

Sawhill
Read**DRAFT****MEMORANDUM TO THE PRESIDENT**

This brief memo is to update you on welfare reform activities and alert you to materials you will be getting later in the week. As you are aware, the Working Group, which is drawn from across the administration, has been conducting hearings, site visits, and focus groups across the country in addition to meetings of the group itself. We have met with more than 250 interest groups, hundreds of recipients, governors and representatives from NGA, members and staff in Congress, and many other groups.

The Working Group Draft Outline

On Saturday, November 20th the group held an all day retreat to examine a draft outline document that laid out the basic structure of a reform plan and to discuss key options. In distributing the draft, we made very clear that everything in the outline is subject to change and that you had not seen the outline. There was considerable enthusiasm and consensus around the basic direction laid out. (People clapped at the end of the meeting). Based on comments from working group members, the draft outline is being revised. On Wednesday of this week you will receive a revised version of the outline. This is predecisional document, providing a detailed outline of specific ideas and options as developed by the group. It highlights key options and issues, many of which will require your decision, but it is not intended as a Presidential decision memo.

Before the key Presidential decisions can be made, we need to consult widely, especially with Governors, members of Congress, interest groups, and the like. We have already had numerous meetings with these groups, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share the draft outline. With most, we would like to begin orally vetting specific ideas and options. While doing everything we can to prevent and contain leaks, with an open process, they seem inevitable. Thus the draft outline is written with a recognition that it may leak. We thought it critical for you to have a chance to see the basic direction before we begin the more detailed consultation process. By early to mid December, we should be ready for several meetings where key decisions are made.

One important note: APWA will soon release their consensus plan which will look very similar to the one discussed in the draft outline, including a two year time limit followed by work. It was drawn up by a very diverse group of human services directors (ranging from Jerry Whitburn from Wisconsin and Barbara Sabell of New York). We are optimistic that many of the respective Governors will be equally supportive.

Cost Issues

A major issue for welfare reform involves the budget. Three areas are likely to require increased funding: child care for families who are working or in training, expansions in the JOBS program to give people access to education and training, and the administration of the community service work program for those beyond 2 years. The levels themselves are actually quite flexible, especially over the first four or five years of the program. The plan can be phased-in slowly, starting only with newly enrolled welfare recipients. We would

DRAFT

expect these cost to be in the range of \$1-1.5 billion in FY1995, rising to \$5-6 billion when fully phased in. *Essentially all of these costs are on the entitlement side of the budget.*

Given the very tight budget and the fact that no money was included in the previous budget for reform, we have been operating on the assumption that any new money spent will have to be offset by savings generated by the program and by other entitlement cuts. Savings could result from child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other ideas.

Next Steps

Assuming you are comfortable with our discussing the ideas in the Outline more broadly, we will use the next few weeks to collect information and refine options and ideas. Then you will received a series of decision memos and begin decisional meetings. We are proceeding on the assumption that we need legislation early next year. If you should decide to delay introduction, that could be done, though there is considerable momentum to get moving.

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Biane
David Ellwood

SUBJECT: Welfare Reform and the FY95 Budget

I. The Working Group Draft Options Paper

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform plan. The Working Group, which consists of 33 subcabinet officials from eight agencies, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit those draft recommendations to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress, to begin building a bipartisan coalition for welfare reform. Our goal, pending your decisions on key issues, is to have legislation ready by early February.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will also go along.

II. Cost Issues

Although definitive cost estimates for welfare reform will depend on decisions you

make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

Essentially all of these costs are on the entitlement side of the budget. Welfare reform does not require new domestic discretionary spending.

Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Mary Jo Bane
David Ellwood
Bruce Reed
Kathi Way

THROUGH: Carol Rasco

SUBJECT: Timing of Welfare Reform

I. BACKGROUND

Although the Administration has publicly affirmed its intention to pursue both health reform and welfare reform legislation in 1994, the timing and nature of welfare reform has come under intense scrutiny. This memorandum outlines some options for your consideration as you prepare for the State of the Union.

In light of Senator Moynihan's recent comments, we see no way to put off introduction of welfare reform without jeopardizing health reform. He has made clear that he won't take up our health care bill until he sees our welfare reform bill. Senator Mitchell's office has also expressed concern that until we have sent up our welfare reform plan or committed to a date certain, the Republicans can embarrass us on the Senate floor by offering welfare amendments to any bill they please. On the House side, Rep. Harold Ford wrote an op-ed for the Memphis Commercial-Appeal this past week endorsing time limits and urging you to move quickly on welfare reform.

II. OPTIONS

In order to avoid losing the issue, we see two options on how to proceed. Our first and preferred option is to move full speed ahead and announce that we will introduce comprehensive welfare reform legislation in March. That will also give you plenty of time to delve into the details of what the welfare reform legislation should include, and how best to pay for it. It will reassure Moynihan and other moderates that welfare reform is coming, and shift the press focus over the next two months back to health care. And it will give us a fighting chance to pass welfare reform this year.

The risks of this strategy are that leaks during the decision-making process on welfare will detract from our public focus on health care, or that our allies on health care will be put off by what we propose on welfare. But we will have to run these risks anyway if we are going to introduce welfare reform legislation in 1994, and it may be better to face them now rather than down the road when we're scrambling to build majorities on the floor for health care.

A second option would be to introduce part of the plan right away and part later this spring, when health care is farther along. The first piece could focus on personal responsibility -- primarily measures on teen pregnancy, paternity, and child support enforcement. The second piece could focus on work -- expansion of the JOBS program, the two-year time limit, work programs, and child care. (A detailed description of what these two pieces might look like is attached.)

This part-now, part-later approach was initially envisioned as a means to hold onto the welfare issue while protecting health care. In light of Moynihan's recent comments, it seems unlikely to accomplish either objective. Moynihan told the New York Post that if we were serious about welfare reform, we would show how we're going to pay for it. We doubt that this two-step option would reassure him, and we fear that he and others might use it as an excuse to blast the Administration again for not being serious about the issue.

Whichever course you choose, we believe that you should send a strong, clear signal in the State of the Union, which you can reinforce a week later in your remarks to the NGA. Without a clear timeline and strategy, we will have the worst of all worlds -- reporters will continue to focus on process instead of policy, Republicans will continue to use welfare as an excuse not to deal with health care, and Democrats will continue to tug at us from the left and the right and take advantage of any apparent indecision to drag both the health care and welfare debates in their direction.

PARENTAL RESPONSIBILITY

This bill (or section of the bill) affirms the desirability of preventing welfare dependence and of promoting responsible parenting. It recognizes out-of-wedlock childbearing as a major contributor to welfare receipt. It attempts to deter irresponsible and early childbearing in part by emphasizing the consequences of parenthood, making a strong statement that becoming a parent carries clear, firm and inescapable obligations for both mothers and fathers to care for and support their child. It ensures that welfare receipt does not release either parent from the responsibility to work and to pay child support. It recognizes the obligations of parents and other adults to supervise and support minors who have children of their own, and of minor parents to live in a supervised situation, attend school and prepare themselves for work.

It ensures that minor parents receive services under the JOBS program that promote work and preparation for work. It also focuses attention on availability family planning services and education are available to teenaged and low-income women. And it seeks to offer youth other opportunities and broad based community support, providing hope for a better future by postponing childbearing. It recognizes the dearth of proven models for effectively preventing teen pregnancy and the other high risk behaviors that are often associated with it, and provides for the demonstration and evaluation of a variety of approaches.

Responsibilities of fathers

The first step is to send a clear message about parental responsibility by enforcing child support. Child support enforcement measures would include:

- o a universal and simplified paternity establishment process in the hospital
- o strict requirements on mothers seeking public assistance to cooperate with the local child support agency in establishing paternity.
- o measures to both make it easier for individuals to voluntarily acknowledge paternity and to streamline the process for resolving contested cases.
- o periodic updating of child support orders to ensure that each award reflects the current income and circumstances of the noncustodial parent.
- o requirements on States, with the help of Federal funds, to employ technology to enhance existing child support record-keeping and collection systems.
- o a national clearinghouse of child support cases and registry of new hires
- o expansion of the use of wage withholding, greater use of the tax system, greater penalties for non-payment, and other measures.
- o strategies to help noncustodial parents improve their earnings capacity and remain involved in their children's lives.

Responsibilities of mothers

The work not welfare bill (or section of the bill) focuses on the responsibilities of custodial parents (usually mothers) to work and prepare for work as a condition of receiving benefits. Single parents seeking government assistance will now be expected to prepare for work and to go to work in support of their children. In addition, minor minors deserve special consideration. This section focuses on that group.

- o requirements that minor mothers live at home; encouragement to states to provide other adult-supervised living situation if living at home is not possible.
- o requirements for minor mothers to stay in high school and/or participate in the JOBS program.
- o requirements that states provide case management services to minor mothers, including counseling about the prevention of repeat pregnancies and access to family planning services. Encouragement for states to allow "mentor mothering" of minor parents as a community service assignment under the WORK program.
- o state option to use financial incentives and simpler JOBS sanctioning procedures in conjunction with case management to encourage minor mothers to attend and complete high school.

Encouragements for responsible family planning

Responsible parenting requires access to information and services designed to discourage early sexual behavior and to prevent pregnancy.

- o hard hitting campaign on the consequences of teen pregnancy and childbearing.
- o a focus on school-to-work opportunities as alternatives to early parenting
- o increased funding for family planning services through Title X.
- o possible State option for not increasing welfare benefit levels when a child is conceived while the mother is receiving welfare, conditional on family planning having been made available, and on some mechanism for being able to earn back the amount of the benefit not received.

Demonstrations of various approaches to prevent teen pregnancy and other high risk behavior among youth.

We need to explore a wide range of strategies designed to prevent adverse behavior. To find effective strategies we need comprehensive demonstrations that are carefully evaluated. We need to link efforts such as enterprise zones, school-to-work initiatives, and many others to find solutions.

- o demonstrations of schools as full service centers (including health services) for youth.
- o demonstrations focused on providing hope to young people through educational and work opportunities.
- o community based demonstrations of comprehensive services to high risk youth, potentially linked to empowerment zones and enterprise communities.
- o State initiated demonstrations of other teen pregnancy prevention projects.

WORK AND RESPONSIBILITY ACT

This bill or section of the bill deals with supporting working families and replacing the current welfare system--with its focus on detailed and often counterproductive eligibility rules, paper intensive verification, and check writing--with a system designed to move people from welfare to work. It is designed to make the vision of the Family Support Act a reality. It has three critical elements: making work pay; training, time-limited assistance, and work; and reinventing government assistance.

Making Work Pay

The essential starting point for welfare reform is making work pay. The expanded EITC was an important beginning. Health reform is an essential second step. We cannot expect people to leave welfare for work if they lose health security by doing so. The next steps include:

- o Mechanisms to distribute the EITC on an advance basis.
- o Expanded child care for both public assistance recipients and the working poor.
- o Coordinated rules across all child care programs.

Training, Time-limited Assistance, and Work

To change the very culture of the welfare bureaucracy, and to make our support system help people help themselves, major changes will be needed, including:

- o Expansion of the JOBS program to serve essentially the entire caseload. Expect participation essentially immediately. JOBS not cash eligibility would become the core of the system.
- o Increased access to mainstream education and training programs, including school-to-work, JIPA, displaced worker initiatives.
- o A two-year time limit followed by work. Community based, private sector oriented work program.

Reinventing Government Assistance

To genuinely change the culture of welfare offices, the system will need to be streamlined and simplified. Technology needs to be used to track cases and reduce waste and fraud.

- o Simplified and coordinated eligibility rules in AFDC and food stamps.
- o Increased state flexibility coupled with clearer federal goals and performance measures focussed on training, work and placements rather than paper verifications of eligibility procedures.
- o Clearinghouse to track welfare use, enforce time-limit, reduce fraud.
- o Coordinated tax and transfer systems to build consistency and reduce fraud.

THE WHITE HOUSE

WASHINGTON

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Welfare Reform and the FY95 Budget

I. The Working Group Draft Options Paper

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform proposal. The Working Group, which consists of 33 subcabinet officials from eight agencies and the White House, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit a draft options paper to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress to begin building a coalition for welfare reform. We will probably need to share specific sections with a carefully selected small number of key players. Our goal, pending your decisions on key issues, is to have legislation ready early next year.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from

Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will go along.

The New York Times reported Sunday that we are looking at subsidies for private employers to hire people off welfare. We are focusing on many ways to move people from welfare to the private sector, and this is one option under consideration, but it is not as central as the Times article suggested.

II. Cost Issues

Although definitive cost estimates for welfare reform will depend on decisions you make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

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Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

THE WHITE HOUSE
WASHINGTON

December 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Welfare Reform and Senator Moynihan

In case the subject of welfare reform comes up at tonight's event with Sen. Moynihan, you should know that David Ellwood and I had a good meeting with him on Thursday. We gave him a copy of our draft discussion paper, and told him that you had gone out of your way to make sure that he was the first member of Congress to see it. He said he would read the document over the weekend and get back to us this week.

He seemed generally happy with the course we're on. As you might expect, he was especially pleased that we recommend building on the Family Support Act, and that we're serious about requiring work. He also liked the emphasis on prevention and out-of-wedlock births. We spent two minutes talking about financing and two hours talking about illegitimacy. Our recommendation to require teen mothers to live at home in order to receive AFDC is an idea Moynihan proposed years ago.

Moynihan attached a ~~sense-of-the-Senate~~ resolution to the crime bill calling on Shalala to report back on the growth of out-of-wedlock births. HHS has already said it would be delighted to do so, whether that provision stays in the crime bill or not.

You may recall that Moynihan also sent you a letter recently with the observation that out-of-wedlock births appear to be rising in a straight line, with little variation from year to year. That means the rate is rising independent of variations in the economy, local unemployment rates, the supply of marriageable men, and so on. He has been fighting with William Julius Wilson for years on this point. Moynihan argues strongly that we don't know what is causing illegitimacy to rise, and you should not suggest that expanding employment will somehow reduce it.

OUTREACH: Govs. -- Congress -- unions -- advocates -- hearings -- focus gps

We've met with dozens of governors and members of Congress in both parties -- the unions, hundreds of advocacy groups. We've had hearings around the country with ordinary people, and focus groups with people on welfare.

GOOD NEWS: Almost everybody likes your welfare plan.

-- 80-90% support in public surveys. US News poll.

-- Except for a few remaining rough edges, everybody's happy.

-- NGA. AFSCME.

-- Moynihan and Harold Ford

-- CDF and DLC -- nervous but optimistic.

Dave McCurdy op-ed: work out the differences in a single afternoon.

Edelman memo: "encouraged by a number of key elements in emerging plan"

That's the good news: our coalition has come to accept idea of WR and time limits

BAD NEWS I (\$\$): This wonderful bipartisan coalition that likes our welfare reform plan so much begins to fall apart on the issue of how to pay for it.

LEFT wants to raise taxes and not cut existing programs;

CENTER wants to cut existing programs and not raise taxes;

RIGHT either wants to move faster and pay for everything off of immigrants, OR simply spend less money.

BAD NEWS II (Timing): The other issue that splits the coalition is timing.

LEFT wants to move slowly because afraid WR could veer right in election year. The

CENTER -- tired of waiting, threatening to sign a discharge petition for GOP bill

MOYNIHAN -- is happy for now but will tweak us till he gets bill and date certain.

GOPs -- have offered to work with us, but has also threatened to tack welfare amendments onto everything Congress considers after May 1.

WHAT THIS MEANS:

1. Don't get off-center. We can't aim left because we think the wind will blow us to the right. We'll get clobbered from the L or the R if we don't split the uprights.

2. Balance is most important on Financing: To keep the LEFT on board, you may need to pay for some of this with revenues. To keep the CENTER on board, you'll need to pay for the other half with spending cuts. When you look at our list, and see how much the LEFT will hate our spending cuts and the CENTER will hate our revenues, you'll probably come to the conclusion that the only way to keep the left and the center on board is to submit a package that doesn't cost too much money.

3. Timing: No good time for HC, but not doing it is worse.
Conversations with Moynihan and McCurdy -- when will they hold our feet to the fire.
We have to be ready to go by late April in any case.

Main Questions -- how should we resolve a handful of tough philosophical and political issues that aren't central to the success of the plan but will be very important in how the plan is viewed and debated?

- * What does it mean to end welfare as a way of life, and does this plan meet that test?
- * If we provide work for people at the end of 2 years, can they stay in that WORK program forever?
- * Should we be encouraging people to work part-time and stay on welfare, or should we set out to get people working and off welfare altogether?
- * Should we allow states to experiment with so-called family caps, limiting additional benefits for additional children? etc.

February 17, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
THROUGH: CAROL RASCO
SUBJECT: Welfare Reform Damage Control

I. The Bad News

In the wake of a series of damaging New York Times stories casting doubt on our welfare reform plans, Carol and I met with David Gergen, Rahm Emanuel, Susan Brophy and others to devise a strategy to start defining the welfare issue on our terms, and to ward off future leaks by getting our side of the story out first. We believe the recent drumbeat of negative and misleading stories on this issue, which is apparently being fueled by opponents of welfare reform within the Administration, will seriously undermine our credibility if we don't get our spin out soon.

Jason DeParle of the Times has already written a series of stories setting us up for failure: we can't end welfare unless we create 2.3 million jobs, we can't end welfare unless we tax the poor, we can't end welfare unless we find enough money to end homelessness as well, etc. Each of these arguments is a straw man, based on ideas we had no intention of doing in the first place. But DeParle is laying the groundwork for the conclusion that, as he wrote in the Jan. 5th article that prompted Moynihan's initial outburst, the Administration is planning a "sleight-of-hand strategy" on welfare, and isn't really serious about ending it.

II. The Good News

We're doing all we can to sniff out the leaks, but OMB and HHS are circulating cost and financing estimates that will be hard to keep quiet -- especially since we need to share them with several Cabinet members in preparation for a meeting week after next. Rather than wait for more bad leaks to come out next week, we would like to get a good story in another paper this weekend on our terms.

Contrary to what you've been reading in the newspapers, we think we can put together a serious welfare reform bill with offsetting savings that should satisfy Moynihan, the governors, and others who care about this issue, and give you a real chance to end welfare. As you've always said, the key to this whole thing -- and the story we would like to get out -- is phase-in. All the major questions -- where to find the money, how to get the states

on board, and most important, how to make the program work -- turn on this issue.

If we phase time limits and the work program in too quickly, the states will revolt, the left and labor will go nuts, Congress will get cold feet, and even if we got our way, we might well create another CETA. We don't have the money for such a rapid phase-in, and neither do the states. On the other hand, if we phase it in too slowly, and spread a little money over a large portion of the welfare population, our reforms will fail and we won't learn anything. States will tiptoe ahead as they have done with the Family Support Act, and most of the caseload won't notice the difference.

In light of these considerations, HHS and OMB are working on a cost and financing document that is based on a phase-in that is targeted to a manageable chunk of the welfare population -- applicants born after 1970. States could go faster if they wanted (most won't), but we would require them to start covering everyone under 25 in 1995 and everyone under 30 by 2000. This is still an ambitious phase-in -- 300,000 recipients would hit the time limit and be required to work by the year 2000. It starts out higher but does not grow as quickly as the House Republican bill, which could have perhaps 500,000 in the work program by 2000.

A bill based on this phase-in would cost \$8-15 billion over five years, depending on how much we spend on other things (like child care for the working poor) and how much we try to save from paternity establishment and other personal responsibility measures. The House Republican bill costs \$12 billion over 5 years -- with costs rising rapidly outside the budget window.

We believe Senator Moynihan will look favorably on this approach, which is based in large part on a New Republic article written by his chief welfare aide, Paul Offner, who suggested starting with a work program for everyone under 20. It also gives us a compelling answer to Charles Murray, who wants to cut teen mothers off altogether; we would make them live at home with their parents, finish school, and then go to work. Al From and Will Marshall, who are helping draft a bill for the Mainstream Forum, are also strong proponents of a gradual phase-in of this sort.

Obviously, you shouldn't make any decisions on the basis of this memo. We can start talking next week about the major issues you will need to think about, as well as the budgetary and political tradeoffs involved.

But since we will soon be circulating a budget document that assumes this phase-in, we believe it is essential to get a good story right away (that we are considering a phase-in that would target the next generation, give states flexibility and time to learn as they go, and could actually be achieved because it doesn't break the bank). Otherwise, Jason DeParle will write a nasty one next week (Administration Slashes Welfare Reform Plans Under Pressure from Budget, Unions; No End to Welfare In Sight). We would like your permission to float this approach with Ron Brownstein of the Los Angeles Times, a reporter who wants welfare reform to succeed.

W.R. - Memos to
the President

To: Bruce Reed
Kathi Way

From: David Ellwood *DDE*
Mary Jo Bane *MJB*

Re: Attached draft briefing material

Date: June 16, 1993

Here's our draft.

We'd appreciate having a chance to comment on the final document if it is significantly changed from this one.

Thanks a lot.

DRAFT

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE**BRIEFING FOR THE PRESIDENT**

18 June, 1993

DRAFT

Members of the Working Group on Welfare Reform, Family Support and Independence have been working for several months to develop specific options consistent with the four themes that the President has consistently emphasized regarding welfare reform. In working on these issues, we have identified three issues that are particularly important: reforming versus replacing welfare; the dilemma of single parents and child support enforcement and insurance; and structuring a time-limited welfare and work.

This memo starts by briefly summarizing the basic themes. It then outlines the three issues. We have also attached a brief progress report on the staff issue teams that are supporting the Working Group.

FOUR THEMES

Make Work Pay -- The critical starting point for helping people off welfare is to insure that people who work are not poor. Two central elements are already moving forward: an expanded Earned Income Tax Credit (EITC), and health reform. Child care will be a critical element as well. Other steps designed to really make work work for low income families are being considered.

Dramatically Improved Child Support Enforcement -- Over half of children born in the U.S. will spend time in a single parent home. The obvious starting point for supporting these children is to look to both parents. Only one third of single parents currently receive any court-ordered child support today. There are many changes to be made, ranging from paternity establishment in the hospital to a central clearinghouse for all collections and a much greater role for the Federal government. A major question is whether to adopt or experiment with some form of child support enforcement and insurance.

Better Training and Support -- The Family Support Act of 1988 started a process of improved employment and training services for welfare recipients. We should build on the lessons of the JOBS program and insure that those on welfare have access to the education and training services they need to escape welfare. Major issues involve how to integrate training for welfare mothers into the larger system of education and training.

Transitional Time-Limited Welfare and Work -- The ultimate goal is to make welfare truly transitional for those who are healthy and able to work. If the other steps make it feasible for single mothers to support themselves and nurture their families, then one can and should expect people to find private work, or to work in some form of community or public service. Issues of particular concern include how strict the time limit should be, and how much and what kind of work can be generated for those who reach the time limit.

DRAFT**ISSUE #1: REFORMING VERSUS REPLACING WELFARE**

The President has called for an "end to welfare as we know it." Most of the work done by the working group to date is based on the notion that the goal is to find a genuine alternative to welfare. A major focus has been on insuring that people can adequately support themselves outside of the AFDC system--focussing on work *instead of* welfare. Thus there is a heavy emphasis on non-welfare supports connected to work. A second emphasis is on moving people off the welfare system as quickly as possible, rather than encouraging them to work while on welfare. These two emphases are different from what one sees in most state welfare reform efforts--either in their implementation of the JOBS program, or in their waiver requests for state demonstrations.

Under all scenarios, the working group anticipates considerable flexibility in state direction and implementation. But ultimately we will have to face the question of how much of the basic culture and focus will come from the federal government. The Bush administration followed a policy of "welfare reform through state waivers," a policy which many state officials would like to see as the centerpiece of this administration's welfare reform. Our experience with recent and current waiver requests suggests that this route is unlikely to end welfare as we know it. State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and on providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic of the state' proposed demonstrations are not oriented to getting people off welfare quickly and supporting them outside the welfare system when they work. Partly this is because it is hard for states to envision genuine alternatives to the welfare system, and hard for them to develop programs--like a large-scale EITC--necessary to replace welfare for substantial numbers of people.

The Working Group is operating on the assumption that the goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More moderate reform would call for expanding and enriching the JOBS program, or relying on state-generated reform approaches. The more moderate strategy has the potential for genuinely improving the welfare system. The leadership of the Working Group believe that it is possible and desirable to be much bolder, to fashion an approach that focuses on quickly moving people off welfare and helping them stay off through a series of work supports. If this could be done, time limits in the welfare system itself would be much more reasonable, since we would expect many fewer people to hit whatever time limit was imposed.

ISSUE #2: THE DILEMMA OF SINGLE PARENTS--CHILD SUPPORT ENFORCEMENT AND INSURANCE

No problem is more important or more vexing in welfare reform than that posed by the rapid increase in single parents, especially children born out of wedlock. Though divorces have leveled off, the number of children born to unmarried mothers continues to rise dramatically. A major part of our effort must be to try and reduce the formation of single-parent families,

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but the question remains of what one does about the single-parent families that have been formed.

The dilemma is straightforward: single parents are in an extremely difficult position. They are expected to both nurture and provide for their child alone--or go onto welfare. Many believe that some mothers, especially those with very young children and from highly disadvantaged backgrounds, are not in a position to carry the entire burden of support, even with policies in place to make work pay. They argue that single parents and their children need some additional economic support to be able to fulfill their responsibilities. But if supports are offered to help protect single parents, it could appear that we are encouraging the formation of single-parent families.

The obvious place to look for additional economic support is the absent parent. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents and is a major focus of welfare reform. Moreover, since money paid to the mother comes from the father, such a system strongly reduces incentives for fathers to form single-parent families.

The question is what should be done when the government is unable to collect money from the absent parent due to his unemployment or active avoidance. One strategy would be to create a child support enforcement and insurance system.

This element is controversial. Proponents argue that it truly makes work feasible and legitimizes a genuinely time-limited welfare system. Critics see it as distracting the government from genuine child support enforcement efforts and perhaps simply providing welfare by another name.

A child support enforcement and insurance (CSEI) program would seek to both dramatically improve child support enforcement and provide some protection to single parents by providing a government guaranteed minimum child support payment (say \$2,000 or \$3,000) even when collections from the absent father fall below the minimum. Minimum child support payments would only be provided to custodial parents with an award in place. Moreover, any insured child support payments would be counted as income for welfare purposes and welfare benefits would be reduced dollar for dollar. A woman on welfare is thus no better off, she receives some guaranteed child support but correspondingly less welfare. But if she went to work, she could keep her child support. Thus the only people who would benefit from the ensured benefit would be working single parents since unlike welfare, the money is not lost when people go to work.

Advocates argue that a CSEI plan would create a strong work incentives, make it much easier to leave welfare for work, and significantly increase incentives for mothers to help get awards in place. In addition, the insured benefit could be seen as an unmet obligation of the father, who could be legally compelled to participate in training or work programs in lieu of the

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payment. It would clarify that a portion of the support for the child should be coming from the absent father. Finally, such a system would protect women of all economic classes, rather than targeting poor single parents as welfare does.

Critics regard such plans skeptically. If single parents are assured a child support payment, they worry that states will have little reason to track down payments from fathers. This plan has been labelled "welfare by another name" because it goes to single parents and offsets welfare payments for those who do not work. Some argue that it could encourage the formation of more single-parent families.

Both critics and supporters agree that unless a plan of child support enforcement and insurance was coupled with a radically improved child support system, and unless a significant majority of custodial parents are receiving what is paid by the absent parent rather than a minimum benefit, the minimum benefit could be perceived as a new income support system for single parents rather than a base of protection built into the child support enforcement system.

ISSUE #3: STRUCTURING TIME-LIMITED WELFARE AND WORK

The principle of time-limiting welfare, of ensuring that welfare does not in fact last forever, had enormous appeal in the campaign and resonates positively with a broad range of people, including welfare clients. If supports for work are in place, if we have dramatically increased child support, and if we have improved education and training, then it seems reasonable to insist that after some period of time, traditional welfare ends and some sort of work begins. Moreover, everyone agrees there is meaningful work to be done: libraries are closed because communities cannot afford staffs, community organizations have dozens of ways to use new workers, child care programs need more help, just to name a few.

But significant questions arise: how many people can reasonably be expected to work and how does one mount a massive job effort that might be needed.

The complexity of people's lives, the characteristics of the caseload, and the difficulty of mounting a massive work program lead many to believe that a time limit should only be applied to a modest portion of the caseload, at least at first. The vast majority of recipients start welfare with a child under 3. Many have little work experience. Some are ill or have sick children. Some simply have trouble coping with their lives. Moreover, requiring work of even half of the caseload on for more than 2 years could require the creation of 1.5 million jobs or more.

Inevitably critical questions involve cost and capacity. We would all like to see a system of 100 percent participation in work or work preparation activities by those on welfare. The x% of welfare recipients with pre-school children could not reasonably be required to work if day care were not provided. Education and training services, though usually funded outside the

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welfare system, are not free, nor is capacity unlimited. Community service slots also require investment in planning, teaching, equipment, and supervisory time.

The JOBS program currently spends about \$800 million nationwide, and enrolls about 7 percent of recipients. Even the best-performing states currently serve only about 15 percent of recipients. Only in a very few places--Riverside, California being the best known example--has the JOBS program substantially affected the way the welfare system operates. Just moving all the states toward a program like Riverside would be a major task, especially if more mandatory work was expected. No state now relies on mandatory work for more than a small proportion of clients. Attempting to reach everyone and ultimately requiring work would thus be a gigantic leap, and an expensive one. And some worry about what will happen to the "walking wounded" on welfare now.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and provide some time for lessons regarding the magnitude and solutions to cost, capacity, and implementation. The challenge will be how to manage costs while at the same time being bold enough to meet our commitment to real change.

A second big issue is the consequences of non-compliance. For a system of required participation and work to be perceived as a genuine end to welfare as we know it, there would have to be serious penalties for non-participation. But current practice includes strong due process protections, penalties affecting adults only, and extremely low sanction rates of any sort.

Serious consequences for non-participation are crucial to the integrity of a new system. However, both the moral legitimacy and the feasibility of strict expectations and time limits on cash aid will derive from the existence of supports and opportunities to make work work. Because all of the elements must develop together, the management of a phased-in approach is crucially important.

It is important to realize that both the moral legitimacy and the feasibility of a reasonable strict time-limited welfare system hinge critically on the magnitude and nature of supports for work outside the welfare system. The easier it is for people to support their families through work outside of welfare, the fewer people will reach any time limit on cash aid and need to be placed in public or community jobs. With a rich array of non-welfare supports -- including the expanded EITC, child care, improved child support enforcement and perhaps child support insurance -- a woman could be better off than welfare even working half time. Half-time work seems feasible even for mothers with very young children and those from highly distressed backgrounds. It would also reduce the cost of child care and job creation. Thus a final question which will need to be explored is the extent to which spending more on supports outside the welfare system will reduce the need for and cost of providing work for people who reach the end of a time-limited support program.

THE WHITE HOUSE

WASHINGTON

August 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Background on Welfare Reform for NGA Meeting

I. STATE AND LOCAL TASK FORCE ON WELFARE REFORM

When you spoke to the NGA meeting in Washington in February, you asked them to form a group of state and local officials to advise the Administration on welfare reform. The group, which is chaired by Governor Florio, consists of 14 representatives from NGA, NCSL, APWA, NACO, and the National League of Cities.

This State and Local Task Force on Welfare Reform has met several times with Administration officials over the last three months. In mid-July, the 14 members reached consensus on a concept paper, which is attached. Each of the respective organizations will take up the paper at its summer meetings to endorse or amend it.

The task force's recommendations are in line with the themes which you spelled out in the campaign and which are guiding the Administration's effort. They call for a system of time-limited cash assistance, followed by work; tougher child support enforcement; job creation through the private sector (including an endorsement of empowerment zones); state and local flexibility; and incentives to reward work and family. They urge that states be allowed to pursue state-based demonstrations and experimentation at the same time we pursue national welfare reform.

II. UPDATE ON ADMINISTRATION WELFARE REFORM WORKING GROUP

The Administration working group held its first public hearing on August 11 in Chicago. Mayor Daley and Rep. Bobby Rush attended. The group visited promising local programs at Cabrini Green and elsewhere, and heard moving testimony from welfare recipients, innovators, and activists. (The National Organization of Women tried to denounce us for not including any welfare recipients on the interagency working group, but one member of

the working group grew up on welfare -- HHS Assistant Secretary for Aging Fernando Torres Gil.) More public hearings are scheduled over the next two months in Washington, D.C., Tennessee, Southern California, New Jersey, and New York.

The working group has met with a few dozen members of Congress from both parties, and is working closely with Congressional staff. The big issue in Congress will be how much money to spend. The Republicans were scheduled to announce their own bill, but the moderates and conservatives split over whether to spend any money. In all likelihood, the Republicans will present a no-cost bill. House Democrats are worried that no matter how good the plan we introduce, moderates and conservatives will be able to strip out the funding. We are working on a range of options, from cheap to generous.

We are still keeping open the possibility that your plan might be introduced this year. But you may decide this fall that you would rather unveil it in the State of the Union.

STATE AND LOCAL TASK FORCE ON WELFARE REFORM
Conceptual Framework for
National Welfare Reform
PRELIMINARY WORKING DOCUMENT

NOTE: The material in this paper is intended to provide a common framework for continuing discussion among the six organizations represented on the State and Local Task Force on Welfare Reform. While the paper reflects the variety of state, county and local concerns, each individual organization is in the process of reviewing this document which may result in changes or additions over the next several weeks.

Welfare should be a transitional program that moves people from temporary assistance to self-sufficiency. Welfare benefits should be based on a social contract that sets forth the responsibilities and obligations of both the beneficiary and the government. The goals of this temporary assistance program should include recognition of the essential dignity, well-being, and responsibilities of every American.

This program should be a partnership between all levels of government on behalf of the taxpayer and those who are in need of temporary assistance. The welfare program should be structured so as to encourage meaningful work and the move to independence. It should reward work and a reasonable amount of savings.

In addition to rewarding meaningful work, the welfare program should seek to support stable family relationships, ensure child support collection, and provide the necessary assistance to obtain the educational and job skills necessary to long-term self-sufficiency.

Eligibility for other government programs, such as Supplemental Security Income and Social Security Disability Insurance, should be expanded to assist those for whom work is not an option because of age or disability -- although independence and self-sufficiency should not be excluded as appropriate goals for all Americans.

The national program should be financed so as to ensure full federal funding of any mandates and should not result in new costs or a shift of federal costs to states, counties and localities. The federal government must recognize its responsibility to provide for the long term needs of children and persons who are physically or mentally disabled.

Temporary Cash Assistance

Assistance, in the form of cash grants*, to families with children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place.

These activities should include education, training and support services necessary to assist participants become self-sufficient. Receipt of assistance during this period should be conditioned upon ongoing compliance with the social contract. States should be granted broad flexibility in constructing components of the social contract, including requirements to begin work before the maximum time is exhausted. The ongoing financial needs of children shall be addressed in any time limited system.

Continued federal, state, county and local assistance under the national program beyond the time limited period should be dependent on a requirement of work or work-related activities unless no job, community service work opportunity or community service placement is available.

*currently the AFDC program

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States should have the flexibility to extend assistance, with full federal financial participation, for a limited period beyond the federal standard on a case-by-case basis as needed to ensure that recipients complete education or job-training programs, complete treatment for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) should be expanded over time so that with food stamps, a family of four with a full-time year round worker will be brought to the poverty line. Administration of the EITC should be simplified, outreach and education to assure full participation should be expanded, and worker choice as to frequency of payment should be preserved.

Child Support Enforcement

Parents have an obligation to support their children.

A more effective child support system is a critical component of welfare reform. The attached paper outlines in detail Task Force recommendations on restructuring child support. The recommendations include improved federal collection tools, incentives for improved state performance, child support assurance demonstrations, and improvements to interstate enforcement.

Job Development

As jobs are created in the economy through various means, every effort is necessary to assure that employment is available to those making the transition from welfare to work. The private sector, the major source of new job opportunities, should be encouraged to train workers and to hire those recipients who are trained and ready to work. Incentives to employers to hire, such as targeted tax credits and wage supplementation, should be enhanced. Job development through creation of empowerment zones and enterprise communities should make jobs available to workers in transition from welfare. Public agencies at all levels of government should lead by example and accept their obligation to employ workers in transition from welfare as jobs are developed and, where appropriate, government vendors should bring workers in transition into their work forces.

Work and Community Service

All Americans should be productive members of their community. There are various ways to achieve this goal. The preferred means is through private sector, unsubsidized work in business or the non-profit sector. Other alternatives in priority order include: unsubsidized public sector employment; subsidized jobs; grant diversion; working off the welfare grant; and volunteering in community service work.

Community service work opportunities should be developed and managed through the existing infrastructure on the federal, state, county, and local levels. Recipients should be placed in jobs that attend to the public good, such as in school systems, public works departments, social service agencies, and health care and child care facilities. Every effort should be made to place the person in a position that has a relationship to their educational and job training skills and can, therefore, act as a useful stepping stone to private sector employment.

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State and local governments should have the flexibility to utilize some portion of their funds for community service to provide short-term subsidies to assure the transition of people into private sector employment.

Additional Support Needs

-Child Care: The shortage of affordable, available and quality child care in the nation is a problem for working families with children at all income levels. This is a problem that is no less a burden on those who want to avoid welfare and those who want to leave welfare. The federal government should formulate a child care financial support policy which applies to all Americans. In addition, the federal government should lift regulatory barriers and allow states discretion to coordinate, consolidate and combine child care assistance administratively into one program. The Dependent Care Tax Credit should be made refundable to assist low income working families with the costs of child care. Other solutions include expansion of transitional child care for up to two years, increased support for at-risk child care, incentives and training to expand family day care, expansion of Head Start and year round school. These solutions have the added benefit of being opportunities for employment for those in transition from welfare to work.

-Health Care: Access to quality, affordable health care for all Americans is essential to enable a person to make a permanent transition from welfare to work. Assurance of health care coverage outside the welfare system can prevent entry into the system for some and enable others who leave welfare for jobs to do so without loss of health benefits. Pending development and implementation of national health care reform, health care should be made available to those in transition from welfare to work without regard to participation in other assistance programs at fees based on a sliding scale reflecting family income.

-Transportation: In many areas of the country transportation is a significant barrier to employment. Many workers are unable to travel to available jobs because they do not have reliable transportation. Raising asset limits would enable some to own cars so they could get to jobs. States, counties and localities should also be encouraged and assisted to coordinate use of existing transportation (e.g. school buses; vans for transportation of the elderly and disabled).

-Subsidized Housing: For many families the cost of unsubsidized housing exceeds the amount of cash assistance they receive. Other families rely on subsidized housing for shelter, housing for which they are eligible based on their family income. In order for these families to move from welfare to work, they need to be able to remain in subsidized housing for some period of time until their earnings are high enough to enable them to pay for unsubsidized housing. Eligibility for subsidized housing should be coordinated with eligibility for other assistance programs so as to ensure that work is financially rewarded.

-Workplace adjustment: This assistance must continue as an eligible program to meet the needs of people unfamiliar with the work environment. Help should be provided in learning and dealing with workplace requirements such as hours and punctuality, leave, appropriate dress, speech, relationships with co-workers and supervisors, and employment and labor rules, for example. The objective is to enable people to make the transition from a dependant lifestyle to a self-sufficient life within a work environment.

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Family and individual counselling, peer support groups, mentoring, and other needed family supports: These programs should be maintained throughout the transition from welfare to work.

Program Coordination

The effective delivery of services and benefits will require better coordination and integration. Federal education, housing, health and human services, labor and agriculture agencies should remove barriers and consolidate and standardize language, programs and requirements. States and localities should be given greater flexibility in the use of existing programs.

Transition

Pending the adoption of a new or reformed national welfare program, the federal government should:

- increase federal funding for the JOBS program, modify state matching requirements, and allow states to negotiate performance targets that reflect their economic conditions and the priorities likely to be established under a reform program. These performance targets should replace existing weekly, hourly and annual participation requirements.
- allow states additional flexibility in the design of cash assistance programs through modification of state plans rather than waivers, including but not limited to:
 - elimination of the 100 hour rule and the JOBS 20 hour rule;
 - extension of eligibility to all families with children;
 - the cash-out of food stamp benefits;
 - increasing the asset limit, especially regarding the permissible value of vehicles;
 - disregarding the income of stepparents in calculating income and eligibility;
 - converting welfare benefits to wages for grant diversion or other work in exchange for welfare programs;
 - expansion of earned income disregards; and
 - extension of support services to families until they reach economic self-sufficiency.
- allow various evaluation methods to be used in lieu of control groups.

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Implementation of Reform

There is broad support for moving ahead expeditiously with national welfare reform. As the federal government moves forward with a national program, states should be encouraged and permitted to pursue state-based welfare reform programs aggressively and to move forward on demonstrations.

States, counties and localities which are able and willing to move quickly on the implementation of welfare reform should be encouraged to do so. Appropriate incentives, technical assistance and programmatic support should be offered to them. For states which need a longer time to implement the new system, the federal role should be one of facilitating the transition with targeted technical assistance and support.

Efficiently-managed programs require investment in technology and training. The federal government must maintain its level of investment in this necessary infrastructure in order to achieve welfare reform. Federal requirements regarding the process of acquisition of technology designed to support welfare reform should be simplified and expedited.

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July 12, 1993

STATE AND LOCAL TASK FORCE ON WELFARE REFORM
Child Support Enforcement
PRELIMINARY WORKING DOCUMENT

NOTE: The material in this paper is intended to provide a common framework for continuing discussion among the six organizations represented on the State and Local Task Force on Welfare Reform. While it reflects the variety of state, county and local concerns, each individual organization is in the process of reviewing this document which may result in changes or additions over the next several weeks.

The Task Force believes that a more effective child support system is a critical component of welfare reform. Both custodial and non-custodial parents must accept primary responsibility for the support of their children.

The current child support enforcement system is not working very well. States do not have the tools or the resources to run a good system. Just 58% of eligible women have orders and only half collect the full amount. This means that over 70% of mothers entitled to child support either lack support orders or do not receive the full amount due under such orders.

States, counties and localities have continued to make improvements in the establishment of paternity and support orders and in the collection of support. In particular, the Family Support Act of 1988 made important improvements to the child support system. However, the statistical data showing large arrearages and substantial differences in performance among states suggests that collections can be increased further with broader use of the more successful techniques. In addition, there are significant problems in the interstate enforcement of support obligations and there are areas where additional federal support could increase the effectiveness of state efforts.

While we believe that it is important that all states move to a more effective child support system, there is not yet consensus among Task Force members as to whether new federal mandates should be considered. The establishment and enforcement of support obligations are a central part of family law, an area long within the purview of state government. Similarly many of the proposed enforcement techniques require changes in licensing, insurance regulation, and commercial law; areas again long under state purview. As a result, many Task Force members continue to oppose additional process-oriented mandates at this time.

We would suggest that consideration of federal action to improve child support enforcement focus on the following areas:

Improved Federal Collection Tools

State governments need access to IRS data.

IRS collection tools should be available to the states.

Support obligations should be reported on a modified W4 form.

Employers should be required to report new hires to state agencies via the modified W-4 form.

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A national registry of new hires should be maintained.

A federal registry of support orders should be established and maintained.

A national computer data base of locator information should be established and maintained.

Federal resources should support effective child support enforcement.

Performance Based Incentives for State and Local Implementation

Incentives should be available to the states for the successful completion of performance outcomes. Incentive funds should be earmarked for programs that serve children.

Areas of performance might include some of the following:

*establishing paternity

A state establishes a system to voluntarily establish paternity and achieves improvements in this area.

*application of national child support standards

A national commission with a strong state, county and local role should be established by Congress to develop national standards for child support orders. Incentives that induce states to achieve national standards are recommended.

Federal legislation should require ERISA plans to conform to state law and regulations regarding availability of medical support.

In the event national guidelines are established prior to passage of universal access to health care, those guidelines would have to include provision for medical support, including reasonable limits on the additional costs that would be borne by the absent parent.

*improving collections of child support

States, counties and localities should receive incentive payments for reaching certain levels of collections agreed upon in advance. This could be accomplished through adversely affecting licenses, interdicting lump sum payments, and reporting to credit agencies.

*timeliness of interstate collections

*processing times at key decision points

*amount or percent of support collected

*establishment of mediation services that resolve visitation issues

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Standards should be developed in consultation with the states, counties and localities. They should be based on actual levels of achieved performance and should be tailored to individual state conditions. At least initially, the emphasis should be on improvement rather than an arbitrary target.

Data Collection and Research

While there is strong evidence to support the effectiveness of a variety of enforcement tools, this data is often fragmented and is not designed to effectively answer questions about cost/benefit in specific circumstances or to allow for the careful evaluation of alternative approaches to a similar goal. More complete data and additional research on specific enforcement tools would both encourage action at the state level and improve decision making.

The federal government should expand its data collection and research capacity and work cooperatively with the states to develop priorities for future research.

Data Processing Systems

The existing requirements for management information systems have developed over an extended period of time. In some cases it appears that required matches between and among systems may be duplicative. In other cases the systems may not provide access to the full range of available information.

The federal government should, in cooperation with the states, undertake a comprehensive review of the management information needs of the program and develop recommendations both for the required interfaces between state systems and federal and state data bases, and for the needed interfaces among the state systems themselves.

Administrative Changes

It is recommended that the audit process be changed from process-oriented to outcomes-oriented performance measures.

The federal Office of Child Support Enforcement should conduct a study on minimum staffing standards.

Technical Assistance and Support

Additional technical assistance from the federal government to the states, counties and localities is needed. Technical assistance must go beyond merely telling states and localities what they should do. Effective technical assistance requires an understanding of good practice and the ability to work with the states and localities to help decisionmakers understand the benefits of such practices and to help tailor those practices to the political and administrative conditions of each state.

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Improvements to Interstate Enforcement

One-third of child support enforcement cases require interstate collection. Federal legislation should be enacted to adopt uniform interstate child support enforcement procedures to assure that child support orders are enforced uniformly throughout the nation.

Continuing Experimentation

Authorize full federal funding for child support assurance demonstrations.

Assistance to Non-custodial Parents

Examine eligibility for job training and other services designed to improve earning capacity.

Consider elimination of disincentives to marriage, particularly for teenage parents.

In addition, we as national organizations urge states to continue to evaluate and implement the broad range of establishment and enforcement tools now in operation across the nation.

W.R. - Memos
to Pres.

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

BRIEFING FOR THE PRESIDENT: OUTLINE

1. **Background** on working group: when announced, membership, timetable, that it's been working. (one paragraph)
2. **Themes** guiding the working group deliberations: making work pay, child support enforcement, investments in preparing for work, welfare shouldn't last forever; important role for states in designing and implementing programs; reasonable but not zero costs. Group is committed to fulfilling the president's promise to "end welfare as we know it" (though not necessarily immediately. (one page)

The working group expects to have a full proposal in September, which will lay out all the options around a comprehensive welfare reform. Today want to lay out two issues which are crucial to the plan. We're not ready to make recommendations or ask for guidance on them today; mostly want to explore them.

3. **Issue #1: The Dilemma of Single Parents.** (David and Bruce present) (two pages)

Problem: Vast bulk of the welfare caseload are single parents. Educational and work experience disadvantages. Hard to work enough to get the family above poverty.

Part of the solution: better child support enforcement: Child support enforcement record not very good. Lots of potential for increased collections out there. We will have a number of proposals to dramatically improve awards and enforcement. But not all absent parents are responsible workers. Bound to be some irregularity and low payments. About x percent of single parents, the most disadvantaged, are likely to be stuck without ability to support their families off welfare.

A possible solution: child support insurance: Basic principle. How it would work to supplement income. Why it's not likely to cost all that much,

Problems with the child support insurance concept: Incentives or lack thereof for enforcement. Incentives or lack thereof for single parent family formation. Possible alternatives.

4. **Issue #2: Structuring transitional welfare.** (Mary Jo and Judy G. present) (two pages)

The problem: How do we structure a transitional welfare program that has real requirements and time limits, real opportunities to make the time limits reasonable, doesn't

cost a fortune and is possible to administer.

Background: Welfare caseload is very diverse. Currently lots of people stay on welfare more than two years. Lots of people leave welfare only to come back pretty quickly. Current programs have positive but modest successes.

Model 1: Riverside. Riverside provides a model for serious, employment oriented participation requirements, with the amount of education and training limited, followed by CWEP after a limited period of time. Advantages: builds on JOBS program; we have experience doing it; it has proven benefits. Question: Does this represent an end to welfare as we know it? Won't a lot of people end up in CWEP, and is that a good thing?

Model 2: A new three part program. We structure a new program with three parts: very short transitional assistance; a period of "investment assistance" with opportunities or requirements for educations, training etc. After a period of time, people move off the program into somethings genuinely different, preferably a private secotr job, perhaps supported by the EITC, social supports etc. Lots of effort put into keeping people in jobs and helping them to get new ones when they lose their first job by DOL, new agency, or separate unit of welfare agency; agency has ability to provide short term assistance to keep people from going back to the welfare roles. For people who really can't get private sector jobs, agency can provide a limited number of PSE slots and has CWEP placements available for those who are left. Limit the number of PSE slots since they're very expensive. Advantage: comes closer to ending welfare as we know it; takes advantage of fact that lots of people go off welfare only to come back on. Question: can it be done?

Constraints on either approach. Costs of day care, especially if we're requirint 100 percent no-exemptions participation; cost of creating PSE and day care slots; capacity of education and training systems; capacity of overall system to handle vastly increased numbers of participants.

Obviously not all these dilemmas need to be resolved once for all at the national level. For reasons of both cost and capacity, may want to phase in over time and/or start with some substantial state demonstrations. Can start doing some things through the current waiver process if we manage that more assertively and selectively relax cost neutrality.