

Statutory Language

PUBLIC LAW 104-193-Aug. 22, 1996

Regarding the goals of the TANF Program, the statute reads as follows:

Section 401.

Purpose.

(a) In General.-The purpose of this part is to increase the flexibility of States in operating a program designed to-

(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numeric goals for preventing and reducing the incidence of these pregnancies; and

(4) encourage the formation and maintenance of two-parent families.

Regarding the High Performance Bonus, the statute reads as follows:

Section 403 (a)(4)

Bonus to reward high performance states.

(A) In General.-The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State.

(B) Amount of Grant.-

(i) In General.- Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to a high performing State for a bonus year, which shall be based on the score assigned to the State under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

(ii) Limitation.- The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

(C) Formula for measuring State Performance.-

Not later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

(D) Scoring of state performance; setting of performance thresholds.-For each bonus year, the Secretary shall-

(i) use the formula developed under subparagraph (C) to assign a score to each eligible State for the fiscal year that immediately precedes the bonus year; and

(ii) prescribes a performance threshold in such a manner so as to ensure that-

(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$200,000,000; and

(II) the total amount of grants to be made under this paragraph for all bonus years equals \$1,000,000,000.

(E) Definitions.-As used in this paragraph:

(i) Bonus year - The term 'bonus year' means fiscal years 1999, 2000, 2001, 2002, and 2003.

(ii) High performing state.-The term 'high performing State' means, with respect to a bonus year, an eligible State whose score assigned pursuant to subparagraph (D)(i) for the fiscal year immediately preceding the bonus year equals or exceeds the performance threshold prescribed under subparagraph (D)(ii) for such preceding fiscal year.

(F) Appropriation.-Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2003 \$1,000,000,000 for grants under this paragraph.

Regarding Use of Bonus Funds

Section 404 (Use of Grants) states:

"(a) General Rules.- Subject to this part, a State to which a grant is made under section 403 may use the grant-

(1) in any manner that is reasonably calculated to accomplish the purpose of this part, including to provide low income households with assistance in meeting home heating and cooling costs; or

(2) in any manner that the State was authorized to use amounts received under part A or F, as such parts were in effect on September 30, 1995.

(b) Limitation on use of grant for administrative purposes

(1) Limitation.- A State to which a grant is made under section 403 shall not expend more than 15 percent of the grant for administrative purposes.

For Wed's
mtg.

**Proposal for Welfare High Performance Bonus Measures on
Food Stamps and Medicaid Enrollment**

FOOD STAMPS

The proposal would measure the improvement in the proportion of low-income working families obtaining food stamps. Specifically, the formula would be:

*# of families with children under 18 with income < 130% poverty line and
earnings equal to at least half-time, full-year minimum wage
receiving food stamps*

divided by

*# of families with children under 18 with income < 130% poverty line and
earnings equal to at least half-time, full-year minimum wage*

Data: Census Bureau American Community Survey, for which the Administration is seeking funding.

MEDICAID/CHIP

To be considered eligible for the Medicaid/CHIP bonus, states must first meet the following:

All four of the following mandatory process measures:

- State has issued policy instructions or regulations specifying that, at first contact with the TANF agency, individuals must be given the opportunity to apply for Medicaid.
- When welfare-related (section 1931) eligibility is lost, a state must issue the family written notice and a card or other evidence of their entitlement to assistance.
- State has issued policy instructions or regulations specifying that members may not be terminated until determined that they are not eligible under any other Medicaid group.
- All data requirements under the law are fulfilled, including being up to date on all Medicaid and CHIP data submissions as well as the MSIS system on line and working.

Two of the seven following optional process measures:

- State accepts mail or phone applications for family and children, without requiring a face-to-face interview.
- State Medicaid workers have been outstationed at locations in addition to those required.
- Medicaid eligibility has been expanded through the use of more liberal 1931 mechanisms.
- The determination of whether a parent is unemployed has been broadened to include parents who are employed more than 100 hours per month.
- State provides continuous eligibility for children for a period of time without regard to changes in circumstances.
- State provides a period of presumptive eligibility for children who are likely to be eligible.
- State has simplified enrollment and reenrollment process for children and low-income families.

Once a state is eligible, the bonus would be awarded according to the following formula:

of non-disabled, non-elderly individuals enrolled in Medicaid/CHIP as determined by state MSIS data

divided by

of individuals in families with children under 18 with incomes < 200% poverty line as determined by American Community Survey data

ALLOCATION OF BONUS AWARD FUNDS

For FY 2002 and beyond, the proposal would allocate the \$200 million available under the High Performance Bonus as follows:

- \$140 million, or 70 percent of total funds, would be allocated for the four work measures – see table below.
- \$60 million, or 30 percent of total funds, would be allocated for the non-work measures (\$15 million for each): (1) Medicaid enrollment, (2) Food Stamps enrollment, (3) family formation and family stability – defined as year-to-year increase in percent of children below 200% of poverty living in married couple families, and (4) child and family well-being – defined as year-to-year reduction in state child poverty rate.

Prior to FY 2002, the bonuses would be awarded on the basis of the four work measures only.

States would be ranked for each category and bonuses would be awarded to the ten states with the best performance.

Measure	FY 1999 and FY 2000*		FY 2002 -- Proposal		
	Amount	% of total	Amount	% of work bonus	% of total
Job Entry	\$80 M	40%	\$60 M	43%	30%
Success in Workforce	\$50 M	25%	\$40M	28%	20%
Improvement in Job Entry	\$40 M	20%	\$25M	18%	13%
Improvement in Success in Workforce	\$30 M	15%	\$15M	11%	7%
Medicaid			\$15 M		7.5%
Food Stamps			\$15 M		7.5%
Family Formation			\$15 M		7.5%
Child Well-Being			\$15 M		7.5%
TOTAL	\$200 M	100%	\$200 M		100%

* Currently, we plan to issue guidance extending the FY 2000 approach through FY 2001.



Cynthia A. Rice

07/22/99 11:44:22 AM

For med's mtg.

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP

cc:

Subject: Response to your note on High Performance Bonus

You sent me a note on Senator Rockefeller's letter, outlining your reservations about using enrollment in Medicaid and Food Stamps as a measure for the High Performance Bonus. I think there are pretty good answers to your concerns (see below), but that doesn't mean I think we have to address these issues in the high performance bonus (though it would buy us a lot of good will). I'm currently pursuing two strategies: (1) investigating the feasibility of possible measures to include in the high performance bonus (e.g., are the data available for anything we might want to reward?) and (2) investigating other regulatory measures outside of the high performance bonus we could take to encourage states to enroll more eligible families (for example, maybe we can impose new penalties for states that don't follow proper application procedures). Once I've got more information, we should sit down and discuss.

A few responses to your points:

(1) No statutory basis: We could easily argue that these measures fall under either the first statutory TANF purpose ("provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives" -- food stamps, for example, could prevent neglect and foster care placement) or the second ("end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage" -- since ensuring working families get health and nutrition benefits helps promote work over welfare, and helps keep families from being "dependent" i.e. wholly dependent on government assistance).

(2) It's arbitrary -- FS and Medicaid take up are voluntary, and not in state's control: This is true, but food stamps and Medicaid are no more outside the state's control than work. Not only can an individual can refuse to work, but independent economic conditions can affect a state's ability to get a recipient a job. Individuals refusing FS and Medicaid shouldn't make the measure invalid, so long as the rate of refusal doesn't vary widely across states.

(3) Weird to reward states for keeping people on assistance: We would only want to include measures that rewarded states for doing a good job of enrolling eligibles -- e.g., what percent of kids under the FS 130% of poverty income limit are enrolled. You're right that a state wouldn't get credit for a family making more than 130% of poverty, but they wouldn't be disadvantaged either. We could also construct the measures so that states were only rewarded for ensuring working families got benefits. I think we've already crossed the Rubicon on treating FS and Medicaid differently than cash assistance.

(4) People who get good jobs no longer qualify for food stamps, so what kind of incentive is that? A family of four can make almost twice the minimum wage and still be eligible for food stamps (up to about \$10.40 an hour). Obviously the more they make the less they get in food stamps (a family of four making \$7.00 an hour gets \$196 a month in food stamps -- the same family making \$9.00 an hour gets \$88). If we designed the bonus right, the FS bonus would not disadvantage states that placed people in high paying jobs, and the work measures might reward them (to the extent high wages lead to job retention).



(C) Children born into families receiving welfare assistance are 3 times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

(D) Mothers under 20 years of age are at the greatest risk of bearing low birth weight babies.

(E) The younger the single-parent mother, the less likely she is to finish high school.

(F) Young women who have children before finishing high school are more likely to receive welfare assistance for a longer period of time.

(G) Between 1985 and 1990, the public cost of births to teenage mothers under the aid to families with dependent children program, the food stamp program, and the medicaid program has been estimated at \$120,000,000,000.

(H) The absence of a father in the life of a child has a negative effect on school performance and peer adjustment.

(I) Children of teenage single parents have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(J) Children of single-parent homes are 3 times more likely to fail and repeat a year in grade school than are children from intact 2-parent families.

(K) Children from single-parent homes are almost 4 times more likely to be expelled or suspended from school.

(L) Neighborhoods with larger percentages of youth aged 12 through 20 and areas with higher percentages of single-parent households have higher rates of violent crime.

(M) Of those youth held for criminal offenses within the State juvenile justice system, only 29.8 percent lived primarily in a home with both parents. In contrast to these incarcerated youth, 73.9 percent of the 62,800,000 children in the Nation's resident population were living with both parents.

(10) Therefore, in light of this demonstration of the crisis in our Nation, it is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by section 103(a) of this Act) is intended to address the crisis.

SEC. 102. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

SEC. 103. BLOCK GRANTS TO STATES.

(a) IN GENERAL.—Part A of title IV (42 U.S.C. 601 et seq.) is amended—

(1) by striking all that precedes section 418 (as added by section 603(b)(2) of this Act) and inserting the following:

“PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

“SEC. 401. PURPOSE.

“(a) IN GENERAL.—The purpose of this part is to increase the flexibility of States in operating a program designed to—

“(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

“(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

“(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

“(4) encourage the formation and maintenance of two-parent families.

“(b) NO INDIVIDUAL ENTITLEMENT.—This part shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part.

“SEC. 402. ELIGIBLE STATES; STATE PLAN.

“(a) IN GENERAL.—As used in this part, the term ‘eligible State’ means, with respect to a fiscal year, a State that, during the 2-year period immediately preceding the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

“(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—

“(A) GENERAL PROVISIONS.—A written document that outlines how the State intends to do the following:

“(i) Conduct a program, designed to serve all political subdivisions in the State (not necessarily in a uniform manner), that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.

“(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.

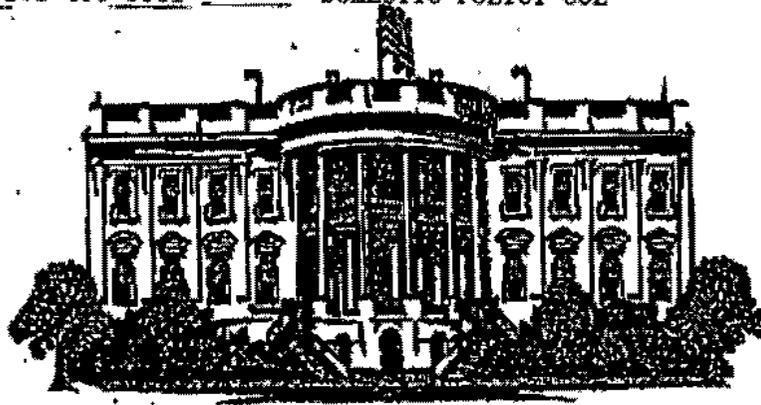
“(iii) Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407.

“(iv) Take such reasonable steps as the State deems necessary to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the Federal Government.

“(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy

42 USC 601.

42 USC 602.



WR -
Performance Bonus

THE WHITE HOUSE

Domestic Policy Council

DATE: _____

FACSIMILE FOR: Bruce Reed + Elena Kagan

PHONE: () - FAX: () -

FACSIMILE FROM: Diana Fortuna

PHONE: () - FAX: () -

NUMBER OF PAGES (INCLUDING COVER): _____

- FOR YOUR REVIEW
- PER MY E-MAIL OR VOICE-MAIL MESSAGE TO YOU
- PER YOUR REQUEST

COMMENTS: Shaw letter complaining about
high performance bonus + lack of family
formation measure.

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

March 5, 1998

The Honorable Donna E. Shalala, Ph.D.
Secretary of Health and Human Services
615F Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Shalala:

We have now read your document "Draft Potential Specifications for Interim Award of High Performance Bonus (FY1999)". Although your emphasis on job placement, job retention, and earnings is appropriate, I ask you to consider the possibility that the proposed bonus system is not responsive to the specifications set by Congress and signed into law by the President.

Section 403(a)(4)(C) of the Social Security Act requires the Secretary to "develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a)." Thus, a formula consistent with the statutory requirement must be based on the goals set forth in section 401(a). These goals are to:

1. provide assistance to needy families so that children may be cared for in their own homes;
2. end welfare dependence by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of illegitimacy;
4. encourage the formation and maintenance of two-parent families.

Three of these four goals concern non-marital births or marriage. Thus, creating a high-performance bonus that completely ignores any measure of state performance in reducing nonmarital births or increasing the proportion of children in two-parent families, as the Department has proposed, is off the mark.

I have heard that the Department decided to omit any measure of marriage or nonmarital births because the welfare law authorizes, in section 403(a)(2) of the Social Security Act, a separate bonus for states that reduce illegitimacy. This argument has no merit. First, having been directly involved in drafting both the 403(a)(2) and the 403(a)(4) bonus language of the statute, I can assure you that Congress deliberately included what amounts to a double bonus for reducing illegitimacy and increasing marriage. So important are illegitimacy and divorce as national problems that Congress decided to give substantial rewards to states that reduce nonmarital births or increase the percentage of children living in two-parent families. Second, regardless of Congressional intent, the law in section 403(a)(4) could not be clearer — it calls for rewarding performance in achieving the "goals set forth in section 401(a)". Selecting just one of the four goals for bonus payments is therefore illegal.

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U.S. SECRETARY OF HEALTH AND HUMAN SERVICES
HUBERT H. HUMPHREY CENTER

- 2 -

Our Committee has worked very closely with the Department since the President signed the welfare reform law in August 1996. To continue this productive state of affairs, we sincerely hope to avoid any conflicts over the performance bonus. Perhaps you can either explain why, in your view, our interpretation of the law is flawed or change the bonus to include measures of illegitimacy and marriage.

I look forward to hearing from you and would be glad to meet to discuss this matter if you think such a meeting might be useful.

Sincerely yours,



E. Clay Shaw, Jr.
Chairman

ECS/dm

08-09-98-0000

WR -
Work Bonus

Questions and Answers on High Performance Bonus
February 17, 1998

Question: Is today's Washington Post story true? Is the Administration about to release state guidance on high performance bonuses?

Answer: Yes. This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work. The President fought hard for such a bonus during the welfare reform debate. In fact, the President told the National Governors' Association as far back as June of 1995: "If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996, he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."

HHS will shortly be releasing formal guidance to the states that defines the measures of success on which the \$200 million a year bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs, and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Question: What's new here? Wasn't this bonus part of the 1996 welfare law?

Answer: It was part of the 1996 law, but the law gave the Administration discretion to define high performance and to determine how the \$1 billion in bonuses should be distributed. The law calls for state performance to be measured starting this fiscal year, so HHS's guidance is needed at this point.

Question: What exactly will the bonuses be based upon?

Answer: The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place. A total of \$80 million will be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs. An additional \$50 million will go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings climb over time. Finally, \$70 million will be distributed to the 20 states that show the most improvement in these measures over time. The Administration felt it was important to include this measure to spur improvement in states that have only just begun to reform welfare.

Question: Why did you choose these measures of performance? Did you consider other ones?

Answer: After consulting extensively with the states on this important question, we decided it was best to focus on success in moving people from welfare to work, and to use measures that are universally regarded as reliable with a long history of measurement by researchers and experts in this field. HHS may choose to add other factors in later years.

Question: Didn't the goals of the welfare law include discouraging out of wedlock births and encouraging two-parent families? Why aren't you measuring state performance in those areas?

Answer: HHS and the President both felt that work is the lynchpin of welfare reform, and that the law's emphasis on work should be reflected in measuring high performance. The states concur with this assessment. In addition, HHS is readying an additional, separate \$100 million a year bonus fund for states that reduce illegitimacy -- *i.e.*, the ratio of out-of-wedlock births to total births -- so it seemed appropriate to focus on work in distributing these bonus funds.

Question: The Washington Post reported last July that teen births would be one of the measures -- why did you drop that measure?

Answer: The Administration thinks reducing teen births is critically important, and we're proud that we've reduced the teen birth rate five years in a row. Three-quarters of teen births are out of wedlock, and a forthcoming rule will provide another \$100 million a year to states that reduce the percentage of children born out of wedlock. Thus, we focused on promoting work in the high performance bonus.

Question: How much is the average state likely to get from this bonus?

Answer: We won't know that until we see which states win in each category. It is possible for a state to win in all four bonus categories, or in any one of the four. Funds will be distributed based on the size of a state's welfare program.

Question: According to states, the Administration's plan does not count workfare as a job under this bonus. Doesn't that undermine the Department of Labor's stand that workfare is like any other job?

Answer: No. The Administration feels strongly that the minimum wage and other worker protection laws should apply to workfare participants in the same way they apply to other workers. If a workfare participant counts as an "employee" under these laws, then she should get protection. However, these bonus funds are designed to reward states for high performance. We don't believe that high performance should include jobs that are entirely funded by welfare payments. Instead, we will reward states for placing people in private or public sector jobs that are either unsubsidized or only partially subsidized by welfare.

Question: The states claim that HHS is requiring them to report massive amounts of data in order to qualify for this bonus, and that much of this information is unrelated to their performance. Is that true?

Answer: No. First, entering the competition for the bonus is voluntary for states, so states that don't want to provide the data don't have to. Second, the data HHS is seeking from states is essential to determine state performance. While there is always a tension between the federal government and the states over data collection, the bargain in the welfare law was to allow states tremendous flexibility in exchange for accountability for performance. We can't truly measure state performance without data.

*WR - work
Performance
Bonus*



Cynthia A. Rice

02/13/98 05:13:44 PM

Record Type: Record

To: Cathy R. Mays/OPD/EOP

cc:

Subject: Pls look at this re: high performance---Melissa wants to take it home with her

Bruce doesn't seem to have looked at this yet....any chance he'll be able to soon?
Melissa Skolfield needs it to do a leak Bruce wants her to do.

----- Forwarded by Cynthia A. Rice/OPD/EOP on 02/13/98 05:13 PM. -----



Cynthia A. Rice

02/13/98 04:04:07 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Diana Fortuna/OPD/EOP

Subject: Pls look at this re: high performance---Melissa wants to take it home with her



hpb0213.wpd hpbpotus.wpd Bruce, is this what you had in mind?

High Performance Bonus

Talking Points

- This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work -- something the President fought hard for during the welfare reform debate.
- In fact, the President told the National Governors' Association as far back as June of 1995 "If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996 he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."
- The performance bonus will spur states to continue welfare reform's stunning success -- welfare caseloads have declined by 2.4 million in the first 13 months of the new law.
- The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place.
- HHS will shortly be releasing formal guidance to the states -- described in the attached summary dated 2/10/98 -- which defines the measures of success on which the bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Key Facts about the Bonus Competition

- A total of \$80 million would be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs.
- An additional \$50 million would go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings to climb over time.
- Finally, \$70 million will be distributed to the 20 states that show the most improvement in these measures over time. The Administration felt it was important to include these measure to spur improvement in states that have only just begun to reform welfare.
- The Administration developed this proposal after extensive consultation with states on

**High Performance Bonus
Statements by President Clinton**

"Welfare reform should have real incentives to reward the states who do succeed in putting people to work, not for cutting them off...If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus, but one that will force the welfare bureaucracy and the welfare recipients to focus on work."

June 6, 1995 remarks to the National Governors Association National Summit on Young Children

"The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth."

January 9, 1996 message to House of Representatives

"As you know, Congress sent me a welfare reform bill last year that fell short of my principles as well as those expressed by the NGA in your February resolution. After my veto and your unanimous resolution, I am pleased that the Congressional leadership has made several significant improvements that have made this a much better bill. They've added \$4 billion in child care, included a \$1 billion work performance bonus to reward states for moving people from welfare to work. They removed the spending cap on food stamps so that states don't come up short in tough times. Their original bill made cuts in structural changes that were tough on children -- a school lunch block grant, a 25 percent cut in SSI for disabled children, cuts in foster care. The current bill drops all these provisions."

July 16, 1996 statement to the National Governors Association

"The new bill restores America's basic bargain of providing opportunity and demanding in return responsibility...It requires states to maintain their own spending on welfare reform and gives them powerful performance incentives to place more people on welfare in jobs."

August 12, 1996 statement at welfare bill signing ceremony

these measures. Details will be released to states in the form of state guidance, applicable to the first year of the competition, to be followed by a regulation that will govern future years. States must submit relevant data to HHS to enter the competition, but participation in the high performance bonus competition is voluntary. The first awards are expected to be made in mid-1999.

DRAFT--2/10/98

DRAFT POTENTIAL SPECIFICATIONS FOR
INTERIM AWARD OF HIGH PERFORMANCE BONUS (FY 1999)

- A. \$200 million in High Performance Bonus funds to States would be awarded in FY 1999 for performance in FY 1998.
- B. Funds would be awarded to States on the basis of their rankings on four work-related measures - job entry rate, a success in work force measure, increase in job entry rate and increase in the success in work force measure. The first two measures will address State performance, and last two will address improvement in State performance.
- 1) Job Entry Rate - the ranking of the percentage of the unduplicated number of FY 1998 adults receiving assistance who entered employment for the first time in FY 1998 (whether or not they remain on TANF).
 - 2) Success in the Work Force Measure (a composite ranking of two weighted rates) - the ranking of the sum of two times the Job Retention rate ranking plus the Earnings Gain rate ranking of FY 1998 newly employed adult recipients.
 - a) Job Retention Rate - the ranking of the percentage of all FY 1998 adult recipients who were newly employed in one quarter and were also employed in the first subsequent quarter. (At this point, they might be former recipients.)
 - b) Earnings Gain Rate - the ranking of the percentage gain in earnings between the initial quarter and the second subsequent quarter of FY 1998 newly employed adult recipients employed in both quarters. (At this point, they might be former recipients.)
 - 3) Increase in Job Entry Rate - the ranking of the percentage change between FY 1997 and FY 1998 of the unduplicated number of recipients who entered employment.
 - 4) Increase in the Success of the Work Force Measure - the ranking of the sum of two times the percentage change in the Job Retention rates ranking plus the percentage change in the Earnings Gain rates ranking between FY 1997 and FY 1998 of newly employed adult recipients.

- a) Increase in Job Retention Rate - the ranking of the percentage change between FY 1997 and FY 1998 in the job retention rate of newly employed adult recipients in one quarter who were also employed in the first subsequent quarter. (At this point, they might be former recipients.)
- b) Increase in Earnings Gain Rate - the ranking of the percentage change between FY 1997 and FY 1998 in earnings gain of newly employed adult recipients employed in both the initial and the second subsequent quarter. (At this point, they might be former recipients.)

In the case of the first two measures, State rates would be ranked on absolute performance in FY 1998; for the latter two measures, State rates would be ranked based on the extent to which their performance in FY 1998 exceeded their performance on that same measure in FY 1997.

- C. Ten States with the highest scores on each of the four measures would be eligible for bonus monies. For each measure, the percent and total amount of the available \$200 million award money will be as follows:

Job Entry Rate	40%	(\$80 million)
Success in the Work Force	25%	(\$50 million)
Increase in Job Entry Rate	20%	(\$40 million)
Increase in Success in the Work Force ...	15%	(\$30 million)

Each State's share of the total bonus amount cannot exceed 5 percent of the basic TANF grant, known as the Family Assistance Grant (or SFAG).

- D. To avoid bias due to seasonal differences, performance over the course of an entire year would be included.
- E. In all cases, State performance would be computed only with respect to families that: (1) are receiving assistance (as defined in the policy guidance we issued January 31, 1997 (TANF-ACF-PA-97-1)), and (2) include an adult. In order to compete for the High Performance Bonus, States must report comparable data for families receiving assistance in separate State programs for FY 1997 and 1998.
- F. States would submit the best data they have available on each measure. Thus, they may use matches with quarterly Unemployment Insurance (UI) data, surveys, administrative records or a combination of these data sources.
- G. Along with aggregate reporting on the measures, each State would be required to: 1) specify the data sources and methodology it has used to determine the aggregate numbers;

2) include a certification that it has provided the best data available on the measures in the formula; 3) maintain records that adequately document the derivation of its performance data; and 4) provide access to such records, for validation purposes, upon request.

- H. A State would not need to submit data if it did not want to compete on any particular measure. However, as indicated previously, States would need to submit comparable performance and caseload characteristics data for separate State programs in order to qualify for a High Performance Bonus. (A State would still be able to compete in the Success in the Work Force measure even if data for only one of the two measures were submitted. The rank assigned to the measure to each State for which no data were submitted would be the number following the number of States that submitted data for the measure.)

By Judith Havemann
Washington Post Staff Writer

every part of the political spectrum.

posed deal directly with the

The tobacco industry yesterday offered its first detailed defense of the proposed nationwide legal settlement, warning Congress and the White House that the deal could be lost if they daily too long over changes.

In a briefing for a small group of reporters, two tobacco industry representatives rebutted criticisms of the most controversial elements of the deal, including its provision restricting the federal government's authority to regulate nicotine. President Clinton has called the deal "totally unreasonable." The briefing, set up by the industry's Washington public relations firm with the proviso that the two representatives not be identified by name—was held after portions of the proposed \$368.5 billion settlement had been lan-

Clinton and an administration task force, which is reviewing the proposed deal, have taken particular aim at a provision that sets a high bar before the Food and Drug Administration could limit the amount of nicotine or other components in cigarettes. The settlement must be approved by Congress and the White House.

The White House, however, did not budge from its position that the settlement will have to be rewritten to protect the FDA's authority and perhaps elsewhere. "We're not negotiating with them," said Bruce Reed, the president's domestic policy adviser. "We're going to review this, we'll make our recommendations and then it will be up to Congress."

Yesterday's two-hour briefing was a departure for industry representatives,

The agreement moves all of the warning parties "decades down the road and makes it possible to have solutions to some of these problems that are just not achievable without a negotiated settlement," one of the representatives said. "It's not perfect, but it's far better than what the alternatives are."

During the session, the sources said the FDA provision is "critical" to the nation's major cigarette companies, part of a package that could be undone by a court challenge. "The critics they said have overlooked a compelling part of the deal that would have far more potential than a ban on nicotine to move the market toward less hazardous tobacco products."

For instance, under the agreement, the FDA could mandate the introduction of less hazardous tobacco products

would be required to and, because that began firms so they too could cigarettes. The FDA will promote the sale of the by exempting them from restrictions that the agreed to under the settlement.

These are powerful the firms to produce and representatives said and to heavy-handed regulation which the companies amount to a ban that could market unregulated. While they did not changes in the deal, the representatives did not indicate. "There may be more to accomplish the same if everybody's position."

July 18, 1997

Proposed Welfare Bonus Rules Put Emphasis on Jobs, Earnings

What Happens to People Leaving Aid Rolls Is Focus

By Judith Havemann
Washington Post Staff Writer

States that want to collect part of \$1 billion in future federal bonuses for top performance would have to do more than decrease their welfare rolls. They would have to show that recipients have kept jobs and increased their earnings, according to a proposal being circulated by the Clinton administration.

The proposed rules would redefine the measure that the White House and many states have used to gauge success of welfare reform—the reduction in caseloads. Critics have long said that caseloads, which already are dramatically declining, are a poor measure of achievement because it is unclear whether impoverished families who leave welfare have become self-sufficient or whether they have fallen into greater poverty.

In circulating a "preliminary concept" paper, the Department of Health and Human Services is seeking to motivate states to answer what has been a central question since passage of welfare reform last summer: As caseloads have fallen in 48 of the 50 states—and by a total of 1.2 million nationwide since August, as President Clinton boasted two weeks ago—what has happened to the former recipients?

But the response to urgings from Clinton and the nation's governors to the private sector to hire former welfare recipients has been spotty and hard to document.

In mandating that welfare recipients be moved into jobs, the new welfare law also authorized

distribution of up to \$200 a year from 1999 to 2003 in bonuses to states with high performances. The HHS draft proposal attempts to define high performance so that all states have a chance at winning a bonus, not just those that began their welfare reform before the new federal law.

The bonus proposal would rank states for both improvement and achievement in four areas:

- employment
- job retention
- earnings progression
- teenage births.

It calls for using state unemployment insurance records to determine whether welfare recipients are getting jobs, how long they keep them, and whether their earnings increase from year to year.

States also would be judged on whether they reduce the number of births among girls 15 to 17, whether or not they are on welfare.

The idea of bonuses marks an important departure from traditional federal practice in the social welfare field. Under the old federal-state welfare system, Washington officials issued finely detailed rules, and a quality control system held the states to account for following them. Under the new system, states design their programs, and Washington will reward the successful with bonuses and punish those who fail with the loss of federal funds.

The HHS "concept" paper has been developed with extensive input from states and the American Public Welfare Association, the organization of the nation's top welfare officials, as

required by the federal law. But neither group has endorsed the proposal.

"It is wrong to say that this is a sea change away from just focusing on caseload reduction," said Evelyn Ganzglass, director of employment and social services policy studies for the National Governors' Association. "States would never have said caseload reduction is the only measure of success." Furthermore, said Andrea Kane of the NGA, "the governors have always been very interested in putting people to work and having them become self-sufficient."

The bonus issue stirred controversy last year when Olivia A. Golden, HHS acting assistant secretary for children and families, asked state officials to suggest criteria. Officials from Wisconsin, where caseloads have fallen 52 percent since 1993, pressed for caseload reduction as the single measurable standard.

"You want to have a simple measure that can be put into operation and understood by everyone from the caseworker to the commissioner," Jason Turner, the former Wisconsin official who raised the issue with Golden, said yesterday. He said a welfare manager would have a hard time figuring out what to do to help the state win the bonus, and therefore it was unlikely to have an effect on states. Other officials questioned whether unemployment data was complete enough to judge if states were succeeding in putting welfare recipients into work. Such data differs from state to state, measures only about 90 percent of the jobs and would leave out recipients in workforce programs.

But Mark Greenberg, an attorney at the Center for Law and Social Policy, said "at this point the single biggest focus of a number of states seems to be caseload reduction. Welfare reform is about much more than getting people off the rolls. If the high performance bonus can bring back a focus on work and employment and the well-being of families, that might help bring better balance to state approaches."

High Performance Bonus

Talking Points

- This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work -- something the President fought hard for during the welfare reform debate.
- In fact, the President told the National Governors' Association as far back as June of 1995 "If we're going to change the culture of welfare, we have got to reward success; we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996 he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."
- The performance bonus will spur states to continue welfare reform's stunning success -- welfare caseloads have declined by 2.4 million in the first 13 months of the new law.
- The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place.
- HHS will shortly be releasing formal guidance to the states -- described in the attached summary dated 2/10/98 -- which defines the measures of success on which the bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Key Facts about the Bonus Competition

- A total of \$80 million would be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs.
- An additional \$50 million would go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings to climb over time.
- Finally, \$70 million will be distributed to the 20 states that show the most

improvement in these measures over time. The Administration felt it was important to include these measure to spur improvement in states that have only just begun to reform welfare.

- The Administration developed this proposal after extensive consultation with states on these measures. Details will be released to states in the form of state guidance, applicable to the first year of the competition, to be followed by a regulation that will govern future years. States must submit relevant data to HHS to enter the competition, but participation in the high performance bonus competition is voluntary. The first awards are expected to be made in mid-1999.

**High Performance Bonus
Statements by President Clinton**

"Welfare reform should have real incentives to reward the states who do succeed in putting people to work, not for cutting them off...If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus, but one that will force the welfare bureaucracy and the welfare recipients to focus on work."

June 6, 1995 remarks to the National Governors Association National Summit on Young Children

"The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth."

January 9, 1996 message to House of Representatives

"As you know, Congress sent me a welfare reform bill last year that fell short of my principles as well as those expressed by the NGA in your February resolution. After my veto and your unanimous resolution, I am pleased that the Congressional leadership has made several significant improvements that have made this a much better bill. They've added \$4 billion in child care, included a \$1 billion work performance bonus to reward states for moving people from welfare to work. They removed the spending cap on food stamps so that states don't come up short in tough times. Their original bill made cuts in structural changes that were tough on children -- a school lunch block grant, a 25 percent cut in SSI for disabled children, cuts in foster care. The current bill drops all these provisions."

July 16, 1996 statement to the National Governors Association

"The new bill restores America's basic bargain of providing opportunity and demanding in return responsibility...It requires states to maintain their own spending on welfare reform and gives them powerful performance incentives to place more people on welfare in jobs."

August 12, 1996 statement at welfare bill signing ceremony

High Performance Bonus Options

Overview: The statute says that the Secretary, in consultation with NGA and APWA, "shall develop a formula for measuring state performance in operating the state program under this part so as to achieve the goals set forth in section 401(a)."

Those 4 goals are:

- "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (4) encourage the formation and maintenance of two-parent families."

HHS's draft guidance includes 6 work-related measures: absolute performance on job entry, retention, and earnings gain and improvement on the same three measures. The \$200 million pot for FY99 would be split evenly among these 6 measures. The resulting pots of \$33 million each would be distributed to the top 10 states in each category. The amount any individual state would receive would be proportional to its size.

Possible Measures	HHS Draft Guidance	HHS NPRM Preference	Options on Guidance
Job Entry Rate	The number of recipients who entered employment in 1998, as a percentage of all families on assistance	Same as guidance	Do single composite measure for job entry and job retention
Job Retention	The number of 1998 job entries in each quarter who are still employed the next quarter, as a percentage of all job entries	Same as guidance	
Earnings Gain	The percentage gain in earnings of all recipients who entered employment in 1998, measured from the initial quarter to 2 quarters later.	Same as guidance	Could drop or delay until NPRM
Improvement Measures	The improvement in each of the 3 measures above from 1997 to 1998.	Same as guidance	Could do separate, smaller pot for improvements (25% of total?) to encourage all states to participate
Non-work Measures	None	Working on teen births measure; may propose other child well-being measures in future	<i>WPK</i> <i>Performance</i> <i>Bonus</i>

High Performance Bonus Options

	HHS Draft Guidance	HHS NPRM Preference	Options on Guidance
Distribution	<p>Top 10 states for each of 6 measures. Size of bonus related to size of TANF block grant.</p> <p>(HHS chose not to do a composite measure, but instead to spread the money around and award 60 separate bonuses.)</p>		Develop composite work measure and award to 10 top states on absolute performance and 10 top states on improvement (Option of more money to higher performers)
Issues:			
Treatment of Workfare	Depend on whether the data states choose to use includes those on workfare. UI data would not.	Unknown	(1) Unsubsidized work only -- but this creates a problem with UI data; or (2) All subsidized and unsubsidized, but exclude work subsidized 100% by TANF
Include those working while on welfare?	Yes	Yes	
Include State-only programs in measure of performance?	States are required to report data on state-only programs, but are not measured on the performance of these programs. States are warned that abuse of state-only could lead HHS to include them in the future.	Same as guidance	States that abuse state-only programs could not receive a bonus. (Must define abuse.)
Excess funds above 5% cap	Statute limits any state's bonus to 5% of the TANF grant. This creates a potential 'cap problem' depending on the size of the winning states. Guidance indicates HHS may reallocate extra funds to states that qualify for bonuses on other measures and are not at their cap.	Unknown	Carry excess funds to next year or award to next highest performing state(s) in same category.
Data to Measure Performance	Whatever states want to submit, as long as they certify they are using the best data possible	Prefer UI data (for work measures)	Get data to measure progress toward goal of 1 million to work by 2000.

Other issues:

- State-selected, optional measures: recommended by states, mentioned in HHS concept paper, not addressed in guidance.
- Adjustment for state economic and other circumstances: recommended by states, mentioned in HHS concept paper, not addressed in guidance.