



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of the Secretary  
Administration on Aging

Washington, D.C. 20201

## MEMORANDUM

JUL 19 1993

TO: David Ellwood, Bruce Reed, Mary Jo Bane  
Co-Chairs, Welfare Reform Working Group

FROM: Fernando Torres-Gil  
Assistant Secretary for Aging *FHG*

RE: Welfare Reform Working Group Concerns/Recommendations

In keeping with the mission and goals of this new office, I would like to make some recommendations and identify several concerns that will have a direct impact on some of the populations I serve (the elderly, persons with disabilities and minorities.) I know you will agree that welfare affects every member of the family and that all issues that may pertain to our focus should be raised in the larger discussion. I also realize that ultimately our Welfare Reform Proposal will involve trade-offs, but until such time, I would like to raise a variety of issues for our working group:

GRANDPARENTS AS CARETAKERS

The issue of grandparents raising grandchildren is one that is rapidly gaining attention. More and more grandparents are raising their grandchildren as parents are increasingly unable to care for their children due to financial hardships, incarceration, drug addictions, or chronic illnesses.

o Grandparents caring for grandchildren are entitled to AFDC benefits if they meet the financial criteria. A 1992 Brookdale Foundation statement reports "there is no way to estimate the number of children being raised by their grandparents who have not been identified by social service agencies." We should consider increasing education and outreach efforts to grandparents regarding entitlement to AFDC and other benefits.

o Grandparents raising grandchildren are meeting many challenges including how to address contemporary problems such as drugs, crime, and AIDS. In low-income, poorly educated families, there may be other compounding issues such as illiteracy and homelessness. Programs designed to address these social issues must be created with the perspective of this population as potential caretakers.

o Both populations (the elderly and children) have historically received little attention in terms of designing public policy. I have concerns about both populations losing much-needed assistance (AFDC, SSI, SSA and Food Stamps) when consolidating different programs and benefits under one household. Please consider insuring that the benefits of the elderly remain intact when adding AFDC and other benefits to the household. For example, if an elderly person applies for AFDC, his/her own benefits should not be tabulated in determining eligibility.

o Support for foster care tends to be much higher than AFDC benefits. We should consider whether grandparents or relatives raising grandchildren should be entitled to the same benefits as state-appointed foster parents.

o We should also consider whether grandparents raising grandchildren should be targeted as a group particularly needy for public housing assistance, especially if a grandparent is already living on a fixed income, is a "single" person (widowed), is disabled, or is unable to participate in the workforce.

o Any efforts to secure child support from missing parents should also be continued if the child is living with a grandparent. Parental responsibility should still apply.

o While there will certainly be a significant amount of discussion and attention paid to the needs of "welfare moms," I would like to encourage the group to think of the broader needs of "welfare caretakers." About one quarter of a million households receiving AFDC are headed by someone over 65.

#### MINORITY POPULATIONS

o While all of the recommendations regarding grandparents raising grandchildren may apply to minority and/or ethnically diverse populations, bilingual services and programs should be created to actively reach these groups for education, prevention, and all services related to moving people through the welfare system.

o Immigrant populations are currently a strong focus of the media and a target of strong public opinions. While sentiment toward these groups gets emotionally charged on both sides, we should attempt to design public policies that provide the fairest welfare assistance to these groups, particularly American-born children, allowed by law.

### DISABILITY CONCERNS

My staff is participating on the Disability Subgroup of the Transitional Assistance Group. This group is in the process of determining the various needs of persons with disabilities in a time-limited system. I would like to raise several issues related to persons with disabilities:

- o We should consider a broad definition of "disability" in any welfare reform discussions.
- o 22% of women on AFDC report themselves as disabled.
- o Regarding the two-year time limit proposal:  
Those individual with disabilities need extra supports/extensions to allow them to enter the workforce. Also, for parents who are caring for children with disabilities or aging relatives with late-onset disabilities, the issue becomes even more complex. Parents may need to stay home and care for either or both of these family members indefinitely.
- o Care assessment should certainly play a big role in determining the types of services/supports these individuals need.
- o For the temporarily incapacitated, the two-year time limit will have to be modified.

### MULTIGENERATIONAL APPROACHES

- o By protecting and preserving Social Security and Medicare, we can help assure that assistance will span the generations and provide security in later years to children today.
- o Children and elderly people share use of the dependent tax credit, Medicaid, Title XX Social Services Block Grant, and SSI. We should consider the negative impact on any multigenerational household that would receive a reduction in any of these benefits.
- o The "sandwich generation" (those who are caring for children and aging parents) are a group of AFDC moms to whom we must give close attention. The dual demands looming ahead for many "baby-boomer" females must be addressed.
- o We need to get a better understanding of the mutual supports and intergenerational dependencies that shape families.

HSG 6/15



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of the Secretary  
Administration on Aging

Washington, D.C. 20201

November 23, 1993

TO: David Ellwood, Bruce Reed, Mary Jo Bane  
Co-Chairs, Welfare Reform Working Group

FROM: Fernando M. Torres-Gil  
Assistant Secretary for Aging

RE: Welfare Reform Working Group Concerns/Recommendations

I would like to commend the Co-Chairs and other members of the welfare reform working group for their commitment to making the reform effort a well organized and productive process. My interest in welfare reform, as you know, is not only a professional one as the Assistant Secretary for Aging, a gerontologist and a social worker, but a personal one as well. My mother raised nine children on public assistance and in public housing. She later returned to the welfare system as an employee and managed the General Relief and Work Program for Monterey County, California. She elected to stay home, raise her children and assist others in her community. She was a strong advocate for education, pride and dignity which resulted in eight of her children graduating from college.

For this reason among others, I support the President's campaign message and this Administration's commitment to welfare reform, which spoke to me and the valuable lessons I learned from my mother. We must respond to the public expectation for upholding critical values of responsibility, discipline and security. I believe, however, that the document should have a two-step approach. The specific part of the welfare reform proposal should focus on public assistance, particularly AFDC. To integrate other public programs (e.g. housing, food stamps) may deviate from what is practical. However, I also believe that the overall theme of the proposal should integrate the broader Administration efforts to provide opportunity and security to the American public (e.g. health care, EITC). This proposal, thus, becomes one more element toward meeting our first-term objectives.

In addition, I believe that the thematic part of the draft must be promoted in such a way that we re-define the issue of welfare for the American people. We must focus on poverty as an overlying concern and promote welfare as a safety net for the middle and working class. We must also stress that the proposal only addresses one aspect of poverty: dependence on public assistance.

We must also ensure a balance of what might be considered conservative and progressive approaches. I support the need to emphasize a strict set of values within our proposal. They must be highlighted as the main driving force behind our plan. Doing this will allow us to include ideas which may be considered more progressive. We must obtain the support of certain constituency groups who want a new social contract with the government that stresses the values of work, family and responsibility. Hispanics, for example, believe strongly in the discipline and responsibility of work. Universally, welfare recipients have expressed the need for change in a system which does not give much or any incentive for work. With the proper balance, we can sell this document not only to the public that wants reform, but even to those who do not.

Secondly, we must make sure that we do not unwittingly polarize the American public. We must be cautious not to inadvertently condone competition between the working poor and welfare recipients. The tone of the document and its public presentation will set the tone for how the public views our intent. Just as we have presented health care reform as a security issue and violence as a public health issue, so, too, can we package welfare reform as a safety net for all Americans.

Lastly, whatever we do and whatever legislative process develops, we must ensure that we will do no harm to people who seek public assistance. We cannot allow persons who receive public assistance to be exploited for political agendas or to end up worse off than they are now. Our message is not only one of responsibility and discipline, but one of opportunity and dignity.

By and large, I support the tone of the document. We have a good framework from which to begin our work; however, there are several additional issues I would still like to raise. I will have more detailed comments in the near future.

#### DAY CARE

○ Day care is a critical piece of the proposal and a major selling point. We must have something substantive that indicates real expansion to make day care available to all those who most need it. I favor those options which result in a significant and substantive expansion of day care.

#### STAY-AT-HOME PARENTS

○ This document speaks toward training low-income parents to enter the child care workforce. We must distinguish between opportunities for single mothers to work in a day-care facility outside their neighborhood and being able to stay in their neighborhood with their own children.

○ In a society where a growing number of families require two incomes to survive, many of our children are being raised as latch-key children with no parental supervision or guidance for several hours a day. In instances where a mother (or father) stay at home to care for their children, we must be supportive by allowing parents to have that time with their children. In return we can ask them to make contributions through community work such as, co-op day care centers in neighborhoods, delivering home-delivered meals to homebound elderly or disabled individuals, or working in family planning or senior centers.

○ We might consider starting a set of demonstration projects, perhaps in public housing facilities, to train mothers to start day-care centers in their own housing facilities.

#### NON-CUSTODIAL PARENTS

○ We must require responsibility from absent fathers to ensure support for their children. I strongly support the child care enforcement provisions in the draft proposal; however, we cannot "criminalize" disadvantaged men who may not have the skills or educational opportunities to obtain jobs.

○ Other options of re-payment must be available. I feel that an array of services must be made available to the parent in order to support and encourage child support payments (e.g. education, job training, English as a Second Language). A case management approach whereby unique circumstances of non-custodial fathers are used to develop options for re-payment can help to avoid even more victimization.

#### IMMIGRATION/IMMIGRANTS

○ Immigrant populations are currently a target of strong public opinion. The debate over immigration will become more powerful in the upcoming election years, both Congressional and Presidential. We must have our own clear understanding of the issue. If we do not address this, others will inject immigration into the debate. I believe we should discuss this issue soon and have a proactive set of statements and positions.

#### TIME LIMIT

○ I would consider a time limit for those who are able to work--who have had every opportunity--but refuse to participate. This will be a selling point to Hispanics and even to a majority of welfare recipients who do all they can to become self sufficient. Our responsibility is to give these individuals every opportunity without being harsh or punitive. But when those opportunities are not seized, there must be consequences.

○ I believe this time-limit must be multi-tiered, and that there must be certain exemptions, exclusions and flexibility. These would refer to certain populations such as grandparents

raising grandchildren, the disabled or parents of disabled children.

### EDUCATION

○ I strongly believe we must provide credit and extensions for those individuals going to college. Being able to point to successful models of welfare recipients who receive some assistance in day care and other public assistance in order to receive two or four-year degrees will be the greatest sign of progress.

○ At the very least, we should allow the option of receiving a GED or attending literacy classes. Certainly we should tie that effort to overall work experience. The opportunities available for education or training must lead to jobs.

### STATE FLEXIBILITY

○ I believe that it is important that States be held accountable in establishing programs based upon strong national principles. This would allow State flexibility but also ensure that a national standard for the President's objectives for welfare reform is upheld.

### PREVENTION

○ The public focus--as well as the legislative focus--will be on the reality of teen-age pregnancy, therefore, it is critical that we have something to say about prevention, education and family planning.

○ We must encourage support for the two-parent family. However, we must recognize America's diverse family structure. Single mothers, single fathers, relatives and grandparents raising their grandchildren are meeting many contemporary challenges and responsibilities. As part of our public education and outreach efforts, we must point out that the family is not just about traditional structure, but about taking care of one another in whatever way we can in order to keep families together.

In closing, we have a unique opportunity to re-create the welfare system to work more effectively for the American people. All constituents are ready for this change. Even welfare recipients, frustrated by the current system, are ready to accept some responsibility as long as it is balanced with real opportunity. We must respect the fact that any one of us is at risk of needing public assistance at some time in our lives. Whether or not we succeed in the near future may not be as critical as whether or not we can re-define the debate about the needs of vulnerable populations and the role of government in responding to those needs.



DEPARTMENT OF THE TREASURY  
WASHINGTON

ASSISTANT SECRETARY

April 14, 1994

MEMORANDUM FOR BRUCE REED

DAVID ELLWOOD

MARY JO BANE

Co-Chairs, Working Group on Welfare Reform,  
Family Support, and Independence

FROM:

Alicia H. Munnell *AM*  
Assistant Secretary for Economic Policy

SUBJECT:

Some Suggestions for Clarifying Analysis for Welfare Reform

Summary

The public generally perceives the objective of welfare reform, underlined by all the attention given to the idea of a two-year limit, to be reduction of caseload and savings in benefit payments. Whether we like it or not, this may well be the pivotal issue in the upcoming debate on the President's proposals. Though the media have so far largely been merely trying to find out what they can about our deliberations and to understand the general outlines of the proposals, a recent article by Jason DeParle suggests that he is close to realizing the importance of the "savings" issue. In anticipation, my staff have been looking into the question. Unfortunately, they have not been able, with the information so far made available to the Working Group, to arrive at a set of projections of the savings expected to result from welfare reform. This memorandum recommends a specific set of analyses that would generate the estimates needed to prepare for the debate.

Discussion

Jason DeParle's recent piece in *The New York Times* (April 5, 1994), "White House Memo Raises Price Tag of Welfare Plan," calls attention to an aspect of welfare reform that has not received much discussion so far in the deliberations of the Working Group. After trumpeting the \$58-billion price tag on the "Cadillac version" of reform, DeParle observes in passing that,

While the plan to impose a two-year limit on welfare benefits *sounds like it would save money*, it would actually be much more expensive, at least in the short run, than simply mailing a welfare check [emphasis added].

This issue appears to have been lost sight of in our concentration on "additional" costs and revenue-raising. Reducing outlays (or at least the rate of growth in outlays) for welfare is—in addition to rooting out malingers—the principal, commonly understood rationale for welfare reform: for the two-year limit in particular. This being the case, DeParle shows that he is coming close to asking the key question: where are the savings? Unfortunately, the materials that have been made available during the process have concentrated on a scorable bottom line rather than on full elucidation of the costs and benefits of welfare reform. As a result, explicit estimates are provided in some cases; in

other cases, important information is commingled with offsetting savings. It would be very useful if these obscurities could be clarified, and if direct estimates of caseload and benefit savings reasonably attributable to the reform strategy were developed for consideration as we prepare to make the case for the President's proposals.

In particular, the format for the cost estimates in the tables in the *Welfare Reform Briefing Book* is of uneven usefulness for program design and analysis. For example, the estimates designated "savings - caseload reduction" in tables 1-3 clearly are the savings in AFDC benefit payments resulting from the implementation of transitional assistance followed by WORK. It is also clear that "savings from child care and other expansion" are offsets to the additional costs of providing child care for participants in JOBS and WORK rather than benefits of welfare reform. For 4 of the 5 program elements of the parental-responsibility initiative, however, the cost estimates are negative because, presumably, the projected cash-assistance savings exceed the additional program spending. Such estimates preclude calculation of the total costs and benefits of the proposal. It would be very useful if the cost tables were expanded to display all costs and benefits separately.

More important, however, is the lack of clear estimates of the overall benefits of welfare reform. To address this problem, I would like to suggest that a set of tables be prepared with ample historical data to provide context and baseline (current-law, if you will) projections of caseload and program costs. The baseline projections would assume that welfare reform is not enacted. A useful companion to the tables would be a set of three graphs for the years, say, 1970 - 2004, showing actuals for the historical period and the baseline projections for the subsequent years. The first graph might show the average AFDC participant population, the second the average AFDC benefit (or program cost per recipient), and the third the total cost of the program.

Given the baseline projections, estimates of the effects of welfare reform on the participant population, average benefits, and program costs *with* welfare reform should be identified. It would be useful to have the overall estimates broken down to show the specific impacts of the various elements of welfare reform (for example, enhanced JOBS, WORK, child care for the working poor). Some of the savings would presumably be realized in the near term: for example, enactment of a two-year limit should have virtually immediate, and enduring, announcement effects. The analysis already largely completed of the "additional" costs of reform elements should need little adaptation to this framework. My staff and I would welcome an opportunity to contribute in any way we can.

The reductions in program costs from the baseline pointed up by this analysis could be legitimately pointed to as the expected savings from the two-year limit (among other things). The estimates would enable us to avoid finding ourselves in the embarrassing position of being unable to show whether welfare reform would accomplish what the public generally perceives to be its primary objective.

#### Attachment

cc: Secretary Bentsen  
Deputy Secretary Altman  
Isabel Sawhill

# WHITE HOUSE MEMO RAISES PRICE TAG OF WELFARE PLAN

## \$58 BILLION EXTRA SEEN

### Drafters of the Proposal Find 2-Year Limit on Aid Could Increase Homelessness

By JASON DEPARLE  
Special to The New York Times

WASHINGTON, April 4 — President Clinton's plan to overhaul the welfare system could cost much more in the long run than previously disclosed, possibly adding \$58 billion to the nation's welfare costs over 10 years, according to a confidential memorandum presented to Mr. Clinton.

The document also says Mr. Clinton should understand that "in rare circumstances" his plan to enforce a two-year limit on welfare benefits could leave families "homeless or unable to care for their children."

The memorandum, drafted by the 32 members of the Administration's working group on welfare, provides the most detailed information yet about the tough decisions Mr. Clinton faces in trying to fulfill one of his most popular campaign pledges. The document was discussed at the only Cabinet meeting on welfare that the President has attended, on March 22.

The memorandum outlines what aides are calling a "Cadillac version" of a welfare proposal, but it acknowledges that its cost may force Mr. Clinton to adopt a more modest plan. Mr. Clinton deferred that decision at the Cabinet meeting two weeks ago. An Administration official, speaking on condition of anonymity, predicted today that President would adopt a version that would add \$35 billion in welfare costs over 10 years.

Mr. Clinton has promised to deliver a bill this spring that would expand training programs for people on welfare and require those still unemployed after two years to join a work program.

Financing the new program has become the most problematic aspect of the proposal in recent months. Cabinet officials have repeatedly rejected the program cuts or tax increases suggested by mid-level officials.

Aid to Families with Dependent Children, the main Federal welfare program, now costs about \$22 billion a year. By 1999, the full Clinton plan would increase that figure by about \$7 billion a year, according to the document.

The memorandum suggests that long-term costs would be even greater than previously known. Earlier estimates had suggested that the proposed changes would cost about \$15 billion for the first five years. The memorandum says that in the second five years of the program, costs would more than double, reaching \$36 billion over 10 years. The costs rise because the program is being slowly phased in.

While the plan to impose a two-year limit on welfare benefits sounds like it would save money, it would actually be much more expensive, at least in the short run, than simply mailing a welfare check. That is because the Administration will create training, education and child-care programs, and subsidize the wages of the recipients it puts to work.

The document outlines possible cuts or taxes that would raise tens of billions of dollars over the next decade, but it calls all of the options undesirable. "Each faces serious political problems and raises some substantive concerns," the memorandum said. The document was provided to The New York Times by a person who argues the money for the welfare changes could be better spent

---

*A plan promoted as  
saving money could  
cost \$58 billion in  
10 years.*

---

on other programs for low-income Americans.

The document suggests several strategies for reducing the \$58 billion cost. One would be to reduce or eliminate a proposed \$16 billion expansion of child care for the working poor, which is intended to help parents keep their jobs and stay off welfare. Another would be to cut back an \$8 billion expansion of aid to two-parent families, which is meant to prevent fathers from leaving the home.

But the plan argues that Mr. Clinton could not fulfill his political pledges without preserving the work and training programs that cost \$6 billion in the first five years, and \$24 billion over the first decade.

The 95-page document devotes only a few paragraphs to the plan's potential to force some children into homelessness or foster care. That risk is

inherent in the idea of a time limit on cash assistance, since without benefits some families could not pay their rent.

Supporters of time limits in both political parties usually try to avoid discussing the possibility of homelessness and foster care, or argue that the limits will help many other poor people by giving them new incentives to find good jobs.

In acknowledging the risks of eviction or family break-up, the Clinton document said there was "no apparent alternative" if the Government is to enforce time limits.

"If the welfare system is working properly, these failures will be extremely rare," it said.

An alternative plan by House Republicans has even stricter time limits, and therefore, presumably carries greater risks that some families will be forced into the street.

# Memo

The Clinton plan says the instances of homelessness or increased foster care could arise when a parent refuses to join a work program, or performs the work unsatisfactorily. In such instances, the plan calls for ending all cash aid to the family. Food stamps and medical aid would continue.

The five-year costs of \$18 billion reflect about \$3 billion in additional expenses that were not spelled out in previous drafts. These include \$1.7 billion to allow welfare recipients to keep a higher percentage of their earnings, to encourage them to work.

The prelude to the financing section includes a disclaimer: "There are no easy financing options." It suggests possible cuts to four programs.

Capping the emergency assistance provisions of Aid to Families With Dependent Children, which make payments to families in crisis, could save as much as \$3.8 billion over 10 years. Limiting the Child Care Food Program, which provides food subsidies to children in day care, could save \$1.7 billion in a decade.

A third suggestion would save up to \$15 billion over 10 years by changing the welfare eligibility rules for children who live with grandparents or other relatives. The system now allows higher income ceilings in such households. But the document notes that lowering the ceiling "might discourage extended families from living together" and force some children into foster care.

The fourth possible cut involves payments through the Supplemental Security Income program to immigrants who are indigent and elderly. The Government could save \$23 billion by refusing all payments until the immigrants become citizens.

The document suggests that some immigrants are abusing the program, by inviting their parents to the United States and then enrolling them in the program. But it notes that Hispanic and religious groups are "deeply troubled" by the suggested cuts.

## THE DETAILS

### Reordering the Welfare System

Administration documents show that President Clinton's welfare proposal would cost much more than previously stated. Figures are in millions. Numbers in bold indicate projected savings.

	5-year cost	10-year cost
<b>TOTAL</b>	<b>\$18,400</b>	<b>\$58,400</b>

#### Selected programs

Plan to allow states to limit additional benefits to recipients having additional children	- 660	-2,150
Improved child support enforcement	-1,220	-8,000
Expanded training programs and associated child-care costs	4,400	12,000
New work programs and associated child-care costs	1,200	14,700
Savings from caseload reductions	-520	-8,100
Child care for working poor	5,000	16,300
Expanded aid for two-parent families	2,200	8,300
Welfare experiments	1,600	4,700
Plan to allow welfare recipients to have higher assets and earnings	2,900	8,300

WR -  
W Group  
Comments

November 24, 1993

TO: Welfare Reform Working Group  
FROM: Joseph Stiglitz *J.S./W.R.*  
SUBJECT: Comments on draft proposal

I am generally impressed with the work which has been done in drawing up the proposal and particularly with the way the meeting on the 20th was run. The CEA has considered the proposal and would like the next revision to increase emphasis on the broad theme of program integration. In addition, there are four proposals, which we believe are consistent with the thrust of the redesign proposal which we would like to see added or expanded:

- 1) more emphasis on private job creation, with competition between providers to create jobs as a part of the plan, and opportunities for mobility out of areas where private sector jobs are difficult to find,
- 2) expansion of the family unemployment insurance alternative to welfare,
- 3) more emphasis on changing the administration of child support enforcement to get more compliance and to make the system more flexible and responsive to the needs of both parents, and
- 4) removing barriers to asset development and increasing incentives for saving.

#### Program Simplification

Of the two options proposed for simplification across assistance programs we prefer the more daring option 2. However, we don't believe it goes far enough. If we are to make work pay and realize the tremendous potential savings from program integration we can not stop when we integrate food stamps and AFDC. Instead we should bring all Federal programs for support of the needy together under one program. Of course we recognize the political difficulty of doing this, but if we could quantify the benefits of such an approach it might be possible to make this a major Presidential (or Vice Presidential) initiative.

If we fall short of this goal, it is not necessary to integrate fully all the program rules to achieve much of the desired effect on incentives and many of the administrative savings. Even if we can only reshape one program, we can effectively reshape all programs. A detailed description of how this might be accomplished is provided in my memo of November 18th. Simply, we could decide what level of benefits we wanted people in different circumstances to receive, and then use our one program to add to what they receive from other programs to bring them up to the level we set.

This sort of deliberate program interaction is a reasonable alternative to the current system where the work disincentives in different programs interact to exacerbate each other. For example, when states attempt to sanction AFDC recipients by cutting their benefits the sanctions are now undermined by increases in Food Stamps and housing assistance. By using one program in a flexible manner to determine the overall size of the benefit package we can insure that all programs combined provide the incentives we want.

It may also be possible to reap many of the potential gains from integration of program administration through the use of computerized case intake and processing. Using advanced interactive software it is possible for intake interviews to be directed by the computer to elicit only the information that is needed from each household. The computer can do the job of determining eligibility for multiple programs and satisfying the different verification and record keeping requirements. Such a system also reduces error rates, improves enforcement, and reduces the time necessary to comply with changes in regulations. Bill Dickens' October 28th memo describes how Merced County in California has saved a great deal of money by implementing such a system.

### **Private Sector Employment**

It is extremely important that we put as much emphasis as possible on private sector job creation before we begin to consider public sector jobs. Private sector jobs give participants real work experience and the knowledge that they can get regular employment. This should encourage many to attempt to move on to better private sector jobs. A major problem faced by those in many communities with high unemployment rates is the lack of an effectively functioning job "grapevine." Many studies have shown that most people find work through contacts. When many people are unemployed the quantity of contacts available to help people find work is lower. Putting people into isolated public jobs doesn't solve this problem. Putting them into private sector jobs that are part of an ongoing enterprise would.

Traditional approaches to creating private sector jobs have been unsuccessful. Tax credits and direct subsidies have been tried and produce unsatisfactory results. A different approach is needed. We propose that private sector employers be invited to compete to provide jobs for welfare recipients. The competition would be on the basis of the size of required subsidy, wages paid, training provided, and opportunities for advancement. We would specify the weight to put on each factor to minimize discretion so as to avoid charges of favoritism. Given the success of the supported work model of America Works we should urge that ANY job program undertaken as part of welfare reform would copy the America Works program and provide intensive preparation and support for new workers.

As part of the process of private sector job creation, labor force mobility should be enhanced. We recognize that the lack of capital often prevents welfare recipients from pursuing job opportunities in other locations. Accordingly, we would like to see the Welfare Reform Proposal encourage the formation of cooperative arrangements between States where AFDC recipients would be presented with a low-cost (or no-cost) opportunity to move to areas where job opportunities are more plentiful. Care must be taken in devising such arrangements so that benefit recipients are not coerced into moving to another jurisdiction and so that certain States do not become overwhelmed by beneficiaries from other States. (This concept was outlined in my November 18th memo.)

### **Family Unemployment Insurance**

A fundamental problem we must address if we time limit welfare benefits is how to provide income support to families who are unable to find work. Job stability is a problem for many of the working poor and a particular problem for single mothers for whom working and meeting their family needs poses a serious problem. We would like to see the demonstration of a Family Unemployment Insurance system as a major part of welfare reform.

Our existing unemployment insurance system doesn't meet the needs of the working poor with children because the minimum benefits are too low and it is too difficult for someone with an interrupted work history to qualify. We have in mind a system for which parents of children with any work history would qualify. Payments would be keyed to the cost of supporting a family in the state rather than to the wage the person earned on their previous job. The benefit would be needs tested in that the wage and non-labor income of all household members would be taken into account in determining whether an individual might receive assistance and the amount of assistance. Parents would accumulate eligibility for benefits from this program according

to how many full-time-equivalent weeks they had worked.

We see this as a realistic way of providing for the income support needs of low skilled individuals when they are not able to find work. For those who have passed their two year limit it is reasonable to expect that many will face a future of short-term low-paying jobs. In addition, we may wish to offer the working poor an alternative to even starting AFDC which rewards them for work and allows them the greater dignity afforded those who worked for their unemployment benefits.

### **Child Support**

We agree that child support enforcement is an extremely important part of welfare reform. We believe that every instrument available to the government should be used to insure that non-custodial parents do their share to support their children. To this end we offer the suggestion that the government be able to attach not only wages and tax returns in its efforts to get payment, but also individuals' social security balances.

In suggesting this we are acutely aware of another problem - that the current system of setting child support payments is extraordinarily rigid and that most low income men do not have the legal resources necessary to obtain timely adjustments to their payments when circumstances make full payment impossible. In such a system, draconian enforcement of child support orders could drive many working poor men out of the system altogether. The more we tighten up on enforcement the further out on the social fringe we drive people, possibly to the point where we significantly exacerbate our homeless problem. We believe that the process of obtaining changes in child support orders should be made administrative rather than judicial, or that the rules should be adopted that set payments as a fraction of income. This latter suggestion would mean that non-custodial parents who are unable to work on a regular basis would simply have a smaller liability. It would also mean that payments would automatically grow with inflation and any improvement in the circumstance of the non-custodial parent.

Even if stronger enforcement does not drive people out of the system it is likely to lead to greater reliance on independent contractors (reinforcing the incentives created by our health care proposal). The proposal above for tapping social security balances would reduce this incentive since independent contractors' social security liabilities are the same as employees.

## Assets

Access to mainstream education, training, and self-employment opportunities must be improved for welfare recipients. An essential part of this would enable welfare recipients to accumulate an asset base that allows them to cope with uncertainty and pull themselves out of the poverty cycle. New instruments for building savings, such as an Individual Development Account, would encourage Americans to save for such purposes such as post-secondary education, small business startups, home ownership, and retirement. Finally, the confusion of multiple asset tests among the various welfare programs must be eliminated, and asset tests themselves should be reviewed in terms of their impact on the ability of welfare recipients to save, work, and solve their own problems.

In many effective strategies of upward mobility, loans often complement savings. New methods and institutions are being developed that provide the kinds of checks and incentives that allow more of the poor to gain access to finance, in part through incentives that encourage credit worthy behavior. Finally, many citizens now find it difficult to identify the most appropriate savings instruments, or to learn the principles of becoming and remaining a credit worthy borrower. Educational and counseling efforts would enable financial institutions to supply financial services cost-effectively to welfare recipients and other customers.

## Other Comments

★ | Page 4 -- last line -- Rather than state that work expectations will begin after two years, we should say that work expectations will be present throughout the entire two year period, but that after two years, those who can work must work.

Page 7 -- The option which begins "Support State demonstrations..." seems to confound two options: demonstrations and comprehensive case management. We think these should be separate options, but the last option on page 8 could be combined with the state demonstrations for the sake of presentation. We would also like to see the demonstrations option given prominence and the discussion of it to note that we have a long way to go in understanding how to combat teenage pregnancy and that we could learn a great deal from community innovation. We might also want to consider how we might evaluate demonstration programs and how we could disseminate information on successful programs.

Page 9 -- Under **STRATEGY**, we should note that to move family out of poverty requires EITC, wages, and food stamps (and perhaps other benefits).

Page 9 -- The last paragraph should mention income exclusion for employer-provided child care benefits (the value is not included in the taxable income of the employee).

Page 10 -- Option 1 contains an item that would require States to share in cost of the expanded JOBS program. Given that States now do not make maximum use of this program, expanding the requirement might be seen by the States as another Federally-imposed mandate. Also what is meant by "States could count as match funds ... private .. funds."?

Page 11 -- Neither option 1 or 2 mentions the problems caused by the current regulation of day care. Many potentially beneficial arrangements (for example employing welfare mothers as child care workers) are evidently not possible given requirements that center workers be certified and requirements for provision of services to the disabled. Health and safety standards are a must, and we want to provide high quality care, but we must balance the quality with the cost. Many rules seem to impose unnecessary costs for little gain in quality.

Page 11 -- We do not favor option 3. We note that it will not provide adequate support for many low income families. Further, a refundable dependent care tax credit (DCTC) will provide an incentive for taxpayers to engage in "make work" transactions in order to claim a large tax benefit. For example, with a 40 percent rate for the EITC and a 30 percent rate for the DCTC, a taxpayer can essentially "trade" child care responsibilities with another (or just claim that this is done) and reap a tax benefit of \$700 for each \$1,000 of claimed expenses. This might be an open invitation to fraudulent behavior (especially given that the IRS does not have the resources to adequately audit lower-income taxpayers).

Page 12 -- In discussion of EITC, we could mention that the participation rate for the EITC is around 85 percent, higher than the corresponding rate for most other income support programs so as not to undermine our reliance on this program as a work incentive. The wording of the second sentence should be changed to "...to see the full rewards of their efforts." since people do get their wages and may receive advanced payment.

Page 12 -- The suggestion that the EITC be automatically calculated by the IRS would require that the definition of dependent (for purposes of claiming a personal exemption) be made to conform to the definition of "qualifying child" used for purposes of EITC eligibility. This will require a legislative change (and it is not clear this is altogether desirable).

Page 13 -- We would hope that the services described in the first demonstration could be provided in dislocated worker one-stop shops eventually and that no new program be established to

accomplish this.

Page 15 -- option 2 -- Why not pass along a fraction of the award rather than a fixed amount? This will give fathers some incentive to pay in addition to awarding mothers who establish paternity.

Page 15 -- The CEA strongly favors option 3 (eliminating Federal AFDC match when states fail to establish paternity when the mother has provided necessary information).

Page 15 -- The National Guidelines Commission might be perceived as setting a uniform national child support payment. Is this the intended result?

Page 16 -- The CEA does not support the idea of providing child support assurance unless the payments are taken from the father's social security account as described above. We believe that if the state pays and the father doesn't that sends the wrong message about who is responsible for the child. For young fathers with no accumulated balance child support would create a negative balance up to a reasonable fraction of expected lifetime payments into the social security system. We do like the idea that if enforcement is to remain the prerogative of the states that they should face some sort of penalty if they are unsuccessful in enforcing a child support order.

Page 17 -- Before suggesting an expansion of the Targeted Jobs Tax Credit, we should be aware that the available evidence shows this is not an effective employment incentive. We should be taking advantage of welfare reform to take the money devoted to TJTC and apply it to our work creation programs. We have the opportunity to do so if we plan a large private sector component to our job creation strategy. Under no circumstance should we expand the TJTC.

Page 17 -- Laws against involuntary servitude probably preclude mandatory work for non-custodial parents.

Page 18 -- Most of the elements of Option 1 will result in looser rules for the various types of public assistance. This will cost revenue. Do we have any ideas about the magnitude of revenue needed or about how we intend to raise it?

Page 19 -- The last line of Option 2 refers to the taxation of benefits. This is not mentioned anywhere else. Is this a serious idea? Which benefits? Why build in more of a work disincentive? What about political consequences?

Page 22 -- We are concerned that case workers should not be given broad latitude in writing "contracts" with welfare recipients. We are worried that failure by the state to deliver on some

aspect of a contract might lead to litigation.

Page 23 -- A broad definition of "participation" may provide some undesirable incentives. Suppose that work is perceived as less desirable than attending classes. Then the more problems that a person is diagnosed as having (drug problems, poor parenting skills, etc.) the longer the person gets to attend classes in lieu of working at a job.

Page 22 & 23 -- The evidence to date suggests that the Riverside GAIN model is much more effective than most other JOBS programs. Do we want to be more specific about the type of JOBS program we would like to see? Alternatively, if we reward successful programs might we state how we plan to do this and what we expect the successful programs might look like?

Page 24 -- The section entitled NEED points out that a large fraction of the AFDC population may not ever be fit to work, but the section entitled STRATEGY does not seem to take this into account. Do we intend to carry these people on AFDC indefinitely, pay lots of money to develop appropriate work opportunities for them, or redesign SSI so that they no longer receive AFDC. All of these options are worth considering and they should be mentioned explicitly. If we don't discuss the problem we will be ignoring the one message we probably heard the most in the hearings -- the heterogeneity of the welfare population.

Page 26 -- top line -- How can the special equity fund "invest" in non-profit organizations?

Page 26 -- Note that in Option 1, the supplemented earnings (to bring them to AFDC levels) is analogous to a 100 percent tax on earnings (unless the supplement is not reduced dollar for dollar with earnings). This is not consistent with "making work pay."

Page 26 -- In the "Capacity" discussion, jobs are matched on a first-come, first-served basis. Why is there no attempt to match job skills to jobs?

Page 26 -- In the discussion of "Other" issues, the earnings from work program positions would not count as earned income for EITC purposes. This might be a bad policy precedent, since the definition of "earned income" for EITC purposes is quite broad. Unless it is clear these payments are really just welfare payments received in return for some nominal work, this proposal might make an undesirable distinction between types of earnings based on the identity of the employer.

Page 26&27 -- Rather than allowing good cause exceptions to benefit payments should we simply have sick days like most employers do? If someone becomes disabled and can't work they

should be provided for outside the work-welfare system (see comments on p24 above).



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

November 23, 1993

To: Mary Jo Bane  
David Ellwood

Fr: Mike Alexander *MA*  
Executive Assistant to the Secretary

Subject: Comments on Welfare Reform Recommendations

Thank you for the opportunity to make the following comments on the welfare reform proposal. As a new member of the Task Force I feel as if many issues have already been discussed extensively before now. It was clear from Saturday's discussion that the pros and cons of most of the issues and options have already been established. It is difficult to contribute at the tail end. However, I do offer the following observations.

1. Place more emphasis on asset development and accumulation: The recommendation on page 22 is that states be permitted initiatives to promote micro-enterprise development and allow demonstrations of program rules to encourage savings for certain purposes. My reaction to this option is that it indicates a basic lack of faith in asset development as a strategy to help break the cycle of poverty.

However, it should be noted that the President supported Individual Development Accounts in the campaign and reiterated his support for this idea during discussions on empowerment zones. Secretary Espy is also highly supportive of asset development strategies. He has said that persons cannot consume their way out of poverty - they must accumulate assets.

Therefore, I would favor a broader, federally supported demonstration signalling a higher level of support by the Administration. Such an approach would make the most radical break with the present philosophy behind welfare (income transfers to support current consumption) and demonstrate the Administration's willingness to try new approaches moving in a new direction.

Here are the specific advantages I see, especially if we support present proposals for individual development accounts or some variation thereof:

*PDAs*

1) Giving welfare recipients federal incentives to save for the future would, for the first time, give many specific reasons to focus on the future as opposed to immediate gratification. This is one of the most important middle class values that has received little or no attention. Yet, every one acknowledges that much of the self-destructive behavior common among some welfare recipients stems from the push for immediate gratification and consumption, rather than a focus on the future.

2) This approach would help restore dignity to welfare recipients by treating them the same as other Americans. We presently provide generous tax benefits and matching funds for federal employees to promote saving for retirement as well as mortgage tax deductions.

That is because the federal government recognizes the importance of savings and asset accumulation to individuals and to our economy.

Federal support for IDA's in which recipients receive a matching grant to encourage savings would tell welfare recipients that no matter what your present circumstances, to enter the economic mainstream and get ahead in the future you too must be encouraged to save. That is a basic principle of financial management which is even more vital to those on the economic bottom.

3) IDA's could be linked to the jobs, private or public sector, of the welfare recipients. The Missouri proposal refers to "Family Development Accounts" to encourage savings by families. As with present welfare, able bodied people should not be able to just sit at home, save part of a welfare check, and receive a federal match from taxpayers. But those who work, or attend school, or job training, should receive the same encouragements to save as federal and other workers now enjoy.

Also, if there are political problems with matching grants, we could use refundable tax credits to accomplish the same goal.

4) Allowing accumulated funds to be used for specific purposes, such as education, housing, or to start a small business specifically encourages the kind of behavioral changes we seek. It would say to a welfare mother, for example, that if you save for your child's education, we will help you.

Recipients will see a way out of poverty in the future that the present system discourages with asset limitations and penalties. Saving for a house will help recipients see an eventual way out of public housing. Saving for a small business helps those who have skills know that we will help them acquire a beginning stake to get started.

Savings, period, will also provide some cushion in those times when recipients for whatever reasons fall backwards.

These are all positive incentives - and we could use more positive incentives in the legislation.

## 2. EITC Limitations

Even though I have not heard the arguments for restricting the EITC for people on public as opposed to private sector jobs, I do not believe this is a wise policy. It sends a very bad signal that we value some work more than other work. If this is designed to make work in the private sector more attractive, then I believe the emphasis is misplaced.

Everyone acknowledges that there won't be enough jobs in the private sector for even those welfare recipients who play by all of the rules. The President has said this is exactly the kind of person he wants to help. Not providing the EITC because of economic factors beyond the control of the recipient is a punitive measure that only hurts their ability to accumulate the assets they need to eventually be self supporting.

## 3. Realistic discussion of welfare population and system

I believe the paper would be strengthened by more analysis of the targeted population. The American public has many assumptions about welfare recipients. We should not let those false assumptions drive the presentation or the substance of this legislation. If so, it may win politically, but lose where it counts. That will eventually become an even greater political liability.

I would like to see some discussion in the document about the welfare recipients who are striving to make it, who are overcoming incredible obstacles, who are creative and hard working. We should acknowledge the few who are irresponsible and who have basically given up hope - and state we will give them the help they need in return for taking personal responsibility.

But the vast majority want to work, they want to be self-sufficient, they do not want a hand out, they would relish the chance to earn their own keep. We need to acknowledge them and their efforts. We should not have a document that feeds negative stereotypes for short term political gain. This will do nothing to help restore the dignity of welfare recipients.

The document must give a realistic portrayal of the welfare population. Most importantly, we should expect them to succeed provided the opportunities are there. Nothing debilitates people more than low expectations from others which feeds lower expectations of themselves. It should recognize that the population is diverse and that the problems are complex. It should acknowledge the difficulty of fashioning legislative remedies that apply in some situations but not in others.

That will put the discussion in the proper context.

#### 4. Time limits/ work for benefits

On page 4 we state that this plan is designed to move people off welfare quickly and with lasting results and that the plan will ensure that the vast majority of recipients will leave welfare in less than two years. I don't think these are plausible statements. Nobody believes this can happen quickly. I see no need to add to our two year quandary by making such claims.

Secondly, on Saturday we discussed the issue of what happens when a person finishes their public job and cannot find work in the private sector. The point was made that government has no obligation to provide a job forever to anyone.

I believe that misses the point. The issue as I see it is does government have an obligation to require work, and to make some form of work available, including volunteer work, to persons who have demonstrated that they want to work in exchange for a certain level of financial support. Again, these are people who cannot find work in the private sector through no fault of their own.

Providing states the option of reducing benefits for such persons does not solve any problem. That may sound like good politics. It is short sighted policy. It merely pushes someone who is trying back down the economic ladder and will increase the ranks of those who have given up, gone on to crime or some other form of socially adverse behavior. The work for benefits option is by far the best, for society and for recipients.

As long as a person is contributing to society we should be willing to contribute to them enough to keep them from destitution and we should be willing to help them begin the process of accumulating the assets they need for the future. I believe all Americans would agree with that. We just need to make opportunities available for them to contribute - and given the massive problems throughout society there should be more than enough real options.

On the issue of relocation - I believe that if jobs are available and certain conditions apply, then this option should be encouraged for certain recipients - but not mandated. Government cannot be expected to provide enough public sector jobs in Alabama if there is a labor shortage in Mississippi. However, there are few locations in this country where there are labor shortages.

## 5. Parental Responsibility

After reading the section on parental responsibility, on page 6, I think it could use some improvement. Shifting the focus of social policy to the message of parental responsibility, again, might be good politics with the right - but it will do little to solve the problem. This message is important and should be emphasized. But to make it the focus, and emphasize it ahead of such things as family planning and positive incentives such as guaranteed scholarships for teens who do not get pregnant in high school, school to work initiatives, etc., is wishful thinking.

Again, the focus should be on providing teens with tangible reasons to look forward to and plan for the future. A message about abstinence from sex disconnected from specific initiatives to give teens a reason to believe in a better future will fall on deaf ears. That is the lesson of the much ridiculed "just say no" campaign. We know what that has contributed to solving the drug problem.

The paper as presently written will please persons who think the fundamental problem is a moral one. To be sure, there are moral breakdowns and we should stress responsibility. But I question if that should be the focus of social policy. I would give equal emphasis to positive incentives for the future.

## 6. Capping benefits for additional children

I would limit demonstrations to states with the highest benefits, or restrict states with the lowest benefits. States like Mississippi do not provide enough welfare benefits now to serve as an incentive for someone to have a child.

The extent to which young women have children to collect benefits probably indicates that they see absolutely no other consistent source of income, other than prostitution or drugs. If so, the real solution to this problem lies in the other changes we are proposing - not limiting benefits for additional children. Again, the key is increasing options, not limiting restricting benefits.

Especially if we require teenage mothers to live with responsible adults, which I support, provide positive incentives for their futures - such as IDA's so they can save for an education, provide family planning services, etc., there will be no need to adopt this policy as a strategy for limiting the number of children they produce. They will do it themselves.

We could try it in states with the highest benefits - just to see if it makes a difference. But we should not allow states which already provide paltry sums now to put even more stress on the weakest families. Those states should be required to provide those recipients childcare, guarantee them a job, etc - so they have to work.

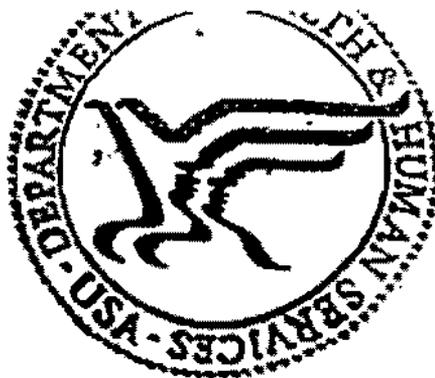
## 7. Refundable Dependent Care Tax Credits

I favor this option the most because it treats welfare recipients just like everyone else. Again, this is the best way to restore the dignity of the recipients. Currently we expect them to act like us, but have so many policies that treat "them" differently from "us". I am convinced that the more we can close these gaps the better off recipients will be.

## 8. Missouri Proposal

Lastly, if you have not already done so, I would encourage you to read the proposal from the Missouri Coordinating Committee. It is generally a very positive sounding document that focuses more on changing the system than penalizing or scoring political points at the expense of welfare recipients.

It is full of positive recommendations for developing job skills, rewarding work, asset accumulation, and removing barriers to self-sufficiency in the existing programs. It is full of initiatives to offer hope to recipients and move them into the mainstream. I believe that should be the same message from the Administration.



U.S. Department of Health and Human Services  
Public Health Service  
Office of Population Affairs  
East West Towers  
North Building Suite 1115  
5600 Fisher Lane  
Rockville, MD 20857

Telephone: 301-594-4000  
Fax: 301-492-2017

To: Ann McCarroll

Fax: 702 690 6562

From: Jerry Bennett

Additional Message:

Total number of pages this transmission(including cover): 3

DATE: 11/24/93



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Public Health Service

Washington DC 20201

November 24, 1993

NOTE TO ANN MCCORMICK

Subject: Welfare Reform Document

Surgeon General Elders has asked me to submit to you her comments on the Welfare Reform document:

We have rewritten and reorganized the introductory material on page 6 (attachment) to reflect a more supportive tone and to include an emphasis on education and pregnancy prevention. The last paragraph on the original page 6, dealing with the controversial nature of some of the options, should probably be retained.

OK

The pregnancy prevention options outlined on pages 7 and 8 seem to present little problem, although they are not very specific. However, option 4 on page 7, concerning family planning services and AFDC recipients, is unnecessary in that subsidized family planning services are already available to AFDC recipients (through Medicaid, for which they are eligible by virtue of receiving AFDC support). Accessibility is probably more of an issue and the next option addresses that.

✓

In addition, the special outreach to AFDC mothers is problematic for a number of reasons. Outreach should include sons as well as daughters, it should begin well before the children reach adolescence and mothers should also receive training in communication and parenting skills. Although it is not reflected in this particular document, an earlier version of this discussion had some potential for appearing coercive because of its emphasis on Norplant or Depo Provera as a preferred method for teens in AFDC families.

good

Jerry Bennett  
Acting Deputy Assistant Secretary  
for Population Affairs

ENHANCE LIFE CHANCES AND PREVENT  
UNPLANNED PREGNANCY

NEED - In 1991, ten percent of adolescent girls in the U.S. became pregnant and six percent gave birth. Most of these births, nearly 70 percent, were to unmarried girls. Adolescent childbearing has long been associated with numerous consequences for both mother and child. Among these are reduced educational attainment and employment opportunities for the young mothers. In turn, poverty and AFDC receipt are more prevalent in families begun by adolescents, particularly those that are unmarried, and the children of adolescent parents are more likely to become adolescent parents themselves, perpetuating the cycle.

While we know that reduced educational, job and earnings opportunities are associated with early childbearing, it is not clear that early childbearing itself is always the causal factor or sometimes only a symptom of a larger problem. Whichever the case, finding ways to both encourage and help young people complete their schooling, develop job skills and obtain employment before becoming parents is a necessary goal in any welfare reform effort.

STRATEGY - Basic tenets underlying any welfare dependency prevention strategy for youth are that education and services to prevent pregnancy and early childbearing must be available and accessible and that prevention efforts begin at any early age.

A few relatively new sexuality education programs have shown promising results with respect to delay of sexual activity and increased contraceptive use when sexual activity is initiated. These programs include information about sexuality and contraception and also provide training in decision-making and resistance skills, as well as practice in applying those skills. Services programs that include a strong education component have also shown promise in delaying sexual activity and increasing contraceptive use when sexual activity begins.

The Administration's Health Care Plan proposal includes both a comprehensive school health education and a school-linked health services component for children and youth. These new initiatives will include age-appropriate sexuality education and reproductive health services.

In line with the message of responsibility underlying the Administration's welfare reform strategy, this proposal addresses parental responsibility by emphasizing the importance of delaying parenthood until one is able to provide the necessary social and economic support for a child. The proposal also presents options for reducing the incidence of adolescent pregnancy and underscores the role of communities in providing opportunities and incentives for young people to become responsible and productive citizens.

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

November 24, 1993

TO: Bruce Reed  
FROM: Joseph Stiglitz *JES*  
SUBJECT: First draft comments on draft proposal

I have attached the working draft of our comments on the draft welfare reform proposal. It covers the major points we wish to raise with the working group. We intend to provide you with another draft on Monday which will also include a list of other minor comments on the draft and supporting material for the main points. Our intent here is to give you something else besides Turkey to chew on over the weekend.

allows them the greater dignity afforded those who worked for their unemployment benefits.

### **Child Support**

We agree that child support enforcement is an extremely important part of welfare reform. We believe that every instrument available to the government should be used to insure that non-custodial parents do their share to support their children. To this end we offer the suggestion that the government be able to attach not only wages and tax returns in its efforts to get payment, but also individuals' social security balances.

In suggesting this we are acutely aware of another problem -- that the current system of setting child support payments is extraordinarily rigid and that most low income men do not have the legal resources necessary to obtain timely adjustments to their payments when circumstances make full payment impossible. In such a system, draconian enforcement of child support orders could drive many working poor men out of the system altogether. The more we tighten up on enforcement the further out on the social fringe we drive people, possibly to the point where we significantly exacerbate our homeless problem. We believe that the process of obtaining changes in child support orders should be made administrative rather than judicial, or that the rules should be adopted that set payments as a fraction of income. This latter suggestion would mean that non-custodial parents who are unable to work would simply have a smaller liability. It would also mean that payments would automatically grow with inflation and any improvement in the circumstance of the non-custodial parent.

what level of benefits we wanted people in different circumstances to receive, and then use our one program to add to what they receive from other programs to bring them up to the level we set.

This sort deliberate program interaction is a reasonable alternative to the current system where the work disincentives in different programs interact to exacerbate each other. For example, when states attempt to sanction AFDC recipients by cutting their benefits the sanctions are now undermined by increases in Food Stamps and housing assistance. By using one program to manipulate the final size of the benefit package we can insure that all programs combined provide the incentives we want.

It may also be possible to reap many of the potential gains from integration of program administration through the use of computerized case intake and processing. Using advanced interactive software it is possible for intake interviews to be directed by the computer to elicit only the information that is needed from each household. The computer can do the job of determining eligibility for multiple programs and satisfying the different verification and record keeping requirements. Bill Dickens' October 28th memo describes how Merced County in California has saved a great deal of money by implementing such a system.

### **Family Unemployment Insurance**

A fundamental problem we must address if we time limit welfare benefits is how to provide income support to families who are unable to find work. Job stability is a problem for many of the working poor and a particular problem for single mothers for whom working and meeting their family needs poses a serious problem. We would like to see the demonstration of a Family Unemployment Insurance system as a major part of welfare reform.

Our existing unemployment insurance system doesn't meet the needs of the working poor with children because the minimum benefits are too low and it is too difficult for someone with an interrupted work history to qualify. We have in mind a system for which parents of children with any work history would qualify. Payments would be keyed to the cost of supporting a family in the state rather than to the wage the person earned on their previous job. The benefit would be needs tested in that the wage and non-labor income of all household members would be taken into account in determining whether an individual might receive assistance. Parents would accumulate eligibility for benefits from this program according to how many full-time-equivalent weeks they had worked.

We see this as a realistic way of providing for the income support needs of low skilled individuals when they are not able to find work. For those who have passed their two year limit it is reasonable to expect that many will face a future of short term low paying jobs. In addition, we may wish to offer the working poor an alternative to even starting AFDC which rewards them for work and

## COUNCIL OF ECONOMIC ADVISERS

November 24, 1993

TO: Welfare Reform Working Group

FROM: Joseph Stiglitz

SUBJECT: Comments on draft proposal

I am generally impressed with the work which has been done in drawing up the proposal and particularly with the way the meeting on the 20th was run. The CEA has considered the proposal and would like the next revision to increase emphasis on the broad theme of program integration. In addition, there are four proposals, which we believe are consistent with the thrust of the redesign proposal which we would like to see added or expanded:

- 1) more emphasis on private job creation, with competition between providers to create jobs as a part of the plan, ✓
- 2) expansion of the family unemployment insurance alternative to welfare,
- 3) more emphasis on changing the administration of child support enforcement to get more compliance and to make the system more flexible and responsive to the needs of both parents, and
- 4) removing barriers to asset development and increasing incentives for saving. ✓

#### Program Simplification

Of the two options proposed for simplification across assistance programs we prefer the more daring option 2. However, we don't believe it goes far enough. If we are to make work pay and realize the tremendous potential savings from program integration we can not stop when we integrate food stamps and AFDC. Instead we should bring all Federal programs for support of the needy together under one program. Of course we recognize the political difficulty of doing this, but if we could quantify the benefits of such an approach it might be possible to make this a major Presidential (or Vice Presidential) initiative.

If we fall short of this goal, it is not necessary to fully integrate all the program rules to achieve much of the desired effect on incentives and many of the administrative savings. Even if we can only reshape one program, we can effectively reshape all programs. A detailed description of how this might be accomplished is provided in my memo of November 18th. Simply, we could decide



NOV 24 1993

CONFIDENTIAL

## MEMORANDUM

To : David T. Ellwood  
Assistant Secretary for Planning and Evaluation

From : Kenneth S. Apfel *KS*  
Assistant Secretary for Management and Budget

Subject: Welfare Reform Options Paper - Comments

Following our meeting this weekend, I have several reactions to the draft options paper which provided the basis for our discussions. Overall, I believe its provisions are well-crafted and conducive to moving the current welfare system towards more positive outcomes.

However, the transition to a new system may not occur unless we take time to think about how we want to position and advance our plan to get it enacted. I would recommend that in our initial package we be sparing in our inclusion of provisions which appear overly punitive. As this package evolves, we will probably need to make concessions which will move it to the right and make it tougher. To be able to do this and still maintain support from other more liberal constituencies, we must think about appropriate starting points and how flexible to be such that we are beginning from points around which our natural supporters can rally.

To this end, for example, I favor leaving out of the package the family cap option on page 8. Under this approach, States would have the option to limit additional benefits for children conceived while families are receiving welfare assistance. This proposal has already proved controversial in States that have included it in their welfare reform waiver demonstrations. Whether it works or not, it will serve as a lightning rod for strong opinions on both sides of the issue since it further inserts the government into people's personal lives. A better approach would be to advocate positive alternatives that encourage people to delay childbearing until they are economically stable and have the skills to support their families.

Similarly, on the issue of time limiting welfare benefits, I believe that the package must reflect that welfare recipients are not a monolithic group, but rather a diverse population of individuals with differing abilities. For example, we might divide this population into four distinct subgroups: (1) those who are able to move on and off welfare with ease, and are likely

to regain employment with little government assistance; (2) those who can become employable with services and assistance; (3) those who, even with assistance, will have difficulty obtaining and keeping a job; and, (4) those with disabilities who are unlikely to be able to work at all. Recognizing that some of these individuals are unlikely ever to work, and that others may require services beyond a two year limit, our package needs to incorporate policies which provide States flexibility.

Specifically, I would like to support two approaches. First, at the end of the two year time limit, States should be able to allow individuals who are still involved in an approved JOBS activity (e.g., education, training or community service) to complete those activities and still receive income assistance. Second, the time limits, and any performance standards established for States should reflect the needs of the different groups above, insuring that States push those in the first two groups hard to achieve self-sufficiency rapidly, while taking a more flexible stance regarding those in the third group and the length of time they may need services, and insuring that benefits remain protected for those unlikely ever to work. Here again, I view this as a starting point, from which movement to a tougher position could be taken if necessary.

Second, regarding child support enforcement, I continue to strongly support the overall thrust of the provisions in the package. However, I believe that we must remain sensitive to the issue of government intrusiveness if we want to insure real consideration of these proposals. The fact is that many individuals do exist who faithfully pay their child support on a timely basis. Little aside from a firestorm of opposition will be gained from forcing such individuals into mandatory wage-withholding, or universal updating of their awards. Thus, I would like to reiterate my earlier comments (in my memorandum of November 11) in favor of retaining current policies governing wage-withholding opt-out provisions and of the need to avoid other similar highly prescriptive proposals in this area.

Third, I believe it is imperative that our package include one or more provisions which address the ability of families on welfare to accumulate assets. The ability to accumulate assets promotes a range of values and encourages savings and investment for future goals. It focuses families on long-term goals, and gives them both hope for a better future and a means to escape from welfare. At a minimum, I would like to see current asset limits increased. However, my preference would be to build in to the package additional provisions which give people incentives to save for their future. One approach, which I would support, is to allow families to set up separate savings or IRA-type accounts dedicated to specific uses: education, the purchase of a home, obtaining the resources for a small business.

Fourth, in crafting our welfare reform package, I feel strongly the need for us continually to remain conscious of the overall

resource implications of our proposals. This need to be attentive to resource limitations means that we must prioritize our proposals. To achieve what we really believe necessary may well mean that we have to retreat from other areas, however worthwhile, that are likely to drive costs out of the range of what can be enacted. Specifically, I believe that achieving the advances that we seek in areas like education, training, JOBS, and child care may call into question our ability to put into place a full blown national child support assurance program.

| good

Lastly, cost and FTE estimates must be available and supportable before we move forward. We must carefully evaluate and be able to defend just what we will be buying in terms of increased State performance as a result of the proposed expansion in Federal responsibilities and organizational structures. Equally, we must insure that Federal and State management capacity exists to operate the types of programs we are advocating.



THE DEPUTY SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D. C. 20201

DRAFT - FOR DISCUSSION ONLY

To: Mary Jo Bane  
David Ellwood  
Bruce Reed

24 151

From: Walter D. Broadnax *WDB*

Re: Comments on Welfare Reform Proposal

Thank you for the opportunity to provide comments and feedback to the efforts of Welfare Reform Working Group (WRWG). I am impressed with and supportive of the inter-agency approach that was taken to address the initiative, and feel that our final product will reflect collaboration and inclusiveness of ideas, and will accomplish the goals of the Administration, while adhering to the needs of welfare recipients.

I would like to begin my comments by providing the overriding themes I am personally committed to. These are: welfare recipients should not be "worse off" as a result of anything that we come up with; work is a principle that we must strongly adhere to -- everyone who can work must work; there should always be a safety net in place for welfare recipients (and former welfare recipients), to ensure that they are never left without some means of support for themselves and their families.

Additionally, I am concerned that the structure and culture of welfare offices maintain the personal dignity and self esteem for the individuals who utilize the services. Realizing this may require a revamping of the training and tasks for social workers. What does the nation's supply of social workers currently look like? What tasks are they willing/prepared to do? Are our schools of Social Work preparing graduates for this new form of customized support?

At our meeting on Saturday, November 20, we were asked to provide responses to specific questions, as well as overall comments. Mine follow in bullet form:

- o The importance of the opening theme cannot be underscored. We need to ensure that in this section we fully and accurately reflect what the President wishes to accomplish through this initiative. Given that, I believe that we sell short what we are trying to do with welfare reform by limiting the introductory discussion to one of preventing teenage pregnancy. While I agree that this is an issue that if properly addressed will enable us to prevent a great deal of welfare dependency, there are, in my mind, larger issues. These include the role and importance of jobs/work, enhanced economic development, communicating the message of the power and value of education, and the importance of hope and opportunity. I would hope that we could think more critically about these components not only in our opening

volley, but also in the section specifically dedicated to work and time limited assistance (there needs to be more effort devoted to the specifics related to economic development in that section).

- o In reference to the conversation about those who stay on welfare indefinitely, in those infrequent instances where this may occur, I stand by my personal value of always providing a safety net (notwithstanding the issue that every one must work). While States should have the flexibility to determine how deep the safety net should be cast, the Clinton Administration, in our welfare reform proposal, needs to ensure that it is always there.
- o In terms of tying in with other administration initiatives, I concur with the sentiment of the group that we should be focused solely on welfare reform. Creating a broader agenda may be counterproductive to our goals. However, I would want to make sure that the issues involved in welfare reform -- "work" and "participation" -- are played out in a manner consistent with other Administration initiatives.
- o Relative to options to the issue of child support, I am not in favor of including child support assurance. I do not feel that it would fly, politically. Also, I am skeptical that we could adequately explain to the American taxpayers where these additional funds would be coming from, and how it is not just another welfare fund. good
- o We also discussed the issue of requiring teen mothers to live "with an responsible adult except in exceptional situations". I support this notion provided we leave in the verbiage on "except in exceptional cases", and that we are very clear on what those exceptional cases might include. The notion of two parent families is very compelling to me: at the risk of stating the obvious, our policies and rhetoric should support that whenever, and wherever possible. good
- o On the issue of extending the "two year time limit" I am very hard on the issue that if a welfare recipient finds a job then they should accept it. In my mind, the emphasis should be on going to work, not going to school. Going to school is a personal decision. Getting a job should be the highest priority of those receiving public assistance. good

Finally, a few comments, please on the overall tone and content of the position paper:

- o Significant components of the draft will require a great deal of cultural and activity-related change to come about in the welfare office. From personnel requirements, to upgrades in technology, to the "re-implementation" of the JOBS program. I question whether these very critical

factors for success are addressed to a deep enough degree in the draft. This is going to require a major "reinvention" initiative at the state and local level, with as much technical assistance as possible from the federal level - all within the context of no unfunded mandates.

- o It may be wise to spell out a little more clearly that activities required of welfare recipients begin on Day One at the beginning of Year One, not Day One at the end of Year Two. ✓
- o Another very critical issue that we may wish to include is how do we ensure the support of children in the face of possible parental sanctions for non-participation. I would feel better if we included pointed discussion on that topic, and define the parameters of what we would like to see, rather than have them defined for us.

Once again, I appreciate the opportunity to provide these reactions to you. Should you have any questions or wish to discuss these in further detail, please do not hesitate to call me.

November 22, 1993

To: Wendell Primus  
Ann McCormick

From: Avis LaVelle *AL*

Re: Welfare Reform Proposal Revisions

I would like to see the Teen Pregnancy Prevention section of the proposal modified to reflect the need for a broader, co-ordinated approach to curbing first-time pregnancy and preventing re-curring pregnancies among teens. The section, as currently written, says ~~little~~ little about the role of communities and is silent as to the means by which other government agencies can contribute to that mission. For example, the likelihood of young mothers returning and staying in school could be greater with support for school-based day care programs with a built-in counseling, parental training and job-readiness component for the young mother. This could be a joint program of the departments of education, labor and MHS and/or the private sector (i.e. churches, community groups.)

My concern is that there be recognition for the need to involve multiple government agencies and community institutions if this effort to reverse a social trend is to be even moderately successful. The AFDC system should not take on greater responsibility--it must have partners who can tackle the parts of the problem they are most adept at tackling.

On the issue of what to do with recalcitrant recipients who totally resist all efforts to become gainfully employed, my philosophy is a hybrid approach. I believe that cash assistance should be curtailed by increments with a large-scale cutback initially followed by further reductions every three months. Recipients should continue to have access to job-search counseling and be required to come in for job-search counseling monthly as a condition to receiving continued benefits. Repeated failure to cooperate should ultimately result in loss of all cash assistance but a gradual phase-out allows time for recipient to discern the gravity of the situation before falling completely into despair.

As to those recipients who follow the program to the letter yet fail to find private sector employment, I think they should be allowed to continue their public sector/community service employment at full benefit level but be given a limited period of time (90 days? 180 days?) in which to develop their own self-initiated community service position. Job search and counseling should continue to be available and recipient should be required to come in monthly as a condition receiving continued benefits.



Washington, D.C. 20201

November 23, 1993

TO: David Ellwood, Bruce Reed, Mary Jo Bane  
Co-Chairs, Welfare Reform Working Group

FROM: Fernando M. Torres-Gil  
Assistant Secretary for Aging

RE: Welfare Reform Working Group Concerns/Recommendations

I would like to commend the Co-Chairs and other members of the welfare reform working group for their commitment to making the reform effort a well organized and productive process. My interest in welfare reform, as you know, is not only a professional one as the Assistant Secretary for Aging, a gerontologist and a social worker, but a personal one as well. My mother raised nine children on public assistance and in public housing. She later returned to the welfare system as an employee and managed the General Relief and Work Program for Monterey County, California. She elected to stay home, raise her children and assist others in her community. She was a strong advocate for education, pride and dignity which resulted in eight of her children graduating from college.

For this reason among others, I support the President's campaign message and this Administration's commitment to welfare reform, which spoke to me and the valuable lessons I learned from my mother. We must respond to the public expectation for upholding critical values of responsibility, discipline and security. I believe, however, that the document should have a two-step approach. The specific part of the welfare reform proposal should focus on public assistance, particularly AFDC. To integrate other public programs (e.g. housing, food stamps) may deviate from what is practical. However, I also believe that the overall theme of the proposal should integrate the broader Administration efforts to provide opportunity and security to the American public (e.g. health care, EITC). This proposal, thus, becomes one more element toward meeting our first-term objectives.

In addition, I believe that the thematic part of the draft must be promoted in such a way that we re-define the issue of welfare for the American people. We must focus on poverty as an overlying concern and promote welfare as a safety net for the middle and working class. We must also stress that the proposal only addresses one aspect of poverty: dependence on public assistance.

We must also ensure a balance of what might be considered conservative and progressive approaches. I support the need to emphasize a strict set of values within our proposal. They must be highlighted as the main driving force behind our plan. Doing this will allow us to include ideas which may be considered more progressive. We must obtain the support of certain constituency groups who want a new social contract with the government that stresses the values of work, family and responsibility. Hispanics, for example, believe strongly in the discipline and responsibility of work. Universally, welfare recipients have expressed the need for change in a system which does not give much or any incentive for work. With the proper balance, we can sell this document not only to the public that wants reform, but even to those who do not.

Secondly, we must make sure that we do not unwittingly polarize the American public. We must be cautious not to inadvertently condone competition between the working poor and welfare recipients. The tone of the document and its public presentation will set the tone for how the public views our intent. Just as we have presented health care reform as a security issue and violence as a public health issue, so, too, can we package welfare reform as a safety net for all Americans.

Lastly, whatever we do and whatever legislative process develops, we must ensure that we will do no harm to people who seek public assistance. We cannot allow persons who receive public assistance to be exploited for political agendas or to end up worse off than they are now. Our message is not only one of responsibility and discipline, but one of opportunity and dignity.

By and large, I support the tone of the document. We have a good framework from which to begin our work; however, there are several additional issues I would still like to raise. I will have more detailed comments in the near future.

#### DAY CARE

○ Day care is a critical piece of the proposal and a major selling point. We must have something substantive that indicates real expansion to make day care available to all those who most need it. I favor those options which result in a significant and substantive expansion of day care.

#### STAY-AT-HOME PARENTS

○ This document speaks toward training low-income parents to enter the child care workforce. We must distinguish between opportunities for single mothers to work in a day-care facility outside their neighborhood and being able to stay in their neighborhood with their own children.

○ In a society where a growing number of families require two incomes to survive, many of our children are being raised as latch-key children with no parental supervision or guidance for several hours a day. In instances where a mother (or father) stay at home to care for their children, we must be supportive by allowing parents to have that time with their children. In return we can ask them to make contributions through community work such as, co-op day care centers in neighborhoods, delivering home-delivered meals to homebound elderly or disabled individuals, or working in family planning or senior centers.

○ We might consider starting a set of demonstration projects, perhaps in public housing facilities, to train mothers to start day-care centers in their own housing facilities.

#### NON-CUSTODIAL PARENTS

○ We must require responsibility from absent fathers to ensure support for their children. I strongly support the child care enforcement provisions in the draft proposal; however, we cannot "criminalize" disadvantaged men who may not have the skills or educational opportunities to obtain jobs.

○ Other options of re-payment must be available. I feel that an array of services must be made available to the parent in order to support and encourage child support payments (e.g. education, job training, English as a Second Language). A case management approach whereby unique circumstances of non-custodial fathers are used to develop options for re-payment can help to avoid even more victimization.

#### IMMIGRATION/IMMIGRANTS

○ Immigrant populations are currently a target of strong public opinion. The debate over immigration will become more powerful in the upcoming election years, both Congressional and Presidential. We must have our own clear understanding of the issue. If we do not address this, others will inject immigration into the debate. I believe we should discuss this issue soon and have a proactive set of statements and positions.

#### TIME LIMIT

○ I would consider a time limit for those who are able to work--who have had every opportunity--but refuse to participate. This will be a selling point to Hispanics and even to a majority of welfare recipients who do all they can to become self sufficient. Our responsibility is to give these individuals every opportunity without being harsh or punitive. But when those opportunities are not seized, there must be consequences.

○ I believe this time-limit must be multi-tiered, and that there must be certain exemptions, exclusions and flexibility. These would refer to certain populations such as grandparents

raising grandchildren, the disabled or parents of disabled children.

### EDUCATION

○ I strongly believe we must provide credit and extensions for those individuals going to college. Being able to point to successful models of welfare recipients who receive some assistance in day care and other public assistance in order to receive two or four-year degrees will be the greatest sign of progress.

○ At the very least, we should allow the option of receiving a GED or attending literacy classes. Certainly we should tie that effort to overall work experience. The opportunities available for education or training must lead to jobs.

### STATE FLEXIBILITY

○ I believe that it is important that States be held accountable in establishing programs based upon strong national principles. This would allow State flexibility but also ensure that a national standard for the President's objectives for welfare reform is upheld.

### PREVENTION

○ The public focus--as well as the legislative focus--will be on the reality of teen-age pregnancy, therefore, it is critical that we have something to say about prevention, education and family planning.

○ We must encourage support for the two-parent family. However, we must recognize America's diverse family structure. Single mothers, single fathers, relatives and grandparents raising their grandchildren are meeting many contemporary challenges and responsibilities. As part of our public education and outreach efforts, we must point out that the family is not just about traditional structure, but about taking care of one another in whatever way we can in order to keep families together.

In closing, we have a unique opportunity to re-create the welfare system to work more effectively for the American people. All constituents are ready for this change. Even welfare recipients, frustrated by the current system, are ready to accept some responsibility as long as it is balanced with real opportunity. We must respect the fact that any one of us is at risk of needing public assistance at some time in our lives. Whether or not we succeed in the near future may not be as critical as whether or not we can re-define the debate about the needs of vulnerable populations and the role of government in responding to those needs.

November 24, 1993

MEMORANDUM FOR MARY JO BANE  
DAVID T. ELLWOOD  
BRUCE REED  
WORKING GROUP CO-CHAIRS

FROM: Alicia H. Munnell  
Assistant Secretary  
for Economic Policy

SUBJECT: Proposal Needs to Stress Jobs

The draft proposal reflects a lot of hard work and serious thinking. Much of the detailed discussion is quite sound, but it needs to be cast in a context that stresses jobs. The message throughout should be that the nation is shifting from a social policy based on the dole to one based on work. / \*\*

Participants at our November 20 meeting agreed that the proposal should begin with a discussion of the linkages between welfare reform and a broader policy context. I strongly believe this discussion should stress the Administration's fundamental objectives of stimulating economic growth and expanding employment opportunities, with specific reference to economic development initiatives, worker displacement, and defense conversion. In this context, welfare reform is about providing opportunities and incentives for people to assume productive roles in the nation's economy. / ✓

With this economic policy context clearly articulated, the sections should be reordered. Discussions of specifics should start with "Make Work Pay" followed by "Promote Self-Sufficiency" and "Time-Limit Assistance and Follow with Work." At the beginning of each section linkages between each proposal and jobs should be noted; for example, the goal of reinventing government involves transforming welfare offices from unemployment offices to re-employment offices -- from getting checks to getting jobs. The prevention discussion should give even greater emphasis to the adverse impact of teen pregnancy on education and subsequently job success. Finally, each section should indicate how services for the welfare population are to be better integrated with programs serving broader populations, such as dislocated workers or the handicapped.

Beyond these broad comments, I have a few specific suggestions:

- o Any mechanism for the advance payment of child support should be self financing. With such schemes, allowable time periods for recovery of outlays to compensate for shortfalls in payments from non-custodial parents should be expanded to accommodate 10 to 20 year earning patterns. This is a good area for state demonstration programs.

2

- o Saving incentives for welfare recipients does not seem like a good idea. However, asset limits generally associated with means-tested programs might be liberalized to enable recipients to accumulate the money needed, for example, to buy a car to commute to a job site.



**FAX TRANSMITTAL SHEET**

TO: Ann McKernick

FROM: Tom Blynn

DATE: 11/24 TIME: \_\_\_\_\_

RECEIVER TELECOPIER #: 690-6562

PAGE NUMBER ONE OF \_\_\_\_\_ PAGES.

TRANSMITTER TELECOPIER: 202-219-7971

ADDITIONAL COMMENTS:

IF YOU HAVE QUESTIONS RE THIS FAX CALL: 202/219-6151

## U.S. DEPARTMENT OF LABOR

DEPUTY SECRETARY OF LABOR

WASHINGTON, D.C.

20210

SEP 21 1993

MEMORANDUM FOR DAVID ELLWOOD

FROM:

THOMAS P. GLYNN *T.P.G.*

SUBJECT:

DOL's Role in a Reformed Welfare System

If welfare reform is enacted, programs operated by the Department of Labor will be affected. This memorandum and its attachments lay out possible initiatives DOL may take in a reformed welfare system. DOL also is reviewing the specific proposals in the draft paper and, in the near future, may be following up with another memo on specific reactions.

The complementary DOL initiatives are described in the attachments, briefly, they are:

1. **JTPA-JOBS Linkage.** Currently, all states are required to coordinate their JOBS and JTPA programs. The quality of those linkages varies considerably--from almost total integration in a few states to lip service in others. DOL would commit to work with HHS to break down barriers that currently exist. Some barriers are statutory or traditional; others are regulatory or policy. A new vehicle for accomplishing better coordination could be the proposed Human Resource Investment Council (see attachment) which would develop common definitions and systems as well as consider waiver requests from states.
2. **One-Stop Shop Demonstrations.** DOL would ensure that some of the demonstration sites in the one-stop demonstration would include the JOBS program. There might also be a demonstration of the work support agency in a one-stop setting.
3. **OJT Vouchers.** When AFDC recipients reach the two-year limit, some option must be provided if unsubsidized jobs in the private sector are not available in sufficient numbers. Public sector jobs are an expensive option. A less costly approach might be an OJT voucher. Research suggests that TJTC vouchers have not been particularly worthwhile but OJT is an effective treatment. DOL could take the lead in developing an OJT voucher tailored to welfare reform.
4. **Prevention.** Minority women who enter AFDC as teenagers and high school dropouts, and who have never been married, are at high risk of long-term welfare dependency. DOL's Youth Fair Chance initiative is aimed at youth growing up in high-poverty communities, thus there is considerable overlap in the two

populations. Job Corps is another effective intervention. Recent changes in the Job Corps have increased their emphasis on single parents from the welfare rolls. As part of welfare reform, both areas could be expanded.

5. Human Resource Investment Council. A federal counterpart to the HRIC's authorized at the state level would act as a mechanism to integrate the JOBS and JTPA programs and to increase the linkages among other related programs. This group could act as a body to consider waiver requests from states.

6. EITC and Minimum Wage. The policy recommendations in the "Make Work Pay" section are reasonable -- particularly the emphasis on child care -- but some of the framework is problematic. It states on page 9 that "There are three elements to making work pay: working family tax credits, health reform and child care" and that "the [emphasis added] major missing element to ensure that work really does pay is child care."

This rhetoric strongly implies that the minimum wage is not a major element of making work pay. Yet a substantial majority of job opportunities available to welfare recipients pay at or near the minimum wage. Moreover, in the campaign and as part of Putting People First the President endorsed strengthening the minimum wage. And the minimum wage is far below its historic value.

The draft could easily be modified to address these concerns. The first sentence could read "Three of the major elements that make work pay are:..." The second sentence could read "another major missing element necessary..." In addition, the working group discussed adding a section to the paper describing welfare reform in the context of other initiatives. This section could recognize the relevance of the minimum wage and how a decision on the minimum wage is expected in 1994 (a time frame consistent with the recent statement by the Secretary of Labor which was approved by the White House).

OK

NO

Relatedly, strengthening the minimum wage and ensuring that more of the working poor receive food stamps (less than half do) are necessary complementary steps to the EITC if a family of four with a full-time worker is to be lifted out of poverty. The sentence "This [the EITC expansion] very nearly ensures that a family of four with a full-time worker will no longer be poor" could be changed to "The EITC expansion is a giant leap towards ensuring that..." It also bears noting that the \$6.00 net minimum wage for families with two or more children applies to 1996 and does not count the effect of payroll taxes (which the EITC is in part designed to offset). Adjusting for inflation, and subtracting out payroll taxes, the net equivalent wage is really \$5.14 per hour.

-3-

On another front, on page 23 the sentence appears "The JOBS program needs to be redesigned to permit states to integrate other employment and training programs into the JOBS program." If such an integration is to occur, it would seem that JOBS should be integrated into the programs targeted towards the broader population.

Another suggestion, if we are going to "End Welfare as We Know It" we might want to end using the term "welfare" or "AFDC". As a first crack, calling the new program "transitional assistance" would seem to convey the approach in mind.

Attachments

cc: Robert Reich, Doug Ross, Maria Echaveste



**THE FOLLOWING HAS BEEN DATAFAXED FROM  
THE OFFICE OF THE ASSISTANT SECRETARY FOR  
FOOD AND CONSUMER SERVICES**



**DATAFAX NUMBER IS (202) 690-3100**

**IF YOU DO NOT RECEIVE ALL PAGE(S) SENT, PLEASE  
CALL (202) 720-7711.**

**DATE:** 11/24

**TO:** Ann McCarroll

**FROM:** Julie Binell

**NUMBER OF PAGES INCLUDING COVER SHEET:** 4

**REMARKS/COMMENTS**

Ann  
Happy Holidays!  
Sharon Chellgren



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

NOV 24 1993

TO: Bruce Reed  
Deputy Assistant to the President for  
Domestic Policy

David Ellwood  
Assistant Secretary for  
Planning and Evaluation, DHHS

Mary Jo Bane  
Assistant Secretary for  
Children and Families, DHHS

FROM: Ellen Haas   
Assistant Secretary for  
Food and Consumer Services

SUBJECT: Comments on Welfare Reform Draft Options Paper

Thank you for the opportunity to comment on the Welfare Reform Working Group's draft options paper. The paper covers the full range of welfare reform issues and provides an appropriate range of options for the President's consideration.

The highlights note that the welfare reform plan will be deficit neutral, with gradual phase-in, fully funded by offsets and savings. Early attention must be given to where offsets and savings will be sought. The effects of these will be crucial in gaining support for the plan.

I strongly support the Working Group's view of the Food Stamp Program as the ultimate safety net for low income individuals and families. Food Stamps provide nutrition services for over 27 million Americans each month. The program ensures that all Americans have access to the food they need to meet their daily nutritional needs. The plan as written assures that the program will continue to play this important role while taking steps to increase access to eligible families and by supporting efforts to move toward EBT as our primary means of benefit delivery.

I share your commitment to simplifying the relationship of the Food Stamp Program and AFDC. I believe that movement toward adopting many of the food stamp rules for the AFDC program is a step in the right direction. However, we must move carefully in this area to ensure that we do not inadvertently hurt families in our effort to simplify program rules. My staff will work closely with yours to analyze and model the changes under consideration to assure that we fully understand their consequences, including the implications for increased food stamp costs.

In particular, one item suggested for simplification on page 19 that requires some careful consideration is to count housing assistance for food stamps. This proposal revisits the issue of the choice between shelter and food. In the Leland bill we uncapped the excess shelter expense deduction and provided additional food assistance to households facing high shelter costs. It seems contradictory to suggest now that food assistance should be decreased because of housing assistance.

Also within the simplification option on page 19 is the description of using a common set of definitions for food stamps and cash assistance, and allowing States to set the benefit levels. This needs to be clarified that the State flexibility would occur in the AFDC benefit, while food stamps will remain a national program with uniform guidelines.

I believe that we need to place more emphasis on asset development and accumulation. As you know, the Administration's Leland Bill included a provision which would have allowed food stamp recipients to accumulate up to \$10,000 in assets for future schooling, home buying, change in residence, or making major home repairs. The Bill as enacted gave us authority to proceed with demonstrations in this area. I recommend that we again seek broad authority in this area for both AFDC and food stamps. We would also like to collaborate with you as we implement these demonstrations so that we may extend asset accumulation to both AFDC and food stamp participants.

It is very important to maintain a strong focus on the prevention of welfare dependency. The plan should continue to include efforts to prevent teen pregnancy and to support the efforts of young people to obtain a sound education.

While it is important to strengthen the child support system, I am concerned about the proposal to condition receipt of means-tested benefits on cooperation with the system. Many means-tested programs such as food stamps and WIC provide an essential

service to families. Requiring that mothers provide information to help establish paternity or that absent parents pay their child support as a condition of benefit receipt erodes the effectiveness of food assistance programs as the ultimate safety net. Past attempts to require cooperation with the child support enforcement agency by non-AFDC mothers in the Food Stamp Program have been defeated in Congress. I believe that there are other ways to accomplish these objectives without resorting to these approaches.

I support expanded use of the Advance Payment of EITC, and, as you are well aware, utilization of EBT technology, especially for the Food Stamp Program. On page 12 the draft options paper lists joint administration of food stamps and EITC using State food stamp administration. It should be clarified that this does not include merging the two programs because considerations earlier this month revealed a number of operational flaws that would make merging the programs extremely difficult.

Finally, I believe that we should move cautiously with regard to time-limiting receipt of AFDC. We all share the goal of helping families move off of welfare into private sector jobs and out of poverty. I agree that we need to dramatically reorient welfare toward a work support program with the accompanying education, training, and child care services. The increased EITC and the President's health care reform proposal, together with food stamps, will help ensure that parents who take a minimum wage job can move their families out of poverty. However, I am concerned about AFDC recipients who are not successful in obtaining employment before the time limit expires. While they will have food stamps as a safety net, they may lack resources for shelter and other basic human needs. I suggest that while the plan provide a provision for time-limiting AFDC that it also include a safety net below which supports will not fall. The discussion on the top of page 27 provides for such a safety net. You may want to consider providing these benefits in the form of a voucher rather than as cash as a way of distinguishing them from AFDC. I also suggest that we work with States to carefully test and evaluate several different approaches to time-limiting AFDC benefits in order to find out which works best.

I look forward to seeing a revised draft of the paper and to working with you to bring food stamps and AFDC rules into greater alignment.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE UNDER SECRETARY

THE UNDER SECRETARY

To: Mary Jo Bane, David Ellwood, Bruce Reed, Belle Sawhill  
From: Mike Smith  
Date: June 16, 1994  
Re: Welfare Reform Legislation

I have major concerns about two provisions in the JOBS section of the welfare reform legislation. The newest version of the legislation contains two requirements that we at the Department of Education had believed had been thoroughly discussed and resolved previously but now find have appeared for the first time and without warning in the final draft.

**1. Extensions for Completion of Post-Secondary Education Contingent on 15 Hours of Part-time Work**

We strongly oppose conditioning an extension for completion of post-secondary education on 15 hours a week of part-time work.

While we have not opposed conditioning extensions on part-time work, we have consistently argued that a part-time work requirement of over 10 hours a week is both unrealistic and onerous for women who are raising children and also going to school full-time. A 15 hour a week requirement will undermine both the value of the work and the value of the academic experience.

All prior versions of the specifications and legislation provided that work-study or part-time work was a condition of an extension -- but did not specify a certain number of hours of part-time work. Our understanding was that the determination of the number of hours of part-time work required was to be either left to regulations or to state discretion -- a position with which the Department was comfortable. We believe that this prior version should be used.

**2. Permitting Learnfare or Learnfare-like Programs**

The legislation contains two new provisions that appear to affect whether the state may place education, work or other participation requirements on children in AFDC families.

Section 101(B)(II)(iii) permits states to require "any other applicants for or recipients of aid" to participate in JOBS. Section 101(C)(i) provides that the state will require all individuals

described in subsection B (which includes the phased in population plus whomever else the state chooses to include) to participate in the JOBS program, "other than a child who is not a custodial parent and is under age 16 or attending full time an elementary, secondary, or vocational or technical school."

While we do not clearly understand the intent or effect of these provisions, they appear to permit states to require children in families receiving AFDC to participate in education or other activities -- and to impose sanctions on the children or the parents for the children's failure to meet participation requirements. If this is indeed the case, then we oppose the provisions.

As you know, this Department has consistently opposed permitting states to institute the Wisconsin Learnfare program or programs like it that impose obligations on children in welfare families -- and possible financial sanctions on their families for non-compliance. The evaluation of Learnfare shows no positive results. Moreover, we have serious reservations about Learnfare or any other program that would penalize families based on the school attendance or other activities of the children. Unfortunately, parents are not always able to control the school attendance of older children. Penalizing an entire family for the truancy of one adolescent child is punitive and unfair. Reduced benefits will harm the younger children in the family as well as the parent who is struggling towards self-sufficiency.

### 3. Additional Concerns

We have two additional concerns. First, our position throughout has been that in order to ensure that extensions for education and training can pay off and to raise the quality of programs available to this population, extensions should be available only for those completing a certificate- or degree-granting program. Despite our recommendations of legislative language to ensure this policy, the most recent legislation does not reflect our language or accomplish this aim. Attached are proposed changes to pp. 41-42 of the legislation that address this issue.

Second, we have some concerns about the failure to address issues concerning individuals with disabilities. Because the needs of this population are not addressed, we fear that the plan will be badly received in the disability community. Our Office of Special Education and Rehabilitation Services has suggested some changes in the specifications might help address this issue. Possible changes include: indicating that at the initial assessment those suspected of having a disability would be referred to SSI; indicating that individuals with disabilities in pre-JOBS would be referred to the state vocational rehabilitation agency or other appropriate service provider; and indicating that JOBS and WORK assignments for people with disabilities would include necessary accommodations where appropriate.

cc: Chris Mustain (OMB), Barry White (OMB), Madeleine Kunitz, Augusta Kappner, Norma Cantu, Judy Heumann

school (or an equivalent program of education), so long as the individual is making satisfactory progress toward obtaining a high school diploma (or equivalent);

"(ii) for no more than 24 additional months in order to allow an individual to complete a ~~course of post-secondary education~~ <sup>program</sup> so long as the individual is enrolled in a work-study program, or is employed at least part-time, and is making satisfactory progress toward ~~obtaining a degree~~ <sup>completing</sup> or ~~completing a program, or to complete a~~ <sup>postsecondary education or</sup> certificate-granting training program or ~~educational activity~~, or structured microenterprise or self-employment program likely to improve the individual's economic self-sufficiency; or

"(iii) for such additional number of months as it finds appropriate in any case, determined on an individual basis, where such extension is necessary to afford an individual with significant learning disabilities or other substantial barriers to employment additional time to obtain the remedial education, job skills training, or other services specified in the employability plan