

THE WHITE HOUSE  
WASHINGTON

February 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Activity in the House

**I. Markup in House Subcommittee**

Clay Shaw will finish markup of the Republican welfare reform bill in his subcommittee today. On straight party-line votes, Republicans rejected Democratic amendments to dramatically strengthen work requirements, require minor mothers to live at home and stay in school rather than just cutting them off, and allow legal immigrants who have paid taxes for 5 years to remain eligible for benefits. They put off action on child support enforcement until full committee markup on the bill two weeks from now.

House Republicans may continue to march in lockstep, but there are encouraging signs of dissension in Republican ranks. The current bill is vulnerable in at least three ways:

**1. Weak on work:** The Heritage Foundation called the work requirements in the Shaw bill a "major embarrassment to many Republicans." They're much weaker than ours, and weaker even than current law. Democrats will keep pushing that real welfare reform is about sending people to work, and the Shaw bill is just about cutting people off.

**2. Mean to children:** Some Republicans have begun to distance themselves from the punitive provisions of the bill. This week, Henry Hyde and Olympia Snowe broke ranks to criticize the cutoff of young unwed mothers (which Dole and Kassebaum already oppose). So did Tommy Thompson.

**3. A bad deal for states:** Congressional Republicans will have a hard time holding onto their governors by offering more micromanagement and less money. We will put out state-by-state numbers on the cost shift of their various block grants (food stamps, AFDC, child welfare, child care) as well as the impact of all their conservative strings (numbers cut off because of provisions on young unwed mothers, legal immigrants, SSI kids, etc.).

## II. Communications Strategy

This week, we used the subcommittee markup to issue the attached Administration views letter outlining our differences with the Shaw bill, which was well-received by the press and by Hill Democrats who were looking to us for direction. We also put out the attached comparison of Republican work requirements with current law, as well as an estimate of the impact of child welfare cuts on foster care (states would lose a third of the projected 310,000 slots they need in the year 2000) and an analysis of the funding formula showing that Michigan would benefit most and New York, Florida, and Texas would be big losers.

On Thursday, Carper and Carnahan will hold a press conference with Gephardt and Hoyer on why the Shaw bill is a bad deal for states. At the same time, the White House will get state-by-state cost-shift numbers out to local and regional press. Later this week, PPI will issue a devolution study criticizing current Republican block grant proposals on welfare and crime.

Over the next few weeks, we will be resurrecting many of the tactics that worked for the crime bill: targeting editorial boards in districts with moderate Republican members; inviting Democratic and Republican members to bring their constituents to the White House for welfare reform briefings; circulating daily talking points in Washington and around the country; and so on.

## III. Developing an Alternative

We are working to develop a range of options on what our ideal bill would be, and how to get there. Ideally, we could start working with Daschle, Breaux, Moynihan, and others (including the governors) on a bill that gives states real flexibility at less financial risk, and puts a stronger emphasis on work and responsibility. In the short run, we will need to work with House Democrats over the next month to develop a Democratic substitute for the floor debate (expected in early April). In the Senate, Kassebaum and Packwood will start hearings soon, but no action is likely until May.

AFDC Recipients in Work under House Republican Proposal and Current Law		
Average Monthly Caseload 1996	5,212,000	
CURRENT LAW REQUIREMENTS		
Number of Adults in Two Parent Families required to work under Current Law	205,000	4%
Number of Current Recipients working full or part time	360,000	7%
Number of JOBS participants in OJT, Work Supplementation or CWEP	30,000	.5%
<b>TOTAL WORKING UNDER LAW IN 1996</b>	<b>595,000</b>	<b>11.5%</b>
HOUSE REPUBLICAN PROPOSAL		
Required to participate in "work activities"	105,000	2%

Note: OJT is on the job training; CWEP is community work experience program

HHS/ASPE preliminary staff analysis based on 1993 Quality Control Data and 1993 JOBS Form 108 Data

13 Feb. 1995



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

FEB 13 1995

The Honorable E. Clay Shaw  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

### Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

## Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly, because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

## Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be

able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

#### **State Flexibility with Accountability**

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

### Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are, key goals of child protection services. There are problems in a number of areas.

### Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

### Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

### Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

### **Benefits to Legal Immigrants**

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

A handwritten signature in black ink, appearing to read "D. E. Shalala". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

Table One

Comparison of Alternative AFDC Block Grant Distribution Formulas:  
 State Winners and Losers Resulting from Allocating Block Grant Funds  
 Based on the Average Federal Payments to States FY 1991 to FY 1993  
 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	(Loss)	Percentage Change
<b>LOSERS</b>				
New York	\$1,914	\$2,183	(\$269)	-12%
Florida	\$492	\$532	(\$39)	-7%
Texas	\$409	\$442	(\$33)	-8%
Illinois	\$172	\$202	(\$30)	-15%
New Mexico	\$95	\$116	(\$21)	-18%
Arizona	\$192	\$208	(\$16)	-8%
Hawaii	\$80	\$92	(\$12)	-13%
District of Columbia	\$80	\$90	(\$10)	-12%
Kansas	\$89	\$98	(\$10)	-10%
Alabama	\$80	\$89	(\$9)	-10%
Puerto Rico	\$74	\$82	(\$8)	-10%
Virginia	\$147	\$154	(\$6)	-4%
Colorado	\$112	\$117	(\$6)	-5%
New Hampshire	\$33	\$38	(\$5)	-14%
Nevada	\$28	\$33	(\$5)	-15%
Rhode Island	\$81	\$86	(\$5)	-6%
Idaho	\$25	\$30	(\$5)	-16%
Guam	\$8	\$11	(\$3)	-30%
Alaska	\$59	\$62	(\$3)	-5%
Oregon	\$162	\$164	(\$2)	-1%
Washington	\$386	\$387	(\$1)	-0%
Montana	\$40	\$41	(\$1)	-2%
Virgin Islands	\$3	\$4	(\$0)	-6%
Delaware	\$25	\$25	(\$0)	-1%

\* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

\*\* HH/WASFE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

Table One (con't)

Comparison of Alternative AFDC Block Grant Distribution Formulas:  
 State Winners and Losers Resulting from Allocating Block Grant Funds  
 Based on the Average Federal Payments to States FY 1991 to FY 1993  
 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY94 AFDC State Block Grant Allocation FY91-93 Average	FY94 AFDC State Block Grant Allocation FY94 Distribution	Gain	Percentage Change
<b>WINNERS</b>				
Michigan	\$842	\$744	\$98	13%
Pennsylvania	\$643	\$591	\$52	9%
California	\$3,557	\$3,507	\$50	1%
Massachusetts	\$476	\$439	\$37	8%
New Jersey	\$398	\$369	\$29	8%
Washington	\$331	\$304	\$27	9%
Oklahoma	\$167	\$141	\$27	19%
Illinois	\$561	\$535	\$26	5%
Kentucky	\$191	\$168	\$23	14%
Louisiana	\$169	\$149	\$20	13%
Minnesota	\$273	\$255	\$18	7%
Maine	\$87	\$73	\$14	19%
Mississippi	\$87	\$77	\$11	14%
South Carolina	\$105	\$95	\$10	10%
Georgia	\$324	\$316	\$8	2%
Tennessee	\$178	\$171	\$8	5%
Ohio	\$712	\$704	\$8	1%
Nebraska	\$53	\$47	\$6	12%
North Carolina	\$284	\$279	\$5	2%
Iowa	\$128	\$123	\$5	4%
Vermont	\$48	\$44	\$4	9%
Connecticut	\$226	\$221	\$5	1%
Arizona	\$58	\$55	\$3	5%
Wyoming	\$23	\$20	\$3	14%
Utah	\$71	\$69	\$2	4%
West Virginia	\$109	\$107	\$2	2%
Mar. and	\$218	\$217	\$2	1%
North Dakota	\$24	\$22	\$2	7%
South Dakota	\$22	\$21	\$1	6%
Missouri	\$306	\$305	\$1	0%

\* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

\*\* HHS WPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

March 2, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update -- House Ways & Means Markup

On Friday, the House Ways & Means Committee will finish work on the Republican welfare reform bill, and send it to the floor for consideration in late March or early April. (The Senate begins committee hearings next week, but has no plans to get serious until May or June.) House Republicans have made several changes in response to Democratic pressure, but they remain vulnerable to our criticisms that it is weak on work and tough on children:

**1. Weak on work:** After Democrats ridiculed the work requirements in the subcommittee bill as weaker than current law, Republicans increased their nominal work participation rates to 50% by the year 2003 (up from 20%) -- while continuing to cut money by \$15 billion over 5 years. At the same time, they added a new loophole that lets states count caseload reduction as work participation. States could fulfill their entire work participation standard just by cutting people off -- without moving anybody into work. Republicans rejected a Democratic amendment that would have imposed tougher work requirements and given the states money for work programs at the level Republicans promised in the Contract with America.

**2. Tough on children:** The Contract called for a lifetime welfare ban for unwed teen mothers and their children. House Republicans have softened that significantly to let states restore aid when the mother turns 18. The original version would have affected millions of children; the new version applies to a much smaller fraction of the caseload. But it's still a bad idea to cut people off rather than making them stay in school and turn their lives around. The cutoff is opposed by the NGA (Dean, Thompson, and others wrote House Republicans last week to complain about conservative micromanagement in the bill); right-to-lifers, and Americans generally (including 57% of Republicans, according to the New York Times poll).

The new Republican plan also includes a bonus for states that reduce their "illegitimacy ratio" -- the number of out-of-wedlock births and abortions divided by total births. Democrats pointed out that this would give states a financial incentive to limit the right to choose, and that welfare reform should be a debate about work, not abortion.

**3. Not tough enough on deadbeats:** The final committee bill is likely to include 80-90% of our child support provisions, but some Republicans have been dragging their feet on a few elements, including threatening to suspend drivers and professional licenses for parents who refuse to pay -- a tool that has proved enormously successful in Maine and other states that have tried it. We rushed a letter from you up to Archer late today insisting on the toughest possible child support measures. The committee will not make up its mind until sometime Friday. You should criticize them sharply if they wimp out.

## WELFARE REFORM

Q. What do you think of the Republican welfare reform bill approved by the House Ways and Means Committee this week? Would you sign it?

A. I am committed to working across party lines to enact a bill this year that will end welfare as we know it. So far, some Republicans in the House seem more intent on just cutting people off and punishing them for their mistakes than in moving people from welfare to work. If we're going to end welfare as we know it, we should be tough on work and tough on deadbeats, not tough on children.

Q. Your administration has not submitted its own welfare reform plan this year. What kind of plan do you support?

A. I'm proud of the bill we put forward last year. It was the toughest, most comprehensive welfare reform plan any administration has ever proposed. When the dust settles, I believe a number of our provisions on child support enforcement, work, and teen pregnancy will become law.

Now we're working with members of Congress and governors in both parties to enact a bill that fulfills the fundamental principles at the core of my plan: Real welfare reform should be serious about moving people into work, and requiring anyone who can work to go to work. It should demand responsibility from both parents, with the toughest possible child support enforcement. It should discourage teen pregnancy and send a clear signal that it is wrong to have children outside marriage. And it shouldn't punish children for their parents' mistakes.

Q. Can you sign a bill that does not contain an individual entitlement?

A. I believe in giving states a lot more flexibility -- I've given waivers to 24 states, more than any other President. But as a former governor, I also know that we won't have real welfare reform if all Congress does is shift costs to the states or pass the buck from one bureaucracy to another without transforming the welfare system. We have a national interest in work, responsibility, and the well-being of our children, and we ought to set clear national goals and give states the chance to meet those goals without top-down micromanagement from Washington.

Q. You were the one to call for ending welfare as we know it -- but hasn't this welfare reform debate passed you by?

A. I look forward to working with Congress to pass a good bipartisan bill. As a governor, I worked with a Democratic Congress and a Republican President to pass the Family Support Act.

But I'm not waiting for Congress. In the past two years, I have given 24 states -- half the country -- the freedom to cut through federal red tape and regulations and try innovative new approaches to welfare reform. That's more waivers in two years than my two Republican predecessors did in 12 years.

My Administration has broken every record in collecting child support, which is the essential to getting people off welfare and helping them stay off. Earlier this week, I signed an executive order to make sure that federal employees who owe child support have to pay it. And I am going to keep pressing Congress to send me a welfare reform bill that is tough on work, tough on child support, and good for our children.

Q. Do you support the Republicans' new plan to block grant food stamps for states that do electronic benefits transfer?

A. I am a strong supporter of electronic benefits transfer, and along with Vice President Gore, I have been pushing more states to adopt it as a way to empower people, cut bureaucracy, and reduce fraud. But the Republicans seem less interested in reform than in cutting the heart out of our longstanding bipartisan commitment to make sure children in America get enough to eat. School lunch and other nutrition programs have done a great deal to eliminate hunger in America, and Republicans are wrong to try to pay for their Contract by asking poor children to eat less.

THE WHITE HOUSE

WASHINGTON

March 2, 1995

Dear Mr. Chairman,

I am writing to reiterate my firm belief that Congress must pass tough child support enforcement measures as part of welfare reform. When absent parents don't provide support, the inevitable result is more welfare, more poverty, and more difficult times for our children. It is essential that all Americans understand that if they parent a child, they will be held responsible for nurturing and providing for that child.

I am doing everything in my power to crack down on child support enforcement. In 1993, we collected a record \$9 billion in child support -- a 12 percent increase over the previous year. Last week, I signed an Executive Order to ensure that federal employees who owe child support live up to their responsibilities as parents, and that the federal government will do its utmost to help find parents with delinquent child support claims. Our welfare reform plan included the toughest child support measures ever proposed. If absent parents aren't paying child support, we will garnish their wages, suspend their licenses, track them across state lines, and if necessary, make them work off what they owe.

Parental responsibility should not become a partisan issue. At the bipartisan national Working Session on Welfare Reform that I hosted at Blair House, Republican and Democratic leaders from around the country and every level of government agreed that we should enact the toughest child support enforcement measures possible.

I hope the committee will not shy away from its responsibilities on this issue. A number of

bills similar to our plan could serve as the foundation for any effort to reform child support -- including the one offered by Representatives Barbara Kennelly, Nancy Johnson, and others. Critical elements include denying welfare benefits to any unwed mother who does not cooperate fully in identifying the father, powerful measures for tracking interstate cases, and serious penalties -- including license suspension, and if necessary, requiring work -- for parents who refuse to pay what they owe. We must also include both the performance incentives and resources states need to do the job right.

It is time to get serious about child support in this country. I look forward to working with Congress to get it done.

With best wishes,

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Archer".

The Honorable Bill Archer  
Chairman  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

THE WHITE HOUSE  
WASHINGTON

April 4, 1995

MEETING WITH DEMOCRATIC SENATORS ON WELFARE REFORM

DATE: Wed., April 5, 1995  
LOCATION: Cabinet Room  
TIME: 6:30-7:15 p.m.  
From: Bruce Reed

I. PURPOSE

At Moynihan's request, Daschle asked for a meeting with members of his welfare reform task force to discuss Senate strategy.

II. BACKGROUND

Last week, Packwood reiterated his support for block grants, and Chafee told reporters that he opposed block granting Medicaid and child welfare but would not stand in the way of a block grant for AFDC. Dole and Packwood suggested that welfare reform might be included in reconciliation, which would enable them to pass it with only 51 votes.

Senate Democrats are nervous that they will be shut out of the debate and unable to influence the outcome. They will be looking to you to signal a willingness to vocally oppose and possibly veto a welfare reform proposal along the lines of the House-passed bill.

Your goals for this meeting should be to: 1) Let them know you care about real reform, and you won't just sign any bill; 2) Spell out your problems with the House bill; 3) Stay away from legislative tactics, but talk about the elements you believe are essential for real welfare reform; and 4) Ask them to join us in taking the high road in calling for bipartisanship.

They may press you on whether you would veto a bill that does not maintain the individual entitlement. You can respond by reiterating that you support the entitlement, but that the moment you give any hint of what you would or wouldn't veto, it would further polarize the debate and give the Republicans an excuse to head for reconciliation -- where the Republicans would be sure to give you a bill you said you couldn't sign.

### III. PARTICIPANTS

See attached.

### IV. PRESS PLAN

There will be no press availability before or after the meeting.

### V. SEQUENCE OF EVENTS

As usual.

### VI. REMARKS

Suggested talking points are attached.

## PARTICIPANTS FOR MEETING WITH DEMOCRATIC SENATORS

### PARTICIPANTS:

POTUS

VPOTUS

Secy. Shalala

### MEMBERS:

Sen. Tom Daschle

Sen. Daniel Patrick Moynihan

Sen. John Breaux

Sen. Chris Dodd

Sen. Ted Kennedy

Sen. Patrick Leahy

Sen. Barbara Mikulski

Sen. Carol Moseley-Braun

Sen. Jay Rockefeller

### STAFF:

Leon Panetta

Pat Griffin

Carol Rasco

Harold Ickes

Erskine Bowles

George Stephanopoulos

Rahm Emanuel

Bruce Reed

Paul Carey

Susan Brophy

## SUGGESTED TALKING POINTS

### 1. This is a monumentally important debate about our greatest social problem.

\* The welfare reform debate goes to the core of how we're going to deal with our most pressing problems -- reducing teen pregnancy and illegitimacy, rebuilding the family, reinventing government to reflect our basic values. We can't allow this to become just another political debate about just another political issue. It's too important -- what we do this year can have vast consequences that will outlive any of us here.

\* This is hard. I've worked on this for 15 years. Pat has been working on it for 30. Humility is in order -- history is littered with reforms in this area that failed or fell short.

### 2. I am troubled by the course the debate has taken so far.

\* I don't like the bill the House passed because it's not real reform:  
-- It won't move people from welfare to work. In fact, it cuts child care that people need to get and stay off welfare.  
-- According to CBO, its work requirements are unworkable.  
-- It effectively repeals the Family Support Act, and removes any real responsibility for states to help people move from welfare to work.  
-- It punishes small children for their parents' mistakes.

\* The child support enforcement provisions showed what can be done with a bipartisan effort. The Senate should forget the rest of the House bill and start from scratch.

### 3. I want to see real welfare reform that is tough on work and responsibility, but good to kids -- and that gives states real flexibility, not just more problems and less money.

\* The test of real reform is whether it moves people from welfare to work. We need time limits and tough work requirements that make sure people who can work must go to work. But if people need child care or job skills in order to go to work, they should get it.

\* We should give states a lot more flexibility to achieve these goals. I've given 25 waivers. I think we should go further, and give states the option to start doing what now requires a waiver on their own, without having to ask our permission.

\* But we won't get flexibility or real reform if all Congress does is ship everything off to the states and expect them to solve more problems with less money. Last week, I spoke to the Florida state legislature about what would happen to a high-growth state like Florida under these block grants. Republicans and Democrats alike were nodding their heads and applauding. If we want real reform, we can't solve all our budget problems here in Washington at the states' expense. We shouldn't put states and children at risk.

#### 4. We must do everything we can to make this a bipartisan issue.

\* Most Americans without regard to party agree on what must be done to reform welfare. If we can't put politics aside and agree on this issue, we never will. In the House, the Republicans went their own way -- and the bill they passed suffered for it. We cannot let that happen in the Senate.

\* If they try to jam this through the Senate as part of reconciliation, without real cooperation and debate, they will destroy a bipartisan national consensus that goes back to Ronald Reagan. If we work together, we can pass a sweeping, landmark bill that 90% of the people in America will support. If they decide to go it alone, this issue will divide the country, both parties will suffer, and millions of children will pay the price.

\* I believe it would be an enormous political mistake for them to go that route. As we found out, there's no better way to hide your light under a bushel than through reconciliation -- just try to find a voter who has ever heard of the EITC. But more important, this issue is too important to most Americans. They don't want to see another bitter, partisan debate. They don't trust either party enough right now for that. As Pat Moynihan has said many times, nothing this important should be done without support from both parties.

THE WHITE HOUSE  
WASHINGTON

May 26, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Welfare Reform Update

**I. Senate Finance Committee Approval**

Today, the Senate Finance Committee approved Packwood's welfare reform bill by a vote of 12-8, with Baucus joining the Republicans. The measure is expected to come to the Senate floor in the next month or so.

In its current form, the Senate bill is far better than what the House passed, but is not yet as serious as it should be in our central goal of moving people from welfare to work. We will press for improvements on the floor in key areas: more resources and incentives to help the states meet the work requirements and provide child care; a contingency fund to protect states against economic downturn and population growth; and requirements or incentives for states to maintain their current effort.

In the coming weeks, you will come under increasing pressure to outline the specific conditions of what kind of welfare reform bill you would be willing to sign. Moynihan is rallying liberals and editorial boards to press for a veto threat over the individual entitlement, even though we lack the votes in the Senate to sustain a veto on those grounds. We recommend that in the next two weeks, you give a speech or make a statement that will shift the debate back to our terms, by saying that work is your bottom line: If Congress passes a bill that is serious about moving people from welfare to work, you'll sign it. If Congress passes a bill that is phony and fails to promote work, you won't.

## II. Summary of Finance Committee Bill

### A. The Good News

The Finance Committee bill is much better than the House bill in many respects:

\* **Not as tough on kids:** The Senate bill drops much of the conservative micromanagement of the House bill — the cutoff of young unwed mothers, the mandatory family cap, and the so-called illegitimacy bonus which could promote abortion. Faircloth, Gramm, and Nichols will fight to add these on the floor, however, so we should continue to speak out against them. Like the House bill, the Senate bill mandates a 5-year cutoff, but so do the House and Senate Democratic alternatives.

\* **Cuts not as deep:** The SSI and immigrant cuts are somewhat more reasonable than the House bill, and there are no cuts in child welfare programs. In its current form, the bill cuts a total of \$32 billion from welfare programs, compared to \$38 billion in the House.

\* **Includes all our child support provisions:** All the major elements of our child support enforcement plan, including the drivers license provision, are in both the Senate and House bills and enjoy strong bipartisan support.

\* **Not as weak on work:** The Senate bill requires states to maintain a JOBS program and to provide child care to recipients who are required to work. It requires work after two years, and has stiff participation requirements that reach 50% by 2001.

### B. The Bad News

While the work provisions in the Senate bill look better on paper, it has a long way to go before it will be serious about moving people from welfare to work. Under the bill, states are asked to provide substantially more work and child care for significantly less money, which will be a strong incentive to cut people off rather than move them into work. The attached views letter from Secretary Shalala outlines our concerns about the bill, but here are the highlights:

\* **CBO says 44 states will fall short on work:** Today's markup was dominated by a devastating CBO report, which estimates that 44 states will not be able to meet the work participation rates in the Senate bill. CBO assumes that most states will take the modest 5% penalty for non-compliance rather than invest in work programs. CBO says that states would have to spend an additional \$10 billion in the year 2000 in order to comply.

\* **Less money for child care:** The Senate bill eliminates child care entitlement programs and lumps them into the AFDC-JOBS block grant. The block grant represents a 9% cut over five years, and because the work and benefit funding streams are combined, there is no guarantee that any money will go for work and child care rather than benefits.

\* **No real protection against economic downturn or population growth:** In its current form, the Senate bill includes the same Rainy Day Grant Fund as the House bill, which lets states borrow a small amount of money in downturns if they will pay it back within 3 years with interest. Voinovich, Whitman, and Thompson have pressed Dole to accept NGA's contingency fund amendment, which would allow states that maintain their current effort to receive up to 15% more in federal matching funds to deal with economic downturn, disaster, or increased investment in welfare programs. Dole is hinting that he will go along with the NGA amendment on the floor. Several Sun Belt senators, led by Kay Bailey Hutchison, also circulated a letter today calling for more money in the block grant to deal with population growth.

\* **No incentive or requirement for state maintenance of effort:** The Finance Committee rejected a Breaux amendment to require states to maintain their current effort. The NGA contingency fund amendment would reward states for maintaining effort, but we will also seek either an explicit requirement or a performance standard that penalizes any state not meeting its work requirements by the amount its spending falls short of maintaining its FY94 effort.

### III. Strategy for the Senate Floor

We have a decent chance of improving the bill in these areas on the floor. So far, the Packwood mark and Dole's public comments suggest that Republicans want to be seen as reasonable and bipartisan, rather than mean to kids. There will be some pressure from the right, but Dole may feel he has some cover: except for the Christian Coalition, most right-to-lifers oppose the conservative strings that Gramm and Faircloth are pushing.

Our immediate problem is uniting the Democrats. Daschle, Breaux, and Mikulski are working on a good alternative (two-year time limit, heavy emphasis on work, real money). But Moynihan has been telling all the liberals -- unfairly -- that Leon promised him a veto over the individual entitlement, so they should do nothing to improve the bill. (All Leon said was that you would veto a bill that was tough on children.) Moynihan is persuading enough members to make it difficult for Daschle to build the united front he needs to bring Republicans to the table.

As we near the end of the line, you will come under increasing pressure to say what exactly it will take to get your signature on a welfare reform bill. We have already indicated the kinds of changes we want -- resources and incentives for states to put people to work, protections for economic downturn and population growth, requirements or incentives for maintenance of effort -- but we have avoided making any of these conditions a deal-breaker. The Republicans would like nothing better than for us to give them the road map to a veto.

The one thing we can do to strengthen our bargaining position and unify Senate Democrats is to strike a higher Presidential profile on the issue in June. We have to change

the terms of the debate so that we're putting the Republicans on the defensive about work instead of letting Democrats put us on the defensive over entitlements. The sooner we do that, the more difficult it will be for Moynihan to box us in.

We recommend that you give a strong speech in early June that casts work as our make-or-break issue. Work is the only issue they're afraid of: in today's markup, Packwood rejected a Grassley amendment that would have softened the work provisions because he said "I can just hear the President saying 'work requirements, work requirements, work requirements.'"

The NGA Youth Summit in Baltimore on Tuesday, June 6th would be an ideal forum for this speech. Thompson and Engler will be there, the Senate will just be returning from recess, and the Republicans will see that we're not going to go quietly. At the same time, we will take advantage of Dole's comments today that he is willing to work on a bipartisan basis, by making sure that he gets a barrage of letters from members and governors in favor of the amendments we want.

You can say your bottom line is clear: If Congress passes a bill that is serious about helping states move people from welfare to work, you'll sign it. If it's phony, and about something else, you won't. The report from CBO, whose director June O'Neill is a Republican expert on welfare reform, enables us to make that argument in a straightforward, non-partisan way.

Breaux has suggested a meeting with Senate Democrats to tell them our strategy and throw our support behind the Daschle alternative. We believe that before you have them down to the White House, you should give a strong speech on work -- and then meet with them only if they still don't get the message.

## WORK FIRST PLAN

DT: 5/17/95

DASCHLE-BREAUX  
PLAN

### TEMPORARY EMPLOYMENT ASSISTANCE

AFDC is abolished and replaced by Temporary Employment Assistance, a conditional entitlement for families of limited duration.

### PARENT EMPOWERMENT CONTRACT

In order to receive assistance, all recipients must sign an individualized contract outlining a plan to get them into the workforce as soon as possible.

### FINITE TIME FOR ASSISTANCE

Assistance is conditional. All recipients must sign a contract. All recipients must follow the contract (tough sanctions apply to those who don't).

Assistance is limited. During the first two months, all able-bodied recipients must engage in intensive job search (as designed by states). After two years, states will be required to offer workfare or community service to any recipient not working for at least 20 hours per week. Refusal to engage in workfare causes benefit reductions. No family may receive assistance for more than five years.

### WORK FIRST EMPLOYMENT BLOCK GRANT

The JOBS program for welfare recipients is replaced by the Work First Employment Block Grant, which emphasizes work as the objective.

#### All able-bodied recipients must work.

For those recipients still looking for work after the initial two months of job search, the state may provide any of a number of services to assist recipients in obtaining jobs, including, but not limited to:

- job search
- placement vouchers
- wage subsidy/work supplementation
- on-the-job-training
- microenterprise development/self-employment
- a GAIN type program operated by Riverside County, CA
- a JOBS Plus type program operated by Oregon
- other training or education for work preparation to bring about employment

#### We Count Work, Not "Participation."

Under the Work First plan, states would focus on getting recipients into real jobs, getting credit only for:

- those leaving welfare for work
- those working 20 hours or more per week (even if still receiving benefits)
- those working 20 hours or more per week in subsidized jobs (but not workfare)

**Exception:** states with pockets of high unemployment could allow workfare (100% subsidized jobs) to count.

The state work performance measure would reach 50% by the year 2000, which would mean an unprecedented number of welfare recipients would be working.

### **We Give States the Resources to Emphasize Work**

**Flexibility:** states would set all eligibility rules, enabling them to make work pay more than welfare. States set benefit levels, resources, assets, and income disregard policies.

**Funding:** the federal government would share in the cost of putting welfare recipients to work. The Work First Employment Block Grant would be used for employment activities, job placement assistance, work supplementation, on-the-job-training, transportation, child care; in essence, whatever a state decides is necessary to enable a welfare recipient to go to work and retain a job. Funding would be increased and the federal match rate would increase as well.

**Child Care:** Existing child care programs would be consolidated with the Child Care Development Block grant negotiated by Senators Dodd and Hatch in 1990.

Within the block grant, 10% of the funds would be set-aside for quality improvements and 10% would be set-aside for expansion to ensure that states can help make child care safe and available in communities with long waiting lists or where child care simply isn't available.

Child care assistance would be available for 2 years for those transitioning from welfare to work (longer at state option) and would be based on a sliding fee scale. Working poor families with income below the poverty line would be phased-in over time.

**Medicaid:** Medicaid would be available for 2 years for those transitioning from welfare to work and would be based on a sliding fee scale.

### **Even Those Who Don't Work Must Perform Community Service**

Those not in real jobs within 2 years must perform workfare or community service as designed by the state for 20 hours per week.

Those who are exempt from the work requirement (ill, aged, incapacitated recipients, those caring for a disabled child or relative, or those with a child under six months old) must perform community service as defined by the state, such as volunteering at their children's school, or must take responsibility as outlined in their Parent Empowerment Contract, such as having their children properly immunized.

## STATE FLEXIBILITY UNDER WORK FIRST PLAN

States would be provided with an unprecedented amount of flexibility:

- States set their own benefit levels, countable assets, resources, and income disregard policies.
- States have the flexibility to consolidate and streamline welfare operations to function more efficiently and turn welfare offices into employment offices.
- States design Parent Empowerment Contracts to provide a blueprint for each welfare recipient to become employed.
- States design their own job search programs geared to helping welfare recipients look for employment.
- States design their own employment programs to assist welfare recipients in obtaining a job and in preparing for a job. States also determine the form of support to provide to recipients: direct benefits, wage subsidies to employers, etc...
- States determine who their employment block grant will serve (from welfare mothers to unemployed fathers).
- States design and determine workfare or community service jobs appropriate for those welfare recipients not employed within 2 years.
- States determine whether they will treat "interstate" immigrants differently.
- States would be provided with "seamless" child care assistance so that the need of the family would determine the assistance they receive, not the category of federal program money that's available.
- States retain the option of administering their programs under existing waivers.
- States have the option of requiring participants to undergo appropriate substance abuse treatment where necessary.
- States have the option of providing a \$50 pass through of child support to welfare families.
- States have the flexibility to design innovative teen pregnancy prevention programs.



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20492

FINAL

MAY 24 1995

The Honorable Bob Packwood  
Chairman  
Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the Senate Committee on Finance.

Welfare reform is a top priority for this Administration and for all Americans, without regard to party. In the last two years, this Administration has put the country on the road to real welfare reform that emphasizes work, parental responsibility, state flexibility and the protection of children. In 1993, Congress passed the Administration's economic plan, cutting taxes for 15 million working Americans and rewarding work over welfare. In 1994 we collected a record level of child support--\$10 billion. In the past two years, the Administration has granted waivers to 29 states, so that over half the country is now carrying out significant welfare reform demonstrations that promote work and responsibility.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994. It included serious work requirements made real by opportunities for job placement, education, training, child care and supports to working people. It included a stringent set of provisions to ensure parental responsibility and reduce teen pregnancy. It maintained a basic structure of protections for children. It increased state flexibility without sacrificing either federal or state responsibility for performance.

The Administration has sought to make welfare reform a bipartisan issue. We still believe that it can and must be. The Chairman's mark rightly includes important child support enforcement measures the Administration fought for in the House that would more than double child support collections over the next five years. It wisely abandons some mean-spirited provisions the Administration opposed in the House passed bill, such as the illegitimacy bonus and the denial of benefits to children of young unwed mothers. The Senate bill moves in the right direction on reform of the Supplemental Security Income (SSI) program for children. The Senate bill also wisely omits harmful changes in child protection programs from its welfare reform. It is wrong to punish children for their parent's mistakes, and the Senate should resist any effort to do so.

Page 2 - The Honorable Bob Packwood

Although the Chairman's mark moves in the right direction, it still falls short of the kind of real welfare reform that Americans in both parties expect. It does not provide states the resources or incentives necessary to move recipients from welfare to work. In many respects it is still tough on children. It shifts costs to the states and undermines our obligation to hold State welfare bureaucracies accountable for results.

#### **Real Work Requirements**

The central goal of welfare reform must be moving people from welfare to work. Work has always been at the heart of the President's approach to welfare reform over the last fifteen years. Work was at the core of the Family Support Act. Work has been at the core of the welfare reform waivers this Administration has granted, including innovative welfare-to-work programs in Oregon, Iowa, and more than two dozen other states. To be successful, welfare reform must reward, demand, and encourage work.

The Administration believes that anyone who can work should go to work as quickly as possible. We should build toward a system that requires people coming on to welfare from the first day to participate in job search, job placement, education or training needed to move off welfare and into a job quickly. The Administration also believes that those who are not willing to work should be removed from the rolls. Those who are willing to work should have the opportunities and the supports they need to work.

Real welfare reform is first and foremost about work -- and the system must provide work-based incentives for states, caseworkers, and welfare recipients themselves. States must have the necessary resources for child care, training, and work in order to get the job done. State welfare bureaucracies should be rewarded for getting people to work or prepare for work -- not for cutting people from the rolls. Recipients must sign personal responsibility agreements, and move toward work and self-sufficiency from the very first day. Time limits must make clear to welfare recipients and caseworkers that welfare is a transitional system, not a way of life.

The Chairman's mark undercuts the ability of the states to move recipients from welfare to work by reducing the funding available for work programs and for child care. It provides nothing to reward States for success in movement to work. Real welfare reform means giving states the incentives and resources to move people from welfare to work.

### Page 3 - The Honorable Bob Packwood

Despite the critical link between child care and work, the Senate bill would repeal three federal programs that provide direct child care assistance for more than 640,000 children. It would dramatically cut the child care available for low income working families who, without such assistance, risk falling onto welfare, and for families making the transition from welfare to work. It cuts the child care people on welfare need to go to work, and working people need to stay off welfare in the first place. It defies common sense to take away child care and keep people from going to work.

### Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children.

If we are going to demand responsibility of mothers, we should demand responsibility of fathers too. That means welfare reform should include measures designed to identify the father and establish support orders in every case; find delinquent parents who move from job to job or state to state to avoid paying child support; speed up payments; and invoke tough penalties, like drivers license revocation, for nonpayment. We are pleased that the Senate bill includes the major child support enforcement provisions the President introduced last year.

### Protection of Children

True reform should make it easier for poor children to grow into productive adults - not harder. Teenage parents should be eligible for cash assistance; help, however, should be conditioned on their staying at school, living at home, and identifying their child's father. Basic protection for children should not be an accident of geography. School lunches, Food Stamps, and assistance to abused, disabled and neglected children should not be slashed under the guise of "welfare reform."

The Administration is concerned that the proposed legislation puts many children at risk of serious hardship through its deep funding reductions for programs assisting low-income families, including a deeply troubling combination of an arbitrary benefit cutoff after five years of welfare receipt, incentives for states to cut benefits, deny eligibility and curtail services, and cuts in SSI benefits for children.



**Page 5 - The Honorable Bob Packwood**

- o Protections for states in the event of population growth, disaster, or economic downturn;
- o Requirements and incentives for states to maintain their stake in welfare reform; and
- o The toughest possible child support enforcement.

There are alternative approaches to reform that achieve our mutual goals in more constructive and accountable ways. The Administration reiterates its commitment to serious welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to transmittal of this report to Congress.

A similar letter was sent to Senator Daniel Patrick Moynihan.

Sincerely,



Donna E. Shalala

THE WHITE HOUSE

WASHINGTON

June 13, 1995

Congressional Welfare Reform Meeting

DATE: Wednesday, June 14, 1995

LOCATION: Oval Office

TIME: 12:15-1:00 pm

From: Bruce Reed

I. PURPOSE

To endorse the Daschle-Breaux-Mikulski welfare reform alternative, and to discuss strategy for the upcoming debate.

II. BACKGROUND

The Senate floor debate on welfare reform will begin next week. Last week, Senators Daschle, Breaux, and Mikulski announced the Senate Democratic leadership alternative bill, called "Work First." Their plan would repeal AFDC and require everyone who needs assistance to do something in return. It includes tough work requirements (two-years-and-work) and ultimate time limits (five-years-and-out). It provides states real resources for work and child care, gives state bureaucracies bonuses for meeting their work requirements, and still provides significant deficit reduction along the lines of your new budget plan.

The Republicans postponed floor debate until next week because of dissension within their caucus from right-wingers like Faircloth (who has threatened to filibuster unless the bill gets meaner) and moderates (who are leaning our way on maintenance of effort, child care, and other improvements). The Democrats are still divided (Moynihan, Conrad, and Harkin also have alternatives), but your endorsement should unite most of them behind Daschle.

As the floor manager, Moynihan is coming to the meeting even though he has not endorsed Daschle. If he presses you on a veto threat over the individual entitlement, you should tell him that our strategy is working: we have the Republicans on the defensive on work and on children, we have a real chance to improve this bill, and a veto threat will only 1) give the Republicans a road map to ensure your veto and 2) give Dole an excuse to pull the bill and head for reconciliation.

III. PARTICIPANTS

President  
Vice-President  
Secretary Shalala

Senator Daschle  
Senator Moynihan  
Senator Mikulski  
Senator Breaux

IV. PRESS PLAN

Pool press. You will open the meeting with brief remarks, then the press will leave. After the meeting, the Senators will go to a press stakeout.

V. REMARKS

Talking points to be provided

THE WHITE HOUSE

WASHINGTON

July 14, 1995

MEMORANDUM FOR LEON PANETTA

FROM: RAHM EMANUEL  
BRUCE REED

SUBJECT: WELFARE REFORM

At this point it is clear that the Republicans will not be able to take up welfare reform by summers end. When the Congress returns in September, they will be focused on the budget.

Therefore, it is imperative for us to use the end of this session to make a lasting impression on the welfare debate -- one which establishes the President as the true champion of welfare reform.

To accomplish this goal, we must organize HHS and the Department of Agriculture to wrap up all the remaining welfare waivers as soon as possible, there are approximately 20 or more, and sign all of them on one day.

At the announcement of the 20 additional waivers, the President would also lay out four principles on which any future waiver would be approved and the time frame for approval.

The headline we would strive for is, Clinton announces welfare reform has begun. This will give the President ownership of welfare reform.

To ensure this attention, the President should hold this event the day after the Congress departs for the August recess. The recess can be used to give us a jump on them for not accomplishing welfare reform, and the President through Executive action could take charge of devoting the recess period to welfare reform.

There are a number of steps that need to be put in place to make this work:

- First, on the legislative front, we need you to call Senator Breaux and really push him to reach out to moderate Republicans. The goal would be to keep the moderate Republicans from making any agreement with the conservative Republicans so that the Senate will not have an agreement on welfare reform by the time of the August recess. In addition, if and when the Senate begins discussions on welfare reform we want the moderates to be more closely aligned with the Democrats than with the Republicans.

- Second, we need a meeting with Secretary Glickman and Secretary Shalala to direct them to finish every waiver on time in order to represent the President's best interest; not their own bureaucratic timeline.
- Third, we need to organize Senate Democrats to attach their welfare bill to a major legislative vehicle before the August recess. This will show the Democrats trying to push welfare reform, and the Republicans as the ones who did not want it to happen. This would be a good prelude to the President's action after they leave for recess.

In addition to the President making an announcement at the end of the legislative session (the first day of the recess), on the following day he should travel to a welfare worksite on his way out to Hawaii. There are many options for areas to hold this type of event where the President reiterates his message on welfare reform revolution.

Finally, it is clear that given where we are going on affirmative action, accomplishing welfare reform will be an essential credential for the President. Not only going into the '96 election, but in keeping downscale white voters open to the President.

I cannot stress enough the importance of agreeing to a strategy and then taking the necessary steps. By first gaining your approval and then moving the waiver process and the Senate relations along, I think we have a solid chance of reclaiming the issue of welfare reform.

THE WHITE HOUSE  
WASHINGTON

August 11, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Welfare Reform -- Recess Strategy

Over the recess, we will be working with Democratic governors and key Senate allies to prepare for the Senate debate in September. Thompson and Romer are pushing hard for an NGA compromise, which could provide an opening for a truly bipartisan bill. But we have to monitor those talks closely to make sure they don't undermine our hand in the Senate, where we were poised to get much of what we wanted if the debate had taken place this week.

**I. Senate Update**

Until Senate Democrats agreed to Dole's request to put the bill off until September 6, we were in relatively good shape in the Senate. A pivotal bloc of moderate Republicans is holding out for significant improvements in the Dole bill, including a maintenance of effort requirement, more money for child care, and a performance bonus for states that move people to work. Dole put off the bill not because he couldn't find the votes (as the press reported), but because he knew he would have to come our way to get them. The Democrats went along because none of them wanted to be seen filibustering the bill and some on the left were afraid the Senate was about to pass a bill you could sign.

Dole's strategy over the recess will be to keep making modest concessions to the right and to the left until he can build a majority. With help from reasonable-sounding Republican governors like Thompson and Weld, he is putting intense pressure on the moderates to settle cheap -- maintenance of effort at 75% of current levels rather than 100%, an exemption for mothers with children under one rather than additional money for child care, etc. So far, they have stood up to the pressure and refused to sign onto his bill. But time is against us, and the more time Dole has to beat up the moderates, the worse off we will be.

The Daschle-Breaux-Mikulski bill has 30 cosponsors, and all the Democrats should vote for it except Baucus, who has signed onto Dole's bill. But moderate Republicans have decided to improve the Dole bill rather than cross over and support the Democratic substitute. If moderate Republicans succeed in getting sufficient improvements, between 10 and 20 Democrats (moderates as well as some liberals who are up for re-election in '96) will probably join them in supporting the Dole bill.

## II. Governors

Thompson has been pressing for a bipartisan NGA agreement on welfare reform since he took over as chair last month. In Vermont, he appointed a welfare reform committee that includes Democrats Carper, Romer, Chiles, Bayh, Bob Miller, and Dean, and Republicans Thompson, Engler, Weld, Allen, Branstad, and Sundquist. This week, Thompson told Dole that if the debate were delayed until next month, he could deliver the Democratic governors' support for something close to the Dole bill.

By most accounts, Thompson is eager to strike a deal in order to strengthen the NGA and boost his own profile on welfare reform. In initial discussions with Democratic governors this week, for example, he hinted that he would be willing to accept some provision on maintenance of effort. But Thompson will be under pressure from Dole (and his vice-presidential rival, Engler) to produce a deal that meets the Republicans' budget targets.

We have scheduled a conference call with Democratic governors next week to help them prepare for discussions over the recess. Their concerns are generally consistent with our SAP (attached): They intend to hold out for a substantial increase in funds for child care, a maintenance of effort requirement, and a real contingency fund that responds to population growth and economic downturn. Republican governors have resisted these provisions in the past. Our best hope is for Democratic governors to persuade their Republican colleagues to overlook Dole's budget problems and insist that Congress provide some real money. That would strengthen the welfare reform bill and strengthen the NGA's hand on the eve of the Medicaid battle.

Our signal to the Democratic governors will be to proceed with negotiations to see if they can get a deal that's a true blend of the Dole and Daschle bills and not just modest changes to Dole. But we will also warn them not to undercut us on issues we have a good chance to win in the Senate, like maintenance of effort, and to make sure they check with us before they sign onto any deal. We have to be particularly concerned in areas where their interests may be different from ours. For example, unless we convince them otherwise, Democratic governors are likely to endorse two elements of the Dole bill we would rather do without -- a state option to block grant food stamps and Kassebaum's training bill with no provision for skill grants.

Let us know if you feel we should send the governors a different signal. We will keep you posted on any progress they make.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

August 5, 1995  
(Senate)

## STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

S. 1120 - Work Opportunity Act of 1995  
(Dole (R) KS and 31 cosponsors)

The Administration opposes S. 1120 in its current form because it falls short of the central goal of real welfare reform -- moving people from welfare to work. The Administration strongly supports enactment of real and effective welfare reform that promotes the basic values of work and responsibility. The Administration, therefore, strongly supports S. 1117, the Daschle-Breaux-Mikulski substitute, which meets these objectives.

Over the past two and a half years, the President has been fighting for the basic principles of work and responsibility. Last year, the President proposed a sweeping welfare reform package that would: establish tough work requirements while providing child care for working people; impose tough child support enforcement measures; require teen mothers to live at home, stay in school, and identify their child's father; increase State flexibility and accountability; and provide basic protections for children. His economic plan expanded the earned income tax credit, which rewarded work over welfare and cut taxes for 15 million working families.

Last February, the President issued an Executive Order to crack down on Federal employees who owe child support. The Administration also has approved welfare reform experiments in 32 States and has pledged fast-track approval for other State demonstrations that pursue specified reform strategies. Such strategies include: (1) strengthening work requirements backed with child care; (2) limiting recipients' duration on welfare and cutting off people who refuse to work; (3) making parents pay child support or go to work; (4) requiring mothers who are minors to live at home and stay in school; and (5) using welfare and Food Stamp benefits as subsidies for employers who hire welfare recipients. The President has also directed that Federal regulations be changed to ensure that welfare recipients who refuse to work do not receive increased Food Stamp benefits to offset the decreases made in their welfare checks.

The welfare reform debate has come a long way in certain key areas since this Congress first took up the issue. Not so long ago, some in Congress were promoting orphanages as the solution to out-of-wedlock teen births. Now, S. 1120 includes provisions from the President's proposal requiring mothers who are minors to live at home and stay in school. Earlier this year, some in Congress wanted to exclude child support enforcement from the welfare reform debate. Now, there is bipartisan agreement on the toughest child support enforcement proposal ever, and both the House-passed H.R. 4 and S. 1120 include the President's major child support enforcement provisions. In addition, S. 1120 adopts the Administration's position that child protection programs for abused children must be protected and includes an important provision from the President's welfare reform plan requiring welfare recipients to sign personal responsibility contracts as a condition of assistance.

The key to successful welfare reform is moving people from welfare to work. S. 1120, however, does not put work first. It does not provide the level of child care resources necessary to support the imposition of tough work requirements. Indeed, it repeals critical child care programs now serving 640,000 children. It does not provide incentives for States to promote work. Instead, by allowing States to no longer contribute any of their own resources, the bill gives States an incentive to throw people off the welfare rolls rather than put them to work. It further undermines the goal of requiring work by shifting an enormous cost burden to States and localities and putting them at even greater risk during an economic downturn. No safeguards are provided for children whose families lose assistance through no fault of their own. More families may have to make do with less food on the table, if States opt for a Food Stamp block grant and then spend Food Stamp block grant funds on other programs. Finally, House and Senate Republican plans cut low-income programs too deeply, compromising their ability to protect children and promote work. The Administration supports real reform that saves taxpayer dollars by promoting independence -- moving people off welfare rolls and into work -- not by simply sending the welfare problem to the States with more mandates and less money.

The Administration's most significant concerns are discussed below. As the Administration continues its review of S. 1120, it may identify other troublesome issues and will work with Congress to address those concerns as well.

#### Moving People from Welfare to Work

Welfare reform will succeed only if its central goal is work. Work has always been at the heart of the President's approach to welfare reform. Work has provided the foundation for the welfare reform waivers the Administration has granted, including

innovative welfare-to-work programs in Oregon, Iowa, and dozens of other States. If a welfare system is to provide work-based incentives for States and welfare recipients, adequate resources for child care, training, and work must be available. State bureaucracies have to be rewarded for getting people into the workforce or preparing them to enter the workforce -- not for cutting them from the rolls.

Unlike the Daschle-Breaux-Mikulski substitute (S. 1117), which the Administration strongly supports, the Republican leadership bill would not end welfare as we know it by moving people from welfare to work. To promote work, the bill should be changed to:

- Require States to maintain their stake in moving people from welfare to work. S. 1120 would neither require nor encourage States to contribute resources to welfare reform. Many States could be expected to withdraw their own funds, cut benefits, purge large numbers of current recipients from the rolls, and avoid the burden of helping people become self-sufficient. In sum, there is a real danger that States would "race to the bottom" to save State dollars or to deter migrants from other States.
- Provide child care to move people from welfare to work and to keep people from going on welfare in the first place. It makes no sense to deny child care to people trying to leave welfare and to working people who are trying to stay off welfare. By aggregating funding for cash benefits, child care, and employment assistance into one block grant and cutting it across-the-board, S. 1120 provides no guarantee that States will put any money into child care and work programs that move people off welfare. The Administration recommends that the bill be modified to: (1) fund employment and child care for welfare recipients separately from cash benefits; and (2) ensure that people who can work, do so, and have the child care when they do.
- Provide incentives that reward States for putting more people to work, not for cutting them off. S. 1120 gives States an incentive to save money by throwing people off the rolls. To change the culture of welfare, the bill should be modified to reward success instead of the status quo. The Administration supports a performance bonus that would focus the welfare bureaucracy and recipients on the central goal of moving from welfare to work.
- Protect States and families in the event of economic downturn, so that welfare reform does not shift a huge burden onto State and local taxpayers, and States can afford to put people to work instead of putting poor families at risk. In contrast to current funding mechanisms, funding for temporary assistance to needy families under S. 1120

would not adjust adequately to cushion the impact of unemployment and economic stagnation. States in recession would encounter reduced revenues and increased caseloads. S. 1120 would provide a "rainy day" loan fund that would allow States to borrow additional money during economic downturns. In addition, extra funding would be available to States projected to have high population growth that meet certain criteria. There is no guarantee, however, that the finite amount that such States receive will be adequate. And if there is population growth in a majority of States, each will get a diminished share of the fixed dollars. The Administration recommends that the bill be changed to adjust for shifts in economic condition and population.

### Training People for the Future

The training provisions in S. 1120 include the consolidation of approximately 90 training programs. Given the need to build a comprehensive workforce development system to serve all Americans and the concerns expressed below, the Administration believes it is inappropriate to consider these provisions in the context of welfare reform legislation. Of paramount concern is the bill's insufficient funding for the consolidated programs. While the President's FY 1996 budget proposes to increase funding for training by \$1 billion over FY 1995, S. 1120 would cut funding by 15 percent. Not only is the plan's funding insufficient for the Nation's workforce needs as a whole, the consolidation of these programs means that billions of dollars less will be available to help people stay off welfare and to help others transition from welfare to work.

In addition, S. 1120 would not ensure proper accountability for \$8.2 billion in Federal training and vocational education funds. If the bill were adopted, the Federal Government could not assure taxpayers that States were spending Federal funds to achieve the national goals of improving workers' skills, facilitating individuals' transition from school to work, and helping severely disadvantaged people enter the education and work mainstream.

Unlike the President's job training proposal, S. 1120 would not require the use of skill grants for adult training. Thus, there would be no guarantee that training resources would be put directly into the hands of dislocated workers and low-income adults, so that they could make informed training choices. Other concerns about S. 1120 include its: (1) failure to target resources on those most in need; (2) devolution of the successful Job Corps program to the States; (3) elimination of the Summer Jobs, Trade Adjustment Assistance (TAA and NAFTA-TAA) training, Employment Service, and Senior Community Service Employment programs; (4) failure to assure permanent local workforce development boards with authority for local decision-making; (5) failure to provide a national reserve to aid victims of mass

layoffs and national disasters and for other purposes; and (6) creation of a complex new bureaucracy under the direction of a part-time board with uncertain accountability as the Federal governance structure.

In addition, the Administration supports the deletion of the provision in S. 1120 that modifies Davis-Bacon labor standards protections. Overall, Davis-Bacon reform is the appropriate avenue for addressing what changes should be made to Davis-Bacon requirements.

### Protecting Children

Reduced spending for low-income programs is possible while still protecting the most vulnerable. The Administration has proposed \$38 billion in carefully tailored cuts for certain welfare programs over seven years; however, the magnitude of the cuts assumed in the congressional budget resolution -- approximately \$110 billion over seven years -- compromises the ability of these programs to protect children and promote work. This is exacerbated by the absence of maintenance-of-effort requirements on the States. It is not realistic to expect the States to compensate for the reduced Federal spending from their own revenues. Many will ultimately pass on the drastic cuts to children and families, who will endure future cuts or even losses in benefit eligibility. The proposal also eliminates benefits for approximately four million children even if their parents have done everything possible to find work.

The Administration supports the retention of Supplemental Security Income (SSI) cash benefits for eligible children provided by S. 1120. The plan, however, would apparently deny SSI benefits to more than 370,000 disabled children over the next five years. In addition, the bill would establish a mandatory five-year cut off of Temporary Assistance for Needy Families without regard to their circumstances. The bill would not provide any protection for children when their parents are unable to work due to illness, disability, the need to care for a disabled child, or high local unemployment. The Administration believes that such provisions are unduly harsh.

### Preserving the Health and Nutrition of Adults and Children

The Administration is pleased that S. 1120 includes a number of provisions proposed by the Department of Agriculture to combat Food Stamp fraud. The Administration, however, opposes the Republican leadership plan to include an optional Food Stamp block grant. Providing the option of a Food Stamp block grant in its current form jeopardizes getting food to people who need it. It would sever the link between Food Stamps and nutrition; eliminate the program's economic responsiveness; end national eligibility and benefit standards; and ultimately divert support

away from food. The bill requires only 75 percent of the block grant funds to go to food assistance, a provision that could divert \$23 billion worth of food from children and families over the next five years. Furthermore, any State that exercises the block grant option will see its food assistance decline dramatically in the event of recession or population growth. The block grant option would threaten the national nutritional framework that has successfully narrowed the gap between the diets of low-income and other families.

The Administration is concerned about the severity of the cuts to the Food Stamp program in S. 1120. The Administration supports requiring Food Stamp recipients without children to go to work or train for work in return for their assistance. S. 1120 does not provide States with the resources to accomplish this goal. Rather than promoting work, the plan simply cuts a hole in the nutrition safety net.

#### Provisions Affecting Non-Citizens

S. 1120 should support fair treatment for legal immigrants. The Administration supports tightening sponsorship and eligibility rules for non-citizens and requiring sponsors of legal immigrants to bear greater responsibility for those whom they encourage to enter the United States. The Administration, however, strongly opposes the Republican leadership bill's unilateral application of new eligibility and deeming provisions to current recipients, including the disabled who are exempted under current law. ("Deeming" is the requirement that sponsors' income be counted when determining immigrants' eligibility for benefits.) The Administration also is deeply concerned about the bill's application of deeming provisions to Medicaid and other programs where deeming would adversely affect public health and welfare.

#### Daschle-Breaux-Mikulski Reform Proposal -- Real Welfare Reform

The Senate has the chance to enact real bi-partisan welfare reform. The Administration strongly supports S. 1117, the welfare reform proposal offered by Senators Daschle, Breaux, and Mikulski. Instead of maintaining the current welfare system -- which undermines our basic values of work, responsibility, and family -- this plan sends people to work so they can earn a paycheck, not a welfare check. Unlike S. 1120 and the House-passed H.R. 4, this proposal provides the child care for those transitioning from welfare to work and for those trying to avoid welfare in the first place. It holds State bureaucracies accountable for real results, and rewards them for putting people to work, not just removing people from the welfare rolls. It saves money by moving people to work, not by expecting the States to handle more problems with less money. It allows these programs to respond automatically to recessions, population growth, inflation, and other demographic changes. The

**Welfare Reform Conference Call with Democratic Governors**

Date: August 23, 1995  
Time: 6:00-6:30 p.m.  
From: Bruce Reed

**I. PURPOSE**

To give Democratic governors negotiating instructions for a possible NGA compromise on welfare reform.

**II. BACKGROUND**

Gov. Thompson promised Dole he could get a bipartisan NGA deal on welfare reform by September. This conference call is with the lead Democratic governors on welfare, who want to know our bottom line before they start negotiating. Thompson is expected to approach them with a proposal next week.

As you told Dean and others last week, we believe a deal could be helpful in the upcoming Senate debate -- so long as it's a good deal, and the governors ask for real money. A list of the major issues and talking points for the call are attached. The most important advice you can give them is 1) ask for real money, and insist on specific dollar amounts for child care and the contingency fund; 2) don't give an inch on maintenance of effort; and 3) make sure it looks like a governors' deal -- a middle ground between the Daschle and Dole bills -- not an NGA endorsement of Dole. If it looks like a bad deal, they should walk away.

The governors are sure to press you for our bottom line -- what's unacceptable, what we would veto, etc. We've made recommendations in the talking points as to what we think would be a good deal for them and for us, but you should avoid getting pinned down on an absolute bottom line. The best way to do that is to get them to run the terms of any possible deal by us before they sign on.

Rahm and I will both be on the West Coast, but we will call you 15 minutes beforehand to do the briefing, and stay on for the call. Secretary Shalala will come to your office.

**III. PARTICIPANTS**

- |   |                   |
|---|-------------------|
| Governor Bob Miller (NGA vice chair)          | Governor Carnahan |
| Governor Carper (lead Democratic negotiator)  | Governor Chiles   |
| Governor Romer (most enthusiastic negotiator) | Governor Dean     |

**IV. TALKING POINTS**

Attached.

[THE GOVERNORS HAVE THIS ONE-PAGER. YOUR TALKING POINTS TRACK WITH IT.]

## WELFARE REFORM ISSUES

- I. Overall Approach
- II. Child Care \$
- III. Maintenance of Effort
- IV. Contingency Fund \$
- V. Performance Bonus
- VI. Punitive Mandates
- VII. Food Stamps
- VIII. Job Training
- IX. Other Elements
  - Child Support Enforcement
  - Minor Mothers
  - Personal Responsibility Contract
  - Vouchers

**Talking Points  
Welfare Reform Conference Call**

**I. Overall Approach**

\* Thank you for taking time out to work on this. States obviously have a lot at stake in what happens in Congress this fall on a number of issues -- and it's important to stand up for your interests on welfare reform, which will be the first one out of the box.

\* I don't have to tell you that you should approach these negotiations with extreme caution. Our view here is that a truly bipartisan deal that strikes a middle ground between the Daschle and Dole bills could help us get a better bill -- but a deal that just looks like an endorsement of the Dole bill with minor changes will hurt more than it helps.

\* You should do everything you can to make this a "governors' plan", not just the Dole bill with amendments. The best thing for you, for Thompson, and for NGA would be for the press to see the governors stepping forward with their own, centrist plan that's good for states and could actually work.

\* You should constantly remind Thompson that governors are not bound by the Congressional Republicans' budget resolution. On child care, contingency fund, and other issues, you should press for specific dollar amounts that represent real money. There ought to be bipartisan support among governors to reduce the size of the cost shift to the states.

\* We'd like to run through the issues quickly. I'm going to give you our best take on what the Administration would like to see out of a governors' deal. I'm not saying that we will flat out reject a deal that doesn't give us absolutely everything we want. But today we'll try to give you a general sense of where we are -- and I recommend that to make sure we all stay on the same page, you check back with us when you have a better sense of the terms you think you might be able to get.

**II. Child Care**

\* We estimate that it will cost states \$13 billion more over 7 years than Dole has in his bill to be able to provide child care to meet the work requirements. That should be your starting point. If you can get a deal with half that much (\$6 billion), that would be good.

[NOTE: The governors may ask about whether we'll insist on maintaining IV-A child care as an individual entitlement. That's not going to happen. Dodd and Kennedy, the Democratic leaders on child care, have already proposed to put child care into a capped entitlement block grant. Our major concern is making sure that there's enough money in that block grant.]

### **III. Maintenance of Effort**

\* The President feels very strongly that it is in the states' best interest to have a real maintenance of effort requirement. The Thompson-Dole idea of 75% for the first two years is not a serious proposal. You should insist on the Breaux proposal of 100% over seven years -- and make clear that this is not negotiable. We think we have the votes to prevail on this issue in the Senate, and any deal that undercuts us on this point is not worth having. (There was a good article on this in Monday's Wall Street Journal.)

### **IV. Contingency Fund**

\* We estimate that states could need around \$4 billion over 7 years for a full-fledged contingency fund. Again, you should aim for as much of that as you can (i.e., \$2 billion).

### **V. Performance Bonus**

\* There is bipartisan support for the idea of giving states performance bonuses for meeting their work requirements. The Daschle bill includes \$1.5 billion over 5 years. You should try to get a specific dollar figure as well.

### **VI. Punitive Mandates**

\* This is an area where you can shore up Daschle and Dole at the same time. Keep in mind that a governors' deal could turn out to be even more important in conference, when we try to ward off nasty provisions in the House bill. You should insist on a strongly worded statement that states oppose Washington telling them to cut off young unwed mothers and oppose the idea of an illegitimacy bonus that could reward states for encouraging abortion. You should also be able to get a strong statement against the immigrant provisions.

### **VII. Food Stamps**

\* As you know, the Administration has threatened to veto a bill that block grants food stamps. We have not issued such a threat over a state option to block grant food stamps, but we have serious concerns about it. The Republicans call it a state option, but it isn't really, because the option is irrevocable -- any state that exercises it can never go back, even if the state goes into a deep recession and its population of poor, unemployed, and hungry people goes through the roof.

\* We know it is difficult for governors to oppose anything called a state option, but we would like you to take this one off the table.

## VIII. Job Training

\* This is another area where we may differ a bit. Senate Republicans want to include the Kassebaum job training bill as part of welfare reform. We have several problems with that: 1) Kassebaum cuts funding for job training by 15%; 2) We think it's a mistake to take money away from training for dislocated workers and allow it to be used to train welfare recipients; and 3) The Kassebaum bill does nothing to provide skill vouchers for dislocated workers, which is the President's number-one priority in job training.

\* You may like other parts of the Kassebaum bill, but the President needs you to keep from endorsing it as part of this deal.

## IX. Other Elements

\* Finally, we've listed a few other elements that can help this look more like a governors' deal that borrows from both Dole and Daschle:

\* Toughest possible child support enforcement: No argument there.

\* Requiring minor mothers to live at home and stay in school: A positive endorsement of this will help ward off the punitive cut-off of young mothers.

\* Personal responsibility contract for each recipient: This was in the President's plan and the Daschle bill; it's now in the Dole bill as well.

\* Job placement vouchers: The Dole and Daschle bills both call for the use of vouchers to private companies to place welfare recipients in private sector jobs.

\* Vouchers for children whose parents have reached the time limit: Many Democrats in the Senate who are very nervous about a governors' deal that gives up on the individual entitlement will feel much better about it if you can agree to some kind of third-party voucher that will help provide food and clothing for the children of recipients who have hit the time limit and been cut off. It should be hard for Republicans to argue against this kind of safety net for innocent children.

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Background on Wisconsin Waiver and Radio Address

The radio address you will tape this afternoon is about welfare reform. It recaps your record on waivers, executive actions, and child support enforcement; praises proposals we have just received from Wisconsin and Maryland; and challenges Congress to pass the bipartisan welfare reform legislation put forward by Chafee-Breaux and Castle-Tanner.

The news will be your support for the Wisconsin plan, which is the most revolutionary any state has put forward. The Wisconsin plan has received broad editorial praise in The New York Times, Business Week, and elsewhere. It is particularly important for you to signal your support early -- not only because you're going to Wisconsin on Thursday, but because Dole is going to Wisconsin Tuesday to make a major speech on welfare reform.

**I. Summary of the Wisconsin Plan**

The Wisconsin plan came about as a direct result of your call for an end to welfare as we know it. Some Democrats in the legislature suggested abolishing AFDC, and Thompson took them up on their offer. The final proposal passed with significant (although not unanimous) bipartisan support, and was signed into law last month. Mayor Norquist has been supportive, although he wanted it to go further by covering anyone who was out of work.

Like the original PPI plan, the Wisconsin plan requires people who apply for assistance to go to work immediately, either in the private sector or a job provided by the state. The state says it will guarantee health care and child care, and may end up spending more money than it does now as a result. Like the Breaux-Chafee and Castle-Tanner bills, the plan imposes a 5-year lifetime limit, with a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Last week, HHS received the first half of the waiver; the rest is expected next month. A 30-day period for public comment is required before we can grant the waiver,

and there are legal and technical issues that HHS and the state must still work out. We will probably be in a position to grant the first waiver in July. The second waiver will depend on how difficult the state tries to make things for HHS, and how difficult HHS makes things for us.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. The basic protections of the Family Support Act cannot be waived, so they already have some protection; but the additional protections we seek will be a flashpoint in negotiations with the state. Third, there are potential legal and policy issues related to the required co-payments for child care.

There is a sentence in the address -- "I pledge that my administration will work with Wisconsin to make an effective transition to this new vision of welfare based on work, that protects children and does right by working people and their families" -- to sum up these concerns without attracting too much attention.

HHS will need to work out these issues with the state, and Thompson may try to throw up as many roadblocks as possible. But by signalling our strong support early for the thrust of the Wisconsin plan, we will make it harder for him to portray the administration as an obstacle to reform.

## II. Waiver Update

The radio address also praises Maryland's new plan, which was submitted three weeks ago. The Maryland plan is less sweeping (no time limits, for example), but it does some good things. It provides child care to working parents to divert them from welfare in the first place; toughens child support enforcement; and cracks down on welfare fraud.

On Thursday, Minnesota became the 38th state to receive a waiver from us, but it was too trivial to highlight (expanding a demonstration to another county). We should be able to get to 40 states out of 50 by July.

## THE WHITE HOUSE

WASHINGTON

May 22, 1996

## MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update

Here is a brief summary of the latest welfare reform proposals (House Republican bill, Dole speech, Wisconsin plan) and the major issues they raise.

**I. House Republican bill**

House Republicans announced a new Medicaid/welfare reform package today. We're still waiting to see the details on Medicaid, which presumably will be unacceptable. The welfare reform provisions are based largely on the bipartisan NGA proposal, which you praised in February, except that in order to reach their savings target of \$53 billion, Republicans tacked on the deep immigrant cuts from the welfare bill you vetoed.

The new House bill moves in our direction on most of the issues you spelled out in your veto message. It includes the NGA request for \$4 billion in additional child care, which the states must match. It doubles the contingency fund to \$2 billion. It includes a \$1 billion work performance bonus. It raises the hardship exception for those who reach the 5-year limit to 20%. It drops the deep cuts in SSI for disabled children and the cuts in school lunch and maintains the open-ended entitlements for child welfare programs. It adopts the NGA recommendation that states have to provide health coverage for welfare recipients, although it does not guarantee health coverage beyond the 5-year limit.

The major areas where they did not move in our direction are immigrant benefits and Food Stamps. The new House bill still bans SSI and Food Stamps for non-citizens; in the past, we have never gone beyond deeming. (Breau-Chafee and Castle-Tanner include these bans as well, with some exceptions for the disabled.) It appears to retain the optional Food Stamp block grant, the Food Stamp cap, and the work requirements for men 18-50. Other areas that aren't what they could be include maintenance-of-effort (like NGA, they're still at 75%; we wanted 80%); vouchers for children who hit the time limit (allowed but not required; Breau-Chafee and Castle-Tanner don't guarantee these either); Medicaid coverage beyond the time limit; and a few arcane issues like transferability of funds from the block grant to other welfare programs and broader provisions on equal protection for recipients.

Their overall savings level is \$53 billion, compared to \$38 billion for our plan; \$42 billion for Castle-Tanner; and \$45-53 billion for Chafee-Breaux. In order to maintain the \$53 billion level while spending more on child care and work, the House Republicans doubled their Title XX cut from 10% to 20% (which is not the end of the world for us) and included a few other assorted provisions.

## II. Dole Speech

There was virtually nothing new in Dole's speech. We could live with everything he proposed on welfare reform. Most of his proposals (work requirements, 5-year limit; state flexibility on family cap and drug testing, child support enforcement) are in all the bills we've supported in this Congress. His call to ban all but emergency medical benefits for illegal immigrants is already law -- although his speech could be interpreted to mean benefits beyond welfare, such as public education. A state option to cut off unwed teen mothers is not in our bill, but it's in Chafee-Breaux, Castle-Tanner, and the Senate-passed bill, and we could live with it (since no state in its right mind would ever do it).

In his speech, Dole didn't talk about any of the real differences you cited in vetoing the conference report: child care and health care so people could leave welfare for work, and deep cuts in help for disabled children, school lunch, and child welfare. Those are all areas where the Senate bill was acceptable, but the Dole-Gingrich conference report was not.

## III. Wisconsin Works

In many respects, the Wisconsin plan is closer to your approach than to the vetoed bill. It requires health care, child care, and a community service or subsidized job to go to, and its primary motivation is to move people from welfare to work, not to achieve an arbitrary savings target. Like every bill, it includes a 5-year lifetime limit, and like the Breaux-Chafee and Castle-Tanner bills, it provides a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. Third, there are potential legal and policy issues related to the required co-payments for child care. Mayor Norquist may raise other issues with you. He wants more conservative provisions on work-for-wages and reducing the welfare bureaucracy. You shouldn't make any promises; it is not clear whether the state will go along.

May 28, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Democratic Governors and Welfare Reform

You should urge Democratic governors to help us pressure the Republican Congressional leadership to drop the Medicaid poison pill and stop holding welfare reform hostage. Our message should be simply, "The Medicaid poison pill is the single greatest obstacle to welfare reform this year. If Republicans will drop that plan, the other details will take care of themselves."

Democratic governors should be sympathetic to this message. In contrast to Medicaid, the welfare reform provisions of the new House Republican bill are fairly similar to the bipartisan NGA agreement that Gov. Carper negotiated in February. We can thank the governors for the improvements the House has been forced to make in our direction -- more money for child care, a performance bonus, a \$2 billion contingency fund, etc. The Democratic governors' main concerns are over relatively obscure issues where the House cut deeper in order to pay for the additional child care spending: the 20% cut in Title XX (which doesn't bother us that much, as budget cuts go), and eliminating the shelter deduction for Food Stamps.

We want the Democratic governors to cry foul on Medicaid and suggest that we're within striking distance of bipartisan agreement on welfare reform. There are a number of congressional Republicans who want the Medicaid portion of the bill to fall apart, so that they can actually get welfare reform done instead of handing you another veto. We can win this battle if we make enough noise -- and if we don't get lost in the details of which additional improvements will be necessary once the Medicaid poison pill is gone. Once we get into a debate on a stand-alone welfare reform bill where the underlying objective is to pass a bill into law instead of simply forcing a veto, we'll have a chance to sort out those details. But we have to get rid of the big poison pill first.

THE WHITE HOUSE  
WASHINGTON

June 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Background on Tuesday's Welfare Reform Executive Actions

In Tuesday's speech to the American Nurses Association, you will announce executive actions to reform welfare and strengthen child support enforcement. These steps will add to pressure on the Congressional leadership to stop holding welfare reform hostage. On Saturday, Arney hinted that Republicans might abandon their Medicaid poison pill strategy and send you a stand-alone welfare bill.

You are taking executive action to carry out two important child support enforcement measures that have always been part of your welfare reform legislation: First, a new program to check new-hire information from 25 states to catch deadbeats who move from job to job or state to state; and second, a new regulation requiring mothers to name the father before they can receive welfare. The Administration will also grant a waiver to New Hampshire, which means that 40 out of 50 states have received a welfare reform waiver on your watch.

**Tracking Deadbeats Across State Lines and from Job to Job:** As you know, 30 percent of child support cases cross state lines -- and the easiest way to get out of paying child support is to move from state to state and job to job. Twenty-five states already require employers to report new hires, and use the information to catch parents who owe child support. In Washington state, this program leads to \$20 in child support collections for every dollar spent. Under our new program, those 25 states can send us new hire information, and we will match it against a list of delinquent parents from all 50 states. If Congress passes welfare reform, new hire reporting will become the law nationwide -- a provision which has always been in our welfare bill.

**Stricter Paternity Cooperation Requirement:** You are directing HHS to issue new regulations requiring welfare recipients to identify and help locate the father before they can receive welfare. The new regulation requires mothers to name the father and provide one piece of identifying information, and requires states to refer applicants to the child support agency within two days to begin paternity establishment efforts. It includes a good cause exemption in cases of rape or threat to the mother's safety. Under current law, the standard of cooperation is very low, and rarely enforced. This new requirement has always been in our welfare bill, and builds on the 1993 in-hospital paternity establishment program -- which nurses have run with great success.

July 23, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
SUBJECT: Welfare Reform Conference

The welfare reform bill passed the Senate this evening by a vote of 74-24. The conference will begin immediately, and could be finished by the weekend.

I. Overview

We need to move quickly to mobilize bipartisan support for holding onto the improvements the House and Senate have made, and to seek further improvements if possible. We are working with Republican moderates in both houses to spell out their concerns in letters to the conferees, and with Blue Dog Democrats who withheld their support from the House bill in order to extract concessions from the Republican leadership in conference. We also are pressing NGA to weigh in on a number of state flexibility issues where our interests coincide.

We have already won the battle on virtually every issue that is central to moving people from welfare to work, from providing health care and child care to requiring 80% maintenance-of-effort and giving states a performance bonus for placing people in jobs. The House and Senate bills are quite similar in all these areas, and both are dramatically better than the vetoed bill.

Many provisions of the vetoed bill that were tough on children have been dropped as well -- cuts in school lunch, child welfare, and SSI for disabled children. The main battles in conference will be over protecting children from some of the cuts that remain -- by allowing vouchers, containing the food stamp cuts, and alleviating or delaying the impact of the immigrant provisions.

We should use the leverage we have -- the governors' desire for flexibility, the conservatives' desire for the family cap opt-out (which the Senate removed today by a vote of 57-42), and the strong desire of many Republicans for a bill that actually becomes law -- to keep up the bipartisan progress in these areas.

## II. Key Issues

**A. Vouchers:** Both bills prohibit the use of federal block grant funds to provide vouchers beyond the 5-year time limit. As a practical matter, states could still use their own money to provide vouchers, and would be more likely to use the 20% hardship exemption in both bills (rather than vouchers) to deal with families who reach the time limit. But the issue has taken on symbolic importance for both sides. Today, after Lott forced Chafee and Jeffords to change their votes and defeat an amendment to permit the use of block grant funds for vouchers, Daschle and a handful of other Democrats felt so double-crossed they voted against final passage. Castle fought for a similar amendment on the House side, but the leadership would only give him explicit language that states can use their own funds for vouchers.

The NGA supports removing or easing the restriction on vouchers. So will moderates in both parties. It would be easy to reach a middle ground on substance -- for example, allowing vouchers for more limited in-kind expenses (such as diapers and clothing), or in more limited circumstances (such as economic downturn). But the Republican leadership knows how much Democrats want this, and will keep trying to deny it in an effort to split our ranks.

**B. Food Stamps:** Two Food Stamp provisions of the House bill are worse than the Senate: the Kasich amendment to impose a three-month lifetime limit for unemployed men without children, and the block grant state option. The Kasich provision is particularly mean-spirited, and was designed to give the House leverage in conference. The Senate unanimously passed a Conrad amendment to soften this provision, and we should be able to ward off Kasich in conference.

The optional block grant will be more difficult, because it has support from governors in both parties. We should try to beat the state option outright, or at least do everything we can to keep states from ever taking it -- for example, a limited demonstration in 3-5 states (which is probably more than would ever choose the option), or requiring states to have both statewide EBT and a low error rate (the current House option requires one or the other but not both), a test almost no state today could meet.

**C. Immigrants:** The House bill cuts much more deeply than the Senate, and both are disappointing. Our best hope in conference is that Republican governors and Republican leadership may ultimately have second thoughts about going this far (unless they think they can draw a veto). If Republicans are willing to consider any changes, the choices include exempting children (a Kennedy amendment to exempt children from the bans received 51 votes in the Senate, but needed 60 to pass because of the Byrd rule), delaying the effective date for one or more of the bans, or applying the bans prospectively. Any of these changes will be difficult, because Republicans want to jam us and Democrats don't want to go out on a limb.

**D. Other Differences:** We will give you a detailed side-by-side of the two bills, as well as a chart showing the progress we have made since the initial House bill and the vetoed conference report. Here are the other main issues to be resolved in conference:

- **Family Cap:** The House bill, like the conference report, allows states to opt out of the family cap but requires them to make an affirmative decision to do so. The Senate dropped the family cap and plans to use it for leverage in conference. This is our best bargaining chip. Even though there is little practical difference between the opt-out provision in the House bill and the opt-in provision in our own bill, House conservatives need the opt-out, and in the past have been willing to give up a lot to get it.
- **Performance Bonus:** The House bill provides \$500 million in bonuses to states for placing people in jobs; the Senate bill provides \$1 billion. Either provision is much better than the vetoed bill, which had performance incentives but not a separate pool of cash bonuses.
- **Maintenance of Effort:** The Senate bill sets MOE at 80% of FY1994 spending, and tightens the definition of what counts. The House bill also sets MOE at 80%, with 75% for states that meet the work requirements. (Any state that can meet the work requirement will probably be spending more than 75% of its current effort anyway.) Either provision is better than the conference report, which was a flat 75%.
- **Transferability:** Both the House and Senate made it much tougher to transfer money from the block grant to other purposes. The Senate bill limits such transfers to child care; the House allows transfers for a few other services but also significantly limits the amount of money that can be transferred.
- **Work Hours:** The House reduced the work requirements to 30 hours a week; the Senate remains at 35 hours. The NGA will be pushing to lower the requirement to 25 hours, which would reduce overall work and child care costs. Both bills improve on the vetoed version by allowing mothers with children under 6 to work part-time, and guaranteeing that mothers with children under 11 cannot be required to work unless child care is available.
- **Child Welfare:** The Senate bill preserves current law; the House bill block grants a few programs that are already capped entitlements. Both bills are big improvements over the vetoed version, which block granted the funds states use to investigate and prevent child abuse.
- **Equal Protection:** The Senate bill includes equal treatment and due process language from Castle-Tanner to help make sure eligible recipients are treated fairly. The House language is harder to enforce.

- **Adoption Tax Credit:** The Senate voted overwhelmingly to attach the adoption tax credit you endorsed earlier this year. The House passed an adoption tax credit in May, but did not address it in the welfare bill. With no other tax bill in sight, this may be the only vehicle to enact the adoption tax credit this year.
- **Medicaid Guarantee:** Both bills guarantee Medicaid to welfare recipients and their children, based on current eligibility rules. This is a dramatic improvement over the vetoed bill, which explicitly broke that link. The House and Senate bills are virtually identical, but given its importance, we should keep an eye on this issue in conference.

### III. Wisconsin Waiver

If we're going to approve the Wisconsin waiver this weekend, we need to do so in a way that bolsters our legislative position in conference, and does not give the Republicans any openings. The only safe approach is to make sure the waiver is completely consistent with what we're seeking in conference.

You will receive a more detailed memo from OMB on issues that need to be resolved in order to grant the Wisconsin waiver. Only two outstanding issues in the waiver have any direct bearing on the conference: 1) equal protection/due process; and 2) time limits. In both areas, I recommend that we grant the waiver along the lines of what Wisconsin could do under the new Senate-passed bill.

On equal protection and due process, that would mean that we would waive the entitlement, but hold the state accountable for its pledge to provide jobs by insisting that it abide by the relevant provisions of the Senate bill, which require states to treat families in an equitable manner and to give recipients a fair hearing after their benefits have been cut.

On time limits, we could grant the state's request, but spell out explicitly in the waiver that the state had the option to use federal money to provide vouchers beyond the time limit, as well as the option to exempt up to 20% of hardship cases.

Neither of these decisions will please HHS or completely placate Thompson, but they might allow us to grant the waiver with minimal backlash in conference. Before we proceed, however, we need to check with Hilley to make sure we haven't overlooked any unanticipated consequences. For example, Republicans might decide to add a rider to the conference report that deemed the entire Wisconsin waiver approved -- including the Medicaid provisions we don't support. That may be procedurally difficult, but if it's a real possibility, it's not worth the risk.

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THE PRESIDENT HAS SEEN

Carol Rasco  
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THE WHITE HOUSE  
WASHINGTON

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August 21, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Carol Rasco and Jack Lew

SUBJECT: Status of Welfare Reform Implementation

This memo will update you on efforts to ensure that welfare reform is implemented smoothly and effectively.

We have formed an inter-agency working group to coordinate implementation, which met for the first time on August 9 and will meet on a weekly basis. We have established three subgroups. One will monitor key implementation milestones, identify and resolve issues, and ensure deadlines are met. A second group is developing proposals to expand job opportunities for those leaving welfare. A third group will coordinate Presidential welfare events. Separate work is going forward on developing proposals to correct the major flaws in welfare reform which you have identified.

One key element of implementation is work with the states through the National Governors' Association (NGA), the National Conference of State Legislators (NCSL), and the American Public Welfare Association (APWA) to ensure smooth federal-state communication. Intergovernmental Affairs is coordinating Cabinet agency contact with state and local officials on all implementation issues. NGA, NCSL, and APWA will meet on implementation issues on September 9 and 10, including governors' senior policy staff, state legislative leaders, and state social service commissioners. Intergovernmental Affairs is working with NGA to negotiate the agenda of that meeting, including making Federal officials available for briefings.

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This memo summarizes the work of the subgroup dealing with implementation. There are a tremendous number of difficult implementation challenges raised by the bill. All affected agencies are at work developing their own timelines and work plans. We will be compiling these agency plans so that there is one overall framework for monitoring implementation. The following is a list of some of the main deadlines and challenges that we have so far identified.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT

As you know, the bill creates the new block grant to replace AFDC and requires that states transform their AFDC systems to TANF by July 1997. There are several major issues that we will be tracking as HHS manages this transition:

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THE PRESIDENT HAS SEEN

Carol Rasco  
Jack Lew  
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THE WHITE HOUSE  
WASHINGTON

96 AUG 21 P2:45

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PLEASE  
CALL  
THE  
OFFICE  
OF  
INTERGOVERNMENTAL  
AFFAIRS  
AT  
202-512-2100

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o Early Implementation – States have the option of implementing the block grant immediately, and it is financially advantageous for them to do so. Some states may be ready to go immediately on enactment. We will be working to clarify with HHS the process and timetable for approving these plans. You should know that many states, including California, will need to seek approval from their state legislatures before submitting plans. No states are expected to call special sessions this fall on these issues.

o Regulations – HHS is preparing a preliminary list of areas in which it sees a need to regulate under the statute. We will be working with HHS to ensure that the new program is appropriately, but not overly, regulated. *Q: can we require to offer, or allow local govt to offer, submit?*

o Guidance to States – HHS is also considering issuing guidance to states on how to construct their new block grant plans. We will be working closely with HHS on this guidance to ensure that it is useful and helpful to the states. *max prep gov!*

o Approved Waivers – The bill lets states continue to operate existing waivers. However, the bill's language is unclear about the scope of these provisions, especially the treatment of work requirements and time limits. It appears that the bill's drafters did not intend to exempt states from the work participation rates, but only to provide them with some flexibility in defining work activities. *Can't state waive work participation to construct monthly class*  
In addition, waivers that apply to only a few counties in a state can not be extended to the entire state.

As for time limits, Michigan has waivers that do not include a time limit on benefits and has indicated it will continue on this course in the plan it submits, rather than adopt time limits as required by the bill. New Hampshire may follow suit. Whether the intent of the waiver provisions can be clarified by administrative action has yet to be determined. Deciding upon the best course for clarifying the intent of the waiver provisions – seeking legislation or through regulation (which would be our first preference) – will be one of the implementation group's first major issues. *to seek legislation through which to make a more uniform waiver*

o Pending and Future Waivers – HHS has approved eight waivers in the past two days, three of which arrived after you announced you would sign the bill (D.C., Idaho, and Kansas). Wisconsin is not yet approved. HHS is prepared to act on future waiver requests until July 1, 1997 should states ask for them.

o Other issues – There are a whole series of operational issues the group will be addressing including the establishment and management of the Performance Bonus Fund and the Contingency Fund. *agreed to discuss Decision on*

## CHILD SUPPORT ENFORCEMENT

The bill requires an increased Federal role and significant state activity in this area. States must have enabling legislation in place by the end of their 1997 sessions. Federal data processing systems have to be able to interact with state systems by October 1997. We must develop a registry of new hires and a case registry, and enhance the Federal Parent Locator Service. HHS has scheduled training conferences and set up joint working groups with the states. One change of interest is that states will no longer be required to pass the first \$50 of monthly support collections to the family receiving assistance as of October 1, 1996.

### IMMIGRANTS

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Obviously, the cross-cutting impact of the immigrant provisions of the bill will be a central concern on implementation. Among the key impacts:

- o Food Stamps -- Upon enactment, legal aliens applying for food stamps will no longer be eligible. Immigrants currently receiving benefits will lose them at the time of their regularly scheduled recertification. These recertifications would begin immediately upon enactment, with all such immigrants to be removed from the program within one year of enactment. About 900,000 participants (including 300,000 children) will be ineligible in the first year; approximately 250,000 participants will lose benefits in the first three months after enactment.

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- o Supplemental Security Income (SSI) -- Upon enactment, most immigrants who apply for SSI will not be eligible. Current immigrant recipients will get benefits until the Social Security Administration (SSA) determines they are no longer eligible. By March 1997, SSA must send notices to the 1.1 million current recipients who may be legal immigrants and request evidence of their citizenship status. If the immigrant provides evidence that he or she is not eligible or fails to respond, SSA will notify the individual that benefits will be stopped. The amount of time the recipient has to respond to the first notice appears to be at SSA's discretion, although all redeterminations must be completed within one year of enactment. SSA is exploring timing options, with the intent of providing recipients as much time as possible within the law to naturalize. An estimated 300,000 to 400,000 recipients are expected to come off the rolls.

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We will be focusing on two overarching issues in implementing these and the other immigration provisions:

- o Verification -- Developing a workable and fair system of verifying citizenship status that meets the needs of the various systems affected is a daunting challenge. The legislation outlines ambitious timelines, and an administration workgroup is already at work putting proposals and options together.

- o Naturalization -- In anticipation of the restrictions on benefits, many immigrants have already applied for citizenship and many more will apply as the restrictions take effect. INS has been working on initiatives to speed up the naturalization process. The Citizenship U.S.A. initiative is designed to respond to the large increase in applications and expects to naturalize 1.2 million immigrants this fiscal year. INS is also working with SSA and OMB on a new regulation that will waive English and civics test requirements for immigrants with certain serious disabilities and perhaps establish a special waiver for many disabled immigrants receiving SSI.

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### FOOD STAMPS -- NON-IMMIGRANT PROVISIONS

Eligibility for 18-50 Year-old Childless Adults -- Most able-bodied adults without children will now be limited to 3 months of food stamps in a 36-month period if they are not working or participating in a work or workfare program. For current recipients, this limit is effective 3 months after enactment. One million current recipients will become ineligible within six months. Households remain ineligible for the balance of the 36-month period unless they obtain work or get a slot in a job training or workfare program.

Making the extensive changes to their computer systems to determine the eligibility of individuals who are dropped from the rolls and to track new recipients against the time limits will be a major implementation challenge to states.

Benefit Levels -- Changes to the standard income deduction and the excess shelter deduction will reduce benefits for nearly all of the 25 million monthly participants. Food stamp allotments will still increase under these changes, but much less than under prior law. The impact increases over time -- by 2002, average benefits will be nearly 20% lower.

These provisions involve relatively simple computer changes. The Department of Agriculture (USDA) expects most states will be able to implement them on October 1 and January 1, respectively, without delay.

### OTHER KEY PROVISIONS

SSI for Children -- The bill tightens SSI eligibility for children with disabilities. Upon enactment, new applicants who do not meet the new standard will be ineligible. Current recipients will get benefits until SSA makes a redetermination that they are no longer eligible. Children whose cases must be reviewed will receive notices by January 1997. Those found no longer eligible will be sent a notice that benefits will be stopped. In certain cases, benefits may continue until the first level of appeal is completed. The bill calls for all redeterminations to be completed within one year of enactment. An estimated 285,000 initial notices will be sent and an estimated 190,000 children are expected to come off the rolls. SSA is working on the plan for the timing of the release of the first notices and the subsequent processes.

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Medicaid -- The Medicaid program faces two major challenges in implementation: (1) delinking eligibility for Medicaid from the welfare system, and (2) assessing the impact on pending and existing waivers. The Health Care Financing Administration is working closely with other parts of HHS and with SSA to meet these challenges.

Child Care -- The bill block grants several child care programs, effective at the beginning of the fiscal year. While these changes are mostly positive, the timeframe for implementation is challenging.

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Monitoring and Evaluation -- One key overarching issue will be to ensure that agencies are establishing effective research, evaluation, and monitoring capabilities to identify the impact of these dramatic changes on the individuals and institutions involved.

### JOB OPPORTUNITIES

agly

The interagency working group on the welfare jobs issue is nearing completion of a package of options. At this point it appears that the components will likely be: about \$1 billion in enhancements to the Work Opportunities Tax Credit passed in the minimum wage bill; a \$100 million expansion of the Community Development and Financial Institutions program to enhance economic development in distressed areas; a \$3 billion spending program to place one million hard-to-employ welfare recipients in unsubsidized jobs, with the key feature of withholding full payment to States until successful job placement and retention.

\*

### NEED FOR LEGISLATION

↳ issues given direct to users

Work has begun on developing proposals to correct the major flaws in the welfare reform bill. Among those you have noted are: (1) the too-deep cuts in the Food Stamp Program, including the cap on the amount that can be deducted for shelter costs when determining an individual's eligibility; (2) the denial of Federal assistance to legal immigrants and their children, and the state option to do the same; and (3) the failure to provide Food Stamp support to unemployed childless adults who are willing to work, but not offered a work slot.

Additional issues requiring corrective action include: (1) the failure to provide sufficient contingency funding for States that experience a serious economic downturn; and (2) the lack of a provision for in-kind vouchers for children whose parents reach the five-year Federal time limit without finding work.

### CONCLUSION

→ what about Joe Califano's concern in Sat 9/25 thru York Times

We will keep you up to date on developments as we go forward.

cc: Leon Panetta