

February 28, 1994

SUMMARY AND WORKING GROUP RECOMMENDATIONS

Everyone is frustrated with the welfare system. Welfare reform is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing work and family and opportunity and responsibility.

The current welfare system provides cash support and a set of rules and expectations focused on verifying eligibility rather than on moving people to self-support. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It indicates that people should not have children until they are able to support them. It signals that parents--*both parents*--have responsibilities to support their children. It gives people access to the training they need, but also expects work in return. It limits cash assistance to two years, and then requires work, preferably in the private sector, but in community service jobs if necessary. Most importantly, it changes the culture of welfare offices, getting them out of the check-writing business and into the training and job-placement business.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR THEMES

Transitional Assistance Followed by Work

- Full participation. Everyone who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education or job placement services.
- Training, education and job placement services (the JOBS program). As soon as people begin receiving public assistance, they will sign a personal responsibility contract and develop an employability plan to move them into work as quickly as possible. Many will get jobs quickly--in weeks or months--after assistance with job search and job preparation. Others will spend time in education and training services as needed. The program will be closely coordinated with existing mainstream education and training programs including current and new Labor Department programs (the Job Training Partnership Act and the Workforce Security Act), School-to-Work programs, vocational and post-secondary education.
- Time limits. People who are able to work will be limited to two years of cash assistance. Most people are expected to enter employment well before the two years are up. Extensions to complete an education program expected to enhance self-sufficiency will be granted in a limited number of cases.

- Work for those who exhaust their time limit (the WORK program). Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. These are intended to be real, work-for-wages jobs. The program will be designed to favor unsubsidized work and to ensure that subsidized jobs are short-term and non-displacing.

Making Work Pay

- Health care reform. An essential part of moving people from welfare to work is ensuring that working people get health protection. The current system keeps people from leaving welfare for fear of losing their health insurance.
- Advance payment of the Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.
- Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Parental Responsibility

- Child support enforcement. The child support enforcement system will be strengthened to ensure that awards are established in every case, that fair award levels are maintained and that awards that are owed are in fact collected. Demonstrations of child support assurance and of programs for noncustodial parents will be conducted.
- Efforts aimed at minor mothers, responsible family planning and prevention. Minor mothers will receive special case management services and will be required to live at home and stay in school to receive income support. Access to family planning will be ensured. A strategy for investing in and learning from programs to prevent high-risk behavior and teen pregnancy will be pursued.
- Efforts to promote two-parent families. We will provide better support for two-parent families by eliminating or reducing the current bias in the welfare system in which two-parent families are subject to more stringent eligibility rules than single-parent families.

Reinventing Government Assistance

- Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and Food Stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation.
- A performance-based system. In addition to incentives for clients, incentives will be designed to bring about change in the culture of welfare offices with an emphasis on work and performance.

POLICY ISSUES TO BE RESOLVED

The attached paper lays out the major issues that need to be addressed. It is organized around each of the first three broad elements listed above. In each case, a description of the proposed policy is provided and remaining issues discussed. (The details of the fourth element--Reinventing Government Assistance--will be addressed later in a separate paper. We anticipate that changes will be cost neutral for that part of the proposal, so they will not affect cost estimates or financing needs.)

The Welfare Reform Working Group met on Saturday February 26 and discussed the issues that were identified as the most important in the paper. There are five particularly significant sets of issues that need to be resolved:

The scale and phase-in of the reformed welfare system

Should we seek to bring everyone on the caseload into the new system quickly, or should we initially target our resources to sub-groups, such as new applicants or the youngest third of the caseload?

Immediate implementation of the new program would severely strain the ability of federal and state governments to implement the new system.

The Working Group agreed that a phased-in approach was necessary.

A phase-in strategy could start with new applicants, or it could start with young applicants and recipients. Starting with young people avoids any incentives to stay on welfare and any "rewards" to having children and coming on welfare early. It also allows for investments in families who have the most hope of being helped.

The Working Group agreed that an initial focus on the youngest third of the caseload was their preferred phase-in strategy.

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Extensions to and exemptions from the time limit

Should any groups of recipients have the time limit extended? Should any be exempted from the requirements of the time limit?

The issue of extensions arises because some recipients, especially those with language difficulties, education deficits and no work experience, may not be able to appropriately prepare themselves for work in a two-year period.

The Working Group agreed that a limited number of extensions for such purposes as completing a high school, school to work or job training program, or for completing a program of postsecondary education combined with work, were appropriate.

The issue of exemptions from the time limit arises because not all recipients are able to work, even if they are not severely enough disabled to qualify for SSI. A second type of exemption issue arises because requiring participation from mothers of infants or very young children may interfere with healthy child development and require substantial expenditures on infant day care. Under current law, over half the caseload, including mothers of children under three, is exempted from participation.

The Working Group agreed that exemptions should be limited, and that participation in some activities should be expected even of those who are exempted. The Working Group agreed that states should be permitted to exempt up to a fixed percentage of the caseload for disabilities, care of a disabled child and other serious barriers to work.

The Working Group split over the issue of whether exemptions for mothers of infants should be for one year (i.e., until the baby's first birthday) or for twelve weeks (Twelve weeks is the mandated leave time in the Parental Leave Act.) Most members agreed on a one year exemption for infants who were not conceived on welfare and a twelve week exemption for those conceived on welfare, with a state option to lower the exemption period to twelve weeks for all children.

The structure and requirements of the WORK program for people who come to the time limit without having found unsubsidized work

After a person hits the time limit, should we mandate States to provide a job which pays an hourly wage, or should we allow States to continue paying a welfare check while requiring work as a condition of receipt? What methods should we use to minimize long-term participation in this work program? How many hours of work should be required?

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Work for wages versus work for welfare. Despite a focus on getting everyone into unsubsidized employment as quickly as possible, a small percentage of those who start on welfare will hit the time limit without having found work. After a period of job search, the state may be required to provide a subsidized or community service job for some. One issue is whether states should be permitted to offer "workfare" slots, as opposed to subsidized private sector work or community service jobs in which the participant works for wages. Workfare is somewhat easier to administer than work for wages, but does not provide either the dignity or the discipline of a job that pays wages.

The Working Group agreed that an emphasis on work for wages is a defining feature of the Administration's welfare reform proposal.

Discouraging extended participation in subsidized or community service work. The WORK program of subsidized and community service jobs is designed to be a short term supplement to unsubsidized work in the private sector, not a replacement for it. A number of steps can be taken to ensure this.

The Working Group agreed that subsidized job slots would last for a defined period of time, after which the person would again be expected to look for unsubsidized work.

The Working Group agreed that the availability of the EITC as a supplement to private sector work would provide a powerful incentive for participants to move from the WORK program into unsubsidized work.

The Working Group also agreed that federal reimbursement to states should decline the longer people were on the rolls, in order to provide serious incentives to move people into employment.

The Working Group also agreed that refusal to accept a private sector job should result in termination of benefits.

An issue arises around what is expected to be a relatively small number of people who continue to be unable to find unsubsidized employment after placement in a job slot and private sector job search despite being willing and able to work. (Refusing a job would be grounds for being cut off, and a work for wages model would already provide sanctions because not showing up for work would mean no paycheck.) Some argue that they should be placed in community service slots for as long as they need them. Others argue that this policy would lead to permanent guaranteed jobs that might be expensive and perceived as simply another welfare program. Instead, people who have not found employment might return to a deferred status, might have their welfare benefits reduced or might be cut off entirely.

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The Working Group agreed that a serious reassessment should be done of everyone who comes to the end of two or three years in work assignments without having found private sector work. Those found at that point to be unable to work could be returned to deferred status with full benefits. Those found to be able to work and unwilling to take an unsubsidized job would have assistance terminated. In situations where jobs were not available for people who conscientiously played by the rules and tried to find work, assistance would be continued through another job slot, a workfare assignment, or training linked with work.

Minimum work expectations: part time or full time. Everyone agrees that independence is the ultimate goal of the system. But two related questions arise in thinking about people working less than full time. The first issue is whether someone who is working at least half time in a private unsubsidized job can continue to receive supplementary welfare benefits after two years if they live in a state where half time work at the minimum wage would leave them below the income level for welfare receipt in that state. Proponents of allowing benefit receipt in these situations argue that half time work allows parents time to nurture their children as well as to support them financially--a task which is especially difficult for single parents. They also argue that getting someone to work part time is a big success and should be rewarded. Opponents argue that full time work and an end to welfare receipt should be the expectation. They argue that continuing AFDC as a work supplement for long periods of time is counter to the basic philosophy of the new program.

The Working Group was split on this issue. About half the group felt that part time workers should continue to be eligible for supplementary benefits after the time limit. Others felt that the time limit should apply, but with many arguing for a slowing of the clock for part time workers. Some members suggested a compromise that said that supplementary welfare benefits would be provided for part time workers (at least twenty hours) who had pre-school children, and at state option to other part time workers.

A related issue arises around the number of hours of work that states would be required to provide through subsidized or community service jobs, and around the supplemental welfare benefits that would need to be paid if the required hours of work did not generate pay at least as high as the welfare benefits received by non-working welfare recipients in the state. Because of wide variations in state welfare benefit levels, the number of hours of work at the minimum wage required to earn the equivalent of the welfare benefit level for a family of three ranges from about 7 to about 47 hours per week. For larger families, work hours would have to be higher to reach the welfare benefit levels. It is obviously hard to structure a real job of eight or ten hours per week. At the other extreme, it is unreasonable to require more than the conventional definition of full time work.

The Working Group agreed that states could vary the number of work hours

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they required, but that they could go no lower than 15 nor higher than 35. There was also agreement that the wage paid must be at least the minimum wage and could be higher.

We assume that most states could and would require work hours that would produce earnings roughly equivalent to welfare benefits; some states might do this by paying more than the minimum wage. In the median state this would be about 26 hours a week at the minimum wage for a family of three. Some higher benefit states might choose, however, to structure jobs with fewer hours, and some very high benefit states might choose not to raise the wage to a level sufficient to pay the equivalent of the welfare benefit. Should they be allowed to do this and required to provide a supplementary benefit to bring family income up to the level of welfare benefits for recipients who don't work? The argument for doing so is people who are playing by the rules and working, even if they have not been able to find an unsubsidized job, should not be penalized by receiving lower benefits. The argument against doing so is that this too would continue welfare as a work supplement.

The Working Group was split on this issue. The discussion tended to parallel the discussion on the acceptability of part time work. There was some sentiment in favor of varying the expectation for parents of pre-school children.

The level and focus of child care for the working poor

What level of resources should we devote to child care for the working poor? How should limited resources be targeted?

Child care for the working poor is a potentially costly addition to a welfare reform package. The argument for including it, however, is to ensure that low income working families are encouraged to stay off welfare, and that equity is maintained between those who have and have not been on welfare.

The Working Group agreed that child care for the working poor is an integral part of a welfare reform effort. The Working Group also expressed a preference, however, that working poor child care be paid for through mechanisms other than cuts in programs for the poor. There is a strategic decision to be made, therefore, about the financing and packaging of this aspect of welfare reform.

Parental responsibility and prevention

Should demonstrations of child support assurance and programs for non-custodial parents be included in the welfare reform package? Should states be allowed or required to reduce benefits for children conceived on welfare?

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The Working Group agreed that demonstrations of both Child Support Assurance and programs for non-custodial parents should be included. Enthusiasm for child support assurance varied.

The Working Group did not discuss family caps or other prevention issues, which will be taken up at the next meeting.

COSTS AND FINANCING

The attached paper does not include a discussion of financing options. The Working Group recognized that decisions about the overall welfare reform package that have serious cost implications need to be made in the context of available financing possibilities. Issues of balancing costs and financing were not discussed at the February 26 meeting, but will be the focus of the next meeting.

To provide a sense of the scale of a program and the cost of particular elements, we have created a hypothetical proposal, which served to guide the Working Group's discussions of the costs of various policy choices. The actual cost of the program will differ depending on what decisions are made about the issues identified above. In the attached document, we refer to this hypothetical proposal and indicate where different programmatic decisions would have led to a larger or smaller program. The table which follows is provided only as a basis of discussion--not as an indication that policy decisions have been made.

**TABLE 1.--PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)**

	1995	1996	1997	1998	1999	5-Year Total
PARENTAL RESPONSIBILITY						
Minor Mothers	0	(45)	(50)	(50)	(50)	(195)
Comprehensive Demonstration Grants	0	50	50	50	50	200
Two-Parent Provisions	0	0	440	680	945	2,065
No Additional Benefits for Additional Children	(35)	(100)	(110)	(140)	(150)	(535)
Child Support Enforcement						
Paternity Establishment (Net)	5	20	(110)	(165)	(215)	(465)
Enforcement (Net)	(10)	(20)	(65)	(80)	(320)	(495)
Computer Costs	15	35	95	160	160	465
Non-Custodial Parent Provisions	0	25	80	110	175	390
Access Grants and Parenting Demonstrations	20	25	30	30	30	135
Child Support Assurance Demonstrations	0	0	100	200	250	550
SUBTOTAL, CSE	30	85	130	255	80	580
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK						
JOBS-Prep	0	15	50	60	70	195
Additional JOBS Spending	0	210	750	920	1,000	2,880
WORK Program	0	0	0	130	690	820
Additional Child Care for JOBS/WORK	0	190	630	745	900	2,465
Transitional Child Care	0	70	230	280	360	940
Enhanced Teen Case Management	0	30	90	105	110	335
Economic Development	0	0	100	100	100	300
Savings - Caseload Reduction	0	0	(30)	(60)	(60)	(170)
SUBTOTAL, JOBS/WORK	0	515	1,820	2,280	3,150	7,765
MAKING WORK PAY						
Working Poor Child Care	0	500	1,000	1,500	2,000	5,000
Advance EITC	0	0	0	0	0	0
GRAND TOTAL	(5)	1,005	3,280	4,575	6,025	14,880

Note: Parentheses denote savings.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group co-chairs.

SEE APPENDIX FOR ENDNOTES TO TABLE

APPENDIX: ENDNOTES TO TABLE 1

Two-Parent Estimates

1. The costs for eliminating the special eligibility requirements for two-parent families is based upon estimates from the food stamp quality control data file. These estimates were then adjusted for increased participation based on estimates from the MATH model employed by Mathematica Policy Research, Inc.

Child Support Enforcement Estimates

1. The costs for the noncustodial parent provisions are 10 percent of the JOBS and WORK program costs.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born after 1972 are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume about one third of the States, representing 40 percent of the caseload, will implement the policy a year earlier than required. This follows the pattern of State implementation under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.
2. Non-parental caretaker relatives are not subject to the new rules and are not phased-in.
3. Parents who have a child under one (or under 3 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 25 percent of the phased-in caseload is deferred.
4. The caseload numbers include modest treatment effects as a result of the new rules.
5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).
6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 50 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.
7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 25,000 and 130,000 WORK slots would be required in 1998 and 1999, respectively.

8. The figures for JOBS participants and JOBS spending under current law are taken from the baseline in the FY 1995 budget for the HHS Administration for Children and Families
9. The JOBS and WORK cost estimates do not consider the potential impact of child support on the size of the caseload.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation, enhanced case management services would be provided to all teen parents under the age of 19 and receiving assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70 percent in FY 1996 to 80 percent in FY 1997, 90 percent in FYs 1998 and 1999 and to 100 percent in FY 2004.

The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly \$560 per participant per year, in 1993 dollars.

2. The JOBS-Prep cost estimate presumes that JOBS-Prep services will be provided to 20 percent of those in the JOBS-Prep program. As States currently serve only 16 percent of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-Prep program. We do not know what services States will provide during the JOBS-Prep program (candidates include parenting skills classes, life skills training and substance abuse treatment), so arriving at a cost per participant figure for the program is difficult.

For purposes of the estimate, we assume that States will not provide services such as vocational rehabilitation in the JOBS-Prep program. JOBS-Prep services will consist primarily of case management and referral to external service providers. Many persons in the JOBS-Prep program have disabilities, although most mothers of children under one do not. The cost estimates assume that a fairly intensive level of case management would be required for a small percentage of persons in this program.

The cost per JOBS-Prep participant figure represents a level of case management more intensive than that in the current JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

Child Care Estimates

1. These estimates reflect the child care costs associated with the phase-in assumptions described above under JOBS and WORK.
2. This estimate is based upon baseline spending for the Head Start program and therefore does not account for the additional children who will be served by Head Start when it expands. This follows conventional CBO scoring rules.
3. There is no sliding scale fee for services included in this estimate.
4. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.
5. We assume that Transitional Child Care eligibles will have average utilization rates of 40 percent.
6. Our working poor estimate represents a phase-in of a capped entitlement to cover children whose families are below 130 percent of poverty but do not receive AFDC. By 1999, we will approach full implementation with \$2 billion in net funding. We assume that there are approximately 8 million non-AFDC children below 130 percent of poverty, 40 percent of whom will potentially need child care because of their parents' work status, and that 40 percent of these families will use paid child care.

No Additional Benefits for Additional Children

1. This cost estimate is based upon an estimate by the Congressional Budget Office. The estimate assumes a State option policy where States representing 33 percent of the effected caseload adopt a cap for benefits for new children.
2. It is assumed that States would reduce the monthly benefit by \$63 for each child (after the first) born while the mother was receiving AFDC. It is also assumed that States would have little success identifying children born on AFDC during previous spells of welfare receipt.

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TABLE 1.--PRELIMINARY COST ESTIMATES (FEDERAL AND STATE) (FEB. 94)
 FOR A DRAFT WELFARE REFORM PROPOSAL
 ... (By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5-Year Total
PARENTAL RESPONSIBILITY						
Prevention Package	0	(40)	(40)	(45)	(45)	(170)
Two-Parent Provisions	0	0	400	600	800	1,800
Child Support Enforcement						
Paternity Establishment (Net)	0	(65)	(200)	(300)	(450)	(1,035)
Enforcement (Net)	130	70	60	(300)	(500)	(540)
Computer Costs	100	150	200	250	300	1,000
Non-Custodial Parent Provisions	0	30	90	125	195	440
Access Grants and Parenting Demonstrations	20	25	30	30	30	135
Child Support Assurance Demonstrations	0	0	100	200	250	550
SUBTOTAL, CSE	250	190	280	5	(175)	550
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK						
JOBS - Prep	0	20	55	60	70	205
Additional JOBS Spending	0	270	850	1,020	1,070	3,210
WORK Program	0	0	0	170	790	960
Additional Child Care for JOBS/WORK	0	250	700	830	960	2,760
Transitional Child Care	0	85	250	325	340	1,000
Enhanced Teen Case Management	0	30	90	105	110	335
Economic Development	0	0	100	100	100	300
Savings - Caseload Reduction	0	(10)	(50)	(60)	(70)	(190)
SUBTOTAL, JOBS/WORK	0	645	1,995	2,560	3,390	8,580
MAKING WORK PAY						
Working Poor Child Care	0	165	1,185	1,310	1,440	4,100
Advance EITC	0	0	0	0	0	0
GRAND TOTAL	250	960	3,820	4,420	5,410	14,860
Additional JOBS Participants (in thousands)	0	123	374	435	444	NA
WORK Participants (in thousands)	0	0	0	33	147	NA
ADDENDUM						
No Additional Benefits for Additional Children	(40)	(100)	(120)	(160)	(160)	(580)

Source: ASPE Staff Calculations

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THE TRANSITIONAL ASSISTANCE PROGRAM

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focussed on writing checks to one focussed on work, opportunity, and responsibility. The Working Group proposal calls for replacing the AFDC program with a new Transitional Assistance Program (TAP). The TAP program includes four key elements: full participation, education and training, time-limits, and work. good

- **Full Participation**--Everyone who wishes TAP cash support will be expected to do something to help themselves and their community. Everyone has something to contribute. Everyone has a responsibility to move toward work and independence. good
- **Training, Education, and Placement (the JOBS program)**--TAP will be refocussed by expanding and improving JOBS program which provides the training, education, and placement services as developed under the Family Support Act. The clear focus of public assistance will be to help people move quickly from welfare to work and to place them in jobs where they can support themselves and their families. Every aspect of the program will emphasize private placements and work. The services will focus on using existing JTPA, educational opportunities, and other mainstream training programs as much as possible.
- **Time Limits**--Persons able to work will generally be limited to two years of cash assistance. The goal is to place people in private jobs long before the two years is up, but two years will be the maximum period for the receipt of cash aid by people able to work. In a limited number of cases, extensions to complete an educational program will be granted. The time limit is a lifetime limit, though recipients could earn back some additional time for time they are off welfare.
- **Work (the WORK program)**--Those persons who have still been unable to find work at the end of two years, will be required to work. As many people as possible will be placed in private sector positions, others will be placed with local nonprofit community organizations, still others may work in public service positions. These are intended to be short term, last resort jobs, designed neither to displace existing workers nor to serve as substitutes for unsubsidized private sector employment.

Everyone who seeks welfare (AFDC) will immediately undergo an assessment. Based on this assessment, most persons will immediately be placed in the JOBS program. A strategy will be developed by a JOBS worker and the client designed to help people move from welfare to work and independence. In some cases the focus will be on immediate job placement, and states will have the option of requiring immediate jobs search for all persons. Where needed, the JOBS social K

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Transitional Assistance Program

February 23, 1994

program will help recipients gain access to education and training programs they need in order to find an appropriate job. Education and training services will be coordinated with and often provided through mainstream state and federal programs open to both welfare and non-welfare recipients. Recipients who fail to comply with their JOBS program will be sanctioned.

Most recipients are expected to find work through the JOBS program. JOBS program benefits will normally be limited to two years. After that time, those persons still on welfare would be required to enter the WORK program. Those in the WORK program would be required to work in order to get income support. The exact nature of the WORK program depends on decisions presented in this document. But the goal is quite clear. Person still needing aid after two years would be placed in jobs where they will be paid for the work they do. The work should bring benefits to the community and dignity to the worker. But they will not be designed to become long-term subsidized jobs. Various incentives will be used to encourage people to take unsubsidized private jobs as soon as they can find them.

A limited number of persons will be put into a JOBS-Prep program. This program is designed for persons who are not currently in a position to work or begin an education or training curriculum. At a minimum the JOBS-Prep program would include persons who have a disability which limits work, those who are required at home to care for a severely disabled child or relative, and persons of advanced age. It might also include mothers with very young children. While persons are in JOBS-Prep status, time-limits would not be imposed. But those in the JOBS-Prep program would not be excused from obligations or expectations. Rather they would be expected to engage in a broader set of activities than those in the JOBS program. Everyone getting aid will have responsibilities and opportunities.

Six key questions need to be addressed in designing the TAP program

- **Focus and Phase-In** --How quickly should the reforms be phased in and who should be targeted initially?
- **Part-time work**--How should people who work part time be treated in the TAP program? In particular, should part-time workers face additional participation and work requirements and be subject to time-limits?
- **JOBS-Prep rules**--Who should be put into the JOBS-Prep program because they are not able to work or needed at home? What caps should be put on the number of persons in the JOBS-Prep program?
- **JOBS Extensions**--Who should be granted extensions under the JOBS program? What limits, if any, should be put on the number of extensions allowed?

subsidize above?

still need to change

- **Work for Wages Versus Work for Welfare**--Should states be required to create jobs paying wages which are provided to those in the WORK program? Would states be allowed to use CWEP jobs for all or part of the WORK placements?
- **The Hours of Work Required of WORK participants**--How many hours should WORK participants be required to provide? Should states be allowed or required to supplement WORK earnings in a work for wages program? Faint. Imp's
- **Discouraging extended WORK participation**--What can be done to keep the duration of WORK participation short and to move people into unsubsidized work? Should the EITC be denied to work program participants? Should any particular WORK placement be limited to 12 months? Should the total time people are allowed in the WORK program be limited?

Focus and Phase-in

The ultimate mix of people in various parts of TAP depends on policy decisions. But as a starting point, consider what would happen if we chose undertake the extremely ambitious task of beginning TAP full scale in 1997 (most states will require 2 years to pass implementing legislation and get the program up and running) and requiring everyone now on welfare and all those who apply subsequently to meet the new requirements. In 1997, over 3 million people would be in the initial two-years needing JOBS services. By the year 2000, many people would have hit the two year time limit, and a work program of roughly 750,000 WORK slots might be needed.

The current JOBS program serves roughly 600,000 persons monthly. It is unimaginable that states could move instantly to the larger scale implied by immediate implementation. Even if resources were plentiful, such a massive and immediate expansion almost guarantees that the JOBS program will be poorly administered with limited real content in many states. Facing the need to serve millions of new JOBS clients and the prospect of substantial job creation, states are likely to do the minimum they can in the JOBS program. The JOBS program, which is essential to moving people from welfare to work and to transforming the culture of welfare offices will not get the attention that is critical to this reform. The threat of WORK slots displacing existing public and private sector employees would be much greater with such a rapid build-up.

It seems essential to gradually ^{NO} phase in the program, starting with a subset of recipients. There are a number of ways one could select a group to start with. The House Republican bill starts with applicants (both new and returning). This strategy has the obvious appeal of changing the rules initially for people who enter welfare rather than those who came on with different expectations. But it raises serious equity concerns. A person who had children before age 20 and who had been on welfare for many years would face no time limit initially. Meanwhile another person of the same age, with the same number of children, who had been married or had worked

to stay off welfare, who suddenly needs support would be subject to time limits. Having reapplicants face time limits also creates very perverse incentives to *stay on welfare*. Most who leave welfare do return at some stage, so many may be inclined to stay on welfare to avoid leaving and coming back under a new set of rules. One might try focussing only on new applicants, but since there is little reliable data on past welfare receipt, such a plan creates a virtually impossible verification problem if people say they have been on welfare before.

One might also phase in by state. The costs to the Federal Government might be lower, since all States would not be implementing the program at the same time, but the implementing States would still have to grapple with the difficulties accompanying the sort of massive expansion in JOBS services and WORK described above.

An attractive alternative is to focus on young people--such as those under 25 in 1995. It is the younger generation of actual and potential welfare recipients that are the source of greatest concern, but also the group where there probably is the greatest hope of making a profound difference. These are also the people likely to have the longest stays on welfare, in part because they are just beginning their stays. And one can then devote the energy and resources to trying to "rescue" the next generation, rather than spreading efforts so thin that little real help is provided.

One strategy would be to put all persons born in or after 1970 (under 26 in 1995) under the transformed transitional support system. All persons of the same age and circumstance would face the same rules regardless of when they started welfare. Such a system automatically phases in since the fraction of those on welfare who were born in or after 1970 increases with time. In 1995 such a plan includes everyone on welfare who is under 26. Ten years later, it includes everyone who is under 36. For this cohort and all who follow, the welfare system is transformed. If we successfully implement the program for the younger generation, we can then move onto older recipients. Note that such a plan would not contemplate removing any existing education and training services from older recipients. They would still be eligible for JOBS services. But the *new* resources would be focussed on young people.

The number of persons served under such a strategy is as follows:

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	FY 1997	FY 1999	FY 2004*
Projected Adult Cases With Parent Born After 1970 Without Reform	1.26 million	1.69 million	2.77 million
Off Welfare with Reform (health reform after 1999, child care, JOBS, WORK, etc.)	.00 million	.13 million	.66 million
TAP Participants	1.26 million	1.56 million	2.11 million
Working While on Welfare	.10 million	.14 million	.18 million
JOBS participants	.79 million	.94 million	.86 million
WORK participants	.00 million	.14 million	.62 million
JOBS-Prep--disability	.11 million	.12 million	.16 million
JOBS-Prep--severely disabled child	.06 million	.06 million	.08 million
JOBS-Prep--caring for child under 1	.16 million	.19 million	.24 million

The table illustrates the dynamics of the program over time. In 1997, the first year of implementation, everyone who is not working or in JOBS-Prep is in the JOBS program, since no one will have hit the two year time limit. By 1999, some people have hit the time limit and are in the WORK program. Note that most people on welfare who start the program in 1997 will not hit the limit in 1999. Many leave welfare and never hit the limit. Others cycle on and off welfare and accumulate 24 months of receipt over a 4 or 5 year period. In addition, as a result of the program and other reforms (health reform, child care for the working poor) people leave welfare who

* Numbers for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of the WORK requirements on behavior.

would otherwise have been on it and more people choose to work while on welfare. The projected caseload numbers without reform grow rapidly because a larger and larger portion of the caseload will have been born after 1970. In 1997, roughly 30% of the projected caseload is in this group. By 2004, more than 50% are included.

The projected costs of focusing on this target group are as follows:

Gross and Net Costs of TAP Under October 1996 Implementation for Persons Born After 1970--Combined State and Federal Costs		
Cost Element	1995-1999	2004
JOBS training/education	\$xx.x billion	\$x.x billion
WORK program job development	\$x.x billion	\$x.x billion
JOBS/WORK program child care	\$x.x billion	\$x.x billion
Total Gross Cost	\$xx.x billion	\$x.x billion
AFDC, Food Stamps, and Medicaid Savings directly attributable to TAP program	-\$x.x billion	-\$x.x billion
Total Net Cost	\$xx.x billion	\$x.x billion

A decision to focus on young people initially in no way precludes adding all or part of the rest of the population to the program at any time. States could be given the option of doing so. If in 4 or 5 years time, the program is working well and it is feasible to expand capacity we can do so at that time.

Explicitly reassess as we learn

Of course other types of phase-in/targeting strategies could be used. One could focus on people who are younger and get smaller numbers. Or one could start with a group that included somewhat older persons (perhaps all those born after 1965), or add new applicants to this target group and get larger estimates. For example a fully phased in program by 2004 would give estimates which are roughly twice as larger as those shown in that year. Still in the opinion of the Working Group, this target group is of the appropriate magnitude if the goal is to fundamentally change the system and help people help themselves.

JOBS-Prep Rules

Any policy where work is required and time-limits imposed must take account of differences in the ability to work. People who are permanently disabled and thus are unable to work for at least one year are supposed to be covered under the Supplemental Security Income (SSI) Program. But some disabilities and most illnesses, even severe ones, last less than a year. Many other people suffer partial disabilities that limit their ability to work. Sometimes a parent is needed to care for a severely disabled child. There are admittedly also persons who, for a variety of reasons, have great difficulty coping with the day-to-day challenges of parenting and survival in what are often highly stressful environments.

One solution would be to simply defer a significant number of persons from participation requirements. But having large numbers of complete deferrals can interfere with the goal of changing the culture of welfare offices and expecting everyone to do something. And deferrals are not necessarily beneficial to those who receive them. States and localities may send the signal that those who are deferred should not be subject to high expectations. Advocates for persons with disabilities often complain that current programs send both explicit and subtle messages that persons with disabilities cannot and should not work, and thus cannot really contribute to themselves or their communities. Still, for many, immediate work or training may not be appropriate.

One very intriguing formulation has been proposed by the American Public Welfare Association. They suggested creation of a "JOBS-Prep" program where everyone would be expected to do something to contribute to themselves and their community, but until they reached a certain stage, expectations would be different from those facing people in the time-limited training and cash aid program. We have adopted this formulation with our JOBS-Prep program.

The nomenclature of JOBS-Prep is appealing, for it establishes the expectation that eventually most people in the group will be able to join the regular JOBS program. But who should be placed in a JOBS-Prep status? Virtually everyone seems to agree that persons of advanced age (over 60), with severe disabilities themselves, or who are caring for a severely disabled child should be deferred. But the question of how far along the continuum of disability the line should be drawn is difficult.

A somewhat different set of problems is posed by the mothers of very young children. Should all mothers with (healthy) children be expected to work? The Family Support Act exempted mothers with children under the age of 3 from mandatory education, training or work expectations. States had the option of requiring participation of mothers with children over the age of 1 if they chose to do so. X states have elected this stricter option.

Obviously the more people who are put into a JOBS-Prep program and not immediately subject to a time limit, the fewer people will be in the JOBS and WORK programs. It is estimated that the following percentage of the current caseload would be in JOBS-Prep under different policies:

[Note: Numbers are not final].

Option A: Case head is 60 years or over, case head has severe disability, or child with severe disability -- 8%

Option B: Case head is 60 years or over, case head has disability which limits work, or child with severe disability -- 15%

Option C: Option B, plus cases with child under 1 year in the household or woman in the final trimester of pregnancy. Children conceived while the mother is on welfare would qualify the mother for only 3 months of JOBS-Prep.--25%

Option D: Option B, plus cases with child under 3 years in the household or woman in the final trimester of pregnancy. Children conceived while the mother is on welfare would qualify the mother for only 4 months of JOBS-Prep.--45%

Option D is essentially the strategy used in the Family Support Act, though states have the option of adopting Option C now. (Few have done so.) The Working Group recommends selecting Option C, and that option is the one used in all the estimates in this document.

It is easy to determine the age of youngest child, but difficult to determine exact rules regarding disability, illness, and the need to care for a relative. Rather than set up elaborate Federal rules for defining ability to work and then auditing performance, Working Group recommends that the Federal government set a maximum percentage of the caseload which can be placed in JOBS-Prep for reasons other than the age of the youngest child, while providing guidance as to who should be placed in the program. That cap could be set at x%.

Extensions

A related, but conceptually distinct question is that of extensions. Two-years is not enough time to complete some educational programs. In some cases, persons may be so educationally disadvantaged that they are unable to even complete high school or gain a GED within two years. In other cases, persons seeking post secondary education including a four year college degree would need more than two years to complete their education. Some programs such as the school-to-work program involve both a period to finish high school and an additional year of training.

There seems little disagreement that persons who are making satisfactory progress toward the completion of their GED or high school degree should be granted extensions. Similarly, persons in School-to-Work or similar programs should be encouraged to continue their education. There are others who may need more time to get adequate schooling. Persons with language difficulties

may need to learn English before they can complete a GED or get additional training.

The controversial question is whether persons should be able to receive full welfare benefits while they go on to complete a four year college degree. Those who favor such a proposal emphasize that the only way to a truly secure future off of welfare is an excellent education. Pushing people into lower paying jobs which do not offer high enough pay or upward mobility may be counter-productive. Those who oppose extensions to complete a four-year college note that only one-quarter of high school graduates, and among welfare recipients the fraction is much lower. They question whether it is fair to use welfare benefits to help support persons who are getting college degrees when the vast majority of persons paying for that support will never get such a degree. There is also a concern that single parents would actually have greater access to economic support for higher education than persons who did not become single parents. A partial resolution to this dilemma may emerge if part-time work fulfills the work obligation. In those circumstances, persons working part time and schooling part time would continue to be eligible for some supplemental cash support in most states.

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Just as in the previous case, staff recommend that a fixed percentage be selected as a cap on extensions. The current proposal allows states to use extensions for persons completing their GED, completing a structured School-to-Work or similar learning program, persons needing to overcome a language barrier and other reasons. States could also opt to use extensions for persons in post-secondary education, especially persons in work-study programs. Staff believe that a figure of 10% of the total TAP caseload will offer sufficient extensions in most cases. States could apply to the Secretary for additional extensions as a state plan amendment if they can demonstrate their caseload is very different from that in the nation as a whole or if they have developed an alternative program which is structured in a way that additional extensions are required.

Work for Wages Versus Work for Welfare

Unquestionably the hardest part of designing a time-limited welfare system is designing the work program after the time-limit is reached. Much of the energy is focused on making work pay, collecting child support, and creating a first rate education, training and placement program in order to keep the number of persons reaching the time-limit to a minimum. Before the end of the time-limit all persons will be required to engage in a period of intensive job search. Some will hit the time-limit nonetheless, and a work opportunity must be provided.

The first and most visible choice in the WORK program involves work for wages versus work for welfare. Under a *work for wages* plan, the State or locality is required to offer a work opportunity to the person. Hours and wages are likewise be set by the state or locality. Persons are paid in a paycheck for hours worked. If the person does not work, they do not get paid. In principle they go from being a "recipient" to a worker. In a *work for welfare* plan, the person

continues to receive a welfare check, and is required to work at a designated community service job. Persons who fail to report for work or who perform poorly can be sanctioned with reduced welfare benefits, so long as the state can establish their poor performance was not for a good cause. Persons remain recipients, but they have increased obligations.

There seems little disagreement within the administration on the strong appeal of a work for wages model. It provides a paycheck instead of a welfare check. It is seen as providing a traditional work opportunity with the dignity and the responsibilities of an ordinary workplace. The major question to be resolved is not whether to encourage states both with some sort of financial incentives and with technical assistance to adopt a work-for-wages model. The question is whether to allow states to use a work-for-welfare model if they choose. Thus the real issue is how much flexibility to allow the states in deciding which model to adopt.

Those who argue for state flexibility on this issue point to two major concerns: *implementation* and *recipient protection*. A work program of this type for this population has never been mounted in this country, and though the Working Group has worked hard to resolve as many issues as possible, some questions cannot be resolved without more experience. As discussed below, the Working Group recommends a very flexible work for wages program with considerable state and local flexibility over the use of funds to create work slots. Many of the details are quite consciously left to the States and to local communities, which know their own needs and opportunities best. Communities will have to set up a whole new system for linking with the private sector, determining how and how much organizations who employ the work program recipients will be paid, resolving disputes, determining how placements will be made, and monitoring performance. There are also difficult questions involving worker protection. What happens if a worker is sick, or if their child is sick? What happens if the adult simply fails to show up for work repeatedly? What if the worker feels the workplace is dangerous or abusive? Issues such as these will be discussed below, but we have limited real experience for deciding the answers.

Sanctions

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By contrast, work for welfare has been tried in various forms. Many states have experience with it. The payment structure is easy: participants get a welfare check. And dispute resolution involves the existing sanctioning and appeal process. States still have to find work sites, but monitoring and worker protections may be less of a problem since the check continues to be paid unless the state decides to begin a sanctioning process. The burden of performance shifts at least partially to the state. Before the state can reduce the check it must establish that the persons inappropriately violated their obligations. Such a test would never be met if a child was sick or transportation broke down. Though few people like the existing work-for-welfare programs (usually called CWEP for Community Work Experience Program), it is a known entity. Both the Republican plan and the plan from the American Public Welfare Association called for CWEP after two years. Throughout most of the rest of the plan, we have sought to give states as much flexibility as possible in deciding how to implement the program.

Those who urge against allowing state flexibility in this area regard the implementation questions as difficult, but surmountable, especially if the program initially focusses on younger recipients. They fear that if states are given the option of choosing CWEP, most will and that will undermine the goals and philosophy of this plan. States will be given enormous flexibility within the work for wages model. And the number of work slots contemplated under the program targeted on young people grows gradually, giving states the time they need to design and implement new systems. Worse, work-for-welfare sends adverse messages to recipients, prospective employers, and the public. CWEP slots are not perceived as "real jobs" by anyone. CWEP participants in one of the best run programs (in San Diego) reported that they thought the work requirement was fair, but they felt like they were working for free. There is little evidence that persons who go through CWEP subsequently fare better in the workplace than people who were just on welfare. And no wonder. Employers will probably never see CWEP experience as serious work experience. No regular job pays its employees regardless of when and whether they show up unless the employer can prove the person did not stay out for good cause. Placements are virtually never in the private sector, nor are they likely to be. Work-for-wages programs by contrast can target private sector employers. Perhaps most importantly, without the responsibilities of regular work and the paycheck tied to performance, there will be far less dignity in WORK.

Advocates for a work-for-wages policy would distinguish this Administration's plan from the Republicans' and serve to define and delineate the vision. A work-for-wages plan whereby persons are given transitional aid and training and then offered a job if they can't find one on their own contrasts sharply with a plan which calls for people to work off their welfare check after 2 years. Most of the traditional Democratic constituencies strongly favor work-for-wages. Unions have vociferously opposed CWEP and have indicated that they will continue to do so. While they are deeply concerned about a work-for-wages strategy as well, but there is room for negotiation around such a plan. Most advocates for the poor and women strongly favor work-for-wages, though they want some worker protections built in and favor wages above the minimum. ND

Part-time versus Full-time Work Expectations

The TAP program focuses heavily on work. Persons cannot collect welfare benefits indefinitely without working. But what level of work should be expected? Everyone agrees that the ultimate goal is independence, but what are the minimum work expectations? Is part-time work sufficient or should everyone be expected to work full-time.

Allowing part-time work to count as meeting the participation and work requirements has several advantages. First, it may be the most realistic standard for single parents, especially those with young children. All working parents face significant burdens in dealing with school schedules, child care, sick children, doctor visits, and the like. Though the vast majority of married mothers work, only about 1/3 work full-time all year, and they have help from the second spouse. Currently only 7% of adult recipients work in a given month. Getting people working even part

time perhaps should be seen as a major accomplishment.

Second, part-time work may serve as a stepping stone to both full-time work and to better paying jobs. Given that so few mothers now work while on welfare, it is a natural starting point for the more disadvantaged women. It may be counterproductive in the long run to pull people out of part-time private sector work to put them into full-time WORK slots. Employers typically have a strong preference for work experience in unsubsidized private jobs. And some of the parents working part-time could conceivably spend other time getting further education and training in the mainstream training sector. Part-time workers could attend training schools or colleges on a part-time basis.

Finally the cost of mandating full-time work could be very high. Full-time child care for young children would be great. After school care would have to be provided for many other children. Perhaps most importantly, if one required full-time work and guaranteed jobs at the end of two years, one could be in the position of pulling parents out of unsubsidized private jobs to place them in a subsidized community work program. Unless, stricter rules induced many part-time workers to leave welfare entirely for full-time work, this would significantly increase the number of WORK slots needed and the cost of providing a full-time work slot and full-time child care will be significant.

Note that full-time work would always be much financially rewarding than part-time work. Part-time workers would still generally still be poor even with their supplemental benefits. Note also that the current pledge that full-time worker should not be poor explicitly assumes very low wage workers will still get food stamps.

Those who think part-time worker should not be allowed indefinitely worry that the TAP program may become a work supplementation program. Some persons might remain on TAP for many years while working part-time. If the ultimate goal is to move people completely off of welfare, allowing people to mix work and welfare is sending a mixed message. Many parents outside of welfare feel they must work full time in support of their family. Some mothers who might work part-time and get supplemental welfare benefits might choose to leave welfare altogether if they were forced to work full-time.

With these arguments as background, two related decisions must be made: how will part-time work be treated for people working in unsubsidized private jobs while still getting some supplementary welfare benefits, and how many hours should be expected of those in the WORK program.

Mixing Unsubsidized Work With Welfare

Consider first the situation facing someone who is working part-time at a minimum wage job. In

most states, they would still be eligible for some supplemental AFDC benefits. Currently only 7 percent of the caseload has reported earnings in any given month. There are indications that many more than that work at some point during the period when they receive AFDC. Part of the reason so few work part-time is that currently there are few incentives to mix work and welfare. Benefits decline dollar for dollar and the administrative and reporting burden on the client and welfare worker when someone goes to work is considerable. But with the expanded EITC and other reinventing government assistance policies, there may be considerably more incentive to work. And if the time-limit clock was stopped in months where a person was working part-time, there would be even more incentive to work.

One possibility would be to count part-time unsubsidized work as full participation and the clock stops during periods of work. Persons would be entitled to any supplemental cash benefits if they still qualify for them under welfare rules. Of course, such persons would receive significantly less cash aid than non-workers since benefits are reduced for income net of work expenses. If the person had exhausted their two-year limit in JOBS prior to working part-time, 20 hour per week unsubsidized private work would count as meeting the WORK obligation. This policy implicitly sets the minimum work expectation at 20 hours. People working 20 hours or more would be allowed to collect supplemental aid indefinitely.

An alternative is to stop the clock only when some higher level of work is achieved, such as 30 or 40 hours per week. Or one could allow part-time work to count so long as children are below some age, and then set higher hours when children are older. Presumably one would set the same or greater minimum hours in the WORK program.

The exact impact of allowing part-time unsubsidized work to count as participation is hard to determine. It could be very expensive and difficult to get everyone working full-time. And because part-time workers would be expected to participate in other ways, such a decision is likely to significantly increase the number of persons for whom WORK slots have to be generated. In addition, if part-time workers lose their opportunity to participate in JOBS because the clock keeps running, people in some cases may give up existing work to get training while they have the chance. On the other hand, a full-time work expectation may cause some people to find full-time unsubsidized work and leave welfare entirely. The current cost estimates assume that part-time work counts as full participation and that over time, more people choose to work part-time in unsubsidized employment. If part-time work was not counted, and if we do not observe a significant behavioral effect, by 2004, a total of 600,000 more people would have to be served in the JOBS or WORK program for a TAP program reaching all recipients. Half that number would need to be accommodated if young people were targeted.

Work expectations in the WORK program

A much more significant issue than the treatment of unsubsidized work is the level of work expectation in the WORK program. An obvious starting point to select hours as the welfare

benefit divided by the minimum wage. But this simple formula is not very practical. Assume for a moment that a work-for-wages plan is chosen.

First, in low benefit states and for persons with non-welfare income, the hours of work per week can be quite low. In Mississippi, a mother with two children would be required to work just 10 hours per week, hardly a practical work experience. One solution is to set a minimum level of work, say 15 hours per week. If one pays the minimum wage for each hour worked, setting a minimum has the effect of increasing the amount WORK participants get relative to people on welfare. One could count food stamps benefits as part of what is worked off, but that leads to serious issues of equity and administrative complexity, since recipients in some states will be working off AFDC plus food stamps, while others would only be working off their AFDC. FS

By contrast, in high benefit states, more than 35 hours per week would be required to earn enough to equal the welfare payment. This implies that some sort of supplement must be paid to ensure people working in the WORK program garner as much income as those who are not working who have not yet hit the time limit. Full-time work implies high child care costs and difficult placements.

The problem of low or irregular hours of work is inherent to a CWEP model, as CWEP hours are determined by dividing the benefit by the minimum wage, as described above. Implicit subsidies are also an issue in a CWEP structure, but what is wage and what is supplement is less obvious.

The Working Group staff and chairs recommend giving states the option of setting work hours between say 15 and 35 hours according to whatever criterion they choose, so long as the at least minimum wage is paid for each hour. If the expected earnings (less work expenses) are less than the amount the person would have collected on welfare, then the state would have to provide a supplemental work payment. Note that in the median state (Pennsylvania), a woman would need to work 29 hours to receive as much income as on welfare. If every state chose 20 hours of work, most states would need to supplement earnings somewhat. If every state chose to assign the number of hours needed to reach the welfare benefit up to 35 hours, roughly x states would need to supplement the WORK earnings for a family of three. Allowing states the option to assign part-time work to at least some recipients and to supplement the earnings is most compatible with a plan to allow persons in unsubsidized part-time work to collect whatever supplementary benefits they qualify for. In effect this plan would allow states to choose whether TAP could be used as a work supplement for part-time workers or as a mechanism for pushing people off of welfare and into full-time work.

Cost estimates here assume that states are allowed to choose WORK hours between 15 and 35, and are required to supplement if necessary.

Discouraging extended WORK participation

WORK program jobs are not intended to substitute for or displace private sector placements. Rather they are designed to provide temporary last resort work after the time-limit has been reached when people cannot find private sector jobs. Unless long term participation is deterred, the size of the WORK program could become prohibitively large. Indeed, the ultimate goal of the WORK program is to place people into unsubsidized work.

There are various ways in which a WORK program can be designed in order to discourage or prevent extended participation. These include: limits on the duration of each individual WORK assignments, requiring frequent job search, denying the EITC to WORK program participants, and placing limits on the total time people are allowed to spend in WORK assignments.

Limits on the duration of individual WORK assignments followed by intensive job search: There is little disagreement that individual WORK placements ought to be limited in duration to perhaps 12 months. This limitation is designed to prevent participants from becoming attached to particular subsidized jobs. Of course, there will be strong encouragement and incentives for employers to retain WORK workers in unsubsidized positions at the end of 12 months. Before and after each WORK assignment, job search would be required.

Denying the EITC to WORK program participants: Perhaps the best way to ensure that people do not eschew private sector jobs for WORK positions is to make certain that any private sector position pays better than a WORK job. Though there are various mechanisms for accomplishing this, one of the easiest is to deny the EITC for money earned in the subsidized WORK assignments. Since WORK slots are already subsidized and it may not be appropriate to offer the additional subsidy of the EITC. There will be some administrative complexity to treating earnings received while a WORK participant are not treated the same as other earnings.

Current cost estimates assume a relatively modest effect of denying the EITC to WORK participants because there are no reliable estimates of how much difference it would make to deny the EITC to WORK participants. But independent economic simulation models suggest potentially large effects, for private sector jobs would then pay up to 40% more than WORK slots (the EITC is effectively a 40% pay raise for persons with two children).

Unions and many advocates for the poor argue that if persons are being expected to work in real jobs they ought to receive the same benefits as other workers. They believe that limits on the duration of WORK assignments and frequent job search will lead people to move toward private work without the need for special "penalties" for WORK workers. -

Requiring acceptance of any private sector job offer: WORK program participants could be required to accept any unsubsidized job offer or be denied a WORK job for several months. After two refusals, the person might be denied a WORK indefinitely. Some advocates for the poor argue that such provisions are unnecessary, hard to administer, and potentially unfair, especially if

CONFIDENTIAL DRAFT

Transitional Assistance Program

pas

February 23, 1994

the EITC is denied to WORK workers.

Limiting the total time people can be in the WORK program: The most controversial way to limit WORK participation is to time limit WORK, just as welfare is time-limited. Those who favor limiting WORK assignments to 2 or 3 years argue that other persons are not guaranteed that they will be provided work until they are able to find it. Theoretically persons could stay on the WORK program for many years, and such extended WORK participation is seen by some as creating a work entitlement that may become as unpopular as welfare did.

Moreover, especially if full implementation is chosen the only way to guarantee WORK slots will not reach 1 million or more in a way that could be scored by CBO is to place absolute limits on the duration of WORK assignments.

The big problem with limiting the WORK durations is deciding what to do when participants hit the WORK limit. One strategy would be to end or dramatically reduce cash assistance altogether, perhaps offering some form of additional housing aid. Another plan would be to let WORK exhaustees return to cash assistance, perhaps with a lower benefit. Such a strategy would ensure that WORK slots are preserved for those first hitting the time limit. One need not require states to limit WORK assignments, one might provide the flexibility to do so. The Republican plan does allow states to terminate or reduce public assistance after 3 years in CWEP.

Opponents argue that there is no justification for limiting participation in the WORK program, especially if WORK participants are denied the EITC. If all previous WORK limiting provisions are adopted, anyone still eligible for a WORK assignment after say 2 or 3 years will have successfully met all WORK requirements in several different placements, been through 3 or 4 intensive private sector job searches, not refused any private offer, and will be seeking a WORK assignment even though any private sector job opportunity would pay 40% more and probably offer a better future. Opponents of WORK time-limits argue that such people are most likely people who genuinely cannot find any private sector employment either because they live in a weak labor market, or because they are not wanted for existing jobs. Thus cutting them off of WORK or sharply reducing their income would very likely cause their incomes to fall, potentially putting the family in a desperate position with a serious risk of homelessness and family crises. Virtually none of these families would have had incomes above the poverty line *before* their incomes were cut. Unless we are willing to provide cash benefits without a work expectation for people who have exhausted WORK, we will be placed in the position of denying support to

persons who had demonstrated a willingness to work.

Limiting WORK assignments will not have any effect on cost estimates in the five-year cost estimation window used for the budget. Since the program will take states 2 years to implement, even a strict two-year limit on JOBS followed by a strict two-year limit on WORK would not affect anyone for 6 years. And since most people do not stay on welfare continuously for 4 years, in most cases, it would not have any effect for 7 or 8 years. Eventually, however, limits on WORK could have significant effects. If people tend to remain in the WORK program as long as they stay on welfare today, a limit on WORK placements would reduce the number of required WORK slots by 50 percent. If cash benefits were not available to those who had reached the WORK program limit, however, this would translate into leaving 50 percent of WORK participants without support and further below the poverty line. Unfortunately we have no information on the extent to which extended stays on WORK will be a problem, nor any understanding of what the reasons for extended stays would be. The issue could be revisited in later years if extended spells in WORK become a problem.

Addendum: Work for Wages Program Design

The following are key policy elements and the initial recommended design. Elements with a * contain controversial policy questions:

Administration: States are required to develop a WORK plan for joint approval by the Secretaries of HHS and Labor. States are required to have WORK advisory panel with membership from Labor, Business, Community Organizations. To be resolved: membership and links to PIC and WIBs. The advisory panel must approve the WORK plan.

Funding: For each WORK placement: states would receive a flat amount for administrative costs and would be reimbursed for expected earnings (hours times wage) according to a specified set of matching rules. Federal matching rates would decline significantly the longer the person stayed in the WORK program as a further incentive for states to move people into unsubsidized work. Additional monies or a higher match would be available to states in times of recession.

Placements: Placements in private sector establishments would be strongly preferred. States would be free to negotiate contracts with private companies, placement services, community organizations, state and local government agencies, and other organizations to accept or place WORK participants in exchange for payments from the government. Private sector placements would require that at least some portion of the wage be paid by the employer.

[Could talk about child care, other government programs ala HUD, etc]

National Service placements would be acceptable WORK placements. States would be given the

CONFIDENTIAL DRAFT

Transitional Assistance Program

February 23, 1994

option of contracting with the National Service Board to provide a certain number of National Service Placements. In addition, National Service workers could be used to help work with and supervise WORK participants in community service activities.

*Displacement: Language to be negotiated with National Service displacement language including labor veto over placements in existing bargaining unit positions serving as a model.

*Hours: Hours are set by the state, minimum 15 hours, maximum 35. States are free to use whatever criterion they choose in deciding upon hours so long as each hour of work is paid. Two policy decisions are implicit in this policy.

States can choose to offer anything from part-time to full-time work. States which offer jobs which pay less than what would have been received in AFDC would pay a supplement (see below). Requiring full-time work is considerably more expensive, more than doubling the cost of the WORK program and complicating the job creation problem considerably. Particularly for mothers with young children, full-time work may not be deemed appropriate or practical by the local community.

*Wages, Working Conditions, and Benefits: Wages are set at the minimum wage, but states and localities can choose to set a higher wage rate in specific cases. Wage rates are among the most contentious elements among unions. Unions would like explicit language indicating that total compensation (including any subsidized child care and other benefits) paid to the worker would have to be similar to that paid workers of comparable experience and skills in the same job. At a minimum, unions would like a provision allowing a veto over the placement of a WORK recipient into a bargaining unit unless compensation is similar. Sick rules and absentee policy would be the same that of similar workers in the establishment. States would set or negotiate such rules in cases where a new organization or establishment is being formed to employ WORK participants. Workers compensation would be paid for WORK, though who bore the costs would be negotiated. Social Security payments would be required. Unemployment insurance payments would not be required.

Supplementary Support: If expected earnings net of work expenses in the WORK program are less than would have been received by a non-working family on cash assistance, the state will pay the difference as a supplemental benefit. Note that such a supplemental benefit would never be higher than the supplement that would be paid under TAP for someone with the same earnings in a private sector job.

*Treatment of earnings from WORK program for other government benefits: For purposes of determining eligibility and benefits for other government programs, the following rules would apply:

- Food stamp, housing and other benefits would be calculated treating wages paid under the WORK program as earnings. Benefits would be calculated on a 3 month prospective basis under the assumption that the person works the full number of hours assigned. No increases in food stamps or supplementary benefits would occur if the person did not work the required hours, provided he or she did not have good cause (e.g., a serious illness) for the missed work.
- Earnings received under the WORK program would not be eligible for the EITC and would not be included in adjusted gross income for tax purposes. This provision is designed to ensure that private unsubsidized work would always be significantly more attractive than WORK. Since WORK slots are already subsidized and it may not be appropriate to offer the additional subsidy of the EITC.

Limits on the duration of each placement with frequent requirements for private job search:

WORK slots are designed to be temporary, available only when people really cannot find private sector work. Each individual placement should itself last no more than 12 months as a subsidized placement and be preceded and followed by a period of intensive private sector job search, unless the employer agrees to take the person on as an unsubsidized worker (removing the person from the WORK program).

*Required acceptance of any private sector job offer: WORK program participants could be required to accept any unsubsidized job offer or be denied a WORK job for several months. After two refusals, the person might be denied a WORK indefinitely.

Tracking of Placement and Retention Records: States will be asked to maintain records on the rate at which WORK workers are retained or placed by their WORK employers in unsubsidized jobs. Preference should be given to employers or placement services that perform better. At a future date, the Secretary may impose retention or placement standards.

Returns to TAP: Persons who become temporarily ill or face a new major new impediment to work may seek to be re-evaluated and placed in the JOBS-Prep program until such time as the state deems them ready to work. Persons in this status count against the limit on JOBS-Prep placements.

*Insufficient WORK slots: In cases where there are insufficient work slots, first preference goes to people just reaching the time limit. States are required to pay ongoing cash benefits to persons who are not placed in WORK programs and a reimbursed at a significantly reduced match. Reduced match is waived in periods of high local unemployment.

MAKING WORK PAY/CHILD CARE

A crucial component of welfare reform based on work and responsibility is making work pay. Last summer's expansion of the Earned Income Tax Credit was a crucial step toward making it possible for low-wage workers to support themselves and their families above poverty. The welfare reform proposal will include provisions to make sure the EITC can be delivered on a regular, advance-payment basis. The next crucial step will come with health care reform. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need.

The key missing component for making work pay is subsidized day care. In order for families, especially single-parent families, to be able to work and prepare themselves for work, they need care for their children.

There are two major issues as we think about day care in the context of welfare reform:

- How much subsidized day care should be made available, and for whom?
- What investments and/or requirements should be put in place to improve the quality of child care and the coordination of child care programs funded under different mechanisms?

ISSUE: HOW MUCH AND FOR WHOM?

There are three categories of low-income families with day care needs that we need to think about. They are families which are:

- On welfare, in JOBS, working or in the WORK program;
- Working, in "transition" off welfare; and
- Working, never on welfare or after transition.

All three categories have legitimate claims on day care subsidies. Families who are required to participate in JOBS are currently, rightly, guaranteed child care. People who are working but still on welfare have their day care subsidized through disregards from their AFDC and food stamp benefits and sometimes through subsidies. We propose to continue current guarantees of child care subsidies for these categories of recipients. People in the WORK program are like welfare recipients in that they are working as a condition of receiving continued support; they are working at the minimum wage, and they are not receiving the EITC. The proposal would guarantee their child care, just as it is guaranteed for JOBS and AFDC participants.

Under current law, people who move off welfare and are working are guaranteed subsidized child care for a year in order to ease the transition. We propose to continue that guarantee for participants in the Transitional Assistance Program who move into private sector work.

It is hard to argue, however, that low-income working families who are not on welfare or transitioning off welfare are less needing or deserving of child care subsidies than people who are on welfare. It seems quite inequitable to provide child care subsidies to one family and to deny them to another whose circumstances are identical except for the fact that the first family is or has been on welfare.

The problem, of course, is the potential cost of extending subsidies to working poor families who have never been on welfare. Expanding JOBS and creating WORK programs for welfare recipients demand new resources for day care, which presumably must be provided before new claims on resources can be entertained. As noted in the last section, the estimated costs of extending day care to new JOBS and WORK participants are \$1.1 billion in 1999 and \$2.7 billion for the five-year total. The estimated costs of providing transitional care to TAP participants are \$.33 billion in 1999 and \$.870 billion over five years.

Since these costs are predetermined by the policies surrounding JOBS and WORK, then the crucial issue to be decided is the size and shape of a day care subsidy program for the working poor. This program should almost certainly be designed as a capped entitlement. There are three basic options, which reflect different overall levels of resources and different targeting strategies.

Capped Entitlement: Full Service Level

If we genuinely want to make work pay, to make work more attractive than welfare, and to maintain equity between those who have and have not been on welfare, it is very important that day care subsidies be available for the working poor independent of their prior welfare status. The ideal approach, if resources were no constraint, would be to guarantee a day care subsidy to all working poor families who needed it, with a reasonable ceiling on cost per child. The cost of such an entitlement is estimated to be between \$3 and \$4 billion per year of net new Federal and State spending. [I HOPE WE CAN NARROW THIS RANGE TOMORROW.]

This estimate is very uncertain. Because it is based on current usage, it does not reflect potential changes in work behavior and child care choices that might result if new subsidies were available. It may, therefore, be substantially underestimated. On the other hand, experience to date suggests that actual day care usage is often much lower than planners predict; based on this experience, the estimate could be too high. Because of the great uncertainty of the estimates of providing subsidized child care for the working poor, however, it is almost certainly unwise at this point to establish an uncapped entitlement which could potentially become quite expensive.

The obvious alternative is a capped entitlement, set at a level that reflects available resources. Capping the entitlement guarantees that spending will not exceed the specified limit.

Setting the cap at \$3 billion in 1999 and phasing up to that level over four years would cost approximately \$6.5 billion over five years. This level of entitlement should be sufficient to serve working poor families who need child care.

We suggest a less than full funding level in order to reflect available resources. The proposal is for \$2.0 billion in 1999, with five-year costs of \$5.0 billion. This is less than our estimates for full service, and requires some method of allocation.

Capped Entitlement: State Discretion

The most obvious way of structuring a capped entitlement to day care for the working poor, whether at the full-service level or at a lower level, is to allot available funds to the States and allow them to use the funds for services to families as they see fit. This approach should work very well if the funds are set at the full-service level. At a lower funding level, however, a problem arises because the funds are almost inevitably less than the demand and criteria are hard to set. Day care subsidies tend, therefore, to be distributed inequitably, often on the basis of a first-come, first-served strategy that cannot address relative need.

Capped Entitlement: Targeted

An alternative would be a targeted capped entitlement. Because it would be capped, spending levels would be controlled. But if it were targeted at a population subgroup, and set at a level that was estimated to be sufficient to serve that sub-group, both of the problems of the normal capped entitlement could be alleviated. The question, therefore, is whether there is a sub-group that could be targeted that makes sense programmatically and that could be served with a reasonable resource allocation.

An intriguing possibility is to target young families, along the same lines and for the same reasons that we are targeting young AFDC applicants and recipients. This strategy has many attractive features. It can be justified on the same grounds that we justify the focus in the transitional program, of investing in young families. It also neatly solves the problem of equity between welfare and non-welfare recipients. Everyone born after 1969 receives services in the welfare program and day care subsidies if they are working, whether or not they are or have been on welfare. The disadvantage of this kind of targeting, obviously, is that it denies services to older mothers simply on the basis of their birth date. Focusing day care subsidies on young mothers may send a wrong message about the desirability of deferring parenthood.

YES

The estimated additional costs of day care subsidies for young families are about \$1 billion per year. This funding level would probably be sufficient to serve all young families and a portion of older families.

Quality and Coordination Issues

The issue of quality versus quantity in day care has a long and rancorous history. At one extreme are those who argue that child care subsidies should only be available for care that meets Federally-defined quality standards, that professionalized group care should be preferred over informal care, and that rates should be set in such a way that expensive care is not only eligible for subsidy but is encouraged. At the other extreme are those who argue that day care subsidies should be able to be used for any kind of care that the parent can find, with a strong preference for inexpensive and informal care.

Head Start

Fortunately, some agreements and accommodations have been emerging that can guide an approach to child care. Nearly everyone agrees that Head Start, with its high quality comprehensive approach to child development, should be the preferred service for as many three- and four-year-olds as possible, with supplementary child care as needed. This Administration's commitment to expanding Head Start, and to developing more full-day and full-year Head Start slots, will ensure that as many as 1,000,000 low-income children in 1999 will be served by Head Start.

Parental Choice and State Oversight

Nearly everyone also agrees that for other child care arrangements, parents should have nearly unlimited choice, constrained only by State regulations and by minimum health and safety standards. The general principle is that providers who receive subsidies should meet State licensing or registration standards. Providers that are exempt from State regulatory standards (most States exempt baby-sitting and small in-home care arrangements for two or three children, and some States exempt sectarian and other providers of more formal care) would be required to register with the State and to meet State-defined requirements for the prevention and control of infectious diseases, building and physical premise safety and minimum health and safety training of providers.

Investments in Quality and Supply

A third point of general agreement is that some funds ought to be available for investments in child care quality and supply. We propose setting aside a portion of child care funds for the following: resource and referral programs; grants or loans to assist in meeting State and local standards; monitoring of compliance with licensing and regulatory requirements; training and technical assistance to providers; and enhancements to compensation for providers. We also propose to ensure that training and technical assistance are available to

enable welfare recipients to become Head Start and day care providers. These programs should be an important source of private sector jobs and of WORK program slots for people moving off welfare.

Rates

In general, States pay subsidies for child care equal to the cost of child care up to some maximum. This maximum should be set in a way that it reflects reasonable costs of care. It should also be the same across child care programs and payment mechanisms. The current maximum payment for child care subsidized through the disregard was set at \$175 per month in 1988. This level needs to be raised to reflect current market conditions and defined in such a way that it can vary over time and perhaps geographically.

Program Coordination

Finally, there is agreement that day care programs and funding streams be designed in ways that are easy to administer and appear "seamless" to parents. This can be achieved both through program consolidation, when possible, and through coordination of rules, procedures and automated systems. Because it is not fiscally possible to consolidate day care programs on the discretionary side, and since it is probably not politically possible to consolidate day care programs on the entitlement side, full consolidation seems unable to be achieved. Nonetheless, full coordination ought to be an important goal.

PROMOTING PARENTAL RESPONSIBILITY - AND PREVENTING TEEN PREGNANCY -

The best way to end welfare dependency is to eliminate the need for welfare in the first place. High rates of female-headed family formation and the startlingly high poverty rates of those families lie behind our large and growing welfare rolls. We are approaching the point when one out of every three babies in America will be born to an unwed mother, the majority of whom will receive welfare at some point. Births to school-age unwed mothers are a special and enduring tragedy. Too many children are not receiving financial support from both their parents. This too contributes to rates of welfare receipt that are much higher than we would like.

Concern over the dramatic increases in out-of-wedlock births has led some commentators to advocate strongly punitive solutions. The most extreme of these would cut off welfare for unwed mothers, a "cure" that might well have disastrous effects on the children of these mothers, increase the need for spending on foster care and orphanages, and almost certainly increase the already too high number of abortions. At the other end of the spectrum, some advocate massive spending on comprehensive services for high-risk youth, despite the discouraging evidence on the effects on teen pregnancy from social services programs.

In contrast to both these approaches, we believe that the best prevention strategy is one that focuses on parental responsibility and provides opportunities for exercising it, supplemented by increased family planning efforts and demonstrations of service programs aimed at preventing teen pregnancy. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities which will be enforced, hold the best chance of encouraging young people to think about the consequences of their actions and defer parenthood. A boy who sees his brother required to pay 17 percent of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and to go to school may come to prefer other opportunities.

The current welfare system sends very different messages, often letting fathers off the hook, and expecting little from mothers. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will prevent too-early parenthood. We know that parental financial support can help keep families off welfare and that reinforcing parental responsibility is the right thing to do.

Along with responsibility, though, we must support opportunity. Telling young people to be responsible, without providing them the means to exercise responsibility and the hope that playing by the rules will lead to a better life, is cruelly hypocritical. Both our child support proposals and our transitional assistance proposals are designed to offer opportunity to work and prepare for work, built on the experience of effective programs. Unfortunately, the knowledge base for developing effective programs that prevent too-early parenthood by

offering alternative hopeful futures is sadly lacking. Our strategy, therefore emphasizes demonstrations and learning.

Our approach has five components:

- Child support enforcement
- Responsibilities of minor mothers
- Responsible family planning
- Demonstrations of prevention approaches
- Supporting two-parent families.

Child Support Enforcement

The responsibilities of both parents are emphasized in an approach to child support enforcement that holds both parents responsible for supporting children. It makes clear to fathers, as well as to mothers, that parenthood brings with it clear obligations, and that these obligations will be enforced, with serious and predictable consequences for those who become parents. The child support enforcement reform proposal has three major elements:

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed.

Establish Awards in Every Case

Our goal is to establish paternity for all out-of-wedlock births. This will be accomplished by offering States performance-based incentives for all paternities established, whether or not the mother is currently on welfare, expanding the in-hospital paternity establishment provisions enacted as part of OBRA 1993, and expanding education and outreach efforts to stress that having a child is a two-parent responsibility.

The proposal streamlines the legal process for establishing paternity, enabling States to establish paternity much more quickly. This will be accomplished through an "up front" cooperation requirement (prior to receipt of welfare benefits), clear responsibility for making the cooperation and sanction determination (IV-D—not IV-A), and streamlining the legal process.

Under the proposal, paternity establishment requirements are strengthened significantly. First, the responsibility for paternity establishment will be clearly delineated. Mothers will be required to cooperate in establishing as a condition of receipt of welfare under a very strict cooperation requirement. This requires the mother to provide both the name of the father and information sufficient to verify the identity of the person named. (Good cause exceptions would be granted only under narrow circumstances.) In turn, the States will have a clear responsibility to establish paternity when the mother has fully cooperated. We propose that the States be held fully responsible for the cost of benefits paid to mothers who have cooperated fully but for whom paternity has not been established within a strictly defined time frame.

While the proposal is very tough and strict in its approach to paternity establishment, it is balanced and sensible. Applicants must *meet the new stricter cooperation requirement prior to the receipt of benefits*, but when the mother has fully cooperated and provided complete information, the burden shifts to the State to establish paternity. In contrast, the present Republican proposal requires that the mother must *have paternity established prior to receipt of benefits*. Thus, the mother who has done everything that can be expected of her is unfairly penalized for the State's inaction or inefficiency in getting paternity established. She could be denied benefits for a long time through no fault of her own. In some States it is presently not uncommon for the State agency to take two or more years to establish paternity.

Ensure Fair Award Levels

The proposal will establish a National Guidelines Commission to study and report to Congress on the adequacy of award levels, the variability of award levels and the desirability of national guidelines.

The proposal will also require the universal, periodic updating of awards so that all awards will closely reflect the current ability of the noncustodial parent to pay support. States must establish simplified administrative procedures to update the awards.

In addition, present child support distribution rules will be changed to strengthen families and assist families making the transition from welfare to work.

Collect Awards that are Owed

The proposal seeks to develop a child support system for the 21st century. All States must maintain a central registry and centralized collection and disbursement capability. States must be able to monitor support payments and take appropriate enforcement actions immediately when support payments are missed. Certain routine enforcement remedies will be imposed administratively at the State level, thus taking advantage of computers and automation to handle these routine enforcement measures using mass case-processing techniques. A higher Federal match rate will be provided to implement new technologies.

To improve collections in interstate cases, a Federal Child Support Enforcement Clearinghouse will be created to track parents across State lines. This will include a National Directory of New Hires so that wage withholding could be instituted in appropriate cases from the first paycheck. The adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures will make procedures in interstate cases more routine. In addition, the IRS role in full collections, tax refund offsets, and access to IRS income and asset information will be expanded.

States will also be provided with the tools they need, such as license revocations and access to other data bases, so that the child support enforcement system could crack down on those noncustodial parents who otherwise find ways to avoid payment of their support obligations. For instance, frequent and routine matches will be made against appropriate data bases to find location, asset, and income information on those who try to hide in order to escape payment.

The funding and incentive structure will be changed in order to provide the necessary resources for States to run good programs and it will employ performance based incentives to reward States for good performance.

ISSUE: CHILD SUPPORT ENFORCEMENT AND ASSURANCE (CSEA)

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. The proposals described above are designed to collect as much money from absent parents as possible. But what happens when little or no money is collected from the noncustodial parent either because the child support enforcement system is ineffective, or because the absent parent is unable to contribute much due to low earnings? In that circumstance, a child support enforcement and assurance system would guarantee that the custodial parent gets some insured level of child support, even when collections from the absent parent fall below that level. Thus single parents with a child support award in place could count on some level of child support which they could then use to supplement their earnings. Numerous State and national reform commissions (including the National Commission on Children) have called for demonstrations of this concept.

Proponents argue that child support enforcement and assurance will significantly ease the difficult task of moving people from welfare to work. If single parents can count on some support, usually from the noncustodial parent, but if not from the insured child support payment, then they can build a reliable combination of their own earnings plus child support which will offer real security. CSEA is not unlike unemployment insurance for intact families. When an absent parent becomes unemployed or cannot pay child support, the child still has some protection. And since CSEA is not income tested, there are no reporting requirements, no welfare offices, no benefit offsets, no welfare stigma. Proponents also suggest that CSEA benefits be subtracted dollar for dollar from welfare payments. Thus a woman on welfare is no better off with CSEA. But if she goes to work, she can count on her child support payments, thus the rewards to working rise considerably. Essentially all of the net new costs of a CSEA protection program would thus go for supporting custodial parents

who are off welfare and working. Finally proponents argue that if CSEA protection is provided only to people who have a child support award in place, women will have much more incentive to cooperate in the identification and location of the absent father, since they can count on receiving benefits.

Opponents worry that CSEA will dilute the pressure to actually collect child support. If mothers can count on the money regardless of whether the State actually collects the amount owed, less effort may be put into collections. States may choose not to try to get collections up especially if the Federal government is paying for CSEA. There is also a danger that CSEA will be seen as welfare by another name, since it is a source of support for single parents. Some opponents also argue that there will be fewer incentives for absent parents to pay child support since their children are assured of some level of support even if they fail to pay.

One proposal is to spend \$x billion over 5 years to fund demonstrations in six States. This figure is the same as one proposed by Senator Dodd and others in recent legislative proposals.

ISSUE: ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The well-being of children, who only live with one parent, would be enhanced if both emotional and financial support were provided by both of their parents. 1089

Ultimately, the system's expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father, and whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and we know less about what types of programs would work. New programs should be modest and flexible, growing only as evaluation findings begin to identify the most effective strategies. We propose the following:

- Grants to States for programs which reinforce the need for children to have continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up and development of guidelines for visitation and alternative custody arrangements.

- Expanded authority and additional funding for the Commission on Child and Family Welfare to study access and visitation issues.
- A portion of JOBS and WORK program funding reserved for training, work readiness, educational remediation and mandatory work programs for noncustodial parents of AFDC recipient children who can't pay child support due to unemployment, underemployment or other employability problems.

State option for mandatory work programs for non-custodial parents. States would have considerable flexibility to design their own programs, but the focus would be on CWEP--not on work for wages.

- Demonstration grants to States and/or community-based organizations to develop and implement noncustodial-parent (fathers) components for existing programs for high-risk families (e.g. Head Start, Healthy Start, family preservation, teen pregnancy and prevention) to promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.

Responsibilities of Minor Mothers

The program of transitional assistance followed by work that is outlined later in this document focuses on the responsibilities of custodial parents, especially young parents, to work and prepare for work as a condition of receiving benefits. All young single parents seeking government assistance will be expected to prepare for and go to work. Like the child support provisions, the obligations inherent in the program send a clear message about the consequences of parenthood, ensuring that welfare receipt does not release either parent from their responsibilities to work and support their children.

Minor mothers, those under age 18, have special needs and deserve special consideration. This is a relatively small part of the caseload at any point in time but is a disproportionate contributor to long-term dependency. We have four proposals that affect this group:

- Minor Mothers Live at Home. We propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions, such as when the minor parent is married or if there is a danger of abuse to the minor parent). Parental support could then be included in determining cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. Under current law, States do have the option of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five have included this in their State plan. This proposal would make that option a requirement for all States. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves. The Senate Republicans

have a similar proposal. However, they also give States the option of providing no AFDC to minors. The House Republicans make minor parents ineligible for AFDC.

- Mentoring by Older Welfare Mothers. We propose to allow States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.
- Targeting school-age-parents. We will ensure that every school-aged parent or pregnant teenager who is on or applies for welfare enrolls in the JOBS program, finishes their education, and is put on a track to self-sufficiency. Every school-age parent (male or female, case head or not, any age) will be mandated to participate in JOBS from the moment the pregnancy or paternity is established. All JOBS rules pertaining to social contracts, employability plans, and participation will apply to teen parents. We propose to require case management for these teens.
- State options for behavioral incentives. We propose to give States the option to use monetary incentives combined with sanctions as inducements to remain in school or GED class. They may also use incentives and sanctions to encourage appropriate parenting.

Encouragements for Responsible Family Planning

Responsible parenting requires access to information and services designed to discourage early sexual behavior and to prevent pregnancy. We propose the following:

- A national campaign against teen pregnancy. We propose that the President lead a national campaign against teen pregnancy, involving the media, community organizations, churches and others in a concerted effort to change perceptions. The campaign would set national prevention goals and challenge the States to come up with school or community based plans to meet those goals.
- Increased funding for family planning services through Title X. Responsible family planning requires that family planning services be available for those who need them. A request for increased funding for Title X was included in the FY1995 budget submission.

ISSUE: FAMILY CAPS

The issue is whether States should be allowed or required to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents

have access to family planning services. Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. (The tax deduction and EITC increase for the second child is worth \$1,241 at the \$20,000 income level; the tax deduction is worth \$686 at \$60,000.) However, families on welfare receive additional support (\$684 in AFDC per year for the second child in the median State; \$1,584 with food stamps) because their AFDC benefits increase automatically to include the needs of an additional child. This option would reinforce parental responsibility by keeping AFDC (but not food stamps) benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law. Both Republican plans have a provision to not pay additional AFDC for more children. Under the House Republican plan, States must pass legislation in order to pay additional benefits to children.

Demonstrations of Prevention Approaches that Engage Every Sector of the Society in Promoting Responsibility

Solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. In very poor neighborhoods, teen pregnancy appears to part of a more general pattern of high-risk behavior among youth.

The Administration is developing several initiatives that aim at improve the opportunities available to young people and to provide alternatives to high-risk behavior. The school-to-work initiative, for example, will provide opportunities for young people to combine school with work experience and on-the-job training, as a way of easing the transition into the workplace. The crime bill focuses additional resources on crime prevention, especially on youth in disadvantaged neighborhoods. Initiatives like these are aimed at raising aspirations and hope among young people who might otherwise become parents too early.

In addition, we ought to direct some attention to specifically preventing teen pregnancy. The basic issue in designing a prevention approach is to balance the magnitude of the problem with the paucity of proven approaches for dealing with it. Because the problem is so compelling, it is tempting to propose substantial increases in spending on services and approaches to deal with it. Unfortunately, although there are numerous anecdotal reports on effective programs, none of the rigorous evaluations of service-based attempts to prevent teen pregnancy has shown demonstrated success.

We believe that large scale spending on unproven approaches would be irresponsible. Instead, we need a strategic approach that develops and funds some substantial demonstration programs, and evaluates them for their potential to be more broadly effective.

Demonstrations. Early childbearing and other problem behaviors are interrelated and strongly influenced by the general life-experience associated with poverty. Changing the circumstances

in which people live, and consequently how they view themselves, is needed to affect the decisions young people make in regard to their lives. To maximize effectiveness, any effort must address a wide spectrum of areas including, among others, economic opportunity, safety, health and education. Particular emphasis must be paid to the prevention of adolescent pregnancy, through measures which include sex education, abstinence education, life skills education and contraceptive services. These interventions show great promise, but those efforts that combine education and services show the most promise.

Comprehensive demonstration grants are proposed that would seek to change the environment in which youth live. These grants must be of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions and behaviors of youth. They would seek to change neighborhoods as well as directly support youth and families, particularly adolescent pregnancy prevention. While models exist for this type of comprehensive effort, few have been rigorously evaluated. All demonstrations will include a strong evaluation component.

Supporting Two-Parent Families

The Reinventing Government section includes provisions to end the current bias in the welfare system against two-parent families by: 1) eliminating the more stringent rules for two-parent families that exist in current law; and 2) allowing States to provide benefits to two-parent families continuously, instead of limiting provision of such benefits to 6 months.

APPENDIX: NOTES TO TABLE 1

Two-Parent Estimates

1. The costs for eliminating the special eligibility requirements for two-parent families is based upon estimates from the food stamp quality control data file. These estimates were then adjusted for increased participation based on estimates from the MATH model employed by Mathematica, Inc.

Child Support Enforcement Estimates

1. The estimates for paternity establishment, enforcement, and computer costs are based upon our best guess of how CBO will estimate the savings from these child support enforcement provisions. The original HHS estimates for these provisions would have produced savings of \$3.6 billion over the period. However, both CBO and OMB staff believe these original estimates are overstated substantially. Thus, for these estimates we are projecting savings of \$0.6 billion over the period.
2. The costs for the non-custodial parent provisions are 10 percent of the JOBS and WORK program costs.
3. The estimate for the cost of the child support assurance demonstrations are based upon CBO estimates of the Rockefeller/Dodd bill.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born in 1970 or later are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume about one third of the States will implement the policy a year earlier than required. This follows State implementations under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.
2. Caretaker relatives are not subject to the new rules and are not phased-in.
3. Parents who have a child under one (or under 4 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 23 percent of the phased-in caseload is deferred.
4. The caseload numbers include modest treatment effects as a result of the new rules.

5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).
6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 50 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.
7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 35,000 and 150,000 WORK slots would be required in 1998 and 1999, respectively.
8. The figures for JOBS participants and JOBS spending under current law are taken from the ACF baseline.
9. The JOBS and WORK cost estimates do not consider the potential impact of the child support on the size of the caseload.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation enhanced case management services would be provided to all teen parents under the age of 19 and on assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70% (of those phased-in) in FY 1996 to 80% in FY 1997, 90% in FYs 1998 and 1999 and to 100% in FY 2004.

The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly \$560 per participant, in 1993 dollars.

2. The JOBS-prep cost estimate presumes that JOBS-prep services will be provided to 20% of those in the JOBS-prep program. As States currently serve only 16% of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-prep program. As we have virtually no idea what services States will provide during the JOBS-prep program (candidates including parenting skills classes, life skills training, vocational

rehabilitation and substance abuse treatment), arriving at a cost per participant figure for the program is challenging.

For purposes of the estimate, we speculate that States will for the most part not provide services such as vocational rehabilitation directly in the JOBS-prep program. JOBS-prep services may consist primarily of case management, which would encompass referral to external service providers. Given that many of the persons in the JOBS-prep program will have some serious issues to contend with (although some, such as most mothers of children under one, will not) a fairly intensive level of case management would be required.

The cost per JOBS-prep participant figure represents a level of case management more intensive than that in the JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

Child Care Estimates

1. These estimates reflect the child care costs associated with the above phase-in assumptions described under JOBS and WORK.
2. CBO's estimates of these costs may be higher than these estimates based on their estimate of the Republican welfare reform proposal. The per-child costs in the CBO estimates are higher. We are continuing to work with them to resolve these differences.
3. This estimate is based upon baseline spending for the Head Start program and therefore does not account for the additional children who will be served by Head Start when it expands. This follows conventional CBO scoring rules.
4. There is no sliding scale fee for services included in this estimate.
5. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.

No Additional Benefits for Additional Children

1. This estimate is based upon an estimate by the Congressional Budget Office. The estimate assumes that all 54 States and jurisdictions implement the policy.
2. The average roughly monthly number of children ineligible for benefits would increase from roughly 200,000 in fiscal year 1995 to almost 850,000 in fiscal year 1999.
3. It is assumed that States would reduce the monthly benefit by \$63 for each child (after the first) born while the mother was receiving AFDC. It is also assumed that States would have little success identifying children born on AFDC during previous spells of welfare receipt.