

THE WHITE HOUSE

WASHINGTON

December 2, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
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THROUGH: Carol Rasco

SUBJECT: Draft Discussion Paper on Welfare Reform

The attached document outlines draft proposals developed by the Welfare Reform Working Group. This draft describes the basic direction and lays out key proposals. We believe it charts a bold new vision focussed on the values of work and responsibility.

We have not included specific budgetary costs and offsets. As we noted in our previous memo, we believe we can find savings and offsets in entitlement programs to fund the proposed changes. Costs, especially over the first five years, can be relatively easily adjusted by varying the speed of phase-in. We are currently working with OMB, Treasury, and HHS to lay out options for offsets in phase-in for your consideration over the next few weeks.

At some point in the near future, we will need to discuss the details of these proposals with key members of Congress and Governors. We have already had numerous exploratory meetings, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share all or parts of the draft discussion paper. With most, we would like to begin orally vetting specific ideas and options.

We would like a signal from you as to whether you're comfortable enough with our basic direction before we begin the more detailed consultation process. You don't have to decide any of the major questions now. We'll make clear that no decisions have been made, and many things are still on the table. But you should know that to get the feedback we need from our likely allies on this issue, we will have to run the risk that some details may leak out.

We would be happy to meet with you at this stage if you desire. In the coming weeks, we will provide you with detailed decision memos on the key unresolved issues alluded to in this document, with a detailed list of pros and cons. We will also provide a detailed memo on costs and phase-in options.

DRAFT DISCUSSION PAPER

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HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President, and the paper is designed to stimulate discussion--not indicate Administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce poverty and welfare use by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and enactment of health reform to ensure that working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Using a social contract which spells out what their responsibilities are and what government will do in return. Greater Federal funding for the JOBS program and a reduced State match rate.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.
- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculations and writing checks. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

This plan calls for a genuine end to welfare as we know it. It builds from the simple values of work and responsibility. It reshapes the expectations of government and the people it serves. Our goal is to move people from welfare to work and bolster their efforts to support their families and to contribute to the economy. One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance and tax credits they need to adequately support their families. The plan also seeks to give people access to training for the skills they need to work in an increasingly competitive labor market. But in return, it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.

These reforms cannot be seen in isolation. The social and economic forces that influence the poor and the non-poor run deeper than the welfare system. The Administration has undertaken many closely linked initiatives to spur economic growth, improve education, expand opportunity, restore public safety and rebuild a sense of community: worker training and retraining, educational reform, Head Start, National Service, health reform, Empowerment Zones, community development banks, community policing, violence prevention and more. Welfare reform is a piece of a larger whole. It is an essential piece.

FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: we must refocus the system of economic support from welfare to work. However, changing a system that has for decades been focused on calculating eligibility and welfare payments will be a tall challenge. Still, we have already made an important beginning. The Family Support Act of 1988 serves as a blueprint for the future--a

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foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipients alike.

We recommend five fundamental steps:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Families with a full-time worker should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. No one who can work should stay on welfare indefinitely.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children. Parents should take responsibility for supporting and nurturing their children. Governments don't raise children--families do.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare dependency, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the total number of children born out of wedlock has more than doubled in the last 15 years, to 1.2 million annually. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy that provides better support for two-parent families and sends clear signals about the importance of delaying sexual activity and the need for responsible parenting. We must intensify our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and to teach young people that children who have children face tremendous obstacles to self-sufficiency. Men and women who parent children must know they have responsibilities.

Make Work Pay

Work is at the heart of the entire reform effort. That requires supporting working families and ensuring that a welfare recipient is economically better off by taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance and making child care available.

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We have already expanded the Earned Income Tax Credit (EITC), which was effectively a pay raise for the working poor. The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children. Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare.

With tax credits and health reform in place, the final critical element of making work pay is child care. We seek to ensure that working poor families have access to the quality child care they need. We cannot expect single mothers to participate in training or to go to work unless they have child care for their children.

Provide Access to Education and Training, Impose Time Limits, and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people need; recipients are expected to take advantage of these opportunities and move into work. The legislation created the Job Opportunities and Basic Skills (JOBS) program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits and writing checks. We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around "income maintenance"; we need a program built around work.

We envision a system whereby people will be asked to start on a track toward work and independence immediately. Each recipient will sign a social contract that spells out their obligations and what the government will do in return. We will expand access to education, training and employment opportunities, and insist on higher participation rates in return. At the end of two years, people still on welfare who can work but cannot find a job in the private sector will be offered work in community service. Communities will use funds to provide non-displacing jobs in the private, non-profit, and public sectors. They will form partnerships among business leaders, community groups, organized labor and local government to oversee the work program. The message is simple: everybody is expected to move toward work and independence.

Exemptions and extensions will be limited. The system must be sensitive to those who for good reason cannot work--for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer

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security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation to support their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

The child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of these ideas is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of which people in which areas seem to have longer or shorter stays on welfare.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the Federal Government must be clearer about broad goals while giving more flexibility over implementation to States and localities. Basic performance measures regarding work and long-term movements off welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

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Three features are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States to develop their own demonstrations, and in some cases we would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy, based in part on the level of resources available. Ideally, high participation requirements and time limits would apply first to people newly entering the system after legislation is enacted, with the rest of the caseload phased in over time. Some States and communities may choose to start sooner than others. This phase-in period will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. **CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS**
- B. **ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY**
- C. **ENCOURAGING RESPONSIBLE FAMILY PLANNING**

NEED -- The best way to end welfare dependency is to eliminate the need for welfare in the first place. Accomplishing this goal requires not only changing the welfare system, but also involving every sector of our society in this effort.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

Unfortunately, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY -- The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end, we propose a three-part strategy. First, we suggest a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of responsibility and opportunity and to engage other leaders and institutions in this effort. Government has a role to play, but the massive changes in family life that have occurred over the past few decades cannot be dealt with by government alone. We must not only emphasize responsibility; we must break the cycle of poverty and provide a more hopeful future in low-income communities. Third and finally, we need to encourage responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for providing greater support to their children. Mothers receiving cash assistance will become better prepared to enter the labor force

through required participation in activities intended to increase their employment and earnings capacity. Through time limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous thirteen quarters.* In addition, States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

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

Mentoring by Older Welfare Mothers. Third, we propose to allow States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.

Demonstrations. Finally, we propose to conduct demonstrations which condition a portion of the assistance benefit, or provide a bonus, based on actions by parents and dependent children to achieve self-sufficiency. These demonstrations would include comprehensive case management focused on all family members, assisting them to access all services necessary to meet their obligations. The case management services would take a holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

In addition, the following option is under consideration:

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services.

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

While it is important to get the message of the welfare system right, solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Individuals, community organizations and other governmental and non-governmental institutions must, therefore, all be engaged in sending a balanced message of responsibility and opportunity. Many Administration initiatives already underway are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, development of School-to-Work and an expansion of Job Corps. In addition to these building blocks, the following could be adopted to focus more on children and youth, especially those in high-risk situations:

Community Support. We should challenge all Americans, especially the most fortunate, to work one-on-one with at-risk children and adults in disadvantaged neighborhoods. We recommend working with the Corporation on National and Community Service to extend a wide variety of prevention-oriented programs employing volunteers--rather than paid employees--at the neighborhood and community level. This effort could include programs such as Big Brothers/Big Sisters for at-risk children and mentoring for adults at risk of welfare dependency.

National Campaign. We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organizations, churches and others in a concerted effort to instill responsibility and shape behavior.

Demonstrations. We also propose to conduct demonstrations for local communities to stimulate neighborhood-based innovation. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods which could help change the environment as well as provide more direct support services for these youth. Efforts to coordinate existing services and programs would provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving demonstration funds would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs which address the family as a unit. Early indications of high risk for teenage childbearing and other risky behaviors, such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility and resources necessary to identify

early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

ENCOURAGING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the percentage is much higher for teen parents. Yet, funding for family planning services declined by approximately 60 percent in constant dollars over the last decade. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Health Initiatives. In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care (including family planning and pre-natal care), is expanding. Also, traditional public health efforts through Title X and the Maternal and Child Health Block Grant will continue.

Demonstrations. We would also propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them. This option would improve knowledge about and access to appropriate family planning services for these recipients and other low-income individuals.

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. ADVANCE PAYMENT OF THE EITC
- C. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Work Should Be Better than Welfare
 - 2. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- Three of the major elements that make work pay are working family tax credits, health reform and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents on cash assistance who will be required to participate in education, training and employment activities. Child care support is also pivotal for the working poor to enable them to stay in the workforce. Substantial resources are required to expand the child care supply for both populations and to strengthen the quality of the care.

The Federal Government subsidizes child care for low-income families through the title IV-A entitlement programs (JOBS Child Care, Transitional Child Care, and At-Risk Child Care) and the Child Care and Development Block Grant. Middle- and upper-income people benefit from the

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dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable, is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

The welfare reform proposal should have the following goals related to child care: to increase funding so that both those on cash assistance and working families are provided adequate child care support, to ensure children safe and healthy environments that promote child development, and to create a more consolidated and simplified child care system. Our plan includes the following strategies to achieve these goals:

Maintain IV-A Child Care. We propose to continue the current IV-A entitlement programs for cash assistance recipients. These programs would automatically expand to accommodate the increased demand created by required participation in education, training and work.

Expand Child Care for Low-Income Working Families. We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, currently a capped entitlement which is available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this entitlement program and to reduce the barriers which impede States' use of it.

Maintain Child Care Development Block Grant. We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of the funds to strengthen child care quality and to build the supply of care. However, no families receiving cash assistance would be eligible for services under this program.

Coordinate Rules Across All Child Care Programs. For all three of the above strategies, we would require States to ensure seamless coverage for persons who leave welfare for work. The requirement for health and safety standards would be made consistent across these programs and would conform to those standards specified in the Block Grant program. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

Several questions must be answered in order to complete a child care strategy:

1. *How much new investment in child care is reasonable? Significant new investments are essential to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of child care for the working poor can be afforded.*
2. *Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families transitioning from welfare or at risk of entering welfare.*

3. *Should we also propose making the Dependent Care Tax Credit refundable? This approach will not help the lowest-income families who still would not have the up-front money to pay for child care; therefore, it should only be considered in tandem with other proposals.*

Demonstrations. We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. Since the greatest identified shortage of child care is infant care, the second demonstration would focus on increasing the supply of infant care and enhancing its quality in a variety of settings.

ADVANCE PAYMENT OF THE EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Many others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages--clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by the Internal Revenue Service (IRS). On the basis of information on individual tax returns, the IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administrations. Electronic Benefit Transfer (EBT) technology would be utilized whenever possible.

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor--ensuring that work is always better than welfare. Several options for achieving this goal are listed below. We also suggest demonstrations of innovative ideas.

Work Should Be Better than Welfare

The combination of the EITC, health reform and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time, full-year worker. But full-time work may not always be feasible, especially for single mothers with very young children or children with special needs. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families and in high-benefit States, welfare may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings. This results in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be four options for achieving it:

Option 1: Allow (or require) States to supplement the EITC, food stamps or housing benefits for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, by eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow States to match some portion of the earnings of recipients and place the money in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchase of a car or home.

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance payment of the EITC and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- Temporary Unemployment Support. There would be demonstrations of alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they need only very short-term economic aid.
- Front-End Emergency Assistance. One example is a component of the AFDC program in Utah which provides diversion grants upon application to some recipients who have lost a job. Based on a caseworker's assessment of the individual's family situation, a one-time payment is provided to prevent the family from becoming part of the long-term caseload.

PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK

- A. ENHANCING THE JOBS PROGRAM
 - 1. Immediate Focus on Work and Participation in JOBS
 - 2. Expanding the JOBS Program
 - 3. Integrating JOBS and Mainstream Education and Training Initiatives
- B. MAKING WELFARE TRANSITIONAL
- C. WORK
 - 1. Administrative Structure of the WORK Program
 - 2. Characteristics of the WORK Assignments
 - 3. Economic Development

NEED -- AFDC currently serves as temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system leave it, at least temporarily, within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY -- Changing the focus of the welfare system from determining eligibility and writing checks to helping recipients achieve self-sufficiency through access to education and training and, ultimately, through work demands a major restructuring effort. Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing work to those who reach the time limit for transitional assistance without finding a job in the private sector, despite having done everything required of them.

Each applicant would, within 90 days of entry, work out a plan to attain independence through work and would immediately thereafter begin taking the steps toward self-sufficiency laid out in the plan. Through expanded access to education and training, recipients would obtain the skills needed to find and retain private sector employment. Making work pay, dramatically improving child support

enforcement and providing education, training and job placement services should maximize the number of recipients who leave welfare for work within two years. Persons who follow their case plans in good faith but are nonetheless unable to find private sector jobs within two years would be offered paid work assignments in the public, private or non-profit sectors to enable them to support their families.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering that assistance. The Family Support Act of 1988 set forth a bold new vision for the social welfare system: AFDC was to become a transitional support program whose mission would be helping people move toward independence. The JOBS program was established to deliver the education, training and other services needed to enable recipients to leave welfare.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. Another part is the absence of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. The culture of the welfare bureaucracy, however, represents perhaps the greatest challenge to true welfare reform. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to fulfill the promise of the Family Support Act by providing both the services and the incentives to help recipients move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Structure the welfare system so that applicants, from the moment they enter the system, are focused on moving from welfare to work through participation in programs and services designed to enhance employability.
- (2) Dramatically expand the JOBS program through increased Federal funding, an enhanced Federal match rate and higher participation standards.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

The structure of the welfare system would be changed to clearly communicate to recipients the emphasis on achieving self-sufficiency through work.

Social Contract. Each applicant for assistance would be required to enter into a social contract in which the applicant agrees to cooperate in good faith with the State in developing and following an employability plan leading to self-sufficiency, and the State agrees to provide the services called for in the employability plan.

Up-Front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

Employability Plan. Within 90 days of application, each person, in conjunction with his or her caseworker, would design an individualized employability plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that welfare recipients are a very diverse population. Participants in the JOBS program do and will continue to have very different levels of work experience, education and skills. Accordingly, their needs would be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities would, therefore, have great flexibility in designing the exact mix of JOBS program services. The time frames required would vary depending on the individual but would not exceed two years for those who could work. Employability plans would be adjusted in response to changes in a family's situation.

Narrower Exemption Criteria. We recognize that some who seek transitional assistance will, for good reason, be unable to work. Persons in this category could include individuals who are disabled or seriously ill or who are caring for a disabled or seriously ill relative. The current criteria for exemption from the JOBS program would, however, be narrowed. Parents of young children, for example, would be expected to participate. The question of participation requirements for grandparents and other relatives caring for dependent children is under study.

Expanded Definition of "Participation." As soon as the employability plan is developed, the recipient would be expected to enroll in the JOBS program and to engage in the activities called for in the employability plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include substance abuse treatment and possibly other activities such as parenting/life skills classes or domestic violence counseling if they are determined to be important preconditions for pursuing employment successfully.

Sanctions. Sanctions for failure to follow the employability plan would be at least as strong as the sanctions under current law.

Expanding the JOBS Program

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

Enhanced Match. States are currently required to share the cost of the JOBS program with the Federal Government. States have, however, been suffering under fiscal constraints which were not anticipated at the time the Family Support Act was enacted. This shortage of State dollars has been a major obstacle to delivery of services through the JOBS program. Most States have been unable to draw down their entire allocation for JOBS because they cannot provide the State match. In 1992, States drew down only 62 percent of the \$1 billion in available Federal funds. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants. Nationwide, about 15 percent of the non-exempt AFDC caseload is participating in the JOBS program. To address the scarcity of State JOBS dollars, the Federal match

rate would be increased. The match rate could be further increased for a particular State if its unemployment rate exceeded a specified level.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. Under the proposal, higher participation standards would be phased in, and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the program changes called for in this plan. Federal funds would be used to train eligibility workers to become more effective caseworkers. Through technical assistance, the Federal Government would encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded by setting aside one percent of Federal JOBS funds specifically for this purpose.

Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which measure outcomes such as long-term job placements, rather than just process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs.

Among the many Administration initiatives which should be coordinated with the JOBS program are:

- National Service. HHS would work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.
- School-to-Work. HHS would work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.
- One-Stop Shopping. The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

The plan would also include pursuing ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and Job Training Partnership Act (JTPA) programs. We would also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

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The plan would make it easier for States to integrate other employment and training programs (e.g., the Food Stamp Employment and Training Program) with the JOBS program and to implement "one-stop shopping" education and training models. Specifically, we would create, perhaps under the aegis of the Community Enterprise Board, a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested Departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance program would find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program would be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit. A recipient who is able to work would be limited to a cumulative total of two years of transitional assistance. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of transitional assistance.

Any period during which a State failed to substantially provide the services specified in a participant's employability plan would not be counted against the time limit.

At State option, months in which a recipient worked an average of 20 hours or more per week or reported over \$400 in earnings would also not be counted against the time limit.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be contingent on satisfactory progress toward attaining a diploma or completing the program.
- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).
- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise demonstrably unable to work.

Credits for Additional Assistance. Under the plan, the time limit would be renewable; persons who had left welfare for work would earn months of eligibility for future assistance for months spent working and not on assistance.

WORK

The redesigned welfare system would be designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will, however, be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

Each State would be required to operate a WORK program which would make paid work assignments (hereafter WORK assignments or WORK positions) available to recipients who had reached the time limit for cash assistance.

The overriding goal of the WORK program would be to help participants find lasting employment outside the program. States would have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs, in the expectation that many of these positions would become permanent, or positions in public sector agencies, or a combination of the two.

Administrative Structure of the WORK Program

Eligibility. Recipients who reach the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time employment outside the WORK program without good cause would not be eligible for the WORK program for six months, and any cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a job outside the WORK program.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if its unemployment rate rose above a specified level.

Flexibility. States would have considerable flexibility in operating the WORK program. For example, they would be permitted to:

- Subsidize not-for-profit or private sector jobs (for example, through expanded use of on-the-job training vouchers).
- Give employers other financial incentives to hire JOBS graduates.
- Provide positions in public sector agencies.
- Encourage microenterprise and other economic development activities.

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- Execute performance-based contracts with private firms such as America Works or not-for-profit organizations to place JOBS graduates.
- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

Capacity. Each State would be required to create a minimum number of WORK assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, WORK assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils might be given roles overseeing WORK programs.

Anti-Displacement. States would be required to operate their WORK programs such that public sector employees would not be displaced. Anti-displacement language is currently under development.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable individuals to participate in the WORK program.

Job Search. Persons in the WORK program would be required to engage in job search.

An important question remains as to whether States should be allowed to place limits on the total length of time persons would be permitted to remain in the WORK program.

One option would be to allow States to reduce cash benefits, by up to a certain percentage, to persons who had been in the WORK program for a set period of time and were on the waiting list for a new WORK position. States would only be permitted to reduce cash assistance to the extent that the combined value of cash and in-kind benefits did not fall below a minimum level (a fixed percentage of the poverty line).

Characteristics of the WORK Assignments

Wage. Participants would be paid the minimum wage (or higher at State option).

Hours. Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The number of hours for each position would be determined by the State.

Not Working. Wages would be paid for hours worked. Not working the set number of hours for the position would result in a corresponding reduction in wages.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level but should nonetheless be substantive work that enhances the participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in occupations which are currently in demand and/or which are expected to be in demand in the near future.

Treatment of Wages. Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

WORK positions in the private and not-for-profit sectors would be required to meet the minimum standards described above with respect to hours and wages, but States would otherwise be granted considerable flexibility concerning the form of these WORK assignments.

Under the WORK program as described above, participants would work for wages. Described below is a different type of WORK program, under which persons who had reached the two-year time limit for cash assistance would work for benefits.

Option: Permit a State to enroll all or a limited number of the recipients who had reached the two-year time limit in community work experience program (CWEP) positions, as opposed to paid WORK assignments. These CWEP positions would take the following form:

Benefits. Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.

Hours. The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.

Child Support. At State option, the amount of the child support order could be deducted from the cash benefit for the purpose of calculating hours. A delinquent non-custodial parent could be required to work off the child support arrearage in a CWEP position.

Sanctions. Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.

Economic Development

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment could expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote savings and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the Administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.
- Increasing the number of microenterprises by allocating additional funds to the Small Business Administration's Microloan and other programs for set-asides for JOBS participants.
- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the Administration's commitment to enterprise communities and Empowerment Zones.

Individual Economic Development. We would also propose the following steps to encourage people receiving transitional assistance to save money and accumulate assets, in order to help them escape poverty permanently:

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or car or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking jobs outside the work program.

ENFORCE CHILD SUPPORT

- A. CHILD SUPPORT ENFORCEMENT
 - 1. A Universal and Simplified Paternity Establishment Process
 - 2. Appropriate Payment Levels
 - 3. Collection and Enforcement
 - 4. Providing Some Minimum Level of Child Support
- B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED – The typical child born in the U.S. today will spend time in a single-parent home. Yet, the evidence is clear that children benefit from interaction with two supportive parents. Single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion a year.

The problem is threefold: First, for many children a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases, accounting for the remaining 21 percent of the potential collection gap.

STRATEGY – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal and should be completed as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States; enhanced tools will be available for Federal and State enforcement. A major question remains regarding the possibility of providing some minimum level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support and in some cases, should be offered increased economic opportunities to help them do so.

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.
- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on mothers to provide both the name of the putative father and verifiable information so that the father can be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Provide a bonus of \$50 per month in additional AFDC payments to mothers if paternity for the child has been established (instead of the \$50 passthrough under current law).

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal child support enforcement clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. There

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would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.

- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create a new funding formula and place an emphasis on performance-based incentives.
- Reinvest State incentive payments in the child support program.

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much because of low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and are trying to make ends meet with a combination of work and child support: The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment to custodial parents not on welfare of up to \$50 (or \$100) per child per month in child support owed by the noncustodial parent, even when the money has not yet been collected.

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. For those on AFDC, Child Support Assurance benefits would be deducted entirely or in part from AFDC payments.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only, of one or both of the above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better enforcement of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. Other strategies would also be pursued.

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

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken, including the following:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make the Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who do not pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PREVENTING WASTE, FRAUD AND ABUSE
- C. PERFORMANCE STANDARDS AND STATE FLEXIBILITY

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on rules rather than results. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and would also improve service delivery at the State and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules, reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt regulatory and legislative recommendations (as developed by the American Public Welfare Association), to streamline application, redetermination and reporting processes.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.
- Freeze subsidized rents for a fixed period of time after the recipient takes a job in order to enhance the benefits from employment.

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- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule, as discussed in the Make Work Pay section of this paper.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

In addition to the provisions described under option 1, this option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple-generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option standardizes the definition of the filing unit under AFDC and food stamps. States would continue to set benefit levels for cash assistance.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim benefits fraudulently with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. With the EITC, it is now advantageous to report every single dollar of earnings.

New technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, EBT technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Coordinate more completely the collection and sharing of data among programs, especially wage, tax, child support and benefit information.

CONFIDENTIAL DRAFT--For Discussion Only

- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services at less cost, targeted more efficiently on those eligible.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal Government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given the variation in local circumstances, capacities and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.
- The Federal Government should provide technical assistance to States for achieving these standards by evaluating program innovations, identifying what is working and assisting in the transfer of effective strategies.

THE WHITE HOUSE
WASHINGTON

December 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
SUBJECT: Welfare Reform and Senator Moynihan

In case the subject of welfare reform comes up at tonight's event with Sen. Moynihan, you should know that David Ellwood and I had a good meeting with him on Thursday. We gave him a copy of our draft discussion paper, and told him that you had gone out of your way to make sure that he was the first member of Congress to see it. He said he would read the document over the weekend and get back to us this week.

He seemed generally happy with the course we're on. As you might expect, he was especially pleased that we recommend building on the Family Support Act, and that we're serious about requiring work. He also liked the emphasis on prevention and out-of-wedlock births. We spent two minutes talking about financing and two hours talking about illegitimacy. Our recommendation to require teen mothers to live at home in order to receive AFDC is an idea Moynihan proposed years ago.

Moynihan attached a sense-of-the-Senate resolution to the crime bill calling on Shalala to report back on the growth of out-of-wedlock births. HHS has already said it would be delighted to do so, whether that provision stays in the crime bill or not.

You may recall that Moynihan also sent you a letter recently with the observation that out-of-wedlock births appear to be rising in a straight line, with little variation from year to year. That means the rate is rising independent of variations in the economy, local unemployment rates, the supply of marriageable men, and so on. He has been fighting with William Julius Wilson for years on this point. Moynihan argues strongly that we don't know what is causing illegitimacy to rise, and you should not suggest that expanding employment will somehow reduce it.

Main Questions -- how should we resolve a handful of tough philosophical and political issues that aren't central to the success of the plan but will be very important in how the plan is viewed and debated?

- * What does it mean to end welfare as a way of life, and does this plan meet that test?
- * If we provide work for people at the end of 2 years, can they stay in that WORK program forever?
- * Should we be encouraging people to work part-time and stay on welfare, or should we set out to get people working and off welfare altogether?
- * Should we allow states to experiment with so-called family caps, limiting additional benefits for additional children? etc.

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Mary Jo Bane
David Ellwood
Bruce Reed
Kathi Way

THROUGH: Carol Rasco

SUBJECT: Timing of Welfare Reform

I. BACKGROUND

Although the Administration has publicly affirmed its intention to pursue both health reform and welfare reform legislation in 1994, the timing and nature of welfare reform has come under intense scrutiny. This memorandum outlines some options for your consideration as you prepare for the State of the Union.

In light of Senator Moynihan's recent comments, we see no way to put off introduction of welfare reform without jeopardizing health reform. He has made clear that he won't take up our health care bill until he sees our welfare reform bill. Senator Mitchell's office has also expressed concern that until we have sent up our welfare reform plan or committed to a date certain, the Republicans can embarrass us on the Senate floor by offering welfare amendments to any bill they please. On the House side, Rep. Harold Ford wrote an op-ed for the Memphis Commercial-Appeal this past week endorsing time limits and urging you to move quickly on welfare reform.

II. OPTIONS

In order to avoid losing the issue, we see two options on how to proceed. Our first and preferred option is to move full speed ahead and announce that we will introduce comprehensive welfare reform legislation in March. That will also give you plenty of time to delve into the details of what the welfare reform legislation should include, and how best to pay for it. It will reassure Moynihan and other moderates that welfare reform is coming, and shift the press focus over the next two months back to health care. And it will give us a fighting chance to pass welfare reform this year.

The risks of this strategy are that leaks during the decision-making process on welfare will detract from our public focus on health care, or that our allies on health care will be put off by what we propose on welfare. But we will have to run these risks anyway if we are going to introduce welfare reform legislation in 1994, and it may be better to face them now rather than down the road when we're scrambling to build majorities on the floor for health care.

A second option would be to introduce part of the plan right away and part later this spring, when health care is farther along. The first piece could focus on personal responsibility -- primarily measures on teen pregnancy, paternity, and child support enforcement. The second piece could focus on work -- expansion of the JOBS program, the two-year time limit, work programs, and child care. (A detailed description of what these two pieces might look like is attached.)

This part-now, part-later approach was initially envisioned as a means to hold onto the welfare issue while protecting health care. In light of Moynihan's recent comments, it seems unlikely to accomplish either objective. Moynihan told the New York Post that if we were serious about welfare reform, we would show how we're going to pay for it. We doubt that this two-step option would reassure him, and we fear that he and others might use it as an excuse to blast the Administration again for not being serious about the issue.

Whichever course you choose, we believe that you should send a strong, clear signal in the State of the Union, which you can reinforce a week later in your remarks to the NGA. Without a clear timeline and strategy, we will have the worst of all worlds -- reporters will continue to focus on process instead of policy, Republicans will continue to use welfare as an excuse not to deal with health care, and Democrats will continue to tug at us from the left and the right and take advantage of any apparent indecision to drag both the health care and welfare debates in their direction.

POSSIBLE ELEMENTS OF A TWO-PART WELFARE REFORM PLAN

Here is what the components of a two-part welfare reform plan might look like. In theory, these measures could be introduced separately and taken up together. Obviously, the entire list below could instead be introduced as a single Work and Responsibility Act early this spring.

I. Personal Responsibility Act (could be introduced in February)

1. Prevention

- Announce a national campaign to reduce teen pregnancy and out-of-wedlock births
- Require unwed teen mothers to live with their parents
- Allow LEAP-style programs to reward and sanction individual behavior
- Make cooperation in paternity establishment as a condition for means-tested benefits
- Allow states the option to limit additional benefits for additional children
- Expand family planning and welfare mother mentoring demos
- Encourage use of a social contract laying out expectations for all applicants
- Include any other ideas to reduce out-of-wedlock births

2. Child Support Enforcement

- A range of improvements in enforcement, including state registries
- A national registry to cross-check delinquent parents
- Work programs to require delinquent parents to pay up or work off their child support obligations
- Mandatory revocation of drivers licenses for delinquent parents
- Small-scale demonstration of child support insurance

II. Work Not Welfare Act (introduced in April/May)

1. Make Work Pay

- Expanded child care
- Advance payment of EITC

2. Work

- Expansion of JOBS program
- Increased emphasis on job search and placement
- Two-year time limit followed by work
- Economic development and asset changes

3. Reinventing Government

- Measures to identify and reduce fraud
- Streamlining of requirements and bureaucracy
- Simplification and increased state flexibility
- Technology to track compliance with two-year limit

PARENTAL RESPONSIBILITY

This bill (or section of the bill) affirms the desirability of preventing welfare dependence and of promoting responsible parenting. It recognizes out-of-wedlock childbearing as a major contributor to welfare receipt. It attempts to deter irresponsible and early childbearing in part by emphasizing the consequences of parenthood, making a strong statement that becoming a parent carries clear, firm and inescapable obligations for both mothers and fathers to care for and support their child. It ensures that welfare receipt does not release either parent from the responsibility to work and to pay child support. It recognizes the obligations of parents and other adults to supervise and support minors who have children of their own, and of minor parents to live in a supervised situation, attend school and prepare themselves for work.

It ensures that minor parents receive services under the JOBS program that promote work and preparation for work. It also focuses attention on availability family planning services and education are available to teenaged and low-income women. And it seeks to offer youth other opportunities and broad based community support, providing hope for a better future by postponing childbearing. It recognizes the dearth of proven models for effectively preventing teen pregnancy and the other high risk behaviors that are often associated with it, and provides for the demonstration and evaluation of a variety of approaches.

Responsibilities of fathers

The first step is to send a clear message about parental responsibility by enforcing child support. Child support enforcement measures would include:

- o a universal and simplified paternity establishment process in the hospital
- o strict requirements on mothers seeking public assistance to cooperate with the local child support agency in establishing paternity.
- o measures to both make it easier for individuals to voluntarily acknowledge paternity and to streamline the process for resolving contested cases.
- o periodic updating of child support orders to ensure that each award reflects the current income and circumstances of the noncustodial parent.
- o requirements on States, with the help of Federal funds, to employ technology to enhance existing child support record-keeping and collection systems.
- o a national clearinghouse of child support cases and registry of new hires
- o expansion of the use of wage withholding, greater use of the tax system, greater penalties for non-payment, and other measures.
- o strategies to help noncustodial parents improve their earnings capacity and remain involved in their children's lives.

Responsibilities of mothers

The work not welfare bill (or section of the bill) focuses on the responsibilities of custodial parents (usually mothers) to work and prepare for work as a condition of receiving benefits. Single parents seeking government assistance will now be expected to prepare for work and to go to work in support of their children. In addition, minor minors deserve special consideration. This section focuses on that group.

- o requirements that minor mothers live at home; encouragement to states to provide other adult-supervised living situation if living at home is not possible.
- o requirements for minor mothers to stay in high school and/or participate in the JOBS program.
- o requirements that states provide case management services to minor mothers, including counseling about the prevention of repeat pregnancies and access to family planning services. Encouragement for states to allow "mentor mothering" of minor parents as a community service assignment under the WORK program.
- o state option to use financial incentives and simpler JOBS sanctioning procedures in conjunction with case management to encourage minor mothers to attend and complete high school.

Encouragements for responsible family planning

Responsible parenting requires access to information and services designed to discourage early sexual behavior and to prevent pregnancy.

- o hard hitting campaign on the consequences of teen pregnancy and childbearing.
- o a focus on school-to-work opportunities as alternatives to early parenting
- o increased funding for family planning services through Title X.
- o possible State option for not increasing welfare benefit levels when a child is conceived while the mother is receiving welfare, conditional on family planning having been made available, and on some mechanism for being able to earn back the amount of the benefit not received.

Demonstrations of various approaches to prevent teen pregnancy and other high risk behavior among youth.

We need to explore a wide range of strategies designed to prevent adverse behavior. To find effective strategies we need comprehensive demonstrations that are carefully evaluated. We need to link efforts such as enterprise zones, school-to-work initiatives, and many others to find solutions.

- o demonstrations of schools as full service centers (including health services) for youth.
- o demonstrations focused on providing hope to young people through educational and work opportunities.
- o community based demonstrations of comprehensive services to high risk youth, potentially linked to empowerment zones and enterprise communities.
- o State initiated demonstrations of other teen pregnancy prevention projects.

WORK AND RESPONSIBILITY ACT

This bill or section of the bill deals with supporting working families and replacing the current welfare system--with its focus on detailed and often counterproductive eligibility rules, paper intensive verification, and check writing--with a system designed to move people from welfare to work. It is designed to make the vision of the Family Support Act a reality. It has three critical elements: making work pay; training, time-limited assistance, and work; and reinventing government assistance.

Making Work Pay

The essential starting point for welfare reform is making work pay. The expanded EITC was an important beginning. Health reform is an essential second step. We cannot expect people to leave welfare for work if they lose health security by doing so. The next steps include:

- o Mechanisms to distribute the EITC on an advance basis.
- o Expanded child care for both public assistance recipients and the working poor.
- o Coordinated rules across all child care programs.

Training, Time-limited Assistance, and Work

To change the very culture of the welfare bureaucracy, and to make our support system help people help themselves, major changes will be needed, including:

- o Expansion of the JOBS program to serve essentially the entire caseload. Expect participation essentially immediately. JOBS not cash eligibility would become the core of the system.
- o Increased access to mainstream education and training programs, including school-to-work, JTPA, displaced worker initiatives.
- o A two-year time limit followed by work. Community based, private sector oriented work program.

Reinventing Government Assistance

To genuinely change the culture of welfare offices, the system will need to be streamlined and simplified. Technology needs to be used to track cases and reduce waste and fraud.

- o Simplified and coordinated eligibility rules in AFDC and food stamps.
- o Increased state flexibility coupled with clearer federal goals and performance measures focussed on training, work and placements rather than paper verifications of eligibility procedures.
- o Clearinghouse to track welfare use, enforce time-limit, reduce fraud.
- o Coordinated tax and transfer systems to build consistency and reduce fraud.

February 6, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: BRUCE REED

THROUGH: CAROL RASCO

SUBJECT: William Bennett Article on Ending Welfare for Out-of-Wedlock Births

In the campaign, Bill Clinton called for ending welfare as we know it by requiring all recipients who can work to go to work within two years. This proposal was designed to restore the basic social contract in which people who get help from the government give something back in return, and also to end welfare as a way of life, which should help discourage people from going on welfare in the first place.

Until recently, conservatives like Bill Bennett and Charles Murray have been strong supporters of the kind of work requirements that the President proposed. Now that they are in danger of losing the welfare issue, however, some Republicans are calling for even more dramatic changes in the welfare system. Murray has attracted considerable press attention and some Republican support by proposing that we abolish welfare altogether for single mothers who give birth to children out of wedlock. Some conservatives, including Bennett, see this approach as a way to hold onto the welfare issue by going further than they think Clinton can go.

Here are three points to keep in mind about the Murray proposal:

1. Murray is right about one thing: we'll never end welfare unless we reduce the number of out-of-wedlock births. The number of unwed births in this country has doubled in the last 15 years. More than one in four births today is out-of-wedlock. Many experts attribute the recent increase in welfare rolls (33% increase since 1989) to this out-of-wedlock baby boom. When the President was asked about Murray's proposal, he said he agreed with Murray's analysis that increasing illegitimacy is at the core of the welfare crisis.

2. Murray's proposal isn't the only way to keep people off welfare in the first place. The President said, "There is no question that [Murray's proposal] would work. The question is ... is it morally right?" As part of welfare reform, we are considering a number of other measures to encourage parental responsibility and discourage out-of-wedlock births: 1) a national campaign to reduce teen pregnancy; 2) prohibiting teen mothers from leaving home to collect welfare, and requiring them to live with their parents instead; 3) reducing benefits for mothers who have additional children while on welfare; 4) requiring mothers to name the father in order to receive public assistance, so that we can track down the father and make him pay child support; and 5) requiring everyone who applies for welfare to sign a personal responsibility contract that spells out their responsibilities and requires them to work as soon as possible and within two years at the most.

3. Murray's proposal completely ignores the role of unwed fathers. Cutting unwed mothers off the welfare rolls does nothing to address the other problem at the core of the welfare system, which is that too many fathers fail to take responsibility for supporting their children. This is the Achilles heel in Murray's argument: he actually argues that unwed fathers shouldn't be required to pay child support, because that way young women would learn not to have babies outside marriage. The truth is just the opposite: if young fathers knew they faced a lifetime of child support, they would think twice before fathering a child before they're ready. According to the Urban Institute, there is a \$34 billion gap in this country between the amount of child support that absent parents ought to be paying and the amount they actually pay. Child support isn't just a welfare problem; it's also a middle-class problem. But if we had a truly effective child support enforcement system, and if men took responsibility for their children, we wouldn't need a welfare system. As part of welfare reform, we will propose a series of measures to crack down on delinquent parents: we'll garnish their wages, suspend their licenses, track them across state lines, and if necessary, require them to work off what they owe.

In short, the best answer to Murray is that he doesn't go far enough: we need to end welfare as a way of life, and let all young people -- men and women -- know that if they have a child, they will have to take responsibility for that child, because the government won't be there to raise it for them.

February 17, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

THROUGH: CAROL RASCO

SUBJECT: Welfare Reform Damage Control

I. The Bad News

In the wake of a series of damaging New York Times stories casting doubt on our welfare reform plans, Carol and I met with David Gergen, Rahm Emanuel, Susan Brophy and others to devise a strategy to start defining the welfare issue on our terms, and to ward off future leaks by getting our side of the story out first. We believe the recent drumbeat of negative and misleading stories on this issue, which is apparently being fueled by opponents of welfare reform within the Administration, will seriously undermine our credibility if we don't get our spin out soon.

Jason DeParle of the Times has already written a series of stories setting us up for failure: we can't end welfare unless we create 2.3 million jobs, we can't end welfare unless we tax the poor, we can't end welfare unless we find enough money to end homelessness as well, etc. Each of these arguments is a straw man, based on ideas we had no intention of doing in the first place. But DeParle is laying the groundwork for the conclusion that, as he wrote in the Jan. 5th article that prompted Moynihan's initial outburst, the Administration is planning a "sleight-of-hand strategy" on welfare, and isn't really serious about ending it.

II. The Good News

We're doing all we can to sniff out the leaks, but OMB and HHS are circulating cost and financing estimates that will be hard to keep quiet -- especially since we need to share them with several Cabinet members in preparation for a meeting week after next. Rather than wait for more bad leaks to come out next week, we would like to get a good story in another paper this weekend on our terms.

Contrary to what you've been reading in the newspapers, we think we can put together a serious welfare reform bill with offsetting savings that should satisfy Moynihan, the governors, and others who care about this issue, and give you a real chance to end welfare. As you've always said, the key to this whole thing -- and the story we would like to get out -- is phase-in. All the major questions -- where to find the money, how to get the states

on board, and most important, how to make the program work -- turn on this issue.

If we phase time limits and the work program in too quickly, the states will revolt, the left and labor will go nuts, Congress will get cold feet, and even if we got our way, we might well create another CETA. We don't have the money for such a rapid phase-in, and neither do the states. On the other hand, if we phase it in too slowly, and spread a little money over a large portion of the welfare population, our reforms will fail and we won't learn anything. States will tiptoe ahead as they have done with the Family Support Act, and most of the caseload won't notice the difference.

In light of these considerations, HHS and OMB are working on a cost and financing document that is based on a phase-in that is targeted to a manageable chunk of the welfare population -- applicants born after 1970. States could go faster if they wanted (most won't), but we would require them to start covering everyone under 25 in 1995 and everyone under 30 by 2000. This is still an ambitious phase-in -- 300,000 recipients would hit the time limit and be required to work by the year 2000. It starts out higher but does not grow as quickly as the House Republican bill, which could have perhaps 500,000 in the work program by 2000.

A bill based on this phase-in would cost \$8-15 billion over five years, depending on how much we spend on other things (like child care for the working poor) and how much we try to save from paternity establishment and other personal responsibility measures. The House Republican bill costs \$12 billion over 5 years -- with costs rising rapidly outside the budget window.

We believe Senator Moynihan will look favorably on this approach, which is based in large part on a New Republic article written by his chief welfare aide, Paul Offner, who suggested starting with a work program for everyone under 20. It also gives us a compelling answer to Charles Murray, who wants to cut teen mothers off altogether; we would make them live at home with their parents, finish school, and then go to work. Al From and Will Marshall, who are helping draft a bill for the Mainstream Forum, are also strong proponents of a gradual phase-in of this sort.

Obviously, you shouldn't make any decisions on the basis of this memo. We can start talking next week about the major issues you will need to think about, as well as the budgetary and political tradeoffs involved.

But since we will soon be circulating a budget document that assumes this phase-in, we believe it is essential to get a good story right away (that we are considering a phase-in that would target the next generation, give states flexibility and time to learn as they go, and could actually be achieved because it doesn't break the bank). Otherwise, Jason DeParle will write a nasty one next week (Administration Slashes Welfare Reform Plans Under Pressure from Budget, Unions; No End to Welfare In Sight). We would like your permission to float this approach with Ron Brownstein of the Los Angeles Times, a reporter who wants welfare reform to succeed.

THE PRESIDENT HAS SEEN

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May 30, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: The Politics of Welfare Reform

Guar
for

This memo includes an update on the political and legislative landscape for welfare reform, and some thoughts on how to talk about our plan, as you requested. We are also working with Rahm and others on a rollout schedule, and have attached a separate briefing from Stan on his most recent findings.

I. Political and Legislative Update

As we have discussed before, there is a broad and powerful consensus (with exceptions on the extreme right and left) for the basic elements of our welfare reform plan. Support for time limits, work programs, and tougher child support enforcement exceeds 80-90%, with little variation across race, class, or party. Even on the issues that the Republicans think work for them -- cutting off benefits for legal immigrants and unwed mothers -- people prefer our alternatives by two- and three-to-one margins.

The current lull in the health care debate gives you an opportunity to speak out on these issues, at a time when Americans are united in believing the country has a welfare crisis and Republicans (for a change) are the ones divided over what to do about it. Recent developments in both parties have left you a good opening to dominate the debate.

A. The Republicans

Republicans are now at war with one another over whether to back the original House Republican welfare reform bill or go further, and seek to cut off unwed mothers under 21 altogether. Gingrich and many other Republicans in the House want to stick with their original bill, which has 162 of 175 House Republicans as co-sponsors and would enable them

to share credit for whatever passes, since the biggest differences between our plan and theirs are over how quickly to phase in and how much to cut benefits for immigrants. Bennett and Kemp sent out another William Kristol memo last month arguing the original House bill plays into your hands, and that Republicans should insist instead on a purist, Charles Murray approach that enables them to hang onto the welfare issue. According to Fred Barnes, Kemp thought the new proposal was a bad idea, and only signed on after they promised to include \$75 billion in unpaid-for tax cuts.

Once again, you have put Republicans in an awkward position. Either they push to get something done, help you accomplish what they've spent their careers crying out for, and risk losing a favorite wedge issue, or they change their tune, move to the right, and run the risk that they'll look like obstructionists and box themselves into a position with little popular support. The Kemp-Bennett-Kristol about-face is not only the worst kind of political posturing; it is also bad politics. A recent Los Angeles Times poll found overwhelming support for our approach over Murray's: 70% favored requiring people on welfare to work, versus 25% who favored cutting off benefits for young mothers.

The Republican infighting should help us in several ways. First, it marginalizes conservatives like Bennett and Kemp (who have their own aspirations), and makes them look blatantly political. The same thing happened to Republicans on crime: you said "three strikes," they said "two strikes"; you said "boot camps," they said "stockades" -- and they looked silly in the process. On this issue, they would rather play politics than fix what everyone agrees is a welfare system in crisis.

Second, it takes attention away from the divisions within our own party and pushes moderate Republicans closer to us. Rick Santorum, the lead House sponsor, now spends as much time attacking opponents on the right as he used to spend attacking us. When the House held an Oxford-style debate on welfare reform last month, all the Republicans who spoke distanced themselves from the Charles Murray approach.

Finally, the Republican schism is yet another reason for Republican governors to prefer our plan. Most governors view the Murray approach as a direct cost shift to states and communities, who will still have to provide for young mothers in some way. In addition, they are worried that the House Republican phase-in would impose massive new costs on the states, and do nothing to sweeten their JOBS matching rate. Our plan phases in sensibly and enables states to recoup most or all of their new costs through tougher child support enforcement, caseload savings, and an increased federal match. The House Republican financing scheme also would shift the cost of providing immigrants with health care and other services almost entirely to the states. Pete Wilson has already complained that such provisions would leave California, with 40% of the immigrant population, paying 40% of the tab for welfare reform, even though the state has only 20% of the welfare caseload. Our deeming provision shifts the costs of supporting immigrants to the families who sponsor them to come into this country; it may actually save states a little money in AFDC and food stamps.

None of this means that it will be easy to get Republican votes in the House. In the end, they will have to confront the same choice they have faced on crime and NAFTA. We ought to be able to pick up 60-100 Republican votes for welfare reform, but we will only do so if Mack, David Gergen, Pat Griffin, and others reach out to Gingrich and company to let them know we're genuinely interested in a bipartisan bill. That will become even more important if Congress doesn't finish welfare reform this year.

B. The Democrats

Several Democrats have put forward their own welfare reform bills, some consistent with our approach and others not. The Mainstream Forum introduced legislation that borrows heavily from our plan. Their bill adopts the same phase-in (starting with those born after 1971) and similar provisions on time limits, work requirements, child support, etc. The most significant difference between our bill and theirs is that they propose the same immigrant financing scheme as the Republicans (although McCurdy has said he might be flexible on the Medicaid part of it).

Liberal Democrats have been relatively quiet. Tom Harkin introduced a bill with flexible time limits (6 months for some people; longer than 2 years for others). Eleanor Holmes Norton wrote an outstanding Washington Post op-ed last month on the importance of work as the unifying principle for welfare reform. Bob Matsui and Patsy Mink have each introduced bills which expand the JOBS program but do not include time limits or serious work requirements.

We have met several times with Moynihan, who seems happy with our general direction but has not tipped his hand on many specific details. In the House, Harold Ford is eager to make his mark with this issue, although from time to time he suggests giving everyone on welfare jobs that pay \$9 an hour. If Ways and Means is slow to take up welfare reform, moderate Democrats could join Republicans in a discharge petition, but so far we've persuaded them to keep their powder dry.

There is a chance Ways and Means could take up welfare reform sooner than they might like because Rostenkowski promised them a vote on cutting immigrant benefits. Earlier this month, Santorum tried to attach an amendment to the Social Security bill that would have eliminated all benefits for all non-citizens. It was narrowly defeated by a vote of 20-16, with Harold Ford voting present. The only way we talked Ford and other Democrats out of voting for that amendment was by pleading with them to wait until we introduce our bill, so that at least they could use whatever money they squeeze out of immigrants to pay for welfare reform rather than deficit reduction.

We have been working hard to line up support from outside groups. We hope to get a DGA endorsement, and a strong statement from the NGA is not out of the question. The DLC will say nice things about our bill and the Mainstream Forum's bill; they agree with us

that welfare reform should be paid for through budget cuts, not just cuts in immigrant benefits. We have probably met enough of AFSCME's concerns about displacement to keep them from opposing our plan, but like the advocacy groups, they still wish the issue would just go away.

II. Highlights of Our Welfare Reform Plan

As you well know, the welfare debate is less about policy and politics than it is about values. The trouble with the current welfare system is that it undermines the values that matter most -- work, responsibility, family. The current system makes welfare more attractive than work, and lets too many parents avoid responsibility for supporting their children.

Our welfare reform plan is based on the basic values and principles you outlined in the campaign: No one who works full-time with a child at home should be poor, but no one who can work should stay on welfare forever. We need to make welfare what it used to be -- a second chance, not a way of life. The ones who hate the welfare system most are the people who are trapped by it. Governments don't raise children; people do. People who bring children into this world should take responsibility for them. Government has to do all it can to expand opportunity, but people have a responsibility to make the most of it. We could have all the programs and spend all the money in the world and it won't do a bit of good if people don't do right. And so on.

The attached talking points outline the highlights of our plan. (We will give you complete information on costs and financing when you return from Europe.) There is plenty to talk about in an initiative that costs \$10 billion over 5 years and \$30 billion over 10. But it is easy to get lost in the details. The two values most on people's minds are work and responsibility. As you said to the DLC in Cleveland in 1991, work is the best social program this country has ever devised.

HIGHLIGHTS OF OUR WELFARE REFORM PLAN

I. THE ADMINISTRATION'S RECORD ON WELFARE REFORM

1. EITC: Last year's economic package went a long way toward ending welfare by giving 15 million working families a tax cut through the EITC. The EITC turns a minimum wage, \$4.25 an hour job into a \$6 an hour job. With the EITC and health reform, any job is a good job.

2. Health Reform: Health reform will move an estimated one million women and children off welfare. A recent survey of welfare recipients in Charleston and Nashville found that 83% would take a minimum wage job if it offered health coverage for them and their families. Another study found that only 8% of people who leave welfare for work get jobs that provide health insurance.

3. Waivers: Since January 1993, the Administration has granted waivers to 14 states to try new initiatives on time limits, assistance for two-parent families, limiting additional benefits for additional children, and so on.

II. TIME-LIMITING WELFARE AND REQUIRING WORK

1. Two-Year Time Limit: Everyone who can work will be expected to go to work within two years. To the poor and those outside the economic mainstream, we say two things: No one who works full-time with a child at home should be poor, and no one who can work should stay on welfare forever.

* A new social contract: Everyone will be required to sign a Personal Responsibility Agreement that spells out what they can expect and what is expected of them in return. This agreement will include the two-year time limit as well as other state measures to encourage responsible behavior, such as requiring immunizations, denying benefits for additional children born on welfare, requiring mothers to name and help find the father as a condition of eligibility, etc.

* Fewer exemptions: Our plan cuts the number of exemptions in current law by half. Current law exempts mothers with children under 3; our plan limits that exemption to mothers with children under 1. The exemption for teen mothers and mothers who conceive additional children while on welfare will last only 3 months.

* No more something for nothing: From day one, everyone will be required to do something in return for receiving assistance. Even those who are exempted from JOBS participation will be expected to take part in parenting, community service, or other activities.

* This is not an entitlement to two years of training: Most people will be expected to enter employment well before the two years are up. States can also design shorter time limits for people who are job-ready, and require them to work sooner.

* A lifetime limit: People should have an incentive to leave welfare quickly and not use up their precious months of welfare eligibility. Recipients who use up their 24 months will no longer be eligible unless they enter the work program. The time limit is a lifetime limit: people who have been off welfare for long periods of time will be able to get a few months of assistance to tide them over in emergencies, but they will not be able to start over with a new 2-year clock. This will make welfare what it was meant to be -- a second chance, not a way of life.

2. Work, Not Welfare: We need to change the culture of the welfare office to focus on helping people find and keep jobs, not just writing them checks for life.

* Job search first: Job search will be required immediately of anyone who can work. Anyone offered a private sector job will be required to take it or get thrown off the rolls.

* A clear focus on employment: We will push states to shift their JOBS programs away from classroom training and toward job placement and on-the-job training. Many people on welfare are there because they failed in the classroom; it makes no sense to send them to another classroom when what they really need is help in getting and holding down a job. The best job training program is a job.

3. Requiring and Providing Work: Anyone who can work will have to go to work within 2 years, in the private sector if possible, in community service if necessary.

* Work for wages, not workfare: People will work for a paycheck, not a welfare check. If you don't show up for work, you won't get paid. There will also be strong, escalating sanctions for people who quit or get fired.

* State and local flexibility, with an emphasis on the private sector: States will be able to use the money they would otherwise spend on welfare to create subsidized, non-displacing jobs in the private sector, with non-profits, or in public service employment. Communities will be encouraged to build strong links to the private sector, and can hire placement firms like America Works to help people find and keep jobs. We've worked closely with the business community to design a flexible program without red tape.

* This is a transitional program, designed to constantly push people toward unsubsidized work in the private sector: People will be required to go through extensive job search before entering the work program, and after each work assignment. No work assignment will last more than 12 months. No one will receive the EITC unless they leave the program and take an unsubsidized job. Anyone who turns down a private sector job will be kicked off the program. So will people who refuse to make a good faith effort to find a job when jobs they could get are available.

* No one who can work should stay on welfare forever: This is not a guaranteed-jobs-for-life program. At the end of two years in the WORK program, everyone will go through an intensive assessment. If they're playing by the rules, able to work, and no private jobs are available, they'll get another WORK assignment. If they're unable to work, they can be exempted or reassigned to get more training. If they're not playing by the rules, and if a state determines that they have not made a good faith effort to find available work, the state can opt to remove them from the rolls.

* Real, meaningful work: Communities will have broad flexibility in deciding what kinds of jobs to subsidize or create. We expect these to be non-displacing minimum-wage jobs that represent meaningful work. Business, union, and community leaders will have a say in the process. Many of the most promising entry-level jobs are in growth areas related to welfare reform and other Clinton initiatives. For example, our plan will increase the demand for child care workers in many communities. We expect 10% of the WORK slots to be in child care. Other promising fields include home health aides, teachers aides, child support caseworkers, public housing rehabilitation, and public safety.

* Where the jobs are: You may be asked how we expect to find jobs for people on welfare when millions of Americans are already out of work. First of all, our plan is primarily about job creation -- most of the money goes to create and subsidize jobs, and to make it possible for individuals to take them. Our plan will create 400,000 jobs by the year 2000. Second, there is no shortage of entry-level jobs in this country. McDonald's alone has more job openings every year through normal turnover than will hit the two-year time limit anytime in the next 10 years. Moreover, the Clinton economy is generating 2 million new jobs a year. Third, even under the current system, most welfare recipients are able to *find* jobs; they have trouble *keeping* them. 70% of recipients leave welfare within two years, but most of them come back. That's why it's so important to make work pay better than welfare (EITC, health care, child care, child support enforcement), and to focus the welfare system on helping people make it in the workforce (on-the-job training, job search assistance).

III. PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

1. National Campaign Against Teen Pregnancy: The number of births to unwed mothers has quadrupled in the last 30 years from 92,000 in 1960 to 368,000 in 1991. Unwed mothers (teen and older) accounted for 80% of the growth in the welfare caseload over the last decade, when the number of families on welfare rose from 3.9 million in 1983 to 5 million families last year.

- * A national effort in 1,000 schools: We will launch school-based prevention programs in 1,000 schools across the country with the worst teen pregnancy problems. In each of these schools, National Service volunteers will work with community groups, churches, and business leaders to mentor young people on the importance of delaying sexual activity and parenthood.

- * A strong message from the Bully Pulpit that it is wrong to have children outside marriage: Unwed teen mothers who drop out of school are 10 times more likely to raise a child in poverty than young people who finish school, get married, and wait until their twenties to have children. We are planning a broad-based campaign that involves the media, the private sector, churches, schools, and other groups.

- * Every state will set clear goals for reducing unwed teen births: We will set up a national clearinghouse on teen pregnancy to identify successful programs and help replicate them elsewhere. We will also target a handful of at-risk neighborhoods for intensive prevention efforts.

- * Children who have children should live at home and finish school as a condition for benefits: Our plan will require minor mothers under 18 to live with their parents or a responsible adult and finish high school. They will no longer be able to set up a separate household and receive a separate check.

2. The Toughest Child Support Laws Ever Proposed: Our plan includes the toughest, most comprehensive child support enforcement provisions ever proposed. We can move and keep thousands of families off welfare by closing the \$34 billion child support gap between what absent parents should owe and what is actually collected. If you're not paying your child support, we'll garnish your wages, suspend your license, track you across State lines, and even make you work off what you owe.

- * Establish paternity for all out-of-wedlock births: Last year's economic plan included measures to expand voluntary paternity establishment in hospitals, when fathers are most likely to be present. Our welfare reform plan will require mothers to

name the father as a condition of receiving welfare, and push states to establish paternity more quickly. We want to make fathers part of the safety net again.

- * **Tracking down deadbeats:** Every state will establish a central state registry to track payments and take prompt action when money isn't paid. A national registry of new hires will use W-4 reporting to track delinquent parents who have switched jobs or crossed state lines.

- * **License suspension:** States will be able to use the threat of revoking driver's, professional, and commercial licenses to make delinquents pay. This threat has been extraordinarily successful in Maine, California, and other states.

- * **Work programs:** States will be able to run programs that require men to do community service to work off the child support they owe. We will also run demonstration programs that require delinquent parents with no skills to get training. These programs should pay for themselves. Wisconsin's work program for fathers has produced a phenomenal smokeout effect: 75% pay their support rather than do court-ordered community service.

- * **Limited demonstration of child support assurance:** The plan allows for 3 states to run demonstrations in providing guaranteed child support to families where the absent parent doesn't pay.

3. State Option to Limit Additional Benefits for Additional Children Conceived on Welfare: States that want to impose family caps will have the option to do so. Some states see this as a way to deter additional pregnancies; others believe the welfare system needs to do everything it can to instill responsibility in parents who already have children they cannot support. Early results from New Jersey show a 9% reduction in additional births to women on welfare, but it is too early to draw many conclusions. We also need to make sure that family planning is available to adults on welfare. Welfare recipients don't have more children on average than other women, but many of those who do consign themselves and their families to lives of poverty and dependency.

4. Keeping People from Going on Welfare in the First Place by Providing Child Care for the Working Poor: In addition to providing child care for people on welfare and in the work program, our plan calls for a substantial increase in child care for the working poor. The Administration's FY95 budget also seeks hefty increases in Head Start (21%) and the Child Care Development Block Grant (22%).

- * Our plan will nearly double the amount of available child care for the working poor: The plan includes \$1.7 billion over 5 years and \$6 billion over 10 to expand the At-Risk program from \$300 million annually to nearly \$1 billion.

* This program preserves flexibility and choice: States can use the money as they choose to provide child care vouchers or pay providers directly.

IV. GIVING STATES FLEXIBILITY TO INNOVATE

1. A Plan That Works for States: To give states a chance to do this right, our plan is phased in beginning with those born after 1971 -- anyone 25 and under by late 1996, when states begin to implement the program. That represents a third of the adult caseload, initially, and will grow steadily to include nearly two-thirds by 2004.

* Young people will think twice before coming on welfare: We're ending welfare for the next generation. One problem with the Family Support Act has been that few recipients know whether they will be subject to its requirements or not. Under our plan, anyone born after 1971 will know that the world has changed, and that welfare can no longer be a way of life. Almost any other phase-in would be subject to gaming, but it is hard to change to change your date of birth.

* If we phased in everyone at once, the program would fail: Even if we had the money for it (which we don't, and neither do the states), a rapid phase-in would overwhelm state capacity, and force them to create massive public jobs programs instead of reaching out to the private sector. The best example is CETA, which grew to 750,000 jobs overnight, and was dismantled nearly as quickly as a result.

* This is still a very ambitious phase-in: Under our plan, more than 400,000 people will have hit the time limit and be working in the WORK program by the year 2000. Today, fewer than 15,000 welfare recipients are required to work.

* States can phase in faster if they want: States will have the option of phasing in other cohorts in addition to those born after 1971 (e.g., all new applicants, all out-of-wedlock births, etc.). We will also make funds available so that they can finish serving those currently in their JOBS programs, as well as older recipients who volunteer.

* States prefer our phase-in: The House Republican bill phases in more quickly, starting with all new applicants and reaching 90% of the non-exempt caseload 2002. This would impose billions in new costs on the states. According to a recent NGA survey, most states like our phase-in. This phase-in was first proposed in a New Republic article by Moynihan's chief welfare aide, Paul Offner.

2. States Will Have Unprecedented Flexibility to Design Their Own Approach to Ending Welfare: Our plan gives states broad flexibility to try new things, because one thing

we've learned in the last 30 years is that Washington doesn't have all the answers. Much of what once required waivers will become available to states as state options:

- * Extending assistance to two-parent families: States will be able to waive the 100-hour rule and let two-parent families stay together.

- * Rewards and sanctions to keep teen parents in school: States will be able to design their own monetary incentive programs like the LEAP program in Ohio.

- * No additional benefits for additional children born on welfare: The Administration has already granted waivers to Georgia and Arkansas; this measure will now be a state option.

- * Incentives to work and save: States can encourage work through higher earnings disregards and saving through Individual Development Accounts.

- * Advance payment of the EITC: States will be able to work with the Treasury Department to develop plans to get the EITC out on a monthly basis.

- * Faster phase-in: States that want to do more will be free to phase in other cohorts in addition to recipients born after 1971.

- * Setting shorter time limits, and requiring people to work sooner: States that want to move recipients into work more quickly can do so. The JOBS program allows states to require CWEP or subsidized private sector work at any time.

- * Experiment with a host of demonstration programs: Our plan includes funds for demonstrations of Individual Development Accounts, child support assurance, teen pregnancy prevention, work and training programs for non-custodial parents, and many other ideas worth testing.

- * Continued waiver authority: We will help states with existing waivers to adapt them once the new law passes. The broad waiver authority in current law will continue.

3. No Unfunded Mandates: Our plan will not impose major new costs upon the states. Over time, in fact, they should save money from increased child support collections and reduced welfare caseloads.

- * Enhanced federal match: States have had trouble implementing the Family Support Act because of its relatively low federal match (in general, 60-40 federal). Our plan increases the federal share to around 67% (higher in some states), which means that the federal government is actually picking up 80% of the new spending.

* States can spend at their own pace: Instead of imposing costly new mandates, we give states considerable flexibility in how much to spend beyond the basic plan. States willing to spend more can choose to expand eligibility for two-parent families, offer higher earnings disregards, or phase in more of their caseload.

* Savings through caseload reduction, child support enforcement, and fraud detection: These programs will pay off in considerable savings from increased child support collection; reduced welfare caseloads, and improved detection of welfare fraud. The computer systems needed to keep track of time limits and track deadbeat parents, along with other measures such as Electronic Benefits Transfer and improved monitoring of the EITC, will enable us to wage a national assault on welfare fraud.

4. Demonstrations to See What Works: Many of the reforms in our plan are based on successful experiments pioneered by the states. We want this innovation to continue. In addition to continued broad waiver authority for state demonstrations, our plan authorizes a number of specific demonstrations for states that are eager to try new things:

* **Building Assets:** As you promised in the campaign, we have taken a number of steps to help people to build assets as one way out of poverty: allowing people to save some money for a home, business or education without losing their eligibility for help; allowing people to own a car of reasonable value so they can find a job and get to work; and giving them the opportunity to become self-employed or start a microenterprise.

* **Individual Development Accounts:** Current welfare rules force recipients to spend their welfare check, and penalize them for savings. Our plan will waive those rules to allow people to set money aside in Individual Development Accounts to buy a home, start a business, or provide for college. States will also be able to run demonstrations in which the government matches those savings.

* **Microenterprise:** In some communities, the absence of economic activity makes it difficult to leave welfare. We want to make it easier for people to start small businesses that enable them to become self-sufficient. Our plan provides for a nationwide demonstration of microloans, which will provide small amounts of money for welfare clients to launch small businesses.

* **Mandatory Work Programs for Deadbeat Parents:** States will be able to use up to 10% of their JOBS and WORK money to run work and training programs for non-custodial parents. We estimate that these programs will recoup 80% of their costs through increased child support collections.

* **Job Placement Bonuses:** We will encourage states to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

* **Charter Welfare Offices:** States will also be able to encourage competition and accountability by experimenting with chartering job placement firms, such as America Works, to run their JOBS program. (The Reemployment Act has similar provisions for job training.)

V. HOW THIS PLAN "ENDS WELFARE AS WE KNOW IT"

Our plan spends \$10 billion over 5 years and \$30 billion over 10 years, and maps out a rapid revolution in expectations for people on welfare. But because we can't afford and the states couldn't manage ending welfare for everyone at once, Republicans and some in the press will inevitably charge that we have "scaled back" our plan and fallen short of the campaign pledge to end welfare. We need to refute these skeptics by repeatedly stressing how bold our plan really is.

1. The Most Sweeping Work Requirements in the History of Welfare: Our plan will turn a system based on welfare into a system based on work -- because work is the best social program this country has ever devised. Today, fewer than 15,000 welfare recipients in America are required to work. Under our plan, an estimated 400,000 people will be in mandatory work programs by the year 2000. We require people who come on welfare to start looking for work from day one. Everyone who can work will have to do so within two years, or sooner if their state says so. We cut the number of exemptions in half, so that no one who is able to work can avoid it. And we'll move families off welfare by making fathers who are behind in their child support work off what they owe.

2. The Toughest Child Support Crackdown Ever Proposed: The child support enforcement measures in our welfare reform plan are by far the toughest any Administration has ever put forward. For the first time, government will hold both parents responsible for raising their children. Mothers won't be able to get welfare if they refuse to name the father. Absent parents who owe child support will face the most serious penalties ever: wage withholding, credit reporting, the threat of license revocation, a national registry of new hires to track them wherever they go, and mandatory work programs to make them work off what they owe. If this country did a better job of enforcing child support, we wouldn't need a welfare system. Every five deadbeats we catch will mean one fewer family on welfare.

3. A New Social Contract -- No More Something for Nothing: After decades of unchecked growth in government social programs, this is the first Administration in either party to ask something in return. In the campaign, you promised a new social contract of more opportunity in return for more responsibility. As you said at Georgetown, "We must go beyond the competing ideas of the old political establishment -- beyond every man for

himself on the one hand, and the right to something for nothing on the other." National service, the EITC, health reform, and welfare reform are all based on this same principle. Under our welfare reform plan, there will be no more something for nothing. Everyone will be required to work, get training, or finish school -- and even those who are unable to work will be expected to attend parenting classes or give something back through some form of voluntary service.

4. Ending Welfare as a Way of Life: The combined impact of welfare reform, health reform, and the expansion of the EITC will be dramatic and immediate. About half the caseload will be phased in by the year 2000. Reform means that by the year 2000, three quarters of the projected welfare caseload aged 30 or under will either be off welfare, working, or in a program leading to work. Without reform, only a small fraction would be working, and 20% would be in education or training.

5. This Is Everything You Promised in the Campaign -- and Then Some: Nothing about this plan is scaled back from your campaign promises. You've already made good on the EITC pledge that no one who works full-time with a child at home should be poor. This plan includes the two-year time limit as promised, with education, training, and child care -- and no loopholes; a work program that stresses the private sector first and community service as a last resort; dramatically tougher child support enforcement; state flexibility to experiment; etc. (The work-for-wages policy, which says that if you don't show up for work you don't get paid, actually goes a little further than what we discussed in the campaign about sanctioning the adult share of the grant.) It costs around \$4 billion a year when phased in, which is exactly what we said it would cost in the campaign. The plan includes many elements we didn't get into during in the campaign, such as a national campaign against teen pregnancy and a substantial increase in working poor child care (which was not a campaign promise).

6. The First Administration to Try to Keep People from Going on Welfare in the First Place: In addition to your many initiatives designed to empower people to lift themselves out of poverty -- Empowerment Zones, community development banks, enforcement of the Community Reinvestment Act, the EITC, health reform, sweeps in public housing, community policing, etc. -- yours is the first Administration to confront one of the leading causes of poverty, the breakdown of the family. The welfare reform plan includes several tough, smart measures to discourage people from having children outside marriage: the first time limits ever imposed on welfare, coupled with the broadest and most serious work requirements; a nationwide crackdown on child support enforcement, which will give states an arsenal of ways to keep absent parents from getting off the hook; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives the states can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school. In the long run, the only way to end welfare is to reduce the number of people coming on it.

October 18, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: New York Welfare Reform Waiver

A. The Clinton Record on Welfare Reform Waivers

1. 19th State: New York is the 19th state to receive a welfare reform waiver since you took office. In 20 months, you have awarded welfare reform waivers to more than twice as many states as Bush did in four years (he gave waivers to 9 states) and more even than Reagan did in 8 years (his total was 16 states).

2. Bipartisan Approach: You have awarded these waivers without regard to party. In 8 of the 19 states, the governor who requested the waiver was not a Democrat (7 GOP, 1 Independent -- Weicker). In other words, you have already given out nearly as many waivers to governors outside your party (8) as Bush did in his entire term (9).

B. The New York Waiver

This waiver will allow New York to conduct a four-county demonstration of its "Jobs First Strategy," which will test new ways to steer new applicants toward work instead of welfare. This program will offer applicants the choice of child care in lieu of welfare, so they can go to work instead of going on welfare. Like our welfare reform plan, it will increase asset limits for people who work or start a small business. It encourages people to cooperate with child support by providing a year of transitional child care for recipients who leave the welfare rolls because of child support payments. It encourages marriage and family by expanding eligibility for needy two-parent families, and by extending two years of Medicaid coverage for children whose parent marries but remains below 150% of poverty.

Like our plan, the New York demonstration is designed to change the culture of the welfare office by steering people immediately toward work, and by helping them make it in the workplace -- where they can earn a paycheck, not a welfare check. Although their plan does not include a time limit or work requirement -- you may recall some exchanges on that issue during the campaign -- it promotes the same basic themes as ours: work, responsibility, and family. When we introduced the Work and Responsibility Act, Cuomo sent you a letter praising it as "a laudable proposal for achieving our shared goals."

In New York City, Giuliani has just announced a major workfare program for Home Relief recipients. It would detract from Cuomo's event to mention Giuliani's somewhat controversial proposal, but you should praise him for his bipartisan interest in welfare reform.

One other New York note: Moynihan has called on two separate occasions to stress that the out-of-wedlock birth rate is expected to grow from 30% to 40% over the next decade -- not 50%, as you have sometimes said. If the rate continues to grow exponentially, it may well go that high over the next decade, but since no expert in the field is currently projecting that to happen, Moynihan would prefer you to stick to the defensible 40% rather than the theoretical 50% figure.



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

MARIO M. CUOMO
GOV. IRON

June 14, 1994

Mr. President:

I commend you for making welfare reform one of your Administration's top priorities and for tackling this complex and critical issue. Many of the themes and principles embodied in your proposal are consistent with New York's own welfare reform initiatives, and I support your efforts to promote the value of work, responsibility and self-sufficiency. I share your aim to make public assistance transitional, with its primary focus on jobs.

The program that you have outlined is certainly a laudable proposal for achieving our shared goals. Although there are certain fiscal and program issues of concern to New York, we plan to work with members of your Administration and the Congress to resolve them.

I look forward to working with you to address these matters and to meet the goal of reforming the welfare system.

Respectfully,

Mario M. Cuomo

The President
The White House
Washington, D.C. 20500

Feb. 9, 1995
10:20 AM

THE WHITE HOUSE
WASHINGTON

February 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
SUBJECT: Welfare Reform Update

I. House Republican Bill

Today, Clay Shaw announced details of the welfare reform bill he will mark up in subcommittee next week. He has agreed to include most of our child support provisions, but his bill is still heavy on conservative micromanagement and puts states at financial risk.

An outline of the Shaw bill is attached. It converts nearly 50 means-tested programs into three capped entitlement block grants. Funding levels are frozen for five years at 1994 levels, for a federal savings of \$14 billion (\$7.6 billion from capping AFDC). Immigrant and other SSI provisions save another \$23 billion.

Although Engler and Thompson helped negotiate the bill, the governors ended up with more strings and 15% less money. The bill mandates several provisions the NGA resolution specifically rejected, requiring all states to deny aid to young unwed mothers and legal immigrants, and imposing the family cap nationwide. Work is mandatory for everyone after 2 years, and states are required to cut off families after 5 years on welfare.

Our strategy as this bill moves through the House will be to: 1) highlight areas where the Republican plan is prescriptive and mean; and 2) call attention to the potential cost shift in key states and districts with moderate Republican Congressmen, Senators, and governors.

II. Democratic Alternatives

The Mainstream Forum, led by Nathan Deal and Charlie Stenholm, reintroduced their welfare reform bill today. Their bill is a souped-up version of ours: move people to work as quickly as possible, family cap state option, minor mothers live at home, national campaign on teen pregnancy, all our child support provisions, but a faster phase-in.

The Mainstream Forum bill gives the states a great deal of flexibility, but maintains the individual entitlement. It calls for a four-year lifetime limit, but lets states keep people on longer if they wish. Their bill would cost \$17 billion, but they propose a host of offsets: cutting off legal immigrants (but this time they plow \$6 billion back to the states so it's not an unfunded mandate), the EITC fraud provisions from our FY96 budget, and counting welfare benefits as taxable income.

House Democrats are galvanizing around the theme that welfare reform should be about work, not just punishing the poor. On Friday, Gephardt will hold a press conference with House Democrats from across the spectrum (from Eleanor Holmes Norton to Nathan Deal) to announce a united front. They will propose that as of October 1, 1996, all new applicants who can work must be working or moving toward work. For now, they see this more as a unifying theme than a concrete policy proposal.

On Friday, we also expect Gov. Carper to send a letter to governors warning them that the current version of the Republican bill puts their states at financial risk and imposes numerous strings the NGA specifically rejected.

SHAW BILL

Overview of Ways and Means and Opportunities Committees Portions of the House Republican Welfare Reform Bill February 1995

- Title I: Block Grant for Temporary Assistance for Needy Families
- Title II: Child Care Block Grant
- Title III: Child Protection Block Grant
- Title IV: Restricting Welfare for Aliens
- Title V: Supplemental Security Income Reforms
- Title VI: Child Support Enforcement Reforms

Title I: Block Grant for Temporary Assistance for Needy Families

1. Purposes
 - a. Provide assistance to needy families with children
 - b. End the dependence of needy parents on government benefits by promoting work and marriage
 - c. Discourage illegitimate births
2. Eligible states: State plan. States must submit the following to the Department of Health and Human Services on an annual basis:
 - a. A plan that contains an explanation of:
 - their program of cash benefits to needy families
 - their welfare-to-work program, including support services
 - how they are meeting the requirement of mandatory work after the family has been on welfare for 2 years (or less at state option)
 - how and whether they are meeting the requirement to place 2% of their caseload in work programs in 1996, rising to 20% by 2003 and thereafter
 - their program to reduce the incidence of illegitimate births
 - b. A certification that the state will operate a child support enforcement program
 - c. A certification that the state will operate a child protection program
 - d. A certification that the state will operate a foster care and adoption program
3. Grants to states:
 - a. The block grant money is an entitlement to states
 - b. The amount of money in the block grant is \$15.265 each year between 1996 and 2000
 - c. Each state receives the same proportion of the block grant each year as it received of AFDC spending in 1994.
 - d. Use of Funds:
 - in any manner reasonably calculated to accomplish the purposes (see above)
 - in the case of families that have lived in a state for less than 12 months, states may provide them with the benefit level of the state from which they moved

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- states may transfer up to 20% of the funds in any given block grant to other block grants
 - states may, for up to 6 months, pay a reduced benefit to a needy family with a child whose paternity has not been established
- c. Penalties. States are subject to three penalties:
- if an audit determines that states have spent money on activities not consistent with the purpose of this legislation, the amount of misspent funds will be withheld from the state's payments during the following year (with the restriction that not more than 25 percent of a quarterly payment can be withheld)
 - the annual grant is reduced by 3 percent if states fail to submit the performance data required so that Congress can provide oversight on state accomplishments
 - states are fined 1 percent of their annual grant if they fail to participate in the Income and Eligibility Verification System designed to reduce welfare fraud
4. Prohibitions. Block grant funds cannot be used to provide:
- a. Benefits to a family that does not include a minor child
 - b. Benefits to an individual receiving benefits from old-age assistance, foster care, or Supplemental Security Income
 - c. Benefits to noncitizens unless the individual is an alien who has resided in the U.S. for over 6 years or a legal resident over age 75 who has lived in the U.S. for more than 5 years
 - d. Cash benefits to a minor child born out of wedlock to a mother under age 18 or to the mother
 - e. Cash benefits for additional children born to families already on welfare
 - f. Cash benefits for families that have received block grant funds for 5 years
 - g. Benefits to a family with adults not cooperating with the state child support enforcement agency
 - h. Benefits to a family with an adult who has not assigned to the state the child's claim rights against the noncustodial parent
5. Data collection and reporting. States are required to submit annual data on several important measures of their Temporary Assistance Block grant; e.g., the number of families receiving benefits, the earning of families, other welfare benefits received by families, and the number of months on welfare
6. Audits. Each state must submit to an audit every second year under terms of the Single Audit Act

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- As with other block grants, States will be required to send information about their programs to the federal government, so we can figure out what works.

Reducing Welfare Rolls

- Drug addicts and alcoholics will no longer be considered disabled and therefore eligible for cash payments from SSI.
- As in the Contract, non-citizens would no longer be eligible for most welfare programs. Exceptions will remain for refugees and legal, long-term residents over 75; non-citizens will still qualify for education and training programs so they can improve their job preparation to become more productive future citizens.
- Sponsorship provisions will be strengthened.
- CBO estimates these provisions will reduce welfare spending by about \$23 billion over 5 years (although much of this savings will accrue to States because of the block grants described above).

MAINSTREAM FORUM BILL

Individual Responsibility Act of 1995 - Summary

Outline of Welfare Reform Bill

Title I:	Time-Limited Transitional Assistance
Title II:	Make Work Pay
Title III:	The Work First Program
Title IV:	Family Responsibility and Improved Child Support Enforcement
Title V:	Teen Pregnancy and Family Stability
Title VI:	Community Service
Title VII:	Program Simplification
Title VIII:	Financing

I Time-Limited Transitional Assistance: Imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. The two-year lifetime, Work First time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance would be phased-in, beginning in FY 1997, when 16% of a state's AFDC families must participate in the program. This percentage increases to 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.

II Making Work Pay: The bill would ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare. To do this, the current disincentives within the system that make welfare more attractive than work must be eliminated. There are five vital components in this regard:

- *Health Care - Extended Transitional Medical assistance (TAM) from one to two years.

- * EITC - The bill would improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

- *Child Care - Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. States would be required to submit one plan for all assistance under this program instead of be required to comply with four different sets of federal regulations for different federal child care programs. Title XX is a capped entitlement program without specific authorization. A consolidated block grant of \$1.2 billion a year would replace the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance. There would be an individual entitlement for child care assistance for individual participating in the Work First program or who are leaving welfare. The Federal government would reimburse states for the cost of the individual entitlements at 70% of the Medicaid matching rate plus ten percent, whichever is higher.

* **AFDC Work Disregards** - The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. As a result, welfare recipients who try to work are only marginally better off than by remaining on welfare. The proposal would allow states to liberalize the earned-income disregards within an established federal guideline.

* **Asset Limitation** - While work is a first step out of poverty, asset accumulation is necessary to keep a person out of poverty. The proposal would increase the vehicle asset threshold to \$5,000; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or up to \$8,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

III Work First Program: The bill would establish a WF program to move welfare recipients off of welfare into jobs. The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill that require states to place an emphasis on placing individuals in private sector employment.

Community Service - At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the state will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. States may readmit up to 10% of their caseload who have not found employment after two years of the Work First program and two year community service, or those who left welfare after finding employment and were forced to return but have no time left on the clock. In addition, states may petition the Secretary of HHS to increase this percentage up to 15% if they meet the economic hardship conditions set forth by the Secretary. All recycled recipients will be reevaluated by a caseworker or case management team and a new employability contract will be established.

IV. Family Responsibility and Improved Child Support Enforcement: The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- Establish in each state a central registry to streamline the current collection and distribution of child support by keeping track of all support orders registered in the state.
- Improves interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

V. Teen Pregnancy and Family Stability: The bill promotes individual reproductive responsibility by giving states the option to implement the family cap; requiring minor mothers to live with a responsible adult, preferably a parent; supporting a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; providing incentives for teen parents to stay in school; providing funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and giving states the option of eliminating current disincentives to marriage.

VI Program Simplification: Streamline the waiver process which is bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, the bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. The bill would simplify the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming

and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

VII SSI Reform: If Congress fails to act within 90 days after the submission of the Slattery Commission Report, then funding for the children portion of SSI will be frozen at the FY 94 level.

VIII Financing: The plan would save \$20.3 billion over five years by ending welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. It does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges. We propose six billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

The bill would raise \$9 billion over five years by adding income from AFDC, Food Stamps and housing assistance to taxable income so that a dollar from welfare isn't worth more than a dollar from work. The bill would increase EITC enforcement to reduce fraud in the program to save at least \$3.5 billion over five years. It would make several other smaller changes within the welfare system to save approximately \$2.5 billion over five years.

Funding: The bill provides more funding for states to help meet the costs of the WF program as well as the increased caseload for child care costs. For the WF program, our bill would have a seventy percent matching rate or the Medicaid matching rate + ten percent, whichever is higher for the states. For Community Service, our matching rate would be seventy percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher for state. For wages, it would be the Medicaid matching rate.