to support their children, people who turn down private sector job offers should be penalized. But for those citizens who do everything we ask, if they try to find a private job and fail, then we have an obligation to help--not with welfare beyond two years, but with a work opportunity. Any arbitrary limits (or state options for such limits) will inevitably send the message: "Even though you've done everything we asked, even though you played by the rules, even though you have not turned down any private sector job offer, and even though you are willing to work at a subsidized job that carries no EITC and thus pays 40% less than any private sector job, we will not help you. The safety net is ended."

How can we possibly explain such a position, such values? What do we say to the mother who used up most of her WORK time, found a private sector job, worked hard for a year, and was then laid off? Are she and her family essentially left with no safety net? Do the children go to foster care? Does the family become homeless? What do we say to the mother of very limited ability who can't quite make it in an unsubsidized job, but who is willing to try her best each day?

PRESERVATION PHOTOCOPY

Vulnerable Children

Presumably the reason we would allow some sort of ultimate limit on WORK is that we fear that people who could get an unsubsidized job are somehow taking advantage of the system. Critics will say, "Other people don't have a guaranteed job." To them our answer will be: nor are other people required to work for 40% less than private sector jobs, or limited to no more than 12 months in any one job. Or forced to undergo intensive job search every 12 months.

Who will reach 2 or 3 years in this WORK program? People who are lazy and unwilling to support themselves? That hardly seems likely given that if they fail to cooperate or refuse an unsubsidized job they will be sanctioned and ultimately refused support. Rather it is likely to be people who really cannot find a job. They may be people who are just barely able to hold themselves and their family together--people who are only worth $2 per hour to employers. These are the families at greatest risk in our society. Judy Gueron of MDRC described citizens who went through the Supported Work program and did not get unsubsidized jobs this way: "These were good people who really tried, and with ongoing support they could and did work. But when the program ended, even with all the efforts made to help them move off, they simply could not make it entirely on their own." Thus for some, a WORK slot becomes a kind of sheltered workshop.

We have crafted a first-rate welfare reform proposal which combines powerful economic incentives (EITC and health care), training, time limits, and work to clearly implement your vision. But we will not succeed in getting every welfare recipient to work in 2 years or even 5. Mary Jo Bane and David Ellwood's recently published book shows that 31% of young mothers who enter AFDC have total welfare time of 10 years or more today. Even if we cut the figure to 10%--a truly extraordinary feat--significant numbers of American children could be left without a safety net. Tens of thousands of American children, perhaps hundreds of thousands, would be affected.

Building Coalitions

We ought to have a welfare reform plan that a broad spectrum of the public and the Democratic party can support. You hit exactly the right tone in the State of the Union speech. Work and responsibility. Get the values straight. The left and religious organizations are wary, but willing to listen. They are already concerned about the fact that we are essentially cutting off families where a parent is not willing to work. Setting ultimate limits for those who are willing to play by our very strict rules is likely to drive liberals and many thoughtful moderates away completely. We don't see how the House Ways and Means Subcommittee will ever accept ultimate time limitations on the WORK program. Senator Moynihan has indicated in the clearest possible terms that he strongly rejects any notion that families will simply be cut off at some point.

We could try to craft some sort of compromise. Ultimate limits could only be imposed on certain types of people or in certain types of circumstances. But if we accept the principle that some people can face an ultimate limit regardless of their good efforts, how do we stop

PRESERVATION PHOTOCOPY

the momentum when others want to add just a few more people in that group? If we allow states to cut off those with significant work experience in low unemployment areas, how do we respond to those who want to define significant work experience as ever having had a job and low unemployment as state unemployment below the national average? If we compromise now, where will the plan be when the political dust settles?

A Matter of Principle

This seems one place where we ought to stand on principle. Welfare reform is about values. Our message is powerful in its simplicity. It is a message of hope and opportunity linked to work and responsibility. Our message combines clear values, high expectations, and powerful economic incentives. However, it could all be lost if we simply walk away from vulnerable families. It could become a message of punishment and despair. We should be clear that legislation that does not expect work and responsibility of families should be strongly rejected. Similarly any bill which abandons families that do work and do take responsibility should also be strongly rejected.

PRESERVATION PHOTOCOPY

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

20-May-1994 06:42pm

TO: Jennifer M. O'Connor

FROM: Carol H. Rasco
Economic and Domestic Policy

CC: Laurie L. Labuda
CC: John Podesta

SUBJECT: Sec. Shalala's memo

To: Christine via Laurie
Jennifer

I checked in with Sharon in Podesta's office when I got back from a meeting late this afternoon and she had not seen the memo, said maybe you gave it directly to John...anyway, she made a copy of what I had. I have to tell you that my honest advice to them was that they in no way should feel they have to get the memo to the President in California....the President won't be making any decisions before he is back in DC...and I can't imagine why he would have to see this memo in California. I can only surmise George saw the packet the President has with him that was sent on the trip per the President's request and called his friend Kevin and decided the President needed something stronger from Donna since as is the standard procedure around here I put a memo along with Bruce and Kathi on top of the packet we sent in from HHS and OMB. Anyway, we try to operate honestly at DPC and before any decision is issued by the President we will make sure he is aware of the strongly held views of an agency and its Secretary.

PRESERVATION PHOTOCOPY

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-May-1994 06:01pm

TO: Carol H. Rasco

FROM: Bruce N. Reed
Domestic Policy Council

CC: Kathryn J. Way

SUBJECT: RE: Welfare and the President

Here are Kathi and my thoughts:

The major issues to discuss on Thursday are:

1. State option to limit additional benefits for additional children: The President has told us repeatedly that he's for giving states the option to do this. He should announce that to them as well.

2. Whether people who work part-time can continue to collect welfare indefinitely: This issue is about whether people in high-benefit states who work part-time should be able to keep getting a supplementary welfare check forever, or whether we should encourage people who are working to at some point support themselves by working full-time (as the EITC was designed to encourage them to do). HHS wants a complicated rule that says that anyone who works 30 hours a week can continue to collect benefits, while anyone with a child under 6 need only work 20, but states have the option to extend the 20-hour rule as well. We prefer a simpler rule of 30 hours a week with a state option to make it 20 hours. We think this is better policy, it will encourage more people to leave welfare altogether, and it is much easier for the President to defend politically. We raised this issue in passing with him on two previous occasions, and both times he seemed to agree with us on the simpler option. But as you can see, we could use up our entire time just explaining the issue.

3. Perhaps the most important unresolved issue is whether to give states the option to put some kind of time limit on the WORK program. Several Democratic governors (Bayh, Miller, and others) have said they can't support the President's plan unless it includes some kind of provision that allows them to say that this isn't a guaranteed-job-for-life program. We feel that it would be a serious political liability not to have a carefully drawn state option that gives states with low unemployment some flexibility on this issue. We have developed a proposal that would allow states

to submit a plan that would enable them to limit time in the WORK program to 3 years for people who had a previous work history, lived in an economy with low unemployment, AND went through a serious skills assessment that determined whether or not they had the skills to get the kind of jobs available in that economy. This is consistent with the compromise we discussed at those Cabinet mtgs. HHS recognizes that not having such a provision is a serious political problem, but they oppose any such provision anyway. Our advice to the President would be to instruct us to draw up a carefully targeted provision that defuses the issue without putting many people at risk.

That's about it. He can always say nice things about the people involved (you might remind him that he got a copy of Mary Jo and David's book, but then again, we don't want their heads to swell any more than necessary). He can talk about how much he wants to get out there and promote this issue. He can put in a plug for a serious national campaign on teen pregnancy.

We leave it to you whether it's better for him to reserve judgment on the two complicated issues -- part-time work and time limiting the work program -- until after the meeting when he's had a chance to think about it. Our only caution would be for him to understand that the reason we've held the line on these issues is that we think there would be serious political consequences from doing what HHS wants.

We'll be at HHS from 7:30 to 9:30 tomorrow morning if you need us. Thanks.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-May-1994 11:14am

TO: Isabel Sawhill

FROM: Bruce N. Reed
Domestic Policy Council

SUBJECT: RE: Director update

Belle --

Thanks for coming last night, and for your detailed comments on the specs. I agree with you that the #1 political and substantive flaw in the current proposal is that it does not leave the states the option of limiting WORK experience in some way.

I know Leon feels strongly about this, as you and I do, and I hope he will argue forcefully in the upcoming mtg with the President (now scheduled for Thursday) that some kind of limit on WORK is a political and practical imperative. Here are the best arguments, as I see them:

1. The lawyers tell us that the option Leon initially favored, an individual reassessment after 2 years in WORK, would not fly in the courts b/c it gives caseworkers too much discretion. They say we need objective criteria for whatever limit we impose. I don't know whether this is true or not, but there are probably enough courts that think as Michael Wald does, so perhaps we should concede the point and develop objective criteria.

Kathi is writing up a state option that will say the following: States have the option of submitting a plan to limit experience in the WORK program to 3 years. The plan must take into account the following criteria: 1) low unemployment in the affected area(s); 2) significant previous work history by the affected individuals; and 3) an individual employability assessment to determine whether there are jobs available in the local area suitable to the individual's skills, whether others in the WORK program with similar skill levels are finding unsubsidized work, etc.

Such an option is not very different from Leon's original proposal, but it might have enough objective criteria to pass a court test. We would be interested in guidance from you and Richard on the specific criteria.

2. The political arguments for a state option to limit WORK are obvious. First, several Democratic governors have told us that

this is a bottom line for whether they'll support our plan or not. If our Democratic friends say that, imagine what our Republican opponents will say. Second, Congress is sure to pass some kind of ultimate limit, and the question is whether we define it carefully and make it a non-issue, or leave it to them to do an across-the-board cutoff. The Mainstream Forum has a 3-year limit with a state option to extend. The GOP bill has a state option to cut off everybody after 3 years. Why should we spend the next year and a half defending people's right to a guaranteed job for life when we know Congress and bipartisan governors will insist on a limit? As Gene once said, that might some people feel better in the short run, but it would put more people at risk in the end. We can survive whatever Tommy Thompson says about our plan, but we can't survive attacks from the Democratic governors we count as friends.

3. Your policy arguments are also compelling. A WORK without end program will have no discipline, will attract more people than it deters, and be quickly discredited.

But perhaps the most compelling argument Leon can make is the political one: our plan won't survive in Congress or with governors unless it has some state flexibility to limit WORK down the road.

The other major issues likely to come up on Thursday are:

1. State option to limit additional benefits for additional children: I'm pretty sure Clinton will support this on the grounds of state flexibility.

2. Part-time work: I'm not as sanguine as you are about the 30 hours with 20 hours for children under 6 with state option to go further. I still think that these policies over time will move more mothers from full-time to half-time than they do from no-time to part-time (see this morning's Wall St Journal story on the EITC). This particular variant is complicated (now we'll have to keep track of the child's birthdate as well as the mother's) and at cross-purposes with our other efforts to discourage additional young children. We much prefer setting the standard at 30 and letting states choose to lower it to 20. That's simpler, and puts the decision in their court.

3. Timing of introduction

4. Any financing issues Leon wants to raise

I can't think of any other major issues to raise. Do you have any others? Let me know.

TALKING POINTS: WELFARE REFORM

Time Limits on WORK

- Currently, there is no time limit. (There are some sanctions for failure to take a job and for poor performance but they are relatively weak and likely to be infrequently imposed.)

This is a mistake, both politically and substantively.

- Several Democratic governors have said that they could not support a plan without limits. The Mainstream Forum has a three year limit with a state option to extend. The House Republican bill also has a state option to impose a three year limit. We can't pass welfare reform without the support of the Governors and moderate Democrats in Congress.

- Substantively, it won't work. Without any discipline in the system, there will be lots of cases of people being paid for doing very little. Welfare recipients with guaranteed jobs won't have much incentive to perform well or move off the program. Employers will be hard to recruit. Caseloads will grow.

- It isn't fair. Playing by the rules means taking an unsubsidized job as soon as one is available. Over a five year period, economies improve and young people have opportunities to prepare for and move to where the jobs are. Anyone who is genuinely not employable will be put into the exempt category ("Jobs-prep"). People not on welfare don't have guaranteed jobs. They will resent the idea of a guarantee for this reason.

Other Options

- Reassessment. Our original compromise -- to do a reassessment at the end of 2 years -- was a great idea but because it provides a lot of discretion to caseworkers, it might run into problems in the courts.

- Establish criteria/safeguards. In response we could set objective criteria (e.g. local unemployment rate, work experience) for terminating people, and/or provide enough procedural safeguards to satisfy the courts.

- State option. Give states the option to set a hard time limit or to develop their own objective criteria.

- Do outside of AFDC. Set up a WORK program as a capped entitlement under DOL auspices (fewer legal problems here), make it available to a wider group (e.g., the fathers of children on welfare), guarantee former welfare recipients an initial slot but not a guaranteed job for life.

Other Issues in Brief

- Family Cap. Should it be a state option?

- Earnback policy. Should people who have exhausted their 2 years be permitted to earn one month of additional AFDC for every four months worked (up to some limit)? Wouldn't it be better to provide some sort of emergency assistance to those who really need it but not have it be viewed as an entitlement?

- Part-time work. Should those working 30 hours a week (or 20 hours at state option) be able to stay on welfare indefinitely? Wouldn't it be better to supplement their earnings with an EITC if they can't find full-time work? Or have this policy apply only to those with very young children? (Note: using AFDC as the means to supplement people's earnings means that levels of assistance will continue to depend heavily on state of residence.)

- Match rates. Whatever the size of our investment, shouldn't the federal share of program costs decline over time in order to give the states an incentive to get people off of the program? What better way is there to encourage good performance?

- Program priorities. As we scrub the numbers, additional trade-offs will need to be made between different parts of the program. As this exercise moves forward, how much emphasis should be given to the various pieces (prevention, transitional assistance, WORK, working poor child care, two parent families, demos, improving gov't assistance)?

- Timing. We can meet a June 7 target for submission if we have received the whole bill for clearance by May 16. Otherwise, it will not be possible to do a complete review and clearance process.

MEMORANDUM TO THE PRESIDENT

FROM: Mary Jo Bane
David T. Ellwood
Bruce Reed

SUBJECT: Major Welfare Reform Policy Issues

DATE: May 18, 1994

Two major policy issues remain to be resolved before the welfare reform legislation is put into final form. The first is the family cap. The other is whether states should be allowed to put time limits on WORK program participation. Both have important policy and political ramifications.

The Family Cap/Child Exclusion

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. The package includes strong components that emphasize the obligations of both fathers and mothers, and that send a very strong message that young people should not have children until they are ready and able to care for them.

The most controversial element of the parental responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap (which children's advocates are now calling the child exclusion) is opposed by some on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is as yet little evidence that failing to provide a $60 increase in benefits will influence behavior. The increased benefit now provided for additional children is comparable in amount to the increased tax deduction provided to working families. And a number of states are already experimenting with the idea under waivers granted earlier.

Those who support the family cap option note that workers do not receive a pay raise when they have additional children. They argue that sending a strong signal about responsible childbearing is extremely important. The family cap saves $220 million over 5 years, money which can be spent on child care for the working poor.

The idea of limiting benefits for additional children is popular with the public and strongly supported by the right and many moderate Democrats. Many governors support the option. It is vehemently opposed by the traditional left, by women's groups, by many of the churches and by some elements of the right to life movement. The U.S. Conference of Mayors and many minority elected officials have expressed concerns.

An alternative to including the family cap option would be to announce at the time of introducing welfare reform that the administration would support a limited number of additional state demonstrations of family cap approaches. After we had reviewed the results of these demonstrations to see whether family caps were effective in reducing pregnancies, we would then decide whether to make it a state option or mandate a family cap nationwide.

Limiting Extended Participation in the WORK Program

The plan includes a requirement that states operate a WORK program to provide work opportunities through subsidized private or community jobs to those who are unable to find unsubsidized jobs within the two year time limit. In designing and explaining the WORK program, we need to be able to answer questions of two sorts:

- You mean you're going to allow people to stay in these guaranteed jobs forever?

- You mean you'll leave children without any income because their parents haven't been able to find a private sector job?

We would like to be able to answer both these questions with a firm "no," but doing so requires careful structuring of the program.

The plan contains a number of provisions to ensure that WORK positions will not last forever. It includes serious sanctions for non-cooperation, including a six month denial of benefits or subsidized work to a family where an adult refuses to accept a private sector job. It also includes a limitation on the amount of time a person can spend in any one subsidized slot, mandatory job search between slots, and a thorough assessment after two placements. It is structured so that recipients are always better off taking private sector jobs: as in private sector jobs, recipients are not paid if they do not work, but as long as they are in a subsidized job they are denied the income supplement of the EITC. In short, anyone who refuses to work, refuses to seek or take an unsubsidized job, or who behaves irresponsibly will not have additional WORK opportunities. These provisions are tough enough to have generated serious criticism from children's advocates, even from those who are willing to accept work requirements after two years.

The real disagreement at this point, however, is over whether the WORK program itself should be time-limited and families deprived of all benefits after some period of time. The

Mainstream Forum proposal, for example, limits community service to three years overall, with a state option to extend the time limit at state expense, and also a state option to readmit to the work program a limited number of people who hit the time limit. These provisions are supported by those who want to provide additional insurance that the work program does not become a large guaranteed-for-life job creation program. Some governors, including some moderate Democrats strongly support an option to time limit the WORK program. In their view the rhetoric of "ending welfare" requires some sort of ultimate end, and they worry about the problems of creating an open ended job commitment.

The argument against limiting the WORK program further is basically one of fairness to people who have been playing by the rules and to their children: people who are unable to find private sector jobs, or people whose productivity is not high enough to make them attractive to private sector employers. People left in the WORK program after several years are likely to be among the most vulnerable in the society, since those simply unwilling to take private sector jobs will have been sanctioned much earlier in the process. While most Americans agree that after a certain length of time people should be expected to work for welfare benefits, polls show they are reluctant to deny support for the children of parents who play by the rules but cannot find unsubsidized jobs. The specter of homelessness or foster care for children when parents are playing by the rules is not consistent with most Americans' basic values.

None of us favors a state option which allows an arbitrary cut off of all persons after some period, regardless of their economic prospects. The alternative proposal would allow states to design a narrow time-limit on the WORK program that would apply only to participants with significant previous work experience in areas of low unemployment where jobs are available which match their skills. This approach could be further targeted by requiring states that impose such limits to first demonstrate a high placement from their JOBS and WORK programs. Applying the limit in this way reduces the likelihood that persons who could not make it in the private sector would be cut off -- though the possibility remains, and the provision could be loosened significantly as part of the Congressional process.

This issue is a crucial one for the left, a matter of principle. Even a modified version of time limits on work could drive some Democrats away from support of the plan. Some local officials worry about the burden that might be placed on their cities by people deprived of other benefits and work opportunities. It is also an issue for the right which believes public support, even in the form of work, must have limits..

Key Decisions

There are obviously serious policy arguments to support either decision on each of these issues. One challenge in crafting this bill is to find a set of policies that do not seriously divide the party. Many on the left are deeply concerned already. Another issue concerns the question of where to position the bill we introduce initially. Traditionally welfare reforms move to the right as they go through Congress. Both issues are highly charged politically.

They are both touchstone issues for both the liberal and the conservative wings of the Democratic party, but especially for left-of-center Democrats.

Decision: Family Cap

___ Include a family cap state option in the welfare reform proposal.

___ Do not include a family cap option; authorize additional demonstrations and await results.

Decision: WORK time limits

___ Allow states to time limit the WORK program for participants with significant work experience in areas of low unemployment.

___ Do not allow states to set fixed time limits on the WORK program.

MEMORANDUM TO THE PRESIDENT

From: Mary Jo Bane
David T. Ellwood
Bruce Reed

Re: Side by Side Comparison of Welfare Bills

Date: May 18, 1994

Enclosed is a detailed side by side comparison of four major welfare reform bills. There are both more liberal and more conservative bills than those described here, but these are the most important. The headings are self explanatory except for the Matsui bill which will be introduced next week. This is likely to be supported by a significant number of more liberal Democrats when it is finalized and introduced next week. There is also a proposal put forward by the American Public Welfare Association which is fairly similar to ours.

In many ways the most remarkable thing about all these bills is their similarity. Essentially all sides agree on an increased emphasis on work, child support enforcement, prevention, and support for working families. Where there are differences we tend to be in the middle, leaning mostly toward the Mainstream Forum. There seems to be widespread acceptance of the idea of time limits, though the Matsui bill rejects specific time limits, and even they call for half of all JOBS participants to be in a work program. The transitional assistance program is very similar across bills. In areas such as child support enforcement and prevention, our bill contains most of the elements in other bills and more. Still there are a few key differences that you should be aware of which mostly involve the WORK program.

- The nature of the work program. We call for a work-for-wages model as does the Mainstream Forum. The House Republicans and Matsui bill use CWEP (though for very different reasons).

- Work expectations. Our plan calls for 15 to 35 hours work requirement, depending on state benefit levels and the decisions of the state. The Mainstream Forum and House Republican plan require 35 hours work in all cases. The Mainstream Forum plan is likely to be very expensive since they call for work for wages with the federal government picking up 80% of the cost of the jobs and wages. This will be considerably more money than is now spent on AFDC in most states.

- Ultimate time limits on the WORK requirement. The Mainstream Forum has a three year time limit with a state option to extend. The House Republicans have a

state option to terminate benefits after 3 years. In both cases, apparently the safety net can end for families and children after 5 years of help, even if there are no jobs available.

- Sanctions. Matsui calls for limiting sanctions to the adult's portion of the grant. Our bill and the others ultimately put the entire cash grant at risk if persons refuse to participate in work.

- Phase-in. Our phase-in is similar, but slightly slower than the Mainstream Forum's. The Republicans phase-in very rapidly after the year 2000.

- Family caps. Matsui rejects family caps, the other bills contain them.

- Child care for the working poor. Both the Mainstream Forum and the Matsui bill provide more than twice as much child care for the working poor as we do. The House Republicans provide none.

- Financing. The Republicans and Mainstream Forum use an immigrant cut off for funding. The Matsui bill has not identified a funding option.

We have more detailed side by side comparisons if that would be helpful. Please understand that these comparisons are preliminary as all the bills are changing, and the languague is not always easy to interpret. We will be updating and improving this chart over the next few days.

~~Confidential~~ Draft May 18, 1994

Side By Side Comparison of Welfare Reform Bills

	Administration	Matsui	Mainstream Forum	House Republicans
	Prevention and Parental Responsibility			
Prevention	-national campaign to prevent teen pregnancy including national goals, programs in schools, nationwide informational clearinghouse -enhanced responsible family planning for AFDC and non-AFDC teens -community based, comprehensive teen support/pregnancy prevention demonstrations -state option of family cap?	-community based, comprehensive teen support/pregnancy prevention demonstrations	-national campaign to teach risks of teen pregnancy -states encouraged to provide adequate family planning and education -required family cap	-state option of family cap
Rules for Teenagers	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and optional bonuses -time clock starts when turn 18	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses -unclear when clock starts	-no benefits for persons under 18 unless state passes law explicitly allowing them. -parents under 18 must live at home or with adult. -benefits linked to school attendence at state option
Supporting Two-Parent Families	state option for equal support of two parent families	requirement of equal support of two parent families	requirement of equal support of married two parent families	allow states to pay couples who marry 50% of AFDC benefit

	Administration	Matsui	Mainstream Forum	House Republicans
Paternity establishment	-financial incentives for universal paternity establishment -simplified administrative procedures -strict cooperation requirements for AFDC -states required to establish paternity within 1 year	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-AFDC denied or sharply reduced until paternity established
Strengthen Enforcement	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission -regularly update awards	[likely to be similar to administration]	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission	-expand federal parent locator service -W-4 reporting -simplified wage withholding -strengthen interstate procedures
Innovative programs	-training and work programs for non-custodial parents -child support assurance demonstrations	-child support assurance demonstrations	-training and work programs for non-custodial parents	-training and work programs for non-custodial parents

	Administration	Matsui	Mainstream Forum	House Republicans
Transitional Assistance and Work				
Transitional Program	Enhanced JOBS program --employability plan --high participation --up-front job search --training and education closely linked to placement --worker support to help people stay in jobs	Enhanced JOBS program --employability plan --high participation --some JOBS funds reserved for placement and retention	Enhanced, more flexible JOBS program --employability plan --high participation --up-front job search --job development activities --explicit options to contract out JOBS program activities	Enhanced JOBS program --employability plan --high participation --up-front job search --training and education closely linked to placement
Time-Limits	2 Years (though states may require work earlier with the enhanced JOBS program)	No limits, but states required to have at least 1/2 of JOBS participants in a public or private sector work program	Up to 2 Years	Up to 2 years (with state option of 1 year for the job ready)
Work Program	Work for wages model --15 to 35 hours work required --emphasis on private sector jobs --EITC not provided --Supplemental benefit if earnings less than AFDC --12 month limit on each placement --job search required after each placement --sizable sanctions for private sector job refusal, quits, etc.	Not clearly spelled out -- Probably work for welfare (CWEP) in most cases --Only adult's portion of grant lost for failure to work	Work for wages model --30 hours required --5 hours job search required --EITC not provided --sizable sanctions for private sector job refusal, quits, etc.	Primarily Work for Welfare --35 hours work required --sizable sanctions for private sector job refusal, quits, etc.
Overall Limits on Work Participation	- loss of eligibility if refuse private job offer or fail to perform adequately - other state options?	None	3 year maximum with state option to extend in some cases. No benefits afterwards.	State option to limit work to 3 years. No benefits afterwards.

	Administration	Matsui	Mainstream Forum	House Republicans
Exemptions and Extensions	-ill or disabled -caring for disabled child -child under 1 year once, 3 months subsequently -completing GED, school-to-work, work/study	-ill or disabled -caring for disabled child -child under 3 years	-ill or disabled -caring for disabled child -child under 6 months once, 3 months subsequently -completing GED, work/study	-ill or disabled -caring for disabled child -child under 6 months once, 3 months subsequently
Phase-in	Persons born after 1971, with state option for faster phase-in.	None listed	Persons born after 1971, and going down by one year each year after 1997. State option for faster phase-in	New applicants initially, gradually reaching 90% of entire caseload in 2002
Other Benefit Changes	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	- requirement of more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards

	Administration	Matsui	Mainstream Forum	House Republicans
Support for Working Families				
Earned Income Tax Credit	-strategies to encourage advanced payments -state option to provide advance payments through welfare office	-none	-information on EITC provided to all welfare recipients	-none
Child Care for Working Poor	-$800 million more in federal dollars by FY1999	-$2 billion more in federal dollars by FY 1999	-$2 billion more in federal dollars by FY 1999	-no provision
Health Coverage	-existing transitional benefits -health reform	-expanded transitional benefits and higher income threshold	-expanded transitional benefits	-no provision
Reinventing Government Assistance				
Simplify eligibility/ Improve coordination	-numerous simplifications -interagency waiver board -enhanced coordination among programs, including one-stop	-none	-some simplification -interagency waiver board -enhanced coordination among programs, including one-stop	-interagency waiver board
Modify Performance Measures	-restructured quality control system -outcomes based performance measures	-none	-outcomes based performance measures	
Reduce Fraud/Abuse	-federal clearinghouses for beneficiaries, child support orders, new hires. -federal registry of persons collecting welfare in any state and time remaining -improved computer verification methods -EBT expansions	-none	-improved computer verification methods\ -EBT expansions	-study idea of required use of Social Security number for welfare applicants -EBT demonstrations

'95/18/01 18:4