

Q. Why did the President veto this bill?

A. The President is determined to enact bipartisan welfare reform this year, but this bill does too little to move people from welfare to work, and includes deep budget cuts and structural changes in child welfare, school lunch, and other programs that have nothing to do with real reform. The bill is just about budget politics, not about moving people from welfare to work. It passed along narrow partisan lines, over the serious objections of many moderate Republicans. It includes some things we've fought for, like time limits, work requirements, and tough child support enforcement. But we can do better, and we will.

Q. Republicans say this is the same as the Senate bill which the President supported. Isn't this a flip-flop?

A. No. This conference report is not the Senate bill. It makes deeper cuts and unnecessary structural changes in programs that have nothing to do with welfare reform. The Senate bill guaranteed Medicaid coverage for poor families; this bill eliminates that guarantee. The Senate bill protected the child welfare and school lunch programs; this bill makes unnecessary cuts and structural changes. This bill also weakens a number of work provisions that were in the Senate bill and are critical to the success of welfare reform, such as a maintenance of effort requirement and a performance bonus to reward states for placing people in jobs.

Q. What happens now? Is welfare reform dead for this Congress?

A. No. Welfare reform is one of the major issues still under discussion in the budget talks. Republicans and Democrats agreed back in November to consider welfare reform as part of the overall budget negotiations. We will continue to seek bipartisan common ground as part of those talks. Welfare reform needs to be considered in the context of critical and related issues like Medicaid and the EITC.

Q. Haven't the Republicans been coming your way on welfare reform?

A. No. Their January 6th offer includes EITC cuts that are slightly lower, but still much higher than ours. Their number on welfare has not changed.

Q. Did the President veto this bill in response to pressure from the left wing of the Democratic Party?

A. No. This bill is worse than the Senate bill -- and we're not the only ones who think so. Five moderate Republican Senators sent a public letter to Senator Dole demanding changes in the same areas where we have expressed concern: guaranteed health coverage for poor families, more resources for child care, and smaller cuts in child welfare, help for disabled children, benefits for legal immigrants, and so on.

Q. What does the President need to get a bill he can sign?

A. Read the veto message. We need improvements in two general areas: stronger provisions to move people from welfare to work, such as child care, and smaller cuts in areas that have nothing to do with welfare reform, such as child welfare, aid for disabled children, school lunch, and so on.

Q. Rep. Bill Archer challenged the President to send specific legislation that he would find acceptable. Do you plan to do that?

A. The Republicans are just playing politics. Welfare reform is one of the major issues under consideration in the budget talks. We've made clear repeatedly in those talks and in letters to Congress over the past year what we would like to see in the final bill.

Q. Republicans say their bill has more money for child care than the Senate bill you supported. Is that true?

A. The conference added \$1 billion for child care, but at the same time, it altered the work provisions to dramatically increase work costs for states. According to CBO, the conference report falls \$3-5 billion short. We believe that welfare reform cannot succeed unless there's enough money for child care to move people off welfare.

Q. The President supported the Senate bill, which block granted AFDC. But the Administration endorsed the Daschle budget plan, which maintains the individual entitlement. Which is it, and why isn't this a make-or-break issue like the Medicaid entitlement?

A. We have always supported the Daschle-Breaux-Mikulski welfare plan, which repeals AFDC and replaces it with a conditional entitlement that requires people to work in return for their assistance. The Daschle budget plan reflects that approach. The budget negotiators have been looking at all these entitlement issues together -- Medicaid, Food Stamps, AFDC, etc. They have had constructive discussions, but as you know, we have not been able to reach agreement. That's all I can say.

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81/85/96

# **NEWS**

## **FROM THE COMMITTEE ON WAYS AND MEANS**

**(Embargoed Until Veto)** CONTACT: Ari Fleischer or Scott Brenner  
(202) 225-8933

### **Statement by Chairman Bill Archer on President Clinton's Veto of Welfare Reform**

"With this highly regrettable action, President Clinton is demonstrating that his promise to end welfare as we know it was just another campaign slogan, not a meaningful policy objective. It appears that when it comes to welfare reform, this President is all talk and no action.

I regret very much that the President will be known as the liberal President who kept welfare as we have it instead of the President who ended welfare as we know it.

With this veto, the American people have been denied a golden opportunity to dramatically improve the lives of the poor by reforming welfare. Congress produced a compromise welfare reform bill that would have freed the poor from the bonds of permanent poverty, but the President vetoed it.

Because of the President's veto, \$2 billion less in child care funds will be distributed to help poor families get off welfare and go to work.

Because of the President's veto, deadbeat parents will continue to ignore their children because the toughest child-support enforcement measures ever passed by Congress will not become law.

And because of the President's veto, welfare will continue to be a way of life. With no five-year time limit on cash welfare benefits, recipients will have little incentive to get off welfare.

Nevertheless, I am willing to give the President one more chance to take action.

I have today sent a letter to the President calling on him to immediately send to the Congress *complete and specific legislation* detailing his current position on welfare. Will the President end the lifetime guarantee to cash welfare? Will he spend more welfare money on mothers who have more children while on welfare? How much more money will the President ask taxpayers to give to perpetuate our welfare system?

By vetoing welfare reform, the President has demonstrated what he is against. He must now demonstrate what he is for. No vague statement of principles. No unkept promises. I expect a complete bill, nothing less will do.

Again, I regret this veto and call on the President to now offer Congress his own bill."

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01/05/96

ONE HUNDRED FOURTH CONGRESS  
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## COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-6348

## Embargoed Until Veto

PHILIP D. MURPHY, CHIEF OF STAFF

JANICE BAYE, MINORITY CHIEF COUNSEL

The Honorable William J. Clinton  
The White House  
Washington, D.C. 20500

Dear Mr. President:

Now that you have vetoed the compromise welfare reform bill approved by both Houses of Congress, I call on you to submit a detailed welfare reform bill that represents your Administration's position on this key issue. We urge you to send us your bill immediately, but no later than the State of the Union address, so that we can achieve the goal of welfare reform before additional millions of Americans have been captured by the welfare trap.

After three years in office, the American people still are waiting for you to take meaningful action on welfare reform. Opposing the welfare reforms sent to you by Congress is not enough. Your veto has merely perpetuated the welfare status quo.

Through a variety of campaign pledges, press releases, and statements of principle put out by your Administration, you have told the American people that you support welfare reform. However, after vetoing welfare reform for the second time in one month -- the Seven-Year Balanced Budget Act you vetoed in December included almost identical welfare reforms -- many now are questioning your commitment to truly "end welfare as we know it," as you pledged during your campaign.

Although your Administration has vilified our bill, there is little doubt that our reforms would end the current failed welfare state. In brief, the compromise welfare reform bill you vetoed:

- (1) provides \$18 billion in child care funds to help poor families get off welfare and go to work, \$2 billion more than current law and \$1 billion more than the Senate bill you supported;

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- (2) provides states with \$1 billion more in cash welfare funding than current law, including special funds for states with growing caseloads due to increased population or recession;
- (3) ends welfare as a way of life by limiting cash welfare benefits to 5 years and requiring work for every family on welfare within 2 years. Without these restraints, many families will have no incentive to get off welfare, and nearly 5 million families will continue to draw taxpayer-provided cash benefits for an average of 12 years;
- (4) includes many provisions requested by your Administration that would make parents who live apart from their children pay child support instead of forcing families onto welfare;
- (5) combats illegitimacy by encouraging marriage and personal responsibility, and ends government payments for destructive behavior such as drug addiction and alcoholism; and
- (6) increases safety net spending from \$171 billion in 1995 to \$235 billion in 2002, a healthy growth of 37 percent.

Mr. President, you have received -- and have vetoed -- two welfare reform bills supported by majorities in both Houses of Congress. For the millions of Americans who have been promised real welfare reform, a full accounting of your position in legislative language is the very least they can expect. This may also be the only way to achieve passage of real welfare reform this year. That remains my goal, and I want to work with you to achieve it.

I await your response.

Sincerely,



Bill Archer  
Chairman

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## ISSUES IN REFORMING ENTITLEMENT PROGRAMS

### *AFDC*

- Essential Program Elements. A reformed AFDC program must have tough work requirements, time limits, and increased State flexibility. It must also retain certain features of current law: It must provide a guarantee of assistance to all individuals who meet certain State- and Federally-defined criteria. Its funding mechanism should respond automatically to changes in economic and demographic conditions. It should give States strong incentives to share in program financing and to match Federal funds, but allow flexibility in setting income eligibility and benefit levels. Individuals in like circumstances must be treated equally.
- Administration Position. The conference report on welfare reform converts AFDC and related programs into a capped block grant. The block grant fails to address almost of all the essential elements of the current program. The Administration supports the Coalition proposal, which replaces AFDC with a conditional time-limited entitlement and provides an automatic response to countercyclical increases in need while increasing State flexibility.
- Potential Fallback Position. If a cash assistance block grant were to be enacted, several modifications and more adequate protections for children would be needed. These would include a much more responsive countercyclical mechanism triggered by changes in child poverty, continued effective State financial participation, objective State-defined eligibility criteria, and guarantees of equitable treatment for families in like circumstances. Also needed would be: stronger performance bonuses, lower block grant transfer provisions, greater flexibility in setting family caps, vouchers for children of teen mothers denied cash assistance, guaranteed Medicaid eligibility for cash recipients, individual responsibility contracts, higher work program funding, and higher time-limit exemptions.

### *Child Care*

- Essential Program Elements. Current child care programs provide a guarantee for all AFDC recipients required to work or who are moving off welfare into work. Capped amounts are also provided for low-income families at-risk of going on to welfare. Federal and State governments share in program financing.
- Administration Position. The Conference report block grants three mandatory child care programs -- two of which are open-ended -- and increases Federal funding by \$1.8 billion over 7 years -- too little to meet the child care needs of those required to work. The Administration supports the Coalition bill, which maintains the child care guarantee for AFDC recipients required to work and those transitioning off welfare for work.
- Potential Fallback Position. If the new child care block grant were to be enacted, we would need an additional \$3-\$4 billion in Federal funds above the Conference level, which would be matched by States (as the Conference currently requires). Lower funding add-ons are possible if more realistic work requirements are established. Current law health and safety protections, which are dropped in the conference report, should be restored.

### *Food Stamps*

- Essential Program Elements. The current Food Stamps program automatically responds to increases in need for assistance. It serves as the national uniform safety net for nutrition.
- Administration Position. HR 4 would allow States that met certain conditions to elect a Food Stamps block grant. It would also impose a cap on the program that, while adjusting for some elements, would not preserve the program's ability to respond to changing circumstances (such as erosion of wages). The Administration has no such proposals and is opposed to any proposal which would undermine this universal safety net program's ability to respond to increased need
- Potential Fallback Position. None.

### *Child Protection Services and Training Programs (Mandatory)*

- Essential Program Elements. The four foster care and adoption assistance services, training, and administration programs are open-ended entitlements to States and allow States to respond automatically to increases in need for services.
- Administration Position. The Conference block grants four currently open-ended foster care and adoption assistance programs for placement services, training, and administration. The bill also repeals the Family Preservation & Support and Independent Living programs. These provisions reduce funding by \$0.4 billion. The Administration would maintain current law in each of these programs. The Administration opposes block granting and capping the open-ended programs because of rising abuse and neglect problems. Caseloads could also potentially increase due to dramatic changes elsewhere in the social safety net, which make cuts in child welfare programs especially dangerous.
- Potential Fallback Position. None.

### *Child Nutrition*

- Essential Program Elements. The child nutrition program ensures that millions of children get nutritious meals in schools and other settings.
- Administration Position. HR 4 would allow one state in each of the seven USDA regions to run a school block grant demonstration for five years. States that adopt this block grant would not be required to serve all needy students. The Administration is opposed to block granting these important nutrition programs nationwide.
- Potential Fallback Position. If a child nutrition/school lunch block grant demonstration were enacted, the Administration would prefer considerably reducing the number of States. Only minor changes would be needed in the structure of the demonstrations.

## **MEDICAID**

### • Essential Program Elements

- **Federal Medicaid entitlement must be retained:** this requires a definition of mandatory beneficiaries and benefits, and enforcement of the entitlement through Federal courts:
  - **Mandatory beneficiaries:** must include AFDC and SSI recipients — post welfare reform, low-income pregnant women, children, and elderly and disabled Medicare beneficiaries, as well as individuals transitioning from welfare to work and other post-welfare transitions.
  - **Mandatory benefits:** must include a Federally-required benefit package that could be negotiated so long as it remains comparable to the basic mandatory benefits under current law.
  - **Right of action:** the Federal entitlement requires that individuals ultimately have a right of action in federal court to enforce their eligibility to Medicaid.
- **Federal financial partnership must be preserved:** The Federal matching structure, coupled with a new per capita cap to limit the rate of increase in spending, is the mechanism through which the Federal government would maintain its guaranteed financial partnership with states as they respond to changing economic and demographic realities in their state.
- **Meaningful flexibility to States must be assured:** Within this structure, States must be given unprecedented flexibility in how to operate their Medicaid programs, organize their delivery systems through managed care and other innovative arrangements, and pay providers.

- Administration Position: The conference position does not preserve the Federal Medicaid entitlement to meaningful benefits or enforcement through the Federal courts. The block grant structure fails to preserve the Federal financial partnership through economic and demographic changes.

### • Potential Fallback Position

- **Medicaid entitlement:**
  - **Beneficiaries:** Eligibility simplification can be pursued in which some currently mandatory Medicaid coverage groups that are now classified as "grandfathered" could be made optional.

- **Benefits:**

- Mandatory benefits could be redefined so long as the core benefit provisions remain -- including such basic benefits as inpatient hospital, physician services, family planning, diagnostic services, nursing home and home health services, and child health screening, diagnosis and treatment (EPSDT).
- Substantial new state flexibility could be negotiated in how states make available optional benefits -- this would lessen current law constraints for optional benefits about comparability of benefits among groups and statewideness.

- **Enforcement:**

- Eligibility: there is no viable option to maintaining the individual's right of action in Federal court regarding their entitlement to Medicaid. However, it could be made explicit that a state administrative process must be exhausted prior to court-filing.
- Benefits: For disputes regarding benefits, deductibles, and copayments, a health plan or HMO process, and a state administrative process, could be required, with appeal only to state courts, unless the claim exceeded certain threshold amounts.

- **Federal financing:** The administration cannot accept any fixed block or formula grant proposal, other than revision in the current formula cap on DSH.

- The administration could begin to consider variable caps based on state costs, but there is a great deal of uncertainty about the distributional impact of such a proposal.
- The disproportionate share (DSH) cut and remaining payment policy could be negotiated.
- Transitional and/or hold-harmless pools can be negotiated, as well as pooled funding for federally qualified health centers and rural health centers.

DRAFT

December 20, 1995

Dear Mr. Speaker:

I am determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped in it. But the welfare bill you have just reported out of conference along narrow, partisan lines is not real reform. If Congress sends me that conference report, I will veto it, and insist that you do better.

Real welfare reform should be tough on work and tough on responsibility, not tough on children or tough on parents who are responsible and who want to work. The current conference report does too little to move people from welfare to work, and is burdened with deep budget cuts that are tough on children and undermine real reform. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

My Administration has and will continue to set forth in full detail our goals for reform and our objections to your current legislation. My Administration strongly supported the House Democratic alternative and Daschle-Breaux-Mikulski welfare reform bills, which ensured that states would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is out of touch with America's values. As I have said throughout this debate, there is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity achieve it.

- **Work and Child Care:** Welfare reform is first and foremost about work. An overwhelming majority of Senators in both parties agreed on measures that are vital to welfare reform's success in moving people from welfare to work: providing more resources for child care, requiring states to maintain their stake in the success of reform, and rewarding states for placing people in jobs. The current conference report weakens these important work provisions. The final welfare reform legislation should provide more child care, not less, and strengthen bipartisan work-based reforms such

as the maintenance of effort requirement, work performance bonus, and contingency fund that are at the heart and soul of real welfare reform.

- **Work Incentives:** In addition to child care, it is essential to provide strong incentives to move from welfare to work. The Republican budget plan would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare. The conference report would remove the guarantee of health coverage for poor mothers, even though many poor women now choose welfare over work simply because they or their children need health care. The Republican budget's deep cuts in Medicaid and the EITC would doom welfare reform, and if Congress sends me those provisions again, I will veto them again.
- **Protecting Children:** The conference report makes deep budget cuts that would fall hardest on children. Making deep cuts in help for disabled children, foster care and adoption, school lunch, and health coverage is not welfare reform. Instead of making unacceptably deep cuts in these and other areas, the final welfare reform legislation should reflect the national consensus that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.
- **Budget Cuts:** The conference report was designed to meet an arbitrary budget target rather than to achieve serious reform, and, overall, includes deep cuts that would undermine states' ability to move people from welfare to work, protect children, and carry out real reform. We should work together to balance the budget and reform welfare, but Congress shouldn't use the words "welfare reform" as just another cover to violate our values. The final welfare reform legislation needs to reduce the magnitude of budget cuts in low-income programs, especially those that have little connection to the central goal of work-based reform, such as childhood disability, child protection, nutrition, and benefits for legal immigrants. The Coalition, Senate Democratic, Chafee-Breaux, and Administration budget plans all provide a better blueprint for real reform.

I will not let Congress squander this historic moment by putting budget politics ahead of real and lasting reform. If Congress sends me the current conference report, I will veto it. But I am deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses the Administration's concerns including those I have set forth in this letter. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

Sincerely,

The Honorable Newt Gingrich  
Speaker of the  
House of Representatives  
Washington, D.C. 20515

Draft Statement

The President is deeply committed to working with the Congress to enact a comprehensive, bipartisan welfare reform bill. The present welfare system does not serve the taxpayers who support it and the people who are trapped in it. Real welfare reform is about work and responsibility. We owe it to the American people to do the right thing and enact real welfare reform.

The President stands ready to sign a welfare reform bill that is tough on work, but protects our Nation's children. Unfortunately, the Congress has failed to do its part.

The current welfare conference report, H.R. 4, falls far short of real welfare reform. Throughout the welfare reform debate, this Administration has made known its position, and voiced its concerns. Real welfare reform would not cut so deeply that States have inadequate resources and incentives to move people off the rolls and into a job. Real welfare reform would not damage the nutritional safety net with heavy cuts to the Food Stamp program. Real welfare reform would not force families to choose between paying for food or shelter. Real welfare reform would not block grant the child nutrition and child protection programs. Real welfare reform would not cut health care for poor children and pregnant women and the disabled. Real welfare reform would not increase taxes for working, low-income families.

H.R. 4 would thwart States' ability to move people from welfare to work and could doom individuals to failure. For these reasons, the President would veto H.R. 4.

[Call for negotiations?]

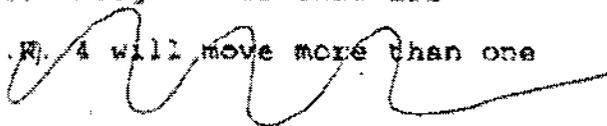
HHS DRAFT

TO THE SENATE OF THE UNITED STATES:

I am returning without my approval H.R. 4, the "Personal Responsibility Act of 1995". This bill would make sweeping changes to a broad range of cash assistance and related programs, hurting needy children and weakening incentives to move people from welfare to work.

The Administration is committed to working with the Congress to enact comprehensive bipartisan welfare reform. The current welfare system is broken and fails to serve the taxpayers who pay for it or the people who are trapped in it. It must be replaced. However, H.R. 4 includes deep cuts that will do great harm to children and are at odds with my central goal of moving people from welfare to work. Therefore, I must veto it and insist that the Congress try again.

H.R. 4 falls far short of a true overhaul of our welfare system. It makes such deep cuts that States will be unable to move people from welfare to work, protect children, or carry out real reform. The Administration opposes provisions which would simply treat welfare reform as a budget cutting exercise rather than as genuine reform, particularly when these cuts are combined with structural program changes that move in the wrong direction. Welfare reform will only succeed if it moves people from welfare to work, not if it is overwhelmed with budget cuts that are seriously injurious to children. H.R. 4 will move more than one



THIS DRAFT

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million children into poverty.

NO!

This bill provides inadequate support for needy families. Federal spending for welfare, child care, Food Stamps, child nutrition, child protection and other program would be reduced by approximately \$60 billion over seven years. It eliminates the link between cash assistance and Medicaid coverage for parents of children on cash assistance, at a time when it is so important to ensure health coverage for vulnerable Americans. By fiscal year 2002, it would cut Federal and State spending on families with children 14 percent below the fiscal year 1995 level, based on CBO projections after adjusting for inflation and child population growth. Further, the bill would provide much less for child care services over seven years than is required to meet the bill's work requirements and maintain current law levels of child care for low-income working families. There are insufficient resources to meet the work requirements and there is less protection during economic downturns. Particularly troubling are the reduction in funding for, and the structural changes in, important programs serving abused, neglected, and abandoned children and children in foster care and adoptive care. H.R. 4 would significantly reduce the benefits to children and families who receive support from the Food Stamp and child nutrition programs, which could have profound consequences for the nutrition, health, and well-being of millions of children, working families, and the elderly. It would narrow the

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eligibility criteria that enable a child with a disability to qualify for Supplemental Security Income. And finally, over 1 million legal immigrants would be denied SSI, Food Stamps, AFDC, and Medicaid.

For nearly three years, this Administration has worked aggressively on all fronts to make welfare a second chance, not a way of life. Since 1993, my Administration has granted 50 welfare reform waivers in 35 States, more than all previous Administrations combined. In 1993, our economic plan gave a tax cut to 15 million working families through the Earned Income Tax Credit, which rewards work over welfare. Last year, I sent Congress the most sweeping welfare reform plan any Administration has ever presented.

Welfare caseloads have decreased by 1.2 million, or 8.5 percent, since peak participation in March 1994. The number of single never-married women in the labor force has increased. Child support collections have increased to a record of \$11 billion in 1995. The number of children in poverty has been reduced by over 600,000 from 1993 to 1994.

Done right, welfare reform has the power to help poor, single parents find jobs and leave the welfare rolls for good. Done wrong, it could lead to less opportunity and more hardship for families with children, squandering an historic chance to

HHS DRAFT  
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repair a system that has failed miserably at ending dependence.

H.R. 4, however, provides too few resources to move people from welfare to work and to protect children, and puts budget politics ahead of real reform. The Administration does not believe the cause of welfare reform is furthered by unnecessarily deep budget cuts or by structural changes that tamper with the fundamental safety net that America provides for its children.

The Administration remains firmly committed to working with Congress to craft an acceptable welfare reform plan that is motivated by the urgency of reform rather than by an arbitrary budget target. I call on the Congress to put budget politics aside and help give the American people a government that honors their values, by making welfare a second chance and responsibility a way of life. We remain ready at any moment to sit down in good faith with Democrats and Republicans in Congress to work out a real welfare reform plan.

Accordingly, I am disapproving H.R. 4 and returning it to the Senate.

**COMPARISON OF AFDC WELFARE PROVISIONS AND POSSIBLE AREAS OF MOVEMENT**

January 3, 1996

	H.R. 4 CONFERENCE BILL	COALITION BILL	SENATE DEMOCRATIC BILL	ALTERNATIVE 1	ALTERNATIVE 2
<b>1. STRUCTURAL REFORM</b>	1. AFDC replaced with Temporary Assistance for Needy Families (TANF) program which consolidates AFDC cash benefits and administration, JOBS, and emergency assistance into one block grant to the states capped at \$16.3 billion a year.	1. AFDC replaced with Temporary Employment Assistance Program (TEA) which continues shared federal/state responsibilities for cash assistance and administrative costs, replaces JOBS with a capped entitlement (Work First) with CBO cost of \$8.1 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates, and repeals Emergency Assistance.	1. AFDC replaced with Temporary Employment Assistance Program (TEA) which continues shared federal/state responsibilities for cash assistance and administrative costs, replaces JOBS with a capped entitlement (Work First) with CBO cost of \$10.2 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates, and repeals Emergency Assistance.	AFDC administration, JOBS, and emergency assistance consolidated into capped Work First Self-Sufficiency Block Grant.  AFDC benefits replaced with Temporary Employment Assistance Program (TEAP) and remain an individual entitlement.	AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one TANF block grant.
<b>2. ELIGIBILITY</b>	1. States set eligibility criteria. Ends individual entitlement to benefits.  2. Eliminates federal requirements regarding asset and resource limits, earnings disregards and other income disregards.	1. States set eligibility criteria provided that families with comparable needs are treated similarly. Retains current law requirement that states provide benefits to all individuals with children whose income and resources are below state-set limits.  2. Same.	1. States set eligibility criteria provided that families with comparable needs are treated similarly. Retains current law requirement that states provide benefits to all individuals with children whose income and resources are below state-set limits.  2. Same.	States set objective eligibility criteria and provide that families with comparable needs and circumstances are treated similarly.  Require that States provide assistance with reasonable promptness to all individuals who meet the State-defined eligibility criteria and that states have in place procedures for review of adverse decisions.	States set objective eligibility criteria and provide that families with comparable needs and circumstances are treated similarly.  Requires that States provide assistance with reasonable promptness to all individuals who meet the state defined eligibility criteria and that states have in place procedures for review of adverse decisions.

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	H.R. 4 CONFERENCE BILL	COALITION BILL	SENATE DEMOCRATIC BILL	ALTERNATIVE 1	ALTERNATIVE 2
<b>3. MAINTENANCE OF EFFORT</b>	1. 75% of state spending in FY1994.	1. Retains current law state match requirement that increases/decreases according to program costs.	1. Retains current law state match requirement that increases/decreases according to program costs.	Maintains current law Federal-State matching requirement for TEAP. 80 percent state maintenance of effort requirement for Work First Self-Sufficiency Block Grant.	100 percent State maintenance of effort through 1998. Reduce MOE to 80 percent starting in 1999, with increases up to 100 percent based on failure to meet work requirements.
<b>4. CHANGES IN ECONOMIC CONDITIONS</b>	1. \$1 billion contingency fund for States with high unemployment (State must match). 2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match). 3. \$1.7 billion loan fund.	1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.	1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.	1. Automatic adjustments in place to meet increased demand for benefits due to economic or population changes.	1. Single contingency fund to respond to economic changes and population growth. Annual allocations to States set by increase in number of children in poverty above the baseline multiplied by average 1994 spending per child in poverty in the State. 2. \$1.7 billion loan fund.

	H.R. 4 CONFERENCE BILL	COALITION BILL	SENATE DEMOCRATIC BILL	ALTERNATIVE 1	ALTERNATIVE 2
<b>5. TIME LIMITS</b>	<p>1. Requires recipients to engage in work activities when State deems individual is work ready or 2 years (earlier at state option), whichever is sooner.</p> <p>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</p>	<p>1. Must begin job search and any other activities required by the state within 30 days of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under age 1 (6 months at state option), caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>	<p>1. Must begin job search from day one and begin other activities outlined in the individual responsibility contract within 2 months of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under age 1 (6 months at state option), caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>	<p>1. Must begin job search from day one and begin other activities outlined in an individual responsibility contract within two months of receiving benefits.</p> <p>2. Must work after receiving benefits for two years (earlier at state option).</p> <p>3. 5-year lifetime limit for Federal cash benefits, shorter at state option. 20 percent exemption at state option.</p> <p>4. States provide vouchers to children cut off by time limit.</p>	Same as Alternative 1.

	HR. 4 CONFERENCE BILL	COALITION BILL	SENATE DEMOCRATIC BILL	ALTERNATIVE 1	ALTERNATIVE 2
<b>6. WORK REQUIREMENTS</b>	<p>1. Requires recipients to engage in work activities when state deems individual is work ready or 2 years (earlier at state option), whichever is sooner.</p> <p>2. States must have 50% of caseload in a qualified work activity by FY2002.</p> <p>3. State option to exempt a single parent with a child under age 1 from work requirement.</p>	<p>1. Individuals required to sign individual responsibility contract outlining plan to move individual to work upon receiving benefits. States may require individuals to enter Work First program at any time after receiving benefits.</p> <p>2. States must have 52% of able-bodied caseload in Work First Program by FY 2003.</p> <p>3. Exemptions from work requirement: individuals who are ill, incapacitated, or of advanced age, has not attained 18 years of age, caring for a child or parent who is ill or incapacitated, is enrolled in school or in educational or training programs that will lead to private sector employment.</p> <p>4. Individuals who find private sector employment of more than 25 hours a week and leave welfare would be counted in meeting participation rates for one year.</p>	<p>1. Requires recipients to engage in intensive job search from day 1 on assistance, sign an individual responsibility contract within two months, and be working, in training, or performing community service within six months.</p> <p>2. States must have 50% of able-bodied caseload in a qualified work activity by FY2000.</p> <p>3. Exemptions from work requirement: individuals who are seriously ill, incapacitated, of advanced age, caring for a child under age 1 (6 months at state option), caring for an incapacitated family member, and in the third trimester of pregnancy.</p> <p>4. Individuals who leave welfare for work would be counted in meeting participation rates for one year.</p>	<p>1. Require individuals to sign individual responsibility contract outlining plan to move from welfare to work upon receiving benefits.</p> <p>2. States must have 50 percent of caseload in qualified work activities by FY 2002.</p> <p>3. State option to exempt a single parent with a child under one from work requirement.</p> <p>4. States may not penalize a single parent with a child under age six if the parent proves child care is not available. State option to count 20 hours of a work activity as full participation for a single parent with a child under age six.</p> <p>5. Individuals who find unsubsidized employment and leave welfare for work would be counted in meeting participation rates for six months; no participation rate reduction for caseload reductions.</p>	<p>Same as Alternative 1.</p>

	H.R. 4 CONFERENCE BILL	COALITION BILL	SENATE DEMOCRATIC BILL	ALTERNATIVE 1	ALTERNATIVE 2
<b>7. CHILD CARE</b>	States may not sanction a single parent with a child under age 6 if the parent proves child care is not available. Separate child care block grant of \$11 billion over 7 years in mandatory spending for TANF recipients.	Individuals who leave welfare would be guaranteed child care for one year after leaving welfare. Individuals would be guaranteed child care if necessary to participate in work program.	Individuals who leave welfare would be guaranteed child care for one year after leaving welfare. Provides a capped entitlement sufficient to meet guarantees plus funding for low income working parents. Individuals would be guaranteed child care if necessary to participate in work program.	<p>1. Provide child care funding sufficient to meet CBO estimates for child care costs of work requirements, including one year of transitional child care for those who move from welfare to work, plus current baseline funding for the at-risk program.</p> <p>2. Retain current health and safety provisions for the child care block grant.</p>	Same as Alternative 1.
<b>8. MEDICAID ELIGIBILITY</b>	Leave Medicaid eligibility up to States except that States must cover specified groups.	Categorical Medicaid eligibility for cash assistance recipients. State option for 2 years of transitional Medicaid assistance.	Categorical Medicaid eligibility for cash assistance recipients.	<p>1. Provide full Medicaid benefits to all individuals who are eligible for cash benefits and for one year for individuals who leave welfare for work.</p> <p>2. Ensure that no child who currently is categorically eligible for Medicaid loses coverage as a result of changes in eligibility for cash assistance.</p>	Same as Alternative 1.
<b>9. FAMILY CAP</b>	Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.	States have option to deny benefits to children born to families on welfare.	States have option to deny benefits to children born to families on welfare.	Complete state flexibility on family cap.	Same as Alternative 1.

	<b>H.R. 4 CONFERENCE BILL</b>	<b>COALITION BILL</b>	<b>SENATE DEMOCRATIC BILL</b>	<b>ALTERNATIVE 1</b>	<b>ALTERNATIVE 2</b>
<b>10. MINOR MOTHERS</b>	<p>1. Unwed teens must live at home (or in an adult supervised setting) and attend school in order to receive TANF benefits.</p> <p>2. States have option to deny benefits to an unwed teen parent.</p>	<p>1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits.</p> <p>2. Same.</p>	<p>1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits.</p> <p>2. Same.</p>	<p>State flexibility on benefits to minor mothers, but states must provide vouchers for shelter, goods and services for children in the family.</p>	<p>Same as Alternative 1.</p>
<b>11. BLOCK GRANT TRANSFERS</b>	<p>Allows States to transfer 30 percent of TANF block grant to child care, social services, or child welfare activities.</p>	<p>No transfers allowed.</p>	<p>No transfers allowed.</p>	<p>Allowable transfers from Work First Self-Sufficiency Block Grant to child care of up to 20 percent.</p>	<p>Allowable transfers from TANF block grant to child care of up to 20 percent.</p>
<b>12. BONUSSES</b>	<p>Allows States to reduce maintenance of effort based on work program performance. Provides bonus funds for reductions in out-of-wedlock births.</p>	<p>No bonus provisions. States can be penalized 5% of Work First Block Grant for not meeting work requirements.</p>	<p>Provides work performance bonuses rising to \$500 million in FY 2001. States with repeated failures to meet work requirements could have match rate reduced.</p>	<p>Provide separate pools of bonus funds for private sector job placements and for reducing out-of-wedlock births.</p>	<p>Same as Alternative 1.</p>
<b>13. STATE ACCOUNTABILITY</b>	<p>General fiscal audit of how States spend Federal money.</p>	<p>Program-specific audit based on set programmatic definitions</p>	<p>Program-specific audit based on set programmatic definitions</p>	<p>1. Secretary approves State plans and can reduce or withhold payments if plans do not meet requirements.</p> <p>2. Annual program-specific audit of State expenditures to ensure consistency with requirements.</p>	<p>Same as Alternative 1.</p>

POSSIBLE AREAS OF MOVEMENT

	ALTERNATIVE 1	ALTERNATIVE 2
<b>STRUCTURAL REFORM</b>	<p>AFDC administration, JOBS and emergency assistance consolidated into self-sufficiency block grant funded at the baseline levels for these programs.</p> <p>AFDC benefits replaced with Temporary Employment Assistance Program (TEAP), and remain an individual entitlement. (Maintain current law federal-state matching requirement for TEAP.)</p>	<p>AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one TANF block grant. [with provisions for eligibility, state maintenance of effort, and changes in economic and demographic conditions as described below.]</p>
<b>ELIGIBILITY</b>	<p>States set objective eligibility criteria and provide that families with comparable needs and circumstances are treated similarly.</p> <p>Require that states provide assistance with reasonable promptness to all individuals who meet the state defined eligibility criteria and that states have in place procedures for review of adverse decisions.</p>	<p>States set objective eligibility criteria and provide that families with comparable needs and circumstances are treated similarly.</p> <p>Requires that states provide assistance with reasonable promptness to all individuals who meet the state defined eligibility criteria and that states have in place procedures for review of adverse decisions.</p>
<b>MAINTENANCE OF EFFORT</b>	<p>Maintains current law federal-state matching requirement for TEAP. [State match requirement that increases/decreases according to program costs for TEAP cash benefits]. 80 percent state maintenance of effort for self-sufficiency block grant.</p>	<p>100 percent state maintenance of effort through 1998. Reduce the matching rate to 80 percent starting in 1999, with increases up to 100 percent based on failure to meet work requirements.</p>
<b>CHANGES IN ECONOMIC AND DEMOGRAPHIC CONDITIONS</b>	<ol style="list-style-type: none"> <li>Automatic adjustments in place to meet increased demand for benefits due to economic or population changes.</li> <li>\$1.7 billion loan contingency fund.</li> </ol>	<ol style="list-style-type: none"> <li>One contingency fund to respond to economic changes and population growth. Annual allocations to states set by increase in number of children in poverty above the baseline multiplied by average 1994 spending per child in poverty in the state.</li> <li>\$1.7 billion loan fund.</li> </ol>

<p>TIME LIMITS</p>	<ol style="list-style-type: none"> <li>1. Must begin job search from day one and begin other activities outlined in the individual responsibility contract within two months of receiving benefits.</li> <li>2. Must work after receiving benefits for two years (earlier at state option).</li> <li>3. 5-year lifetime limit for federal benefits, shorter at state option. 20 percent exemption at state option.</li> <li>4. States provide vouchers to children cut off by time limit.</li> </ol>	<p>Same as Alternative 1.</p>
<p>WORK REQUIREMENTS</p>	<ol style="list-style-type: none"> <li>1. Require individuals to sign individual responsibility contract outlining plan to move from welfare to work upon receiving benefits. [Require recipients to engage in work activities within two years of receiving benefits.]</li> <li>2. States must have 50 percent of caseload in qualified work activities by FY 2002.</li> <li>3. State option to exempt a single parent with a child under one from work requirement.</li> <li>4. States may not penalize a single parent with a child under age six if the parent proves child care is not available. State option to count 20 hours of a work activity as full participation for a single parent with a child under age six.</li> <li>5. Individuals who find unsubsidized employment and leave welfare for work would be counted in meeting participation rates for six months; no participation rate reduction for caseload reductions.</li> </ol>	<p>Same as Alternative 1.</p>

CHILD CARE	<ol style="list-style-type: none"> <li>1. Provide child care funding sufficient to meet CBO estimates for child care costs of work requirements, including one year of transitional child care for those who move from welfare to work, plus current baseline funding for the at-risk program.</li> <li>2. Retain current health and safety provisions for the child care block grant.</li> </ol>	Same as Alternative 1.
MEDICAID ELIGIBILITY	<ol style="list-style-type: none"> <li>1. Provide full Medicaid benefits to all individuals who are eligible for cash benefits and for one year for individuals who leave welfare for work.</li> <li>2. Ensure that no child who currently is categorically eligible for Medicaid loses coverage as a result of changes in eligibility for cash assistance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Leave Medicaid eligibility up to the states except that states must cover specified groups. [Provide full Medicaid benefits to all individuals who receive cash assistance under the block grant and for one year for individuals who leave welfare for work.</li> <li>2. Ensure that no child who currently is categorically eligible for Medicaid loses coverage as a result of changes in eligibility for cash assistance.]</li> </ol>
FAMILY CAP	Complete state flexibility on family cap.	Same as Alternative 1.
MINOR MOTHERS	State flexibility on benefits to minor mothers, but states must provide vouchers for shelter, goods and services for children in the family.	Same as Alternative 1.
BLOCK GRANT TRANSFERS	Allowable transfers from self-sufficiency block grant to child care of up to 20 percent.	Allowable transfers from TANF block grant to child care of up to 20 percent.
BONUSES	Provide separate pools of bonus funds for private sector job placements and for reducing out-of-wedlock births.	Same as Alternative 1.
ACCOUNTABILITY	<ol style="list-style-type: none"> <li>1. Secretary approves state plans and can reduce or withhold payments if plans do not meet requirements.</li> <li>2. Annual program-specific audit of state expenditures to ensure consistency with requirements.</li> </ol>	Same as Alternative 1.

**COMPARISON OF CASH BLOCK GRANT  
December 30, 1995**

<b>TANF BLOCK GRANT (AFDC)</b>		
	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>
<b>STRUCTURAL REFORM</b>	<ol style="list-style-type: none"> <li>1. AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one block grant.</li> <li>2. Turns AFDC into a state block grant which is capped at \$16.3 billion a year.</li> </ol>	<ol style="list-style-type: none"> <li>1. AFDC replaced with Temporary Employment Assistance Program. Repeals Emergency Assistance.</li> <li>2. Maintains current law federal-state matching requirement.</li> <li>3. Replaces JOBS with a capped entitlement (Work First) with CBO cost of \$3.1 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates.</li> </ol>
<b>ELIGIBILITY</b>	<ol style="list-style-type: none"> <li>1. States set eligibility criteria. Ends individual entitlement to benefits.</li> <li>2. Eliminates federal requirements regarding asset and resource limits, earnings disregards and other income disregards.</li> </ol>	<ol style="list-style-type: none"> <li>1. States set eligibility criteria. Retains current law requirement that states provide benefits to all individuals whose income and resources are below state-set limits.</li> <li>2. Same.</li> </ol>

	FINAL WELFARE REFORM BILL	COALITION BILL
<p><b>WORK REQUIREMENTS</b></p>	<ol style="list-style-type: none"> <li>1. Requires recipients to engage in work activities within 2 years of receiving benefits.</li> <li>2. States must have 50% of caseload in a qualified work activity by FY2002.</li> <li>3. State option to exempt a single parent with a child under age 1 from work requirement.</li> <li>4. States may not sanction a single parent with a child under age 6 if the parent proves child care is not available.</li> </ol>	<ol style="list-style-type: none"> <li>1. Individuals required to sign individual responsibility contract outlining plan to move individual to work upon receiving benefits. States may require individuals to enter Work First program at any time after receiving benefits.</li> <li>2. States must have 52% of able-bodied caseload in Work First Program by FY 2003.</li> <li>3. States determine which individuals would be required to enter Work First program.</li> <li>4. Individuals would be guaranteed child care if necessary to participate in work program. Individuals who leave welfare would be guaranteed child care for one year after leaving welfare.</li> <li>5. Individuals who find private sector employment of more than 25 hours a week and leave welfare would be counted in meeting participation rates for one year.</li> </ol>

	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>
<b>TIME LIMITS</b>	<ol style="list-style-type: none"> <li>1. Must work after receiving benefits for two years (earlier at state option)</li> <li>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</li> </ol>	<ol style="list-style-type: none"> <li>1. Must begin job search and any other activities required by the state within 30 days of receiving benefits.</li> <li>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</li> </ol>
<b>MAINTENANCE OF EFFORT</b>	<ol style="list-style-type: none"> <li>1. 75% of state spending in FY1994.</li> </ol>	<ol style="list-style-type: none"> <li>1. Retains current law state match requirement that increases/decreases according to program costs.</li> </ol>
<b>CHANGES IN ECONOMIC CONDITIONS</b>	<ol style="list-style-type: none"> <li>1. \$1 billion contingency fund for States with high unemployment (State must match).</li> <li>2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match).</li> <li>3. \$1.7 billion loan fund.</li> </ol>	<ol style="list-style-type: none"> <li>1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.</li> </ol>

	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>
<b>FAMILY CAP</b>	1. Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.	1. States have option to deny benefits to children born to families on welfare.
<b>TEEN MOMS</b>	1. Unwed teens must live at home (or in an adult supervised setting) and attend school in order to receive TANF benefits.  2. States have option to deny benefits to an unwed teen parent.	1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits.  2. Same.

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Bob Greenstein
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Comments:

Bruce,

I thought the following ideas regarding  
work issues and welfare might be of use  
in the negotiations.

Bob

## WORK REQUIREMENTS

The following is a list of changes that should be made to the conference report work requirements.

- Eliminate the Caseload Reduction Credit — As currently drafted, a state's work participation rate is reduced if the state reduces the size of its caseload. This provision creates an incentive for states simply to cut their caseloads as a way of meeting their work program participation requirements. While the bill appears to place some limitation on a state's ability to count caseload reductions resulting from changes in program eligibility, these limits are drafted in a manner that essentially makes them unenforceable.
- Restore Senate provision giving states credit for families that leave assistance due to employment. This Senate provision would have counted an individual toward the participation rate in the six months after leaving aid due to employment, so long as the individual was still employed. (The Coalition budget also would have allowed parents that left welfare for work to count toward the work participation rates.)
- Restore Senate provision which allowed states to set the countable participation level for single parents with children under age six at 20 hours a week. (House Ways and Means Committee recently heard testimony from expert witnesses suggesting that the 20-hour requirement should apply to *all* work participants.)
- Modify the conference provision that protects families that cannot find child care from program sanctions. The conference agreement provides that a state may not reduce aid to a single-parent family with a child under age six if the parent can prove she was unable to find child care. This provision should apply to parents whose children are under 13 (this is the age used in determining eligibility for the Dependent Care Tax Credit). Without a change, the bill would permit states to sanction mothers of six-, seven-, or eight-year-old children who could prove that they were unable to comply due to lack of after-school child care.
- Work participation rates should be based on the number of families receiving *cash* assistance. The bill, as drafted, would extend work requirements to families receiving any type of assistance under the block grant, including services such as transportation or counseling.

## REWARDING STATES FOR MOVING FAMILIES INTO JOBS

The welfare conference agreement includes two problematic provisions that could reward states for cutting their caseloads without moving families from welfare to work:

- *Performance Bonus.* Between 8 and 40 states would be awarded a lower maintenance-of-effort requirement based on their performance on five different criteria. Instead of rewarding job placements, the criteria would reward states that deny aid to large numbers of needy families and institute short time limits followed by long periods of ineligibility. Both the form of the reward — a reduction in the state's maintenance-of-effort requirement — and the criteria on which the reward is based are troublesome.
- *Caseload Reduction Credit.* Every state that reduces its caseload — again, regardless of whether families have been moved from welfare to work — is rewarded with a substantial reduction in its work participation rate.

There has been considerable interest in designing policies that reward states with quality welfare-to-work programs. But these two provisions fail to provide states with the incentive to create such high-quality programs.

### Performance Bonus

#### *Problematic Incentives in the Conference Report*

Under the conference agreement, states would be awarded with a reduction in their maintenance-of-effort requirement based on five criteria:

- reducing the percentage of children in the state that receive assistance.
- reducing the percentage of families that return to the caseload within 18 months of becoming ineligible,
- increasing the number of families that become ineligible for aid due to employment, and
- increasing the average earnings of families that receive aid.

These criteria are poorly designed if the goal is to reward states with strong welfare-to-work programs. The criteria provide states with incentives to deny aid to needy families (thereby reducing the percentage of children in the state receiving

assistance), institute short time limits followed by long periods of ineligibility (reducing the percentage of families that return to the caseload within 18 months of becoming ineligible) and reduce transitional and supplemental benefits to families that find low-wage work (increasing the number of families that become *ineligible* for aid due to employment). In addition, these criteria would favor states with strong economies and less disadvantaged caseloads. A state with a booming economy or a less disadvantaged caseload will find it easier to place parents into jobs than states with higher unemployment or a caseload with larger numbers of parents without high school diplomas.

### *A Better-Designed Performance Bonus*

A better-designed performance bonus could address these concerns and reward states for high performing welfare-to-work programs. The first two criteria included in the conference agreement — reductions in the percentage of children receiving aid and reductions in the percentage of families returning to assistance within 18 months — need to be deleted entirely. The remaining two criteria should be altered to ensure that only those states with high-performance work programs are rewarded. Such a performance bonus would include:

- Rewards based on the number of parents that find jobs (for at least 20 hours per week), regardless of whether they become ineligible for aid. The goal of welfare reform should be to move parents into jobs. If a parent finds a job but does not become wholly ineligible for all forms of assistance funded by the block grant, the state should not be penalized. For example, some states with traditionally higher benefits may choose to supplement the low wages of parents that find jobs or provide work-related aid such as transportation assistance.
- Incentives for states to focus on job retention and earnings levels. Too often, the placement of a parent into a job is seen as success, regardless of how long that parent remains in the job. States should be given incentives to help parents retain those jobs. States that help parents find jobs with higher wages should also be rewarded.

Even if states are rewarded based on its record of helping parents find jobs, states with strong economies or less disadvantaged caseloads are likely to score better on these criteria. To ensure that the bonus rewards states with successful work programs — not states with strong economies or less needy caseloads (due either to the characteristics of poor families in the state or to state decisions to serve a less needy clientele) — two additional changes are needed:

- Provisions to ensure that states with weaker economies do not compete for performance rewards against states with strong economies. If states only competed against other states with similarly-performing economies,

a state with a poor welfare-to-work program would not be rewarded simply because of its strong economy. In short, this would “level the playing field” among states. This could be accomplished by dividing states into three categories — high unemployment, moderate unemployment, and low unemployment. States would only compete for performance funds against those states in its unemployment category. (This could be spelled out specifically in legislation or it could be left to the Secretary to design the mechanism to ensure that states are not rewarded with performance funds due to the economic conditions in their states.)

- A mechanism to “level the playing the field” among states with widely differing caseload characteristics. Some states have caseloads with few high school graduates or parents with recent work experience while others have caseloads that include a higher percentage of parents with more education, skills, and work experience. A state with a high quality welfare-to-work program, but a very disadvantaged caseload, might not look impressive beside a state with an average work program but a less disadvantaged caseload.

The mechanism for ensuring that states are not rewarded simply on the basis of their caseload’s characteristics can be designed in several ways. For example, states could compete on the basis of their performance in moving different categories of families into jobs. The caseload could be divided into categories based on educational attainment and degree of recent work experience. If the caseload were divided into four categories based on skill level, four different set of performance bonuses would be awarded based on states’ success in placing families in each category into jobs. (Again, this could be spelled out in the legislation or the Secretary could be directed to develop a system for rewarding states in which caseload differences are taken into account.)

### **Caseload Reduction Credit**

The welfare conference agreement would reward states that reduce their caseloads with substantially reduced work requirements. Under the bill, if a state reduced its caseload below the 1995 level by 25 percent, then its work participation rate would fall by 25 percentage points. In 2002, a state that reduced its caseload by 25 percent would see its work participation rate fall from 50 percent to 25 percent.

While the bill states that caseload reduction resulting from changes in eligibility rules should not count, it requires that the Secretary of HHS *prove* that the caseload reduction resulted from such eligibility changes. In practice, it will be

difficult, if not impossible, for the Secretary to prove why a state's caseload fell. States are likely to make numerous changes in program rules and it is unlikely that HHS will be able to disentangle the extent to which any caseload reduction resulted from each of the various programmatic changes made. Like the design of the performance bonus, this provision would provide states with a strong incentive to deny aid to needy families as a strategy for reducing the costly work requirements.

Instead of rewarding simple caseload reduction, regardless of whether the parents found work or were simply denied assistance, states should be rewarded for moving families into jobs. This can be accomplished by deleting the caseload reduction credit provision in the conference report and accepting the Senate-passed provision allowing states to count families that move from welfare to work toward the work participation rate for the first six months the family is employed and not receiving aid. (The Coalition budget proposal allows states to count families that leave welfare for work toward the work participation requirements.)

*draft*

POSSIBLE AREAS OF MOVEMENT

	ALTERNATIVE 1	ALTERNATIVE 2
<b>STRUCTURAL REFORM</b>	<p>AFDC administration, JOBS and emergency assistance consolidated into "self-sufficiency" block grant funded at the 1995 level for these programs</p> <p>AFDC benefits replaced with Temporary Employment Assistance Program. Maintain current law feder-state matching requirement for TEAP</p>	<p>AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one TANF block grant, with provisions for eligibility, maintenance of effort, and changes in economic conditions as described below</p>
<b>ELIGIBILITY</b>	<p>States set eligibility criteria provided that families with comparable needs and circumstances are treated similarly. Requires that states provide assistance with reasonable promptness to all individuals who meet the state defined eligibility criteria and that the states have in place procedures for review of adverse decisions</p>	<p>States set eligibility criteria provided that families with comparable needs and circumstances are treated similarly.</p> <p>Requires that states provide assistance with reasonable promptness to all individuals who meet the state defined eligibility criteria and that the states have in place procedures for review of adverse decisions.</p>
<b>MAINTENANCE OF EFFORT</b>	<p>80 percent maintenance of effort for self-sufficiency block grant. State match requirement that increases/decreases according to program costs for TEAP cash benefits</p>	<p>100 percent maintenance of effort through 1998. Reduce the matching rate to 80 percent starting in 1999, with increases up to 100 percent based on failure to meet work requirements</p>
<b>CHANGES IN ECONOMIC CONDITIONS</b>	<p>Automatic adjustments in place to meet increased demand for benefits due to economic or population changes. \$1.7 billion loan contingency fund.</p>	<p>One contingency fund to respond to economic conditions and population growth. Annual allocations to states set by increase in number of children in poverty above the baseline multiplied by average 1994 spending per child in poverty in the state. \$1.7 billion loan fund.</p>

*Duff*

<p><b>TIME LIMITS</b></p>	<ol style="list-style-type: none"> <li>1. Must begin job search from day one and begin other activities outlined in the individual responsibility contract within two months of receiving benefits.</li> <li>2. Must work after receiving benefits for two years (earlier at state option).</li> <li>3. 5-year lifetime limit for federal benefits, shorter at state option. 20 percent exemption at state option.</li> <li>4. State option to provide vouchers to children cut off by time limit.</li> </ol>	<p>Same as alternative 1.</p>
<p><b>WORK REQUIREMENTS</b></p>	<ol style="list-style-type: none"> <li>1. Requires individuals to sign individual responsibility contract outlining plan to move from welfare to work upon receiving benefits. Requires recipients to engage in work activities within two years of receiving benefits.</li> <li>2. States must have 50 percent of caseload in qualified work activities by FY 2002.</li> <li>3. State option to exempt a single parent with a child under 1 from work requirement.</li> <li>4. States may not penalize a single parent with a child under age 6 if the parent proves child care is not available. State option to count 20 hours of a work activity as full participation for a single parent with a child under age 6.</li> <li>5. Individuals who find unsubsidized employment and leave welfare for work would be counted in meeting participation rates for six months.</li> </ol>	<p>Same as Alternative 1.</p>

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<p><b>MEDICAID ELIGIBILITY</b></p>	<p>Provide full Medicaid benefits to all individuals who are eligible for cash benefits and for one year for individuals who leave welfare for work. Ensure that no child who currently is categorically eligible for Medicaid loses coverage as a result of changes in eligibility for cash assistance.</p>	<p>Provide full Medicaid benefits to all individuals who receive cash assistance under the block grant and for one year for individuals who leave welfare for work. Ensure that no child who currently is categorically eligible for Medicaid loses coverage as a result of changes in eligibility for cash assistance.</p>
<p><b>FAMILY CAP</b></p>	<p>Complete state flexibility on family cap.</p>	<p>Same as Alternative 1.</p>
<p><b>TEEN MOMS</b></p>	<p>State flexibility on benefits to minor moms, but states must provide vouchers for shelter, goods and services for children in the family.</p>	<p>Same as Alternative 1.</p>
<p><b>BLOCK GRANT TRANSFERS</b></p>	<p>Allowable transfers from self-sufficiency block grant to child care of up to 20 percent.</p>	<p>Allowable transfers from TANF block grant to child care of up to 20 percent.</p>
<p><b>BONUSES</b></p>	<p>Provide bonuses for private sector job placements and for reducing out-of-wedlock births.</p>	<p>Same as Alternative 1.</p>
<p><b>ACCOUNTABILITY</b></p>	<p>1. Secretary approves state plans and can reduce or withhold payments if plans do not meet requirements.  2. Annual program-specific audit of state expenditures to ensure consistency with requirements.</p>	<p>Same as Alternative 1.</p>

Low-Income Programs Considered for Block Granting			
Program	Current Law	Conference Proposal	Administration or Coalition Proposal
<b>AFDC</b>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Guaranteed funding for cash benefits to needy children and their caretakers; funds States for program administration and emergency assistance.</li> <li>• <b>Funding Structure.</b> Open-ended Federal funds match State spending at specified rates.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Income eligibility and benefit levels set by States; most other criteria Federally defined.</li> <li>• <b>Interactions.</b> Categorical eligibility for Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> No benefit guarantee. States may use funds for any "reasonably calculated" manner to carry out program purposes.</li> <li>• <b>Funding Structure.</b> Block-grants AFDC, Emergency Assistance, and JOBS at roughly 1995 levels. Rather than a match program, sets State maintenance of effort at 75% of 1994 levels with possible reduction based on performance. Allowable block grant transfers could reduce effective MOE substantially. Includes \$1 billion contingency fund, \$1.7 billion loan fund, \$800 million population adjustment fund.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Income eligibility and benefit levels set by states; no federal criteria. 5-year time limit on cash assistance with 15% exemptions.</li> <li>• <b>Interactions.</b> No automatic eligibility for Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Replaces AFDC with time-limited conditional entitlement to cash benefits.</li> <li>• <b>Funding Structure.</b> Open-ended, state-matched Temporary Employment Assistance program. Eliminates Emergency Assistance (EA). JOBS is replaced by Work First, a State-matched, capped entitlement.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Wide state flexibility under broad guidelines. Income eligibility and benefit levels set by states; minimal federal criteria. 5-year time limit on cash benefits with specified exemption categories.</li> <li>• <b>Interactions.</b> Categorical eligibility for Medicaid. State option for 2 years of transitional Medicaid assistance.</li> </ul>
<b>Child Care</b>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Payments for child care, through vouchers to parents or State grants/contracts with providers.</li> <li>• <b>Funding Structure.</b> Open-ended federal funds match State spending for AFDC recipients at specified rates.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Child care guaranteed for AFDC recipients in work and training programs and for those who leave welfare for work (for one year). Separate capped entitlement for working poor "at-risk" of returning to welfare.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Child care block granted at \$1.8 billion above current law over 7 years.</li> <li>• <b>Funding Structure.</b> Open-ended funding guarantee eliminated. Federal funds capped. States must maintain FY94 and match additional amounts.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> No guarantee of child care for those required to work. Health, safety, and quality provisions are removed from current law.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Child care guaranteed to AFDC participants in work and training and transitioning off welfare.</li> <li>• <b>Funding Structure.</b> Open-ended federal funds match State spending for AFDC recipients at specified rates. "At-risk" funds merged with discretionary child care.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Guarantee of child care for those required to work. Health, safety, and quality provisions are removed from current law.</li> </ul>

Low-Income Programs Considered for Block Granting			
Program	Current Law	Conference Proposal	Administration or Coalition Proposal
Food Stamps	<ul style="list-style-type: none"> <li><b>Type of Benefit.</b> Coupons or EBT equivalent for food purchases.</li> <li><b>Funding Structure.</b> Full Federal funding for benefits; Federal funds match State spending for administration.</li> <li><b>Eligibility &amp; Benefit Levels.</b> Uniform Federally defined eligibility standards based on income; uniform Federally-defined benefit levels based on cost of thrifty food plan and household size.</li> <li><b>Interactions.</b> Most AFDC and SSI recipients receive Food Stamps, but many different criteria.</li> </ul>	<ul style="list-style-type: none"> <li><b>Type of Benefit.</b> Guaranteed benefit continues for states that do not elect the block grant or simplified program. Allows a food stamp block grant for states meeting certain standards. Optional food stamp block grant eliminates national entitlement to basic minimum food allowance for the needy.</li> <li><b>Funding Structure.</b> Full federal funding for benefits but annual spending cap on food stamps that could result in across-the-board cuts if economy declines or cap projections are inaccurate.</li> <li><b>Eligibility &amp; Benefit Levels.</b> States would be given wide latitude to change benefit and eligibility in states not selecting block grant; no guarantee for eligibility or benefits in block grant states.</li> <li><b>Interactions.</b> Most TANF cash assistance recipients would be eligible, although eligibility between the programs is not linked</li> </ul>	<ul style="list-style-type: none"> <li><b>Type of Benefit.</b> Same as current law. No block grant or block grant option.</li> <li><b>Funding Structure.</b> Same as current law. No cap on food stamp spending.</li> <li><b>Eligibility and Benefit Levels.</b> A number of changes to current law, including adjustment of thrifty food plan; reduction and indexation of standard deduction; counting energy assistance as income; enhance program integrity; indexation of vehicle allowance; increase State flexibility; others.</li> <li><b>Interactions.</b> Same as current law.</li> </ul>

Low-Income Programs Considered for Block Granting			
Program	Current Law	Conference Proposal	Administration or Coalition Proposal
Child Nutrition	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Free or reduced price breakfasts and lunches.</li> <li>• <u>Funding Structure.</u> Federal payment to schools of a set amount for each free or reduced price meal.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> Uniform Federally defined eligibility standards based on income; uniform Federally defined subsidies per meal; uniform nutrition standards.</li> <li>• <u>Interactions.</u> Children on AFDC or Food Stamps automatically qualify for free meals.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Benefit continues as in current law unless state chooses to participate in School Lunch block grant demonstration projects in 7 USDA regions.</li> <li>• <u>Funding Structure.</u> For demonstration states, open ended payment replaced with capped federal payments to states.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> Many federal benefit and eligibility standards in states choosing demonstration, but free and reduced prices could rise.</li> <li>• <u>Interactions.</u> Children on AFDC or Food Stamps automatically qualify for free meals.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Same as current law. No child nutrition block grants.</li> <li>• <u>Funding Structure.</u> Same as current law.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> Same as current law, but better-targeted subsidies to Family Day Care Homes serving low-income kids.</li> <li>• <u>Interactions.</u> Same as current law.</li> </ul>
Child Protection Services and Training (Mandatory)	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Open-ended payments to States for placement services, training, and program administration for foster care and adoption assistance.</li> <li>• <u>Funding Structure.</u> Open-ended federal funds match State spending at specified rates.</li> <li>• <u>Eligibility.</u> Based on child's eligibility for AFDC.</li> <li>• <u>Interactions.</u> Categorical eligibility for Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Rather than making open-ended payments, block grants four open-ended foster care and adoption assistance programs for placement services, training and administration. Repeals the Independent Living Program for foster teens &amp; Family Preservation and Support.</li> <li>• <u>Funding Structure.</u> Capped block grant payments to States at about \$0.4 billion below current law. State maintenance of effort set at 100% of 1994 levels in FYs 97-98 and 75% until 2002.</li> <li>• <u>Eligibility.</u> Eligibility expanded to all children.</li> <li>• <u>Interactions.</u> Same as current law.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Same as current law.</li> <li>• <u>Funding Structure.</u> Same as current law.</li> <li>• <u>Eligibility.</u> Same as current law.</li> <li>• <u>Interactions.</u> Same as current law.</li> </ul>
Child Welfare (Discretionary)	<ul style="list-style-type: none"> <li>• Child Abuse Prevention and Treatment Act (CAPTA) and other statutes maintain a number of small categorical programs funding child protection services.</li> </ul>	<ul style="list-style-type: none"> <li>• Block grants a number of discretionary programs within CAPTA and similar related discretionary programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current law.</li> </ul>

Low-Income Programs Considered for Block Granting			
Program	Current Law	Conference Proposal	Administration or Coalition Proposal
Medicaid	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Federal entitlement for eligible individuals to minimum set of health and long-term care services defined in Federal law; States may also cover optional eligibles and benefits.</li> <li>• <u>Funding Structure.</u> Federal matching for State payments to providers and health plans for services for eligible individuals and for program administration.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> States must cover: low-income pregnant women, children, elderly and disabled Medicare beneficiaries; AFDC and SSI recipients; certain other individuals, such as those transitioning from welfare-to-work, and children in subsidized foster care and adoption homes. States may cover optional groups. Federally defined minimum benefits must be provided. States may provide optional benefits as well. Provider payment rates set by States, subject to some federal standards.</li> <li>• <u>Interactions.</u> Cash recipients and children in foster care automatically eligible for Medicaid, as are those in transition from welfare to work. Cash income and/or asset levels sometimes used for other Medicaid eligibility.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> No federal entitlement; States required to provide health services for low-income individuals, including certain defined populations with funding set-asides.</li> <li>• <u>Funding Structure.</u> Block grant. Federal matching up to a capped amount for each State.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> States must cover children under age 13, pregnant women, and individuals with disabilities (state defined) with income below poverty level. Establishes mandatory funding set-asides for these populations and for paying the Medicare premium for low-income dual eligibles. States define benefits package, but must provide childhood immunizations and family planning. Provider payments set by State.</li> <li>• <u>Interactions.</u> No automatic eligibility for cash recipients.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Retain current law but provide meaningful new flexibility to States in how to operate their programs, pay providers, and contract with managed care plans and other innovative delivery arrangements.</li> <li>• <u>Funding Structure.</u> Maintain federal matching for State payments to providers and health plans for health services for eligible individuals, subject to cap on rate of increase in spending per person, and further limits in payments under the disproportionate share (DHS) program.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> Retain current law.</li> <li>• <u>Interactions.</u> Retain link between welfare and Medicaid.</li> </ul>

## COMPARISON OF CASH BLOCK GRANT

January 1, 1996

TANF BLOCK GRANT (AFDC)			
	FINAL WELFARE REFORM BILL	COALITION BILL	SENATE DEMOCRATIC BILL
<b>STRUCTURAL REFORM</b>	<p>1. AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one block grant.</p> <p>2. Turns AFDC into a state block grant which is capped at \$16.3 billion a year.</p>	<p>1. AFDC replaced with Temporary Employment Assistance Program. Repeals Emergency Assistance.</p> <p>2. Maintains current law federal-state matching requirement.</p> <p>3. Replaces JOBS with a capped entitlement (Work First) with CBO cost of \$8.1 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates.</p>	<p>1. AFDC replaced with Temporary Employment Assistance Program. Repeals Emergency Assistance.</p> <p>2. Maintains current law federal-state matching requirement.</p> <p>3. Replaces JOBS with a capped entitlement (Work First) with CBO cost of \$10.2 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates.</p>
<b>ELIGIBILITY</b>	<p>1. States set eligibility criteria. Ends individual entitlement to benefits.</p> <p>2. Eliminates federal requirements regarding asset and resource limits, earnings disregards and other income disregards.</p>	<p>1. States set eligibility criteria provided that families with comparable needs are treated similarly. Retains current law requirement that states provide benefits to all individuals with children whose income and resources are below state-set limits.</p> <p>2. Same.</p>	<p>1. States set eligibility criteria provided that families with comparable needs are treated similarly. Retains current law requirement that states provide benefits to all individuals with children whose income and resources are below state-set limits.</p> <p>2. Same.</p>

	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>	<b>SENATE DEMOCRATIC BILL</b>
<b>WORK REQUIREMENTS</b>	<p>1. Requires recipients to engage in work activities within 2 years of receiving benefits.</p> <p>2. States must have 50% of caseload in a qualified work activity by FY2002.</p> <p>3. State option to exempt a single parent with a child under age 1 from work requirement.</p> <p>4. States may not sanction a single parent with a child under age 6 if the parent proves child care is not available.</p>	<p>1. Individuals required to sign individual responsibility contract outlining plan to move individual to work upon receiving benefits. States may require individuals to enter Work First program at any time after receiving benefits.</p> <p>2. States must have 52% of able-bodied caseload in Work First Program by FY 2005.</p> <p>3. States determine which individuals would be required to enter Work First program.</p> <p>4. Individuals would be guaranteed child care if necessary to participate in work program. Individuals who leave welfare would be guaranteed child care for one year after leaving welfare.</p> <p>5. Individuals who find private sector employment of more than 25 hours a week and leave welfare would be counted in meeting participation rates for one year.</p>	<p>1. Requires recipients to engage in intensive job search from day one on assistance, sign an individual responsibility contract within two months, and be working, in training, or performing community service within six months.</p> <p>2. States must have 50% of able-bodied caseload in a qualified work activity by FY2000.</p> <p>3. States shall exempt individuals who are seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, and in the third trimester of pregnancy</p> <p>4. Individuals would be guaranteed child care if necessary to participate in work program. Individuals who leave welfare would be guaranteed child care for one year after leaving welfare. Provides a capped entitlement sufficient to meet guarantees plus funding for low income working parents.</p> <p>5. Individuals who leave welfare for work would be counted in meeting participation rates for one year.</p>

	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>	<b>SENATE DEMOCRATIC BILL</b>
<b>TIME LIMITS</b>	<p>1. Must work after receiving benefits for two years (earlier at state option)</p> <p>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</p>	<p>1. Must begin job search and any other activities required by the state within 30 days of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>	<p>1. Must begin job search from day one and begin other activities outlined in the individual responsibility contract within 2 months of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>
<b>MAINTENANCE OF EFFORT</b>	1. 75% of state spending in FY1994.	1. Retains current law state match requirement that increases/decreases according to program costs.	1. Retains current law state match requirement that increases/decreases according to program costs.
<b>CHANGES IN ECONOMIC CONDITIONS</b>	<p>1. \$1 billion contingency fund for States with high unemployment (State must match).</p> <p>2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match).</p> <p>3. \$1.7 billion loan fund.</p>	1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.	1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.

	<b>FINAL WELFARE REFORM BILL</b>	<b>COALITION BILL</b>	<b>SENATE DEMOCRATIC BILL</b>
<b>FAMILY CAP</b>	1. Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.	1. States have option to deny benefits to children born to families on welfare.	1. States have option to deny benefits to children born to families on welfare.
<b>TEEN MOMS</b>	1. Unwed teens must live at home (or in an adult supervised setting) and attend school in order to receive TANF benefits. 2. States have option to deny benefits to an unwed teen parent.	1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits. 2. Same.	1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits. 2. Same.

## ISSUES IN REFORMING ENTITLEMENT PROGRAMS

### *AFDC*

Essential Program Elements. A reformed AFDC program must have tough work requirements, time limits, and increased State flexibility. It should also retain certain features of current law: It should provide a guarantee of assistance to all individuals who meet certain criteria. Its funding mechanism should respond automatically to changes in economic and demographic conditions. It should give States strong incentives to share in program financing and to match Federal funds, but allow flexibility in setting income eligibility and benefit levels. Individuals in like circumstances should be treated equally.

Administration Position. The conference report on welfare reform converts AFDC and related programs into a capped block grant. The block grant fails to address many of the essential elements of the current program. The Administration supports the Coalition proposal, which replaces AFDC with a conditional time-limited entitlement and provides an automatic response to countercyclical increases in need while increasing State flexibility.

Potential Fallback Position. If a cash assistance block grant were to be enacted, several modifications and more adequate protections for states and children would be needed. These would include a much more responsive countercyclical mechanism triggered by changes in child poverty, continued effective State financial participation, objective State-defined eligibility criteria, and guarantees of equitable treatment for families in like circumstances. Also needed would be: stronger performance bonuses, lower block grant transfer provisions, greater flexibility in setting family caps, vouchers for children of teen mothers denied cash assistance, guaranteed Medicaid eligibility for cash recipients, individual responsibility contracts, and higher time-limit exemptions.

### *Child Care*

Essential Program Elements. Current child care programs provide a guarantee for all AFDC recipients required to work or who are moving off welfare into work. Capped amounts are also provided for low-income families at-risk of going on to welfare. Federal and State governments share in program financing.

Administration Position. The Conference report block grants three mandatory child care programs -- two of which are open-ended -- and increases Federal funding by \$1.8 billion over 7 years -- too little to meet the child care needs of those required to work. The Administration supports the Coalition bill, which maintains the child care guarantee for AFDC recipients required to work and those transitioning off welfare for work.

Potential Fallback Position. If the new child care block grant were to be enacted, we would need an additional \$3-\$4 billion in Federal funds above the Conference level, which would be matched by States (as the Conference currently requires). Lower

funding add-ons are possible if more realistic work requirements are established. Current law health and safety protections, which are dropped in the conference report, should be restored.

### *Food Stamps*

- Essential Program Elements. The current Food Stamps program automatically responds to increases in need for assistance. It serves as the national uniform safety net for nutrition.
- Administration Position. HR 4 would allow States that met certain conditions to elect a Food Stamps block grant. It would impose a spending cap on the program that, while adjusting for some elements, would not preserve the program's ability to respond to changing circumstances (such as erosion of wages). It also permits States unprecedented authority to change the structure and rules of the national program. The Administration has no such proposals and is opposed to any proposal which would undermine this universal safety net program's ability to respond to increased need
- Potential Fallback Position. None.

### *Child Protection Services and Training Programs*

- Essential Program Elements. The four foster care and adoption assistance services, training, and administration programs are open-ended entitlements to States and allow States to respond automatically to increases in need for services.
- Administration Position. The Conference block grants four currently open-ended foster care and adoption assistance programs for placement services, training, and administration. The bill also repeals the Family Preservation & Support and Independent Living programs. These provisions reduce funding by \$0.4 billion. The Administration would maintain current law in each of these programs. The Administration opposes block granting and capping the open-ended programs because of rising abuse and neglect problems. Caseloads could also potentially increase due to dramatic changes elsewhere in the social safety net, which make cuts in child welfare programs especially dangerous.
- Potential Fallback Position. None.

### *Child Nutrition*

- Essential Program Elements. The child nutrition program ensures that millions of children get nutritious meals in schools and other settings.
- Administration Position. HR 4 would allow one state in each of the seven USDA regions to run a school block grant demonstration for five years. States that adopt this block grant would not be required to serve all needy students. The Administration is opposed to block granting these important nutrition programs nationwide.

Potential Fallback Position. If a child nutrition/school lunch block grant demonstration were enacted, the Administration would prefer considerably reducing the number of States. Only minor changes would be needed in the structure of the demonstrations.

## **MEDICAID**

- Essential Program Elements.

- **Federal Medicaid entitlement must be retained:** this requires a definition of mandatory beneficiaries and benefits, and enforcement of the entitlement through Federal courts:

- Mandatory beneficiaries: must include AFDC and SSI recipients -- post welfare reform, low-income pregnant women, children, and elderly and disabled Medicare beneficiaries, as well as individuals transitioning from welfare to work and other post-welfare transitions.
- Mandatory benefits: must include a Federally-required benefit package -- that could be negotiated so long as it remains comparable to the basic mandatory benefits under current law.
- Right of action: the Federal entitlement requires that individuals ultimately have a right of action in federal court to enforce their eligibility to Medicaid.

- **Federal financial partnership must be preserved:** The Federal matching structure, coupled with a new per capita cap to limit the rate of increase in spending, is the mechanism through which the Federal government would maintain its guaranteed financial partnership with states as they respond to changing economic and demographic realities in their state.

- **Meaningful flexibility to States must be assured:** Within this structure, States must be given unprecedented flexibility in how to operate their Medicaid programs, organize their delivery systems through managed care and other innovative arrangements, and pay providers.

- Administration Position: The conference position does not preserve the Federal Medicaid entitlement to meaningful benefits or enforcement through the Federal courts. The block grant structure fails to preserve the Federal financial partnership through economic and demographic changes.

- Potential Fallback Position.

- **Medicaid entitlement:**

- Beneficiaries: Eligibility simplification can be pursued in which some currently mandatory Medicaid coverage groups that are now classified as "grandfathered" could be made optional.

- Benefits:

- Mandatory benefits could be redefined so long as the core benefit provisions remain -- including such basic benefits as inpatient hospital, physician services, family planning, diagnostic services, nursing home and home health services, and child health screening, diagnosis and treatment (EPSDT).
- Substantial new state flexibility could be negotiated in how states make available optional benefits -- this would lessen current law constraints for optional benefits about comparability of benefits among groups and statewide.
- Enforcement:
  - Eligibility: there is no viable option to maintaining the individual's right of action in Federal court regarding their entitlement to Medicaid. However, it could be made explicit that a state administrative process must be exhausted prior to court-filing.
  - Benefits: For disputes regarding benefits, deductibles, and copayments, a health plan or HMO process, and a state administrative process, could be required, with appeal only to state courts, unless the claim exceeded certain threshold amounts.
- **Federal financing:** The administration cannot accept any fixed block or formula grant proposal, other than revision in the current formula cap on DSH.
  - The administration could begin to consider variable caps based on state costs, but there is a great deal of uncertainty about the distributional impact of such a proposal.
  - The disproportionate share (DSH) cut and remaining payment policy could be negotiated.
  - Transitional and/or hold-harmless pools can be negotiated, as well as pooled funding for federally qualified health centers and rural health centers.

## **Increasing protections for children and states in welfare conference report**

### **Contingency Fund**

Combine contingency fund and population growth fund into one fund triggered by increases in child poverty in the state

Annual contingency fund allocations to states to be determined by the increase in the number of children in poverty in each state above a baseline level, multiplied by average 1994 spending per child in poverty in the state.

Retain contingency loan fund included in the conference report.

### **Maintenance of Effort**

Provide for 100% maintenance of effort through 1998. Reduce the matching rate to 80% starting in 1999, with increases up to 100% based on failure to meet work requirements

### **Child Care**

Provide child care funding sufficient to meet CBO estimates for child care costs of work requirements in H.R. 4, including CBO estimates for one year of transitional child care for individuals who move from welfare to work, plus current baseline funds for the at-risk program.

Retain current law health and safety provisions for the Child Care and Development Block Grant.

### **Equal treatment**

Add language from Coalition budget and Senate Democratic bill requiring that the states use equitable and objective standards for eligibility and treat families of similar needs and circumstances similarly

Add language from Coalition budget and Senate Democratic bill ensuring that all individuals who meet eligibility standards defined by the state will receive benefits

### **Individual Protections**

Require states to provide individuals with an opportunity to apply for assistance and furnish assistance with reasonable promptness to all eligible individuals.

Provide for state process allowing individuals for whom assistance is denied, reduced or terminated to have such decisions reviewed

## **Accountability**

Provide that the Secretary shall approve state plans, within a specified period of time, and have the authority to reduce or withhold payments to the states if the plans do not meet the requirements

Provide for an annual program-specific audit of state expenditures by an independent audit agency to ensure that the expenditures were made in accordance with the requirements

## **Bonuses**

In lieu of illegitimacy bonus, provide states with bonuses of up to five percent of the annual block grant funding level based on success in moving individuals into unsubsidized employment.

## **Individual Responsibility Contract**

Adopt provision in Coalition plan requiring all welfare beneficiaries to sign an individual responsibility contract that requires them to take actions to move toward work and other items of personal responsibility and provides sanctions for individuals who violated their contract.

## **Transfers from Block Grant**

Limit allowable transfers of block grant funds to no more than 20% to the child care block grant only.

## **Work Funding**

Remove JOBS from the base for the TANF block grant and provide a separate funding stream outside of the block grant for work activities that is equal to the CBO estimate of the work-related (non-child care) costs of meeting the participation requirements in the conference report.

## **Medicaid eligibility**

Provide full Medicaid benefits to all individuals who are eligible for cash assistance under the block grant and for one year for individuals who leave welfare for work

Ensure that no child who currently is categorically eligible for Medicaid loses Medicaid coverage as a result of changes in eligibility for cash assistance

## **Family Cap**

Provide states with complete flexibility on family cap.

## **Teen moms**

Ensure that minor mothers who are denied cash assistance by the state are provided with vouchers to pay for shelter, goods and services for children in the family

## **Time limits**

Allow for specific exemptions in Coalition plan in addition to 15% hardship exemption. (Coalition plan provides exemptions for individuals who are seriously ill, incapacitated, of advanced age, caring for a child under six months, caring for an incapacitated family member or in the third trimester of pregnancy, living in an area with unemployment above 8% and, at state option, families in which an individual is working 20 hours a week)

Adopt provision from Senate Democratic alternative requiring states to provide families who lose eligibility for cash assistance with vouchers to pay for shelter, goods and services for children in the family.

## **Increasing state flexibility within individual entitlement**

### **Changes from current law in Coalition budget**

Allows states to determine eligibility requirements in addition to setting benefit levels

Eliminates mandatory federal income disregards in determining benefits

Eliminates mandatory federal resource and asset limits in determining benefits

Eliminates all other federal restrictions on eligibility criteria as long as state criteria are objective and rational and are applied consistently

Establishes tough work requirements on individuals

Imposes a five year time limit on benefits

Conditions benefits on individuals signing Individual Responsibility Contract and allows states to sanction individuals who violate terms of the contract

Provide state option to impose family cap

Provide state option to deny benefits to minor mothers

Consolidate child care programs into a single program with one set of rules

### **Additional Changes to Coalition budget**

Combine Emergency Assistance, JOBS, and administrative costs into a single capped block grant to be used for work programs and program administration

Block grant child care funds with a funding level sufficient to meet costs of work requirements, including transitional child care, and baseline for at-risk child care

Add incentives for private sector job placement and reducing out of wedlock births

DRAFT

## ISSUES IN REFORMING ENTITLEMENT PROGRAMS

Any reform of entitlements must rest on certain cornerstone principles that underlie the current programs, including:

- (1) All individuals who meet certain Federal or State criteria should receive Government assistance.
- (2) Funding should respond to economic and demographic changes so as to increase when need rises and decrease when need declines. Funding should also be shared at the Federal and State levels.
- (3) Individuals, particularly children, should be treated equally and without arbitrariness.
- (4) Within the Federal system, overall decision-making should be left to the States to the greatest extent possible.

The Congress has proposed major reforms of entitlement programs, many of which involve the creation of new block grants to replace existing programs. The Administration must consider whether, or to what extent, these proposals are in line with the principles underlying the existing programs.

### Medicaid

- The Congress proposes to block grant and cap the Medicaid program. There are significant concerns with this proposal, and the Administration is strongly opposed to it.
- While Congress would increase State decision-making authority, it would not provide assurances that all individuals who meet basic criteria receive assistance, it would not provide for the equal treatment of individuals, and it would not provide funding in a procyclical way that responds to increases in need.

### AFDC

- The conference report on welfare reform converts AFDC and related programs into a capped block grant. The block grant would give States wide flexibility to set program rules, but it would not provide a guarantee of assistance to all individuals who meet certain State- and Federally-defined criteria, it would not provide for the equal treatment of individuals in like circumstances, its funding mechanisms are not adequate to respond to countercyclical increases in need, and the State share of program financing is significantly reduced.
- The Administration prefers the Coalition proposal, which replaces AFDC with a conditional time-limited entitlement and provides an automatic response to countercyclical increases in need while increasing State flexibility.
- The Administration could possibly live with a cash assistance block grant with more adequate protections for children, including a countercyclical mechanism triggered by changes in child poverty, continued effective State participation, objective eligibility criteria, and guarantees of equitable treatment in like circumstances.

### Child Care

- The Conference report block grants three mandatory child care programs -- two of which are open-ended -- and increases Federal funding by \$1.8 billion over 7 years. Current law and the coalition bill maintain the child care guarantee for AFDC recipients required to work and those transitioning off welfare for work. The Administration has not proposed block granting or capping these programs.
- A reasonable option is to accept the new child care block grant with an additional \$3-\$4 billion in Federal funds above the Conference level, which would be matched by States (as the Conference currently requires). Lower funding add-ons are possible if more realistic work requirements are established. In addition, current law health and safety protections which are dropped in the conference report should be restored.

### Food Stamps Optional Block Grant

- HR 4 would allow States that met certain conditions to elect a Food Stamps block grant. The Administration has no such proposal and is opposed to any proposal which would undermine this universal safety net program's ability to respond to increased need.

### Child Protection Services and Training Programs (Mandatory)

- The Conference block grants four currently open-ended foster care and adoption assistance programs for placement services, training, and administration. The bill also repeals the Family Preservation & Support and Independent Living programs. These provisions reduce funding by \$0.4 billion under CBO's baseline (and almost \$3 billion under the Administration baseline). The Administration would maintain current law in each of these programs.
- The Administration opposes block granting the open-ended programs because of rising abuse and neglect problems. Caseloads could also potentially increase due to dramatic changes elsewhere in the social safety net.

### Child Welfare Discretionary Programs

- The Conference block grants a number of discretionary programs within the Child Abuse Prevention and Treatment Act and similar related discretionary programs.
- The Administration would not oppose this provision because it increases flexibility to States.

### Child Nutrition 7-State Demonstration Block Grant

- HR 4 would allow one state in each of the seven USDA regions to run a school block grant demonstration for five years. The Administration is opposed to block granting these important nutrition programs nationwide but would consider a limited block grant demonstration with some further restrictions.

**Low-Income Programs Considered for Block Granting**

Program	Current Law	Congressional Proposal
AFDC	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Provides cash benefits to needy children and their care-takers; funds States for program administration and emergency assistance.</li> <li>• <u>Funding Structure.</u> Federal funds match State spending at specified rates.</li>   <li>• <u>Eligibility &amp; Benefit Levels.</u> Income eligibility set by States; most other criteria Federally defined, States set benefit levels.</li> <li>• <u>Interactions.</u> Categorical eligibility for Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> No benefit guarantee.</li>   <li>• <u>Funding Structure.</u> Block-grants AFDC, Emergency Assistance, and JOBS at roughly 1995 levels. Rather than a match program, establishes a state maintenance of effort, set at 75 percent of 1994 levels with possible performance bonus reductions to 67 percent. Allowable block grant transfers make effective maintenance of effort 0% in some States, 45% or less in others. Includes \$1 billion contingency grant fund, \$1.7 billion loan fund, and \$800 million population adjustment fund.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> Income eligibility set by states; no federal criteria. States set benefit levels.</li> <li>• <u>Interactions.</u> No automatic eligibility for Medicaid.</li> </ul>
Medicaid	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> Eligible individuals entitled to minimum set of services defined in federal law. Reimbursement to states for providers of medical services used by eligible individuals; payments to States for program administration.</li> <li>• <u>Funding Structure.</u> Federal funds match State spending at specified rates.</li> <li>• <u>Eligibility &amp; Benefit Levels.</u> States must cover children and pregnant women below poverty; AFDC recipients, SSI recipients, children in subsidized foster care and adoption homes; and State-defined medically needy. Federally defined minimum benefit package must be provided to all recipients. States may provide optional benefits; provider reimbursement rates set by State.</li> <li>• <u>Interactions.</u> AFDC recipients and children in foster care automatically eligible for Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit.</u> No federal entitlement, instead substitutes guaranteed coverage and mandatory funding for certain populations.</li> <li>• <u>Funding Structure.</u> Federal funds match state spending at specified rates up to state specific capped amounts.</li>   <li>• <u>Eligibility &amp; Benefit Levels.</u> States must cover children under age 13 and pregnant women below poverty. States also cover disabled individuals as defined by the state; provider reimbursement rates set by State.</li>   <li>• <u>Interactions.</u> No automatic eligibility for some AFDC recipients.</li> </ul>

**Low-Income Programs Considered for Block Granting**

Program	Current Law	Congressional Proposal
Food Stamps	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Coupons or EBT equivalent for food purchases.</li> <li>• <b>Funding Structure.</b> Full Federal funding for benefits; Federal funds match State spending for administration.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Uniform Federally defined eligibility standards based on income; uniform Federally-defined benefit levels based on cost of thrifty food plan and household size.</li> <li>• <b>Interactions.</b> Most AFDC recipients receive Food Stamps, but many differences in criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Guaranteed benefit continues for states that remain in national program. Allows a food stamp block grant for states meeting certain standards. Optional food stamp block grant eliminates national entitlement to basic minimum food allowance for the needy.</li> <li>• <b>Funding Structure.</b> Full federal funding for benefits but annual spending cap on food stamps with no cushion for error and insufficient mechanisms to raise the cap. Would result in across-the-board cuts if economy declines or cap projections are inaccurate.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Uniform benefit and eligibility continues in states not choosing block grant; no guarantee for eligibility or benefits in states choosing block grant.</li> </ul>
AFDC- Related Child Care	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Payments for child care, through vouchers to parents or contracts with providers.</li> <li>• <b>Funding Structure.</b> Open-ended federal funds match State spending at specified rates.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Child care guaranteed for AFDC recipients in work and training programs and for those who leave welfare for work (for one year)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Child care block granted at \$1.8 billion above current law over 7 years.</li> <li>• <b>Funding Structure.</b> Open-ended funding guarantee eliminated. Federal funds capped. States must maintain FY94 and match additional amounts.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Health and safety provisions are removed from current law.</li> </ul>
Child Nutrition	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Free or reduced price breakfasts and lunches.</li> <li>• <b>Funding Structure.</b> Federal payment to schools of a set amount for each free or reduced price meal.</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> Uniform Federally defined eligibility standards based on income; uniform Federally defined subsidies per meal; uniform nutrition standards.</li> <li>• <b>Interactions.</b> Children on AFDC or Food Stamps automatically qualify for free meals.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Type of Benefit.</b> Benefit continues as in current law unless state chooses to participate in School Lunch block grant demonstration projects in 7 USDA regions.</li> <li>• <b>Funding Structure.</b> For demonstration states, open ended payment replaced with capped federal payments to states. (?)</li> <li>• <b>Eligibility &amp; Benefit Levels.</b> No federal benefit and eligibility standards in states choosing demonstration. (?)</li> </ul>

Low-Income Programs Considered for Block Granting		
Program	Current Law	Congressional Proposal
Child Protection Services (Mandatory)	<ul style="list-style-type: none"> <li>• <u>Type of Benefit</u>. Open-ended payments to States for pre-placement services, training, and program administration.</li> <li>• <u>Funding Structure</u>. Open-ended federal funds match State spending at specified rates.</li> <li>• <u>Eligibility &amp; Benefit Levels</u>. Not yet completed</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Type of Benefit</u>. Rather than open-ended payments for a variety of individual programs, block grants four open-ended child protection programs for placement services, training and administration. Repeals the Independent Living Program for foster teens &amp; Family Preservation and Support.</li> <li>• <u>Funding Structure</u>. Capped block grant payments to states. (state match ?)</li> <li>• <u>Eligibility &amp; Benefit Levels</u>. Caps these programs at about \$0.4 billion below CBO baseline.</li> </ul>
Child Welfare (Discretionary)		<ul style="list-style-type: none"> <li>• Block grants a number of discretionary programs within the Child Abuse Prevention and Treatment Act and similar related discretionary programs.</li> </ul>

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## ISSUES IN REFORMING ENTITLEMENT PROGRAMS

In considering major reforms of Federal entitlement programs, it is important that States be given dramatic flexibility in determining eligibility rules and benefit levels. At the same time, this reform must rest on certain cornerstone principles that underlie the current entitlements, which include:

- (1) All individuals who meet certain Federal or State criteria should receive Government assistance.
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The Congress has proposed major reforms of entitlement programs, many of which involve the creation of new block grants to replace existing programs. The Administration must consider whether, or to what extent, these proposals are in line with the principles underlying the existing programs.

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- The Congress proposes to block grant and cap the Medicaid program. There are significant concerns with this proposal, and the Administration is strongly opposed it.
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## Child Care

- The Conference block grants three mandatory child care programs -- two of which are open-ended -- and increases Federal funding by \$1.8 billion over 7 years. The coalition bill maintains the child care guarantee. The Administration has not proposed block granting or capping these programs.
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