

PUERTO RICO FEDERAL AFFAIRS ADMINISTRATION
OFFICE OF THE GOVERNOR

PEDRO ROSSELLÓ
GOVERNOR

WANDA RUBIANES
DIRECTOR

Mr. Bruce Reed
Deputy Assistant to the President for Domestic Policy
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

April 12, 1994

Dear Mr. Reed:

It was a pleasure meeting you last week; I enjoyed the opportunity to discuss with you Puerto Rico's contributions to national welfare reform. As you know, Governor Rosselló supports the Clinton Administration in its efforts to "end welfare as we know it" and to move people from dependence to productive, fulfilling jobs.

Puerto Rico is taking a leadership role in welfare reform efforts. As the enclosed briefing outlines, we are taking firm steps forward to revitalize our economy and provide new opportunities for our citizens. To meet our goals, we look forward to a strong partnership with your administration in the implementation of national welfare reform.

Although Puerto Rico's situation is unique to some extent, in many respects it is not that different from the situation faced by any urban area of the United States. We believe our reforms will serve as a model for efforts being undertaken in other cities in the United States.

Again, thank you for your interest in Puerto Rico; I hope the enclosed materials will be helpful. I look forward to meeting with you again, and wish you the best of luck in your efforts.

GOVERNMENT OF PUERTO RICO
OFFICE OF THE GOVERNOR



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Sincerely,

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OPTION A / FUNDS NECESSARY FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS (WITHOUT UP COMPONENT)

PROGRAM: AFDC - Family Assistance

Amount Requested: \$104,643,310

- Purpose:**
1. Give recipients a \$10 cost-of-living increase
 2. Give Elderly, Blind and Disabled a cost-of-living increase
 3. Continue Housing Subsidy at \$13 million

The current rate of \$32 per month does not serve as a disincentive to work, but is below basic subsistence levels and harms children because parents cannot afford to provide basic care. This lack of care results in life-long problems for children. An increase to \$42 for adults and \$34 for children will provide basic necessities, without reducing the attractiveness of leaving public assistance for employment.

In addition, benefit increases are needed for the aged, blind and disabled population served in other states under SSI. Average monthly benefit levels of \$32 for the elderly and \$80 for the blind and disabled are not sufficient to meet basic necessities. We propose to raise the elderly benefit to \$75 and the disabled benefit to \$100.

Revenue Estimates:

1. Give recipients a \$10 per month cost-of-living increase

	Total	Match Puerto Rico	Match Federal
Adults: 59,403	\$29,939,112	\$7,484,778	<u>\$22,454,334</u>
Children: 126,806	\$51,736,848	\$12,934,212	<u>\$38,802,636</u>

2. Give Elderly, Blind and Disabled normally served under SSI a cost-of-living increase

Current Recipients Elderly: 15,004

Current Benefit Elderly: \$32

Raise Benefit to \$75 = \$13,503,600

Total = \$13,503,600 / 75% = \$10,127,700

Current Recipients Blind & Disabled: 28,137

Current Benefit Blind & Disabled: \$80

Raise Benefit to: \$100 = \$27,011,520

Total = \$27,011,520 / 75% = \$20,258,640

OPTION A / TOTAL FUNDS FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS (WITHOUT UP COMPONENT)

Program: Transitional and At-Risk Childcare

Total Amount Requested: \$8,977,500

- Purpose:**
1. To serve 4,200 identified as eligible for Transitional
 2. To serve 1,500 identified as eligible for At-Risk
-

One of the major problems faced by those attempting to leave welfare, or avoid welfare, is a lack of child care services. We propose to provide childcare services to 4,200 eligible participants and approximately 1,500 persons determined to be eligible for At-Risk Childcare.

Child care services will be an integral part of our community-based services strategy.

Revenue Estimates

Transitional Childcare

Number of estimated recipients = 4,200

Puerto Rico Allocation -0-

Allocation: \$175 per child/month

Increase Needed: \$8,820,000 $\$8,820,000 / 75\% = \underline{\$6,615,000}$

At-Risk Childcare

Number of estimated recipients = 1,500

Allocation: \$175/month

Increase needed: \$3,150,000 $\$3,150,000 / 75\% = \underline{\$2,362,500}$

**OPTION A / TOTAL FUNDS FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS (WITHOUT UP COMPONENT)**

Program: JOBS

Total Amount Requested: \$45,000,000

Purpose: **1. To move toward full-participation model**
 2. To implement community- based programs

Puerto Rico believes its wisest investment is not in maintaining the status quo but rather in implementing creative solutions to the Island's unique problems. The Department of Social Services is implementing a variety of initiatives that closely follow the Clinton Administration's goals including:

- *Implement a full-participation model for the JOBS program.*
- *Create one-stop community service centers*
- *Create community development corporations with a partnership of recipients, businesspeople and community leaders.*
- *Create community learning centers*
- *Computerize systems and improve agency efficiency*
- *Developing integrated benefits distribution systems*

Currently, 30,000 persons are eligible for the JOBS program but only 10,000 are being served due to lack of funds. We aim to serve at least 25% of these people as well as to implement creative community-based job training strategies.

These strategies will be presented in proposal form in the near future.

Revenue Estimates

Puerto Rico will contribute \$5 million with a matching share of \$45 million

GRAND TOTAL OPTION A: \$ 158,620,810

OPTION B / TOTAL FUNDS FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS (WITH UP COMPONENT)

Program : AFDC - Family Assistance

Total Amount Requested: \$164,521,304

- Purpose:**
1. Give recipients a \$10 cost-of-living increase; accommodate 88,000 additional cases (a 43% increase).
 2. Give Elderly, Blind and Disabled a cost-of-living increase
 3. Increase Housing Subsidy, currently \$13 million, to meet 43% increase in caseload

The current rate of \$32 per month does not serve as a disincentive to work, but is below basic subsistence levels and harms children whose parents cannot afford to provide basic care. This lack of care results in life-long problems for children. An increase to \$42 for adults and \$34 for children will provide basic necessities, without reducing the attractiveness of leaving public assistance for employment.

In addition, benefit increases are needed for the aged, blind and disabled population served in other states under SSI. Average monthly benefit levels of \$32 for the elderly and \$80 for the blind and disabled are not sufficient to meet basic necessities. We propose to raise the elderly benefit to \$75 and the disabled benefit to \$100.

Revenue Estimates:

1. \$10 per month cost-of-living increase; fund additional 88,000 recipients

	Total	Match Puerto Rico	Match Federal
Adults: 99,403	50,099,112	12,524,778	<u>37,574,334</u>
Children: 254,806	103,960,840	25,990,210	<u>77,970,630</u>

2. Give Elderly, Blind and Disabled normally served under SSI a cost-of-living increase

Current Recipients Elderly: 15,004

Current Benefit Elderly: \$32

Raise Benefit to \$75 = \$13,503,600

Total = \$13,503,600 / 75% = \$10,127,700

Current Recipients Blind & Disabled: 28,137

Current Benefit Blind & Disabled: \$80

Raise Benefit to: \$100 = \$27,011,520

Total = \$27,011,520 / 75% = \$20,258,640

OPTION B / TOTAL FUNDS FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS
WITH UP COMPONENT

Program: AFDC - Transitional and At-Risk Childcare

Amount Requested: \$12,837,825

Purpose: 1. To serve 6,006 identified as eligible for Transitional/ Up
 2. To serve 2,145 identified as eligible for At-Risk/UP

One of the major problems faced by those attempting to leave welfare, or avoid welfare, is a lack of child care services. We propose to provide childcare services to 6,006 eligible participants with a corresponding 43% increase in caseload under the UP component. We propose to provide services to 1,430 persons determined to be eligible for At-Risk Childcare.

Revenue Estimates

AFDC Transitional Childcare

Number of estimated recipients (assumes corresponding 43% increase) = 6,006

Puerto Rico Allocation -0-

Average state allocation: \$175 per child/month

Increase Needed: \$12,612,600 \$12,612,600 / 75% = \$9,459,450

AFDC At-Risk Childcare

Number of estimated recipients (assumes 43% increase) = 2,145

Average state allocation: \$175/month

Increase needed: \$4,504,500 \$4,504,500 / 75% = \$3,378,375

OPTION B / TOTAL FUNDS FOR PUERTO RICO TO BE SUCCESSFUL
CONTRIBUTOR TO NATIONAL WELFARE REFORMS (WITH UP COMPONENT)

Program: JOBS -

Amount Requested: \$45,000,000

Purpose: **1. To move toward full-participation model**
 2. To implement community- based programs

Puerto Rico believes its wisest investment is not in maintaining the status quo but rather in implementing creative solutions to the Island's unique problems. The Department of Social Services is implementing a variety of initiatives that closely follow the Clinton Administration's goals including:

- *Implement a full-participation model for the JOBS program.*
- *Create one-stop community service centers*
- *Create community development corporations with a partnership of recipients, businesspeople and community leaders.*
- *Create community learning centers*
- *Computerize systems and improve agency efficiency*
- *Developing integrating benefits distribution systems*

Currently, 30,000 persons are eligible for the JOBS program but only 10,000 are being served due to lack of funds. With additional cases under the UP component (80,000 eligible) plus existing AFDC cases not being served (20,000 persons) we estimate that more than 100,000 persons will be eligible for JOBS this year. Of these, we aim to enroll at least 25% in the JOBS program.

Initiatives under JOBS will be complemented by a community-based strategy, which will be presented in proposal form in the near future.

GRAND TOTAL OPTION B: \$222,359,129

Puerto Rico and National Welfare Reform Background and Strategic Considerations

Background

Like many urban areas of the nation, Puerto Rico faces a welfare crisis of unrivaled proportions. Along with a huge increase in the number of eligible recipients, the island must contend with federal funding caps and unique economic and social challenges. These factors, combined, make welfare reform an urgent priority.

Puerto Rico's welfare crisis is the number-one threat to its children; it is not an isolated problem but rather a challenge that profoundly restricts the island's social and economic well-being. In addition, the burgeoning expense of increased welfare dependency is a formidable obstacle to long-term economic development.

Puerto Rico is taking an interdisciplinary long-term view of the needs of welfare recipients. The administration of Governor Pedro Rosselló has developed and implemented strategies that go that beyond welfare payments to the root of the problem -- unemployment -- and address ways to get our citizens back into good paying jobs. These strategies focus on the elements necessary to a successful job search including adequate childcare, technical education and skills. Most crucially, our goal is to ensure that jobs are available.

Ironically, a major impediment to job creation is the fact that each year Puerto Rico must allocate 15% of its General Fund budget, twice the U.S. average, to cover healthcare for the medically indigent. A similar amount is allocated for services to the welfare population. The increasing burden of funding these social programs has forced Puerto Rico's government to cut monies from the desperately-needed economic programs that would create jobs.

Few Jobs Available

Puerto Rico's welfare concerns are the direct result of its economic situation. While the island has seen tremendous economic growth over the past four decades under its industrial development program, which attracted manufacturing companies to locate on the island by offering the IRC Section 936 credit on U.S. taxes, such growth has not been sufficient to reduce unemployment concerns.

Unemployment now stands at 16.8%, and has ranged from 15% to 20% over the past ten years. This year alone, Puerto Rico has lost more than 6,000 manufacturing jobs due to a sluggish economy, corporate cost-cutting and Congressional cuts to the Section 936 tax credit. These job losses mean further additions to already-swollen welfare rolls.

Health Care Costs Prohibitive

Medicaid funds to the island are capped at \$116 million and the government funds healthcare services for over 50% of its population -- 34% (1.2 million persons) who are medically indigent, 11% (450,000 persons) who are working but cannot afford insurance coverage and a portion of the 13% (460,000 persons) participating in Medicare who cannot afford co-payments.

Puerto Rico has implemented a revolutionary healthcare purchasing alliance to provide coverage for the medically indigent and low-income workers. However, federal funding disparities for health care must be resolved as an integral part of social reforms.

For Medicaid in the average state the federal government paid \$2,117 per recipient in Fiscal Year 1992¹ and states paid \$552, roughly 74% and 26%, respectively, of the total per-recipient payment of \$2,669. In the poorest state, Mississippi, the federal government in fiscal 1992 paid over 83% of Medicaid payments, which per-recipient averaged \$1,809. By contrast, in fiscal year 1992 the federal government recognized only 885,405 Puerto Ricans as categorically needy and contributed only \$89.00 per recipient. That amount was marginally increased to \$89.62 per-recipient in 1993, the first such increase in four years.

Puerto Rico's Solution -- Empowerment through Economic Development

To boost economic development and create jobs, Puerto Rico has taken a dramatic step forward toward diversifying its economy and reducing its reliance upon the manufacturing sector. Governor Rosselló recently unveiled an economic plan designed to spur job creation in all economic sectors including tourism, service industries and small local businesses. We are confident that these initiatives will result in an improved economy and more job opportunities for our people.

No More Welfare Band-Aids

It is unfortunate that in the past Puerto Rico, like many other states, had concentrated more on working to increase federal funding rather than on implementing local program reforms. While increased federal funding is indeed necessary, it will only be effective if it is used to implement creative solutions to decades-old problems. All the funding in the world will not solve these problems if it is used to continue past inefficiencies.

Puerto Rico is actively seeking to make its Social Services Department more cost-effective and efficient in both its operations and the services it offers. During her first year as Secretary of the Department of Social Services, Carmen Rodríguez de Rivera has worked to implement a variety of initiatives that effectively address past concerns. Her plans for reform will empower Puerto Rico's welfare beneficiaries toward self-sufficiency and success, reduce dependency and eliminate bureaucratic red tape (please see appendix 1).

In considering these reforms, Puerto Rico acknowledges that welfare reform cannot happen overnight. But it will not happen EVER unless steps are taken now to retrieve the Island from the morass of welfare bureaucracy and the cycle of welfare dependency.

¹Medicaid statistics for FY 1992 are the most accurate and complete available at this time.

Puerto Rico and National Welfare Reform

National reforms provide a landmark opportunity to address Puerto Rico's welfare problems by implementing wholesale reforms and designing a more equitable federal funding structure. Such reforms also provide the opportunity to work in partnership with the federal government to improve federal-state cooperation and communication.

As mentioned, Puerto Rico has begun its own reforms, many of which were specifically designed to complement the Clinton Administration's reform plan. We are encouraged by the innovative solutions of the President's plan, and believe its provisions are directly applicable to Puerto Rico.

The size of Puerto Rico's welfare-eligible population has, in the past, led some federal policy makers to view Puerto Rico's problems as too far-reaching and beyond help. Rather than searching for solutions some have dismissed the issue as one impossible to solve. Yet, as President Clinton has noted, every problem has a solution. Puerto Rico is optimistic that the innovative programs it is implementing are solid, viable solutions to welfare concerns.

If Puerto Rico's concerns are not addressed today, they will continue to worsen, denying future generations the empowerment they need and leading to yet another round in a vicious cycle of dependency.

We should not in good conscience continue to look the other way in the hopes that the problems of Puerto Rico's U.S. citizens will somehow magically solve themselves.

Economic Indicators²

An assessment of the Island's welfare population must be considered to enact effective reforms. The statistics below outline the population covered by Puerto Rico's Social Services Administration and the situation it faces in attempting to make the most prudent use of its limited resources.

Median Income

Median household income fell from \$8,962 in 1979 to \$8,895 in 1989, a decrease of .7% after adjusting for increases in consumer prices.

Per-capita income

Real per-capita income in Puerto Rico is \$6,640, one-half the U.S. average. Fifty four percent of Puerto Rico's 1,057,357 households live on earnings less than \$9,999 per year as follows:

	households	percent
Less than \$5,000	317,083	30%
\$5,000 to \$9,999	258,465	24%

Children

Of the island's 1,141,901 related children under 18 years, a full 66.7% (761,789 children) live below the federal poverty level. Of those aged five to 17 years, 66.3% (558,251 children) live below the poverty level. A full 67.6 percent of those under five years old (203,538 children) live under federal poverty levels.

The situation is even more dire for Puerto Rico's 204,082 female-headed families, 69.9% of which (142,737) live below the poverty level. Seventy eight percent of female-headed households with children under 18 years (101,393 families) live below the poverty and a staggering 84.3% with children under five years old (37,021 families) live under the poverty level.

Elderly

More than 57% of Puerto Rico's 337,320 persons 65 years and older(193,869) live below the federal poverty level.

<i>Ratio of Income to Poverty Level</i>	Individuals	Percent
All persons	3,494,544	
Persons below 50% of poverty level	1,122,358	32%
Persons below 125% of poverty level	2,365,720	67%
Persons below 185% of poverty level	2,919,833	83%

²U.S. Bureau of the Census:Selected Social Characteristics/1990

Taxes Paid

The working poor in Puerto Rico do pay taxes -- some are higher than those paid by their counterparts in the United States. However, the low incomes of taxpayers has meant a low revenue base for Puerto Rico's government. The needs of taxpayers in terms of government services far exceeds the amounts they contribute to the Island's General Fund.

Puerto Rico's working poor, the majority of whom would receive substantial Earned Income Tax Credits because they are under federal poverty levels, do not benefit from any of the federal tax credits offered in the United States.

In Puerto Rico, those earning between \$2,000 and \$17,000 per year are taxed on a sliding scale with base of \$180 plus 15% of the excess over \$2,000 as follows:

Income	Puerto Rico Tax Rate
Less than \$2,000	9%
\$5,000	12.6
\$7,000	13.2%
\$9,000	13.6%

Benefits Received: Puerto Rico

	(millions/present funding)	State Like Funding
AFDC	\$82	\$180
Nutritional Assistance	\$1,091	\$1,900
SSI	-0-	\$930
Earned Income Tax Credit	<u>-0-</u>	<u>\$930</u>
	\$1,173	\$4,090

How the Federal Government Can Be a Catalyst for Positive Change

We look forward to establishing a more productive partnership with the federal Department of Health and Human Services to ensure that Puerto Rico's welfare reform needs are met. While Puerto Rico has been implementing innovative welfare reforms, these reforms cannot be successful unless the following points are addressed in FY 1995 budget and the federal welfare reform program to follow.

1. Partnerships for Technical Support - Services Coordination

A complete overhaul of the welfare system should include technical and financial assistance for agencies in charge of welfare services. This is necessary for Puerto Rico to implement a uniform national coordination of services and to avoid fraud, duplication and inefficiency. Puerto Rico must be linked into the national system in order to track down welfare recipients that migrate between the Island and the U.S. mainland.

Technical support and coordination of services will facilitate local efforts already underway. Many states already have Electronic Benefits Transfer pilot programs in place; Puerto Rico is studying the implementation of such a program as well as the possibility of issuing "Work-Pay" benefits. However, these efforts require transitional measures and technical support before full implementation can be possible.

2. More Flexibility in Program Administration

Puerto Rico's situation is unique, and for reforms to be successful they must take into consideration this uniqueness. In most instances, Puerto Rico must comply with many or all federal mandates for the programs it administers, even though such programs are not fully funded and the special circumstances of Puerto Rico are not taken into consideration. For example, Puerto Rico's Department of Social Services is not computerized and all casework, reports and payments are done manually. Although the Department is currently undergoing a top-to-bottom review and implementing the use of computers, it will take some time before the agency has caught up with mainland standards.

This concern is particularly applicable to the Child Support Enforcement Program, which has been penalized in the past. We request that a planned federal audit of this program be postponed until Puerto Rico's system is fully computerized.

3. More Flexible Matching Shares

Although responsible family planning is a priority for the Rosselló administration, Puerto Rico has not participated in the Family Planning grant program under AFDC because the matching share -- 50% -- is prohibitive. Puerto Rico has found it more sensible to invest its monies in programs where the matching rate is lower.

We are aware that in the poorer states AFDC state matches can be as low as 20 percent and request the same for Puerto Rico.

4. Continued LIHEAP funding and other programs substituted by the EITC

Because Puerto Rico does not benefit from the Earned Income Tax Credit, any programs transferred into EITC must continue in Puerto Rico in the form of a budget appropriation.

5. Removal of cap on AFDC funding/waiver for compliance with AFDC-UP

Puerto Rico's most important program -- Aid to Families With Dependent Children (AFDC) currently faces a crisis situation. A funding cap of \$82 million, in place since 1988, has not kept pace with the growing number of new beneficiaries or even inflation and cost-of-living increases (Please see related statistics in Appendix 2).

Since 1987 Puerto Rico's caseload has more than doubled -- from 98,509 to 183,540 individuals-- a 54% increase. No funding cap increase, even for inflation, has been granted. At the same time the average state caseload in the U.S. increased at two percent a year -- and states are in line to receive a 3.9 % increase this year alone.

In order to be in compliance with the provisions of the 1988 Family Support Act, which will go into effect this October, Puerto Rico will offer AFDC funds to two-parent families. An additional 40,000 families will be eligible to receive benefits under this UP component in addition to the existing caseload.

If our conservative estimate holds, and the current rate of growth in the caseload levels off at 104,000 families by 1995, we estimate a total of 144,000 new families (175,443 adults and 242,870 children) will be eligible for a total of 418,313 recipients. This represents a 43 percent increase in the current caseload as soon as 1995.

In order to fund these extra beneficiaries Puerto Rico will be forced to cut payments to families from \$104 to \$34 per month; from \$32 to \$10 for the first family member and from \$24 to \$8 for each additional family member. With the UP component applied, benefit levels as a percentage of per-capita income will be reduced to 6.8 percent, compared to 14 percent in Mississippi, the poorest state.

How the cap harms recipients

Standards of need on the island are set so that a large number of individuals can qualify. However, their monthly payments are low: spread widely among the population, AFDC payments average \$32 per individual and \$37 per blind or disabled individual. As a result, the Puerto Rico government has had to contribute a larger amount of its general funds to making up the difference.

Average monthly individual AFDC benefit

State average	\$135.20
U.S. Virgin Islands	\$90
Puerto Rico	\$32

Average monthly family AFDC benefit

State average	\$383
U.S. Virgin Islands	\$265
Puerto Rico	\$104

Per-capita AFDC funding FY 1992³

U.S. average	\$59.70.
District of Columbia	\$130.72
Guam	\$48.82
U.S. Virgin Islands	\$40.67
Puerto Rico	\$24.21

In addition to monthly cash assistance, AFDC in Puerto Rico also provides rent payments for up to \$100 per month to those who qualify. Presently, about 20% of AFDC recipients pay rent -- the majority live with relatives, in public housing or in their own dwelling without owning title to the land or the structure. With additional recipients under the UP component, rent assistance will be reduced to \$50 per family.

How the cap harms the elderly -- the SSI factor

The \$82 million AFDC figure is misleading because Puerto Rico actually receives only \$70.1 million for AFDC and must allocate the remaining \$11.9 million to the population normally served by the Supplemental Security Income (SSI) program on the mainland. Puerto Rico is barred from participating in SSI program, which provides funding to the needy, aged, blind or disabled.

³Source: U.S. Bureau of the Census/Federal Expenditures by State/FY 1992

By totaling state funding under SSI and AFDC we get an even better idea of how little Puerto Rico is able to offer its beneficiaries. Puerto Rico must fund the recipients of both programs with just \$114 million a year, versus a total of \$345 million in Georgia and \$225 million in Connecticut *in federal funds alone*.

Average monthly SSI payment

	Elderly	Blind and Disabled
States	\$446	\$549
Puerto Rico	\$32	\$80

How the cap harms children

In addition to their restricted benefits, children are harmed because funds for two child care programs -- At-Risk and Transitional -- also come out of the AFDC budget. These programs have not been funded since 1991 because Puerto Rico has spent its limited funds on providing benefits to the AFDC-eligible population.

Puerto Rico's child care program serves approximately 27,406 children at 24 centers in metropolitan areas on the island.

However, an additional 179,000 children island-wide are not being served by a child-care program and are desperately in need of services. These are the children of the working poor who on the U.S. mainland benefit from the Transitional Child Care and At-Risk Child Care programs. Lack of federal child care funding related to AFDC is particularly devastating to parents who are trying to get off family assistance because they have found jobs and the working poor who are at risk of falling into welfare if child care is not provided.

These children's parents are turned away from Puerto Rico's state-financed day care centers because their income levels are too high.

Because this population will be the focus of efforts under national welfare reform, it is crucial that Puerto Rico receive funding now in order to be able to comply with national mandates. Funding will also ensure that the working poor are able to keep their jobs--and as productive citizens they will be permanently eliminated from the welfare rolls.

A final area of concern is the Foster Care/Adoption Assistance Program, which Puerto Rico does not participate in due to a lack of funds. This must also be addressed in welfare reform efforts.

Appendix 1

Puerto Rico's Reform Initiatives

Puerto Rico is actively seeking to make its Social Services Department more cost-effective and efficient in both its operations and the services it offers. We believe in strengthening our families with the education, training and job opportunities they need to move them from long-term dependency to self-sufficiency. We want to solve our solve own problems. To do this, we need the economic power to propel our families toward self-sufficiency.

Within this context, we are designing an adapted Welfare Reform Program that endeavors to incorporate the basic principals of President Clinton's reform but recognizes Puerto Rico's reality. Our vision contemplates, among other things, the creation of a new culture for our customers and our staff.

Vision

To provide a comprehensive family preservation and support system with a preventive and community-based approach that develops self-sufficiency and enables our citizens to break the cycle of dependency.

Mission

To strengthen our families through empowerment and give them the education, training, jobs and child care they need in order to move from long-term dependency to self-sufficiency.

Values

- * Work dignifies and improves self-image and self-esteem
- * Education and training is not an end unto itself; it is a means to develop the capacity to work
- * Every citizen has a right to a better quality of life
- * Responsiveness to social and legal norms and status is correlated to the concept of responsibility.
- * Citizen participation is fundamental in the development of responsible attitudes
- * Work should pay

Key Principles

- * All work is good and all efforts to work should be supported and rewarded
- * If you are on welfare you should be doing something in return for your check
- * Funding to service providers must be tied to performance, with job placement as the key measure of performance.
- * The role of the workers and the Department must change. Employment is everyone's business.
- * The government is responsible for providing services for the development of alternatives and for promoting self-sufficiency.
- * Each person is responsible for the welfare of himself and his family.
- * Government has an important role in helping people get off welfare and helping them keep off welfare.

Goals

- * Improve the welfare of families and children
- * Ensure that only those who legitimately need assistance receive it. Every effort should be made to weed out fraud and abuse.
- * Develop interagency and public and private partnerships to address the welfare problem. The responsibility does not belong to Social Services alone.
- * Improve child support enforcement and family responsibility.
- * Ensure that public assistance participants receive education, work experience and support services directed toward employment.

Action Plan

1. Restructuring the Department of Social Services

The Department will be oriented toward customer service and as such will be a more responsive organization to the needs of its clients. We will be streamlining the process of obtaining benefits and increasing the use of automated technology. Workers will become employment facilitators.

- a. Develop a one-stop service office
- b. Provide a comprehensive benefits package
- c. establish an uniform eligibility determination process
- d. target efforts to local communities to provide flexibility and opportunities for innovation in the development of employment alternatives.

2. Job Creation, Training and Education

The government's role is to promote and instill in its citizens a work ethic and good working habits. We strongly believe that job creation is the best way of moving recipients out of welfare. The Governor, in his recent economic reform policy, has laid out the foundations to strengthen and build the economy. The Department will contribute to this strategy by:

- * Creating community development corporations to allow communities themselves to create jobs by sponsoring self-employment, service establishments, small retail establishments within their own community environs and with their own definitions of skills, training requirements and potential markets.
- * Offering direct payroll subsidy vouchers to the individual beneficiaries instead of to the private companies, in order to allow recipients to do their own "job hunting," particularly among small businesses.
- * Holding parents responsible for their children. We will withhold benefits to members of school-age households who are school deserters, thus promoting parental responsibility.
- * Promoting self employment within our public housing projects with interagency support and funding to benefit welfare participants.
- * Developing programs for non-custodial parents.
- * Expanding school welfare collaboration; developing innovative education and training programs for welfare parents.
- * Changing the operation of welfare offices to support those who are working, training or looking for work; changing the role of the welfare worker to that of a facilitator.
- * Allowing emergency payments of loans for the very needy for temporary emergencies to avoid dependency; providing special incentives for participants working in communities.

3. Benefits Delivery System Innovations

In the actual process of providing benefits we want to establish a pilot electronic project through a debit card instead of mailing out checks and vouchers. Under this concept, we would be able to transfer Nutritional Assistance funds, AFDC funds, and Unemployment Benefits with minimal bureaucracy. At the same time, we will be able to reduce fraud, costs, and delivery time.

Some of these projects will require program waivers from the federal government and a new outlook as to the concepts of assistance delivery systems, job creation and community involvement.

4. Improve Child Support Enforcement

Consolidate all Child Support programs into an autonomous Child Support Enforcement Agency to gain more flexibility in pursuing Child Support violators and in generating resources for the program. As part of this, an expedited administrative process would establish paternity and child support. We are currently privatizing all collections and payments to beneficiaries, and we will be reporting delinquents to credit bureaus, limiting driver license renewals and professional licenses, and retaining tax refunds and unemployment benefits.