

## FAMILY STABILITY AND WORK ACT OF 1995 - (MINK SUBSTITUTE)

### RETAINS ENTITLEMENT STATUS AND BENEFITS ARE NOT TIME LIMITED

- Entitlement for needy families would be preserved. States would continue to pay for benefits with a federal match (uncapped entitlement).
- Current law provisions regarding client protections, due process, and rules regarding eligibility would be retained. There would be no time limits on receipt of benefits. Only recipients who fail to "play by the rule" would be cut-off.
- No arbitrary reduction of benefits for legal immigrants, for teen mothers, for children born to families receiving aid, or for children whose paternity has not been established.
- Special eligibility rules for two-parent families would be eliminated.

### EXPANDS JOBS, CREATES THE JOB CREATION AND WORK EXPERIENCE PROGRAM

- Greater flexibility for states in operating the JOBS program and designing new work program.
- States would be required to achieve the following participation rates: 15% in FY 1997 rising by 5% each year until 50% in FY 2003 (and thereafter).
- All recipients would be required to participate in work activities in accordance with their self-sufficiency plans following the completion of educational and training activities. States would have flexibility in designing this work program.
- Funding for the enhanced JOBS program would be \$1.5 billion in FY 1997 rising to \$5.0 billion in FY 2001. Bonuses of 10% would be given if the number of AFDC recipients *who leave the AFDC system for employment* in a year exceeds 1/4 of JOBS participants in FY 1998, 1/3 of JOBS participants in FY 1999, and 1/2 of JOBS participants in FY 2000.

### EXPANDS CHILD CARE

- Child care guarantee for AFDC JOBS participants would be maintained.
- Transitional Child Care extended one additional year or until the family's income exceeded 200% of poverty.
- The federal match increased by 10%, and the capped entitlement (At-Risk) would be \$0.8 billion in FY 1997 rising to \$2.8 billion in FY 2001. The CCDBG would be re-authorized at \$1.0 billion in FY 1996 rising to \$3.5 billion in FY 2001.

### MAKING WORK PAY

- Earned income disregards increased to \$200 per month for the first year, then \$170 thereafter.
- For up to two years after leaving AFDC, earned income would be disregarded for Food Stamps or Federal Housing assistance until the family reached 200% of poverty.
- Transitional Medicaid would be extended an additional year or until the family reaches 200% of poverty, and the children would retain eligibility until they reached age 18.

### FINANCING

- The costs of the provisions would be offset by a 1.25% raise (to 36.25%) in the top corporate income tax rate. This would raise an estimated \$20.25 billion over five years.

**INDIVIDUAL RESPONSIBILITY ACT OF 1995**  
(THE DEAL-CLEMENT-TANNER-STENHOLM-LINCOLN-THURMAN-PAYNE SUBSTITUTE)

**ENTITLEMENT TO A SHARED FEDERAL-STATE PROGRAM**

- Unlike the Contract with America, the Deal bill demonstrates a commitment to the well-being of our nation's children by retaining the entitlement status of AFDC. Rather than slashing funding to states, the bill maintains the Federal commitment to welfare as a shared Federal and state responsibility.

**WORK**

- The Work First program is created. States have five years to develop their own model; in the interim, a Federal model will be used that requires a mutual responsibility agreement, participation of 30 hours per week, and benefit receipt based on the number of hours in attendance at assigned activities. Families can be denied benefits permanently for failure to accept a job offer.
- Families assigned to Work First and then to Workfare will have a four-year time limit (less if state does not have a workfare program, or more if the recipient combines work and welfare).
- States must meet participation requirements. By 2003, the participation rate increases to 52 percent. Failure to meet the participation requirements can result in a reduction of Federal AFDC payments by 5 percent.
- The bill reinforces the central value of work by making work more attractive than welfare: States may allow working recipients to keep more of their earnings; families who lose eligibility because of their increased earnings will retain Medicaid coverage for a longer period; and, child care funds will be available to those who leave welfare for work. The message sent is that a family does not have to face increased hardship by leaving welfare and going to work.

**RESPONSIBILITY**

- The bill puts real teeth into child support enforcement. Families seeking assistance must cooperate with the child support agency as a condition of eligibility. States are provided with the necessary tools to increase enforcement and collection of child support--deadbeat parents face the seizure of assets to satisfy overdue child support; universal wage withholding; and, revocation of drivers and professional licenses;

**TEEN PREGNANCY**

- Teen parents are required to live at home or under responsible adult supervision. Responsible behavior is encouraged by increasing or decreasing benefits received by teen parents by 25 percent depending on school attendance.

**CHILD CARE**

- Major child care programs are repealed; two child care entitlement programs are created under the Social Services Block Grant (SSBG): one for AFDC recipients who are working or participating in approved activities, and for persons who have left AFDC due to work within the previous 12 months; another is a capped entitlement from which states are to fund child care for other low income families.

## **CHILD PROTECTION**

- The entitlement to Foster Care, Adoption Assistance, and Independent Living is maintained. Several child protection programs are consolidated into a new block grant; the block grant will be funded at the current services level of the consolidated programs.

## **SSI REFORMS**

- Individualized functional assessment (IFA) is repealed for SSI kids; SSA must develop a new functional equivalency standard that is separate from the listings and reevaluate all IFA-determined kids within ten months of enactment. Continuing disability reviews are required at least every three years for every child receiving SSI (with exceptions).
- SSI disability benefits are denied for those whose disability is related to addiction to alcohol or other drugs, saving an estimated \$1.7 billion over 5 years.

## **NON-CITIZENS**

- Sponsor deeming under SSI, Food Stamps, and AFDC is extended until the immigrant attains citizenship (with some exceptions). However, no immigrant would lose Medicaid coverage as a result of sponsor deeming rules. The affidavit of support is made legally binding.
- The immigrant provisions are expected to save \$3 billion over five years (compared to savings of \$21 billion over five years from the Contract's proposal).

## **STATE FLEXIBILITY**

- States are given the flexibility to design programs and establish policies in a broad range of areas, including: work programs, the establishment of time limits, eligibility for minor parents, the treatment of earnings, policies targeted to two-parent families, and administrative systems which should ease the application and eligibility determination processes.

AN ANALYSIS OF THE TALENT AMENDMENT ON WORK  
PARTICIPATION RATES IN H.R. 1214

Title I, as amended by Mr. Talent, requires states to provide work activities to 10 percent of *all families* in 1996, rising to 27 percent in 2000 and to 50 percent by 2003. The Talent amendment does not change the separate work participation rate for two-parent families (that increases from 50 percent in 1996 to 90 percent in 1998 and thereafter) or the penalty for failing to meet the annual participation standards (the Secretary can reduce the block grant by up to 5 percent).

The Talent amendment increases the rate at which the participation requirement for all families is phased-in. In the original version of H.R. 1214, the participation rate increased from 4 percent in FY 1996 to 50 percent in FY 2003. Now the rate starts at 10 percent, rises much more rapidly prior until FY 2000, but remains the same after that year. The participation requirement still reaches 50 percent in FY 2003. It is also important to note that the participation rates for all families in the Talent amendment are almost identical to those in the Deal bill.

These changes make the work requirement more stringent in the years prior to FY 2001. Under current law, 17 percent of welfare recipients are working or participating in JOBS activities. Under the Talent amendment, PRA surpasses this level in FY 1998 when the participation rate reaches 20 percent. In the original version of H.R. 1214, PRA did not surpass this level until FY 2001.

The participation rates for two-parent families remain at very high levels under the Talent amendment. The Congressional Budget Office stated in their review of two-parent requirements in H.R. 1214 that the "literature on welfare-to-work programs, as well as the experience with the JOBS program to date, indicates that states are unlikely to obtain such high rates of participation." They estimate that given the two-parent participation requirements contained in H.R. 1214, each of the 54 jurisdiction would fail the mandatory work requirement in 1998, 1999, and 2000. This remains unchanged under the Talent amendment.

The Talent amendment also includes language that is much more specific about the requirement that one-parent in all families who have received benefits for two years must participate in work activities. The language now specifies that this requirement would apply to one-parent families with children over 5 (with a state option to exempt 20 percent of these families from the requirement) and to all two-parent families (with an exemption of 10 percent). However, it does not appear that these provisions actually impose a significant requirement on states. The penalties associated with participation in work activities do not apply to these requirements -- rather, they only apply to the participation rates discussed above. Since there is no "teeth" to these provisions, states would not view them as requirements and would not be likely to comply.

The bill still contains the provision that states could use caseload reductions that result from state policy to offset their required work participation rates. Given that participation levels are increased and no extra funding is provided, states still would face strong incentives to initiate state time limit requirements to terminate benefits. Terminating benefits is less expensive than operating a work program on the scale required.

In sum, the effect of these provisions is to make the work requirements for all families more stringent -- but only in the years prior to FY 2001. However, the low participation rates from FY 1996 through FY 2000 were the one of the primary provisions on which the Administration based its "weak on work" argument. Moreover, given the high participation rates for two-parent families, states are likely to choose to take the penalty rather than meet the participation rate.

# *State Flexibility with Funding in Welfare Reform*

| <i>Provision</i>                            | <i>Deal Substitute</i>                                 | <i>HR 4</i>   |
|---|--|---|
| Deny AFDC benefits to Minor Mothers         | State Option   | Mandate   |
| Family Cap                                  | State Option   | Mandate   |
| Eliminate Child Support Pass Through        | State Option   | Mandate   |
| Disregard 100-Hour Rule                     | State Option with federal matching dollars             | State option, would have to be implemented within context of \$8 billion cut        |
| Increase Earnings Disregards                | State Option with federal matching dollars             | State option but would have to be implemented within the context of \$8 billion cut |
| Child Care (funding compared to baseline)   | \$4.1 billion  | - \$1.4 billion   |
| Work Program (funding compared to baseline) | \$5.2 billion of additional budget authority to states | Would have to be implemented w/in context of \$8 billion cut                        |

## *Comparison of Dollars Spent or Saved: Deal Substitute versus HR 4*

|                                      | Fiscal Year 2000 (in billions) |                        |
|--------------------------------------|--------------------------------|------------------------|
|                                      | <i>HR 4</i>                    | <i>Deal Substitute</i> |
| Putting People to Work               | - 0.5                          | 3.9                    |
| Cash Assistance                      | - 2.6                          | 0.1                    |
| Child Welfare/Foster Care            | - 0.8                          | 0.0                    |
| Child Nutrition Block Grants         | - 1.9                          | 0.0                    |
| Restricting Welfare for Immigrants   | - 5.5                          | - 1.0                  |
| Food Stamp Program Changes           | - 4.8                          | - 0.9                  |
| Supplemental Security Income Reforms | - 3.7                          | - 2.2                  |
| Child Support Enforcement Reforms    | - 0.2                          | 0.4                    |
| Revenue Provisions                   | 0.0                            | - 1.5                  |
| <b>Grand Total</b>                   | <b>- 20.0</b>                  | <b>- 1.2</b>           |

## *Comparison of Dollars Spent on Putting People to Work: Deal Substitute versus HR 4*

|                       | Fiscal Year 2000 (in billions) |                        |
|-----------------------|--------------------------------|------------------------|
|                       | <i>HR 4</i>                    | <i>Deal Substitute</i> |
| Work Program          | 0.0                            | 1.5                    |
| Child Care            | - 0.5                          | 1.3                    |
| Transitional Medicaid | 0.0                            | 0.8                    |
| Earnings Incentives   | 0.0                            | 0.3                    |
| <b>Total</b>          | <b>- 0.5</b>                   | <b>3.9</b>             |

After 2 years:

After 2 years, cash welfare would end. Work First recipients would be expected to move into jobs. Recipients who fail to take any job offered or who fail to make a good faith effort to find work will be terminated from aid. For recipients who have been unable to find a job after the two years states would have four options to ensure they go to work:

- (1) place people in subsidized private or non-profit jobs.
- (2) run CWEP/workfare programs where persons work off their benefits.
- (3) place people in community service jobs.  
or
- (4) terminate aid, and provide recipients with a welfare-to-work voucher which could be used to encourage prospective private employers to hire the recipient. [The value of the voucher would be equivalent to the expected cost of placing the recipient in one of the other work programs.]

After 4 years,

Option A:

After 4 years, benefits for the recipient would end. States would have the option of extending subsidized work beyond this time for up to 15% of the caseload.

Option B:

After 4 years, benefits for adults and children would end. States would have the option of extending subsidized work beyond this time for up to 15% of the caseload. States would have the option of continuing benefits to the children beyond this time if it determined there were no jobs available for the adult.

**THE DEMOCRATIC ALTERNATIVE**  
Offered by Rep. Sam Gibbons and Rep. Harold Ford

**I. Work, First and Foremost**

Work is the cornerstone of a constructive welfare reform strategy. In the DEMOCRATIC plan, the number one priority is work. Anyone who can work should move to work as quickly as possible. From the very first day on welfare, recipients would be required to aggressively prepare for work and look for a job. After two years, recipients would be required to work or lose cash assistance.

**The DEMOCRATIC Work First Program**

- o **Participation rates.**-- States decide who participates and who is exempt, so long as:
  - In FY 1997, 15 percent of AFDC families participate
  - In FY 1998, 25 percent of AFDC families participate
  - In FY 1999, 30 percent of AFDC families participate
  - In FY 2000, 35 percent of AFDC families participate
  - In FY 2001, 40 percent of AFDC families participate
  - In FY 2002, 45 percent of AFDC families participate
  - In FY 2003, and each succeeding year, 50 percent of AFDC families participate.
- o **Self-sufficiency plan.**-- Within 30 days (90 days at State option) of being determined eligible for AFDC, a self-sufficiency plan (contract of mutual responsibility) must be developed for each adult recipient. The plan will explain how the State will help and what the recipient will do to find employment. The plan will, on average, require 30 hours of activity per week. It will identify the education, training and support services that will be provided to reach the goal, and it will set a timetable for achieving the goals. The "clock" on any State-imposed limit on the length of benefits cannot begin until the plan has been signed by both parties.
- o **Components of the State's work program.**-- Each State designs its own program. Program components must at least include: (1) job placement, job creation, and upfront job search by those recipients the State decides can benefit from early job search; (2) a temporary subsidized employment program or a plan for hiring - and holding accountable - independent placement companies and a community service/work experience program; and (3) education, training and support services, with child care guaranteed for those the State determines need it in order to participate.
- o **Definition of participation.**-- During the first two-years, the adult in the family must be working or participating in the activities identified in the self-sufficiency plan. After two years, the adult must be working at least 30 hours (includes on-the-job training, community service, or subsidized work).

- o **Sanctions.**— States determine any sanctions and their duration. However, no benefits may be paid for anyone who refuses to work, refuses to look for work, or turns down a job.
- o **Time limits.**— After 2 years, any adult in the family must work and traditional cash welfare will end. If a person is unable to find an unsubsidized job, the State would use the money which would have been spent on a welfare check to create temporary subsidized employment, preferably in the private sector.

After 4 years, support would end, unless it was determined that there were no private jobs available that the person could perform. To receive additional support, the adult in the family must continue to work for the benefits received.

To ensure that the State did everything possible to try to move the adult to work quickly, if the person receives support beyond four years, the Federal match would then decline by 25 percent — and by the same increment in subsequent years until it reached zero — for families receiving support after 4 years.

- o **Work First Funding.**— Work First would replace the JOBS program. Under Work First, the Federal share would be 70 percent or the Medicaid match plus 10 percent, whichever is higher. However, beginning in FY 1999, the Secretary of Health and Human Services is authorized to modify the Federal share to reflect State performance.

Funding would be provided as a capped entitlement to the States at the following levels (including the \$1 billion annually that is currently authorized):

In FY 1997, \$1.5 billion;  
 In FY 1998, \$1.9 billion;  
 In FY 1999, \$2.8 billion;  
 In FY 2000, \$3.7 billion;  
 In FY 2001, \$5.0 billion; and  
 In FY 2002 and beyond, the funding level would be adjusted to accommodate increases in inflation and caseload.

- o **Coordination with earned income tax credit.**— State AFDC agencies would be required to provide notice — in writing — of the availability of the EITC upon application for and termination of cash assistance. Employers would be required to inform new employees earning less than \$30,000 annually, of the option of receiving EITC payments in advance through their payroll.
- o **Child care.**— Combine the AFDC transitional child care program, the at-risk child care program, and that portion (75 percent) of the child care development block grant that is currently used for direct child care assistance. Merge these programs into a capped entitlement under Title XXB of the Social Security Act. Funds would total \$1.3 billion in FY 1997,

with adjustments for inflation in each subsequent year. States must assure that no AFDC family will be required to work, or have cash assistance terminated, if child care is needed and not provided.

The remaining 25 percent of the child care development block grant would continue as discretionary spending and be used to expand parental choice, improve the availability and quality of care, and promote health and safety.

- o **Transition health benefits.**— Retain the current law Medicaid transition (one year of Medicaid), with one additional year using vouchers to deliver health care cost effectively.
- o **Penalties for displacement.**— No one required by the State to work under the Work First program may: (1) displace any currently employed worker or position; (2) replace an employee who has been terminated to fill the vacancy with a welfare recipient; or (3) replace an individual who is on layoff from the same or any equivalent position.

### Give States More Discretion

- o **Basic State decisions.**— States would decide who participates and who is exempt, so long as the participation requirements are met each year. They would also establish penalties for failure to participate.
- o **Let States reward work.**— States could modify the treatment of earned income to encourage work.
- o **Permit States to use Work First funding for job creation.**— States could implement a grant diversion program, work supplementation, or another approach designed by the State. Any State that uses funds for job creation must place at least half of participants in private sector jobs. States could enter into performance-based contracts with private employment firms. States also could use the funds to support micro-enterprise and self-employment efforts.

### The Federal Role

- o **Accountability.**— Require the Secretary to establish performance-based measures and apply them to States in allocating funds in future years. Success would be measured by: (1) whether States prepare recipients to work and help them find work, and how long the recipient stays at work; (2) whether the self-sufficiency plan the State develops for serving each family was actually carried out and resulted in a job; (3) whether the State met the participation standards; and (4) whether families achieve self-sufficiency.
- o **Plan approval.**— The Secretary of HHS, in consultation with the Secretary of Labor, will review each plan and certify that it meets the requirements of the law.

- o **Penalties for poor performance.**— The Federal share of AFDC administrative and benefit funds will be reduced, under a formula established by the Secretary, for States that fail to meet the accountability standards. Reductions would occur first in funds for State administration.

## II. PROTECT CHILDREN

### Teen Pregnancy and Out-of-Wedlock Births

Teen pregnancy – and growth in the number of out-of-wedlock births – is a problem that must be addressed. But government alone cannot solve this problem. We must help teenagers to have a vision for their own future and to delay parenthood until they are emotionally and financially capable of nurturing their child. That task requires a concerted effort by our communities, our religious leaders, parents, the media, and politicians.

In the Family Support Act of 1988, we recognized that it is wrong to encourage a teen parent to move out on their own, supported by the welfare system. So the Act gave States flexibility – permitting them to require young mothers to live at home as a condition of receiving AFDC. Under these circumstances States are also permitted to pay the welfare check to the parent of the minor mother.

There are additional steps that should be taken today to discourage teen parenthood. Toward that end, the DEMOCRATS propose the following alternative:

- o **Establish incentives for responsible behavior.**— Require minor parents to live at home (or, if that is not possible, under the supervision of another adult or in a group home) in order to be eligible for AFDC. Give the benefit check only to the responsible adult. Require school-age parents to stay in school. And require full cooperation – up-front, before any benefits are paid – with paternity establishment efforts.
- o **Aggressively enforce child support obligations as a means to hold both parents responsible for supporting the child.**— That means working to establish awards in every case, ensuring fair award levels, and collecting awards that are owed.
- o **Reduce teen pregnancy and out-of-wedlock births.**— Lead a national campaign against teen pregnancy; establish a national clearinghouse on teen pregnancy prevention; and conduct demonstration projects of prevention approaches.

Steps like these will go a long way toward addressing the problem we face with teen parenthood, without unfairly and unnecessarily penalizing the children born into these families.

## Paternalty and Child Support Enforcement

A typical child born in the United States today will spend some time in a single-parent home. Despite concerted efforts by all levels of government, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid.

The problem is threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases.

Both the Clinton Administration and the Women's Caucus have proposed comprehensive child support enforcement measures. There are many similarities between these efforts. Child support is an integral part of real welfare reform.

DEMOCRATS proposed that child support be a part of welfare reform from day one. From our perspective, a comprehensive child support enforcement package would:

- o **Replace the paternity establishment provision in the Contract with a tough, but more humane, requirement.**— Require more rigorous, up-front, cooperation with paternity, as the Clinton Administration has proposed, but don't punish the family for the failure of the State or the court to act promptly. Instead, require the State to establish paternity within one year or face a penalty.
- o **Work to establish awards in every case.**— This can be accomplished by streamlining the paternity establishment process, making cooperation from mothers a real condition for receiving AFDC benefits, expanding outreach and education programs aimed at voluntary paternity establishment, holding States to performance-based incentives for improving paternity establishment rates; and giving States administrative authority to establish awards.
- o **Ensure fair award levels.**— Require universal, periodic, administrative updating of awards for all cases; pass on more of child support collected to families leaving welfare; and establish a national commission to study State guidelines and the desirability of uniform national guidelines.
- o **Collect awards that are owed.**— Bring State administrative systems into the 21st Century by requiring a central registry and centralized collection and disbursement capability; establish a national clearinghouse to aid with enforcement, particularly of interstate cases; revoke professional, occupational, and drivers' licenses to make delinquent parents pay child support; use universal wage withholding, better asset and income information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing of

bankruptcy-related obstacles, and wage garnishment procedures for all employees. Also establish a performance-based financing and incentive system.

A complete child support package, like this one, will send a clear message - to both parents - that they are expected to support their families. That is, the DEMOCRATS believe, precisely the kind of message we want to send with welfare reform.

### **Child Welfare and Foster Care**

Our child welfare and foster care programs are part of this nation's most basic safety net for children. These programs assure that any child who is abused or neglected will have a safe place to go. In recent years, there have been criticisms of these programs, particularly of the limited capacity States have had to assist families whose children require out-of-home care or who are at risk of such a placement. Critics have also charged that children who are unlikely to ever be able to return home have been left too long in the limbo of foster care, making adoption for these children a hoped for, but unlikely outcome.

The Republican proposal would reduce funds for child protective services by an estimated \$2.5 billion over the next five years. We cannot place the fate of our most vulnerable children to simple economics. In 1992, 440,000 children were in foster care in the United States. They deserve to know that they will be safe.

To address these concerns, the Congress, in 1993, passed and the President signed into law, the Family Preservation Act. This new law encourages innovative State efforts to help families who are at risk of losing their children to foster care and revamps the burdensome administrative procedures that some believe have led to unnecessarily long stays in foster care. The Family Preservation Act is just now being implemented in the States. DEMOCRATS believe that the prudent course is to allow these reforms - which enjoyed bipartisan support - to take effect, monitor closely their success, and consider improvements in future years as needed. To scrap the entire child welfare and foster care system now and replace it with a loosely-defined block grant that does not assure adequate protection for children would be foolhardy.

### **Keeping the Government out of Family Life**

Far too often, Federal laws intervene in decisions that are best left to families. DEMOCRATS are committed to assuring that no new and unnecessary Federal requirements creep into the law, when such decisions are best left to families. Whether the ideology expressed by such legislation is conservative or liberal is irrelevant.

To that end, the DEMOCRATIC plan makes certain that families will remain together in tough economic times. It will encourage marriage by eliminating Federal rules that discriminate against the formation of families. And it will make certain that our Federal welfare rules do not encourage families to choose abortion as their only viable choice.

Specifically, the DEMOCRATIC plan would:

- o **Protect family rights.**— Prohibit States from placing a child in an out-of-home setting against the wishes of the child's custodial parent solely because of the economic circumstances, marital status, or age of the parent.
- o **End discrimination against two-parent families.** — Base AFDC eligibility on need, having an eligible child, and living with a relative, rather than on the employment status of one of the parents (i.e., eliminate the 100-hour rule). Once eligible for benefits, two-parent families would be subject to the same work requirements as single-parent families.
- o **Encourage marriage.**— Eliminate the stepparent deeming rules to remove the penalty against marriage by low-income parents.
- o **Discourage abortion.**— Establish rigorous, but humane paternity establishment rules that hold parents of children born out-of-wedlock responsible for their actions but don't deny them cash aid in hard times and encourage abortion. Similarly, family caps would be left to State discretion.

### SSI Disabled Children

The DEMOCRATIC plan would eliminate abuses while protecting disabled children. Specifically, the DEMOCRATS would significantly restrict childhood disability benefits subject to abuse by:

- o **eliminating "maladaptive behavior" as a means of receiving benefits;**

And by directing the Social Security Administration to:

- o **significantly tighten the severity threshold in the Individual Functional Assessment (IFA) criteria; and**
- o **increase the use of standardized tests.**

Eliminating "maladaptive behavior" from the so-called "domains" on which benefits may be based would eliminate the possibility of children receiving benefits because parents have coached them to misbehave. Raising the severity threshold in the Individual Functional Assessment would assure that only severely disabled children would receive benefits, and increasing the use of standardized tests, in combination with the other changes, would help to take teachers and principals out of the business of assessing children.

The DEMOCRATIC proposal is more effective than the Republican bill. Rather than denying benefits to severely disabled children, the DEMOCRATIC proposal eliminates the behavior categories which are subject to abuse **in both the listings and the IFA**. Thus, the DEMOCRATS tighten the criteria in the areas where the most growth has occurred — behavior disorders. According to the General Accounting Office more growth has occurred in these areas of the listings than in the IFA.

The DEMOCRATIC proposal assures that all children with significant disabilities can be evaluated for SSI eligibility based on a strict test of the overall disabling consequences of their impairments. It does not deny a child the chance to demonstrate that a combination of impairments has caused him to be as severely disabled as a child who meets or equals the listings.

### III. STATE FLEXIBILITY

#### **Remove Cumbersome Federal Income and Asset Rules**

Part of the welfare reform debate has centered on giving States more flexibility. DEMOCRATS agree. Our plan would remove much of the Federal micromanagement added to the law at the request of Republican Administrations over the past 15 years and replace it with State discretion to make basic program decisions. State plans would still be required and HHS would judge States on performance.

For example, States would be granted authority to determine allowable assets, including the value of any car a family may own and remain eligible for cash assistance. States would determine the treatment of any income of the family, such as earnings, child support, stepparent income, and energy assistance, so long as the State policies encourage work.

They would decide which administrative procedures to use in determining eligibility and benefit amount, including whether and under what terms to require retrospective budgeting/monthly reporting by recipients. Federal rules on the treatment of any lump sum income received by a family, establishing a gross income limit, proscribing a nominal threshold below which it is not cost-effective to make an AFDC payment, and requiring that the dollar value of benefits payments be rounded down to the next dollar would be eliminated. All of these requirements were added by Republican Administrations. DEMOCRATS believe these decisions are best left to the States.

In lieu of these prescriptive Federal mandates, States also would have discretion under the AFDC program to:

- o **Define the family unit and impose family caps.**— Arkansas, Georgia, Indiana, Nebraska, New Jersey, and Wisconsin now impose family caps under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Require school attendance, reduce benefits for failure to attend school, or provide incentives for school.**— Arkansas, California, Colorado, Connecticut, Florida, Illinois, Indiana, Maryland, New York, Nebraska, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Vermont, Virginia, Wisconsin, and Wyoming now impose some form of these limits under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.

- o **Determine asset amounts and automobile value.**— Alabama, California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Missouri, New York, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, Virginia, and Wyoming vary these policies under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Determine how to count child support income in determining AFDC eligibility.**— Connecticut, Georgia, Mississippi, Oregon, Vermont, and Virginia alter the child support income rules under a waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Reward work, by setting new rules for reducing the welfare check when families go to work.**— California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, New York, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, Virginia, and Wisconsin have received waivers to modify these rules to reward work. Under the DEMOCRATIC plan, a waiver would no longer be necessary so long as the State policy rewards work.
- o **Encourage family formation by ending discrimination against two-parent families and setting new rules for accounting for stepparent income.**— Mississippi and New York are doing this now by waiver, for two-parent families; Alabama, California, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, New Jersey, Pennsylvania, South Carolina, Utah, Vermont, Virginia, and Wisconsin are doing it now, for stepparents, but only by waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Require child immunizations.**— Colorado, Florida, Georgia, Indiana, Maryland, Michigan, Mississippi, and South Carolina have waivers to permit this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Extend the child care and health care transitions.**— Colorado, Connecticut, Florida, Iowa, Illinois, Minnesota, Nebraska, New York, Pennsylvania, South Carolina, Utah, Virginia, and Wisconsin have received waivers to allow this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.

#### **IV. Protecting Taxpayers Through Fairness and Common Sense**

##### **Legal Immigrants**

Instead of making legal immigrants ineligible for assistance regardless of their circumstances, the DEMOCRATS would deem the income of the sponsor to the legal immigrant for purposes of application for SSI and AFDC until the immigrant attained citizenship. This would assure that, where a legal immigrant's sponsor has died or lost his income, the immigrant will not be left without legitimate assistance. It would assure that a legal immigrant who was disabled through no fault of his own, and had no

sponsor to assist him, would not suffer. In addition, the proposal would establish a uniform eligibility definition for immigrants who are permanently residing in the U.S. under color of law (PRUCOL). The plan would also make sponsorship agreements legally binding.

### **Drug Addicts and Alcoholics**

The Alternative would deny SSI cash benefits to drug addicts and alcoholics for whom addiction is a contributing factor material to their disability. However, the DEMOCRATS also take a portion of the savings from the elimination of cash benefits to addicts and place that money into treatment for the SSI population.

### **Savings to be Devoted to Deficit Reduction**

Decreases in federal spending resulting from the provisions of section IV in excess of increases in federal spending from sections I - III would be deposited into a newly-established deficit reduction trust fund. Amounts in the trust fund shall be used exclusively to redeem maturing debt obligations of the U.S. Government.

**OPTIONS  
TO FINANCE WELFARE REFORM**  
(\$ billions)

Savings

|   |            |         |
|---|------------|---------|
| 1. Administration Medicare Savings extensions:  |            |         |
| a. Medicare Secondary payor   | 2.7        | (CBO)   |
| b. Skilled nursing facility cost freeze   | 1.2        | (CBO)   |
| c. Home health agency cost freeze [Not 25%<br>supplementary medical premiums, \$4.8]  | <u>1.8</u> | (CBO)   |
| Medicare subtotal   | 5.7        |         |
| 2. SSI-related savings  |            |         |
| a. Permanent SSI 5-year deeming period; AFDC,<br>food stamps, Medicaid also 5-year deeming;<br>uniform PRUCOL definition (like food<br>stamps) for SSI, AFDC, Medicaid. | 1.3        | (CBO)   |
| b. Same as (a.) except 10-year deeming  | 2.8        | (HHS)   |
| c. Same as (a.) except deeming until<br>citizenship   | 5.6        | (CBO)   |
| d. Alternative on SSI Disabled Children   | 6.5        | (guess) |
| e. Drug addicts, alcoholics/fund treatment  | 0-1.7      | (guess) |
| 3. Other savings  |            |         |
| a. Limitation on Emergency Assistance<br>expenditures   | 0.4        | (Deal)  |

Revenues

Administration Compliance Proposals:

|  |            |       |
|--|------------|-------|
| a. EITC denial if interest, dividends, rents<br>and royalties are above \$2,500<br>(Total raises \$2.5 billion;<br>\$1.4 passed House in H.R. 831) | 2.5        | (JCT) |
| b. Taxation of income from foreign trusts  | 1.1        | (JCT) |
| c. Treatment of renouncers of citizenship  | 1.7        | (JCT) |
| d. Social Security numbers for EITC  | <u>0.4</u> | (JCT) |
| Compliance Subtotal  | 5.7        |       |

### SSI-related savings

- a. Permanent SSI 5-year deeming period; AFDC, food stamps, Medicaid also 5-year deeming; uniform PRUCOL definition (like food stamps) for SSI, AFDC, Medicaid. 1.3 (CBO)
  
- b. Permanent SSI 10-year deeming period; AFDC, food stamps, Medicaid also 10-year deeming; uniform PRUCOL definition (like food stamps) for SSI, AFDC, Medicaid. 2.8 (HHS)
  
- c. Permanent SSI deeming period until citizenship; AFDC, food stamps, Medicaid also deeming until citizenship; uniform PRUCOL definition (like food stamps) for SSI, AFDC, Medicaid. 5.6 (CBO)
  
- d. Eliminate SSI, AFDC, and food stamp benefits for legal immigrants, but only with respect to those legal immigrants who have sponsors. As in the Deal bill, refugees in the country less than 6 years, asylees, immigrants who are 75 years or older and have been in the country or 5 years, and veterans would be exempted; sponsorship agreements would be made legally binding; and States would be provided with \$6 billion (over 4 years) in block grant funds to assist States in providing services to legal immigrants. 6.3 (guess)

### **Requiring Work vs. Just Cutting People Off**

1. **Work Requirements:** Anyone who is able to work must go to work immediately, not wait two years. Those who need skills or other supports to move into work should get them. No benefits for anyone who refuses to work, refuses to look for work, or turns down a job offer. No one who is willing to work can be cut off if no work is available.
2. **Individual Entitlement State Option:** A state may choose to maintain the current funding structure if it meets one requirement: all new recipients who are able to work must go to work immediately or lose assistance, but no one who is willing to work can be cut off if no work is available to them.

### **Demanding Responsibility vs. Punishing Poor Children**

3. **Minor vs. Unwed Mothers:** Substitute our minor mother requirements for their cutoff.
4. **No Cutoff if Leads to More Abortions:** The denial of benefits to unwed mothers under 18 will be voided if Congress, the Secretary or any governor determine that it has caused an increase in abortions.
5. **Orphanages:** No funds may be used for the placement of children in orphanages against their parents' will.
6. **Don't Break Up Families:** Removal of child only for abuse, not for economic circumstances, marital status, or age of parent.

### **Squeezing the Republican Ranks**

7. **State Flexibility / "No Strings" Amendment:** Turn major provisions in the Republican bill into state options instead -- let states decide for themselves on individual versus capped entitlement (see #2 above), cutoff of legal immigrants, cutoff of young unwed mothers, family cap, and 5-year cliff. (Could also make explicit a list of other state options: two-parent families, earnings disregards, etc.) Only major requirement for states is individual work requirement and state work participation standards.
8. **Illegal aliens vs. Legal Immigrants:** Deny illegal aliens eligibility for most benefits. But legal immigrants who have worked here long enough to be eligible for Social Security should not be denied aid.
9. **Cost shift from immigrant provision:** The denial of Medicaid benefits to legal immigrants will not take effect until the Congressional Budget Office determines that it will not represent a cost shift to the states. OR: If the CBO determines that denial of benefits to legal immigrants represents cost shift, federal government must reimburse states in full.
10. **No money for tax cuts for the rich:** Savings from the denial of legal immigrants must go to deficit reduction or tax relief for families earning up to \$100k, not a capital gains tax cut.

**After 2 years:**

After 2 years, cash welfare would end. Work First recipients would be expected to move into jobs. Recipients who fail to take any job offered or who fail to make a good faith effort to find work will be terminated from aid. For recipients who have been unable to find a job after the two years states would have four options to ensure they go to work:

- (1) place people in subsidized private or non-profit jobs.
- (2) run CWEP/workfare programs where persons work off their benefits.
- (3) place people in community service jobs.  
or
- (4) terminate aid, and provide recipients with a welfare-to-work voucher which could be used to encourage prospective private employers to hire the recipient.

**After 4 years,**

**Option A:**

After 4 years, benefits for the recipient would end. States would have the option of extending subsidized work beyond this time for up to 15% of the caseload.

or

**Option B:**

After 4 years, benefits for adults and children would end. States would have the option of extending subsidized work beyond this time for up to 15% of the caseload. States would have the option of continuing benefits to the children beyond this time if it determined there were no jobs available for the adult.

**Note for Discussion Purposes only:** [The value of the voucher under Option 4 above would be equivalent to the expected cost of placing the recipient in one of the other 3 options]

After 2 years:

After 2 years, cash welfare would end. Work First recipients would be expected to move into jobs. Recipients who fail to take any job offered or who fail to make a good faith effort to find work will be terminated from aid. For recipients who have been unable to find a job after the two years states would have four options to ensure they go to work:

- (1) place people in subsidized private or non-profit jobs.
- (2) run CWEP/workfare programs where persons work off their benefits.
- (3) place people in community service jobs.  
or
- (4) terminate aid, and provide recipients with a welfare-to-work voucher which could be used to encourage prospective private employers to hire the recipient.

## **Immigration Provisions**

**Deeming until citizenship:** Sponsors who sign affidavits of support will have their income deemed for SSI, Food Stamps and AFDC until the legal alien they invited into country becomes a citizen.

**Require all Family-Sponsors to sign affidavit of support:** According to the State Department, about 15% of family-preference immigrants do not have family-members that sign an affidavit of support. We would require the family-members of these immigrants sign an affidavit of support.

**Holding Employer-Based family members responsible:** Currently, employee-based immigrants generally do not have to sign affidavits of support for immediate family members who obtain derivative employment based visa's on the basis of their principal alien job skills. We would require that these employees sign an affidavit of support for these family members.

**Require affidavit of support for the Diversity Program:** Currently, the diversity program allows individual who qualify to come in the country without any one signing an affidavit of support or having a firm job offer. We would require affidavits of support for this program.

**Enforce Affidavits of Support:** Enforce affidavits of support that sponsors sign.

**Providing assistance for citizenship:** Provide assistance for INS to help large cities process citizenship claims.

## ORTON PROPOSAL

The following proposal attempts to outline and bring together two competing needs in welfare reform: finite time limits and adequate recognition of the unique needs of individual welfare recipients who are playing by the rules:

### Self-Sufficiency Plans:

- Within \_\_ days of becoming eligible for AFDC, an individual must sign a self-sufficiency plan. Self-sufficiency plans must require responsible behavior and describe the steps necessary for that person to become self-sufficient (including services that the state will provide through its Work First program to meet this goal).
- \_\_\_% of participants will be required to be in a Work First plan by the year \_\_\_.

### Finality:

- Maintains federal entitlement but mandates that states only provide benefits to participants for *an average of 2 years*. To the extent that the state's average participation exceeds two years - the state loses federal funding.

### Optional Work Program:

- For those people who did not find jobs as the result of the Work First program, states could choose to receive federal funding for an optional two year community service work program.
- The optional community service work program must provide experience in real job skills to prepare participants for private sector jobs.

### 10%:

- States would be able to recycle 10% of the total caseload.
- A person who has completed both a self-sufficiency plan and two years in a work program without finding a job could be dropped unless the state elected to include this person in their 10% recycle percentage.

3/8/95

**Common elements:**

Within 30 days of applying for welfare, all persons must develop an employability plan and participate in work, education, or training immediately.

Persons who refuse to participate will lose benefits. Anyone who refuses a job or refuses to work at any time will be denied benefits.

After 2 years, traditional cash welfare would end. Adults would be required to work. If a person is unable to find an unsubsidized job, the state would use the money which would have been spent on a welfare check to create temporary subsidized employment, preferably in the private sector.

**Option A**

After 4 years, an intensive period of supervised job search would be required. Any person who turns down a private sector job offer or who failed to make a good faith effort to obtain a job would be terminated. Persons for whom private sector work was not available would continue to receive support, but only if they work for the benefits they receive.

**Option B**

After 4 years, support would end, unless it was determined that there were no private jobs were available that the person could perform. To receive additional support, the adult must continue to work for the benefits received.

**Option C**

After 4 years, support would end, unless it was determined that there were no private jobs were available that the person could perform. To receive additional support, the adult must continue to work for the benefits received.

To ensure that the state did everything possible to try to move the person to work quickly, the federal match would decline by 25 percentage points for persons still receiving support after 4 years. The match would drop by 10% for each additional year the person remained on thereafter.

**Option D**

After 4 years, support for the adult would end. States would have the option of extending subsidized work beyond this time for 10-15% of the caseload.

**Option E**

After 4 years, support would end. States would have the option of extending subsidized work beyond this time for 10-15% of the caseload.

**Option F**

After 4 years, support for the adult would end. States would have the option of extending subsidized work beyond this time in cases where the state determined that no private jobs were available that the adult could perform.

Deal

First two years

work, education and training (Work First Participants)  
a Participant defined by who signs self-sufficiency plan  
the state decides who participates  
30 hrs. a week of work, tr and education.

Second Two Years

Community service if no private sector--at Staes discretion  
After 4 years  
no cash benefits for Work First Participants; 10-15%  
RECYCLING

Participation Rates

52% of caseload in 2002

Dem Substitute

First Two Years

everybody signs self-sufficiency  
30 hrs of ed. training, work or other activity in Self Suff  
Plan

Second Two Years

work--comm serive if no private sector job

^AFTER 4 YEARS

IF NO JOB, COMMUNITY SERVICE CONTINUES; 25% penalty to  
states

Participation Rate--50% of caseload in 2002

*Cardin - 85% by 2003*

*Job Voucher? Job Developer*

## **Time Line for AFDC Recipients Under Individual Responsibility Act**

**Within 30 days of becoming eligible for AFDC:** Individual must sign a individual responsibility plan that sets out a plan for the individual to become self-sufficient and maintain responsible behavior. The individual responsibility plan may require that the individual enter the Work First program. The clock on the time limit would not begin unless the individual was placed in the Work First program.

**Within one year of signing individual responsibility plan:** Individuals who have not found private sector employment one year after signing an individual responsibility plan would be required to enter the Work First Program. (Note: This would not become effective until the plan is fully phased in by 2004. Until then, there would be no fixed limit on the amount of time an individual can be on AFDC before entering the Work First program -- which triggers the clock on time limits.)

**Two years after entering Work First Program.** Participation in Work First would terminate. The state would have three options: 1. "Recycle" individual back into the Work First program (subject to 10% recycle percentage); 2. Place individual in community service job; or 3. terminate benefits.

**Two years after entering community service job:** Individual could be recycled into another Community Service job or back into the Work First program (subject to the 10% recycle percentage) or terminate benefits.

# **Work Program in the Individual Responsibility Act**

## **Individual Responsibility Plan**

When an individual enters the AFDC program, the case worker would conduct an assessment of the individual's skills and employability. Based on this assessment, the caseworker would work with the recipient to develop a comprehensive individualized individual responsibility plan to move the individual into private sector employment. Everyone currently in the system will sign a individual responsibility plan within 90 days of enactment of the Individual Responsibility Act. All new applicants will sign a individual responsibility plan within 30 days. If an individual refuses to sign a individual responsibility plan then the individual will be cutoff from AFDC benefits.

The individual responsibility plans would be flexible to meet individual circumstances. A individual responsibility plan must require that the individual begin job search immediately. The individual responsibility plan would set forth a plan for moving the individual into private sector employment as quickly as possible. The individual responsibility plan could also include provisions requiring that the recipient stay in school, maintain certain attendance and grades in school, attend parenting and money classes, attend treatment for substance abuse or other measures of individual responsibility.

In conducting the employability assessment, the caseworker would determine whether the individual will be able to find private sector employment without special assistance. If the caseworker determines that the individual needs additional assistance to obtain private sector employment, the individual will be placed in the Work First program if space is available.

When the program is fully phased in, individuals who did not enter the Work First program when they signed their individual responsibility plan upon entering the system and have not found private sector employment within a year after entering the system would be placed in the Work First Program to provide training or other services. Individuals who are disabled, caring for sick parents or sick children and other individuals with special circumstances would be exempt. In addition, minors who are completing high school education would not be required to enter the Work First program.

The "clock" for time limits would not begin until the individual entered the Work First program. Any time that the individual spent on AFDC before entering the Work First program would not be counted against the time limit. Unlike H.R. 4, no one would be terminated without having at least two years of education, training or other services to help the individual obtain employment.

## **Work First Program**

Some individuals who have signed a individual responsibility plan will enter the Work First program. Participation in the Work First program would be fully phased in by 2003. When the program is fully phased in, states would be required to have 52% of their AFDC caseload in the Work First program. The Work First program is designed to provide recipients with services to help develop the skills they need to become job ready. The individual will be responsible for complying with the agreement or be subject to sanctions. The state must provide individuals with at least one of the following items to help recipients become self-sufficient: education, training, job placement or wage supplementation. The Work First program could also include services such as job counseling.

Participation in the Work First program would be limited to two years. If an individual has not obtained private sector employment after two years in the Work First, the state would have three options: 1. place the individual in a community service job; "recycle" the recipient back into the Work First program if additional assistance is needed; or terminate AFDC benefits.

### **Community Service Program**

After two years in the Work First program states will have the option to place recipients who have not found a job into a community service program. The Community Service program will be a work program not an education or training program which requires at least 5 hours of job search. Recipients could spend no more than two-years in a community service program. The state would again have the option of "recycling" the individual back into the Work First or Community Service Program after the individual has spent two years in Community Service.

### **Recycle Percentage**

States would have the option of "recycling" a certain number of individuals who have exhausted their eligibility in the Work First or Community Service program back into the system. The amount of individuals a state could recycle in the Work First or Community Service program would be equal to ten percent of the caseload in the Work First and Community Service caseload for the previous year. For example, if the total caseload from the Work First and Community Service program was one million people in 1999, then states could recycle up to 100,000 people back into the Community Service or Work First program in 2000.

The states could use the recycle percentage to provide extended assistance to individuals who need additional time to complete education or training. In addition, the state could also use the recycle percentage to continue assistance to individuals who have made good faith efforts to obtain employment but have been unable to do so before their eligibility ran out. Since the number of individuals that can be recycled would increase as the overall AFDC caseload in the state increased, the recycle percentage would provide a safety valve during economic downturns in the state.

## **WORK, NOT WELFARE: DEMOCRATIC WELFARE REFORM**

February 10, 1995

*For Democrats, welfare reform means requiring and assisting people to move out of dependency and into self-sufficiency. It means getting people off the welfare rolls and into jobs.*

*The American people want results for their money, and the Democratic approach to welfare reform demands results. The Democratic approach to welfare reform says:*

**As of October 1, 1996, any newly eligible individual with children entitled to receive federal welfare monies shall be required to be employed, or provided employment, or enrolled in education, or receiving job training or placement, as part of a plan developed by the state to lead to economic self-sufficiency.**

**No family may be dropped from AFDC while the adult is actively pursuing self-sufficiency as specified above, but no adult who is able to work shall receive AFDC money after turning down an offer of a job or otherwise refusing to work.**

**The Democratic approach to welfare reform embodies two important principles. In return for federal welfare dollars, we will:**

- \* Require individuals to accept their own responsibility for moving from welfare to work.**
- \* Require states to ensure that each individual has the necessary services and opportunities to become self-sufficient.**

**Welfare to Work from Day One. From the very first day an individual enters a welfare office, the focus must be on moving him or her into work.**

**Employability Plan. As soon as an individual applies for welfare, the state and the recipient must jointly develop a strategy aimed at the fastest possible movement into the workforce. Anyone who refuses to develop a plan or fails to participate in the activities laid out will be denied aid.**

**Job Placement, Education and Training, Child Care. The employability plan shall make use of those services needed by each individual, such as education, training and job placement, according to his or her circumstances. The plan should recognize that child care in particular is often essential to enabling recipients to participate in activities leading to work and obtaining work.**

**Tough but Fair Work Requirement. With the services specified in the employability plan, individuals should become prepared for work, and may no longer receive welfare if they refuse to work. No needy family, however, will lose support because an individual who is prepared and willing to work is unable to obtain a job.**

## POSSIBLE DEMOCRATIC SUBSTITUTE BILL

### I. TRANSITIONAL ASSISTANCE AND WORK

The plan is designed to set up a highly flexible system with clear national goals designed to ensure the replacement of the current highly bureaucratic welfare system designed to determine welfare checks with a new system focussed on moving people from welfare to work.

#### A. Welfare to Work

Employability Plan from First Day: All participants must have an employability plan which details a strategy, timetable, and a specific set of expectations for moving from welfare to work for moving from welfare to work. The plan should detail services, including job search, education, training, and child care needed to move from welfare to work as quickly as possible.

Time Limits: Recipients may not receive aid for more than 2 years without working.

Services Designed to Move People from Welfare to Work and Protect Children:

- child care guarantee: Anyone required to participate, must have access to child care.
- transitional medical and child care: For a period of one (two) years after leaving welfare for work, persons are guaranteed health and child care
- new funding for work, education, training, and child care

Tough Sanctions for Persons Who Don't Meet Requirements: Recipients who fail to participate in work or training face strict sanctions. Recipients who turn down private sector job offers lose eligibility.

Serious Work and Training Standards for State:

- 50% of those who have been on less than two years must be in a work, education, or job placement program
- 50% of those who have been on for more than 2 years must be working in private or public sector job at least 20 hours per week.
- applies to all new applicants (Or half of persons must be phased in by 2000, all by 2005.)(We have not yet looked at the numbers to see the implications).
- disabled adults or adults caring for a disabled child are not included in these counts.

#### B. State Flexibility

Dramatically Increased Flexibility Most of the federal mandates defining eligibility and income are repealed. States will be given considerable latitude in determining eligibility, benefits, asset, and income rules. Only the most critical protections would be retained:

- States must have a program of aid for low income families with children. Funds may only be used for families with children.

-- States would be free to set any income and asset rules and any benefit levels they choose. (Requirement that people who work have more income after work expenses than those who do not work?)

--All persons who meet state defined eligibility criterion must be served. Criterion may not distinguish among persons based on race, age, marital status...

--Must be some procedures for conciliation and basic protections against arbitrary actions.

--Benefits to persons (children?) in families where the adults have complied fully with state rules regarding work and training participation cannot be reduced if no job is available.

Nearly Complete State Flexibility in Welfare to Work Program Specifics. Except for the specific rules noted above, states would be free to design whatever welfare to work programs seem most appropriate for their state.

### C. Waste, Fraud, Abuse and Accountability

Nationwide Welfare Registry The registry would be used to track total time on welfare and reduce fraud. Systems must provide monthly information on each recipient's Social Security Numbers, whether they are participating in work or training activities, whether the person is being sanctioned. The registry will provide information to the state on whether the Social Security number is valid, whether the person appears to be receiving benefits elsewhere, whether the person has income according to various federal databases, total time on welfare for individual.

Other Fraud Provisions: States will be expected to take swift action in cases where the National Welfare Registry indicates participants may be engaged in fraud and impose severe penalties in cases where fraud is found. The federal government will not be required to match any funds paid out in error by the state.

Significant Penalties for States Which Fail to Meet National Standards States which fail to meet their participation requirements will face significant penalties: see WRA penalties.

Evaluation and Technical Assistance: 1 to 2% of work and training monies will be set aside for evaluation and technical assistance.

### D. Federal Funding

Expanded Work and Training Funds Current JOBS funding folded into a welfare work and training fund to be coordinated with JTPA or replacement program. Additional funding could be set at level of new funding in the PRA--HR. 4 (roughly \$10 billion over 5 years) or some other level. Money is provided on a matched basis with federal match set at FMAP plus 20 points, subject to a maximum of 90% federal dollars. (Thus the federal match would be 70 to 90%). Funds would be available

according to the current JOBS formula. These funds are capped, with a trigger of additional funds when the national economy goes into recession. In addition, any money in the work and training fund which is not used in one year will be carried forward and available to states who want to spend additional resources in the subsequent year.

Additional Child Care Funding Current child care funds in at-risk child care and existing block grant would be included in a single block grant. Additional funds of \$x billion are added. Money for existing IV-A child care matched at FMAP plus 20 points, subject to a maximum of 90% federal dollars.

Continued Shared Federal and State Funding of Benefits Funding for cash benefits or wages in mandatory work programs would be matched at the current FMAP rate. Funding for this portion should remain uncapped to reduce vulnerability of states to economic, demographic, or other shifts, or to natural disasters.

## II. CHILD SUPPORT ENFORCEMENT

Johnson/Kennelly bill with administration provisions on paternity.

## III. TEEN PREGNANCY/OUT-OF-WEDLOCK CHILDBEARING PREVENTION

Changing the message in welfare on teen pregnancy and parental responsibility

- No benefits for persons who do not cooperate fully in paternity establishment
- Teen parents must stay at home and stay in school
- Family cap at state option

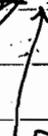
National clearinghouse on teen pregnancy prevention. The clearinghouse would provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.

Teen pregnancy prevention grants. Grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women would be provided to roughly 1000 middle and high schools in disadvantaged areas will receive. Money would also be provided for demonstrations of intensive initiatives which seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

① After 4 years, <sup>in</sup> ~~under~~ the Work First Program, benefits to adults could, at state option, be terminated.

② After 4 years under the Work First Program, benefits to adults would be terminated, but could be extended at state option.

## Options

- ① After 2 years in work, then <sup>benefits for</sup> adults may, at state option, be terminated.
- ② After 2 years in work, then benefits for adults would ~~be cut off~~ <sup>end</sup>, but could be extended at state option,   
  unless the area is designated as a high unemployment area.

DRAFT 2/21/95

**DRAFT**

**POSSIBLE DEMOCRATIC SUBSTITUTE BILL**

**I. TRANSITIONAL ASSISTANCE AND WORK**

The plan is designed to set up a highly flexible system with clear national goals designed to ensure the replacement of the current highly bureaucratic welfare system designed to determine welfare checks with a new system focussed on moving people from welfare to work.

**A. Welfare to Work**

Employability Plan from First Day: All participants must have an employability plan which details (1) a strategy, timetable, and a specific set of expectations for moving from welfare to work for moving from welfare to work, (2) services including job search, education, training, and child care needed to move from welfare to work as quickly as possible, (3) requires work after some period of time generally expected not to exceed two years (states could set different periods depending on the individual's situation)

able to work -> immed. 60 days  
need add'l. services to go to work - up to 2 yrs.  
- capped # of extensions  
leave to states to decide

Services Designed to Move People from Welfare to Work and Protect Children:

- child care guarantee: Anyone required to participate, must have access to child care.
- transitional medical and child care: For a period of one (two) years after leaving welfare for work, persons are guaranteed health and child care
- new funding for work, education, training, and child care

Tough Sanctions for Persons Who Don't Meet Requirements: Recipients who fail to participate in work or training face strict sanctions. Recipients who turn down private sector job offers lose eligibility.

Serious Work and Training Standards for State:

- 50% of those who have been on less than two years must be in a work, education, or job placement program
- 50% (67%?) who have been on for more than 2 years must be working in private or public sector job at least 20 hours per week.
- applies to all new applicants (Or half of persons must be phased in by 2000, all by 2005.)

Disabled or caring for disabled are not included in these counts.

**B. Teen Pregnancy/Out-of-Wedlock Childbearing Prevention**

Changing the message in welfare on teen pregnancy and parental responsibility

- No benefits for persons who do not cooperate fully in paternity establishment
- Teen parents must stay at home and stay in school

--Family cap at state option

National clearinghouse on teen pregnancy prevention. The clearinghouse would provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.

-Teen pregnancy prevention grants. Grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women would be provided to roughly 1000 middle and high schools in disadvantaged areas will receive. Money would also be provided for demonstrations of intensive initiatives which seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

### C. State Flexibility

Dramatically Increased Flexibility Most of the federal mandates defining eligibility and income are repealed. States will be given considerable latitude in determining eligibility, benefits, asset, and income rules. Only the most critical protections would be retained:

- States must have a program of aid for low income families with children. Funds may only be used for families with children.
- States would be free to set any income and asset rules and any benefit levels they choose. (Requirement that people who work have more income after work expenses than those who do not work?)
- All persons who meet state defined eligibility criterion must be served. Criterion may not distinguish among persons based on race, age, marital status(?)...
- Must be some procedures for conciliation and basic protections against arbitrary actions.
- Benefits to children (persons?) in families where the adults have complied fully with state rules regarding work and training participation cannot be reduced if no job is available.

Repeal Major Sections of Title IV-A of the SSA With Detailed Federal Rules and Mandates. Sections repealed would include: 402:(a)(7-8), (a)(11-14), (a)(17-18), (a)(21-24), (a)(28), (a)(31-32), (a)(34-36), (a)(38-42), (a)(44), (e), (h), (i); 403 (major portions); 406 (major portions); 407; 408; 409; 410; 412. The few remaining sections would be revised and simplified.

Nearly Complete State Flexibility in Welfare to Work Program Specifics Except for the specific rules noted above, states would be free to design whatever welfare to work programs seem most appropriate for their state.

#### D. Waste, Fraud, Abuse and Accountability

Nationwide Welfare Registry The registry would be used to track total time on welfare and reduce fraud. Systems must provide monthly information on each recipient's Social Security Numbers, whether they are participating in work or training activities, whether the person is being sanctioned. The registry will provide information to the state on whether the Social Security number is valid, whether the person appears to be receiving benefits elsewhere, whether the person has income according to various federal databases, total time on welfare for individual.

Other Fraud Provisions: States will be expected to take swift action in cases where the National Welfare Registry indicates participants may be engaged in fraud and impose severe penalties in cases where fraud is found. The federal government will not be required to match any funds paid out in error by the state.

Significant Penalties for States Which Fail to Meet National Standards States which fail to meet their participation requirements will face significant penalties; see WRA penalties.

Evaluation and Technical Assistance: 1 to 2% of work and training monies will be set aside for evaluation and technical assistance.

#### E. Federal Funding

Expanded Work and Training Funds Current JOBS funding folded into a welfare work and training fund to be coordinated with JTPA or replacement program. Additional funding set at level of new funding in the original PRA. (Roughly \$10 billion over 5 years). Money is provided on a matched basis with federal match set at FMAP plus 20 points, subject to a maximum of 90% federal dollars. (Thus the federal match would be 70 to 90%). Funds would be available according to the current JOBS formula. These funds are capped, with a trigger of additional funds when the national economy goes into recession. In addition, any money in the work and training fund which is not used in one year will be carried forward and available to states who want to spend additional resources in the subsequent year.

Additional Child Care Funding Current child care funds in at-risk child care and existing block grant would be included in a single block grant. Additional funds of \$x billion are added. Money for existing IV-A child care matched at FMAP plus 20 points, subject to a maximum of 90% federal dollars.

Continued Shared Federal and State Funding of Benefits Funding for cash benefits or wages in mandatory work programs would be matched at the current FMAP rate. Funding for this portion should remain uncapped since a state match is required to

reduce vulnerability of states to economic, demographic, or other shifts, or to natural disasters.

**II. PROTECTING ABUSED CHILDREN?**

**III. IMMIGRATION REFORM**

- A. Fully enforceable affidavit
- B. Five or ten year deeming including medical?. Excludes persons over 75, veteran?

**IV. SSI REFORMS**

- A. Drug Abusers and Alcoholics--End eligibility. Portion of money saved for treatment.
- B. SSI children?

**V. CHILD SUPPORT ENFORCEMENT**

Johnson/Kennelly bill with administration provisions on paternity.

**VI. TIGHTENING AND TARGETING EXISTING PROGRAMS BETTER**

- A. EITC Error Reductions ala the Presidents Budget.
- B. Cap EA in AFDC
- C. Child Care Feeding Reforms

**VI. REDUCING WELFARE FOR THE WEALTHY?**

Goal: no net cost, perhaps some savings.

February 24, 1995 959am

WR - House Dems

## THE DEMOCRATIC ALTERNATIVE

### I. Work, First and Foremost

#### A. The Republican Contract Just Doesn't Measure Up

The American people want a tough, but fair, welfare system; one that, for most families, replaces the welfare check with a paycheck. The Contract with America proposes a tough and mean welfare system. It punishes children and does little to convert our check-writing welfare bureaucracy into an aggressive job placement service. Some of the Contract's shortcomings are:

**First, it's weak on work.**-- The Contract -- and the Subcommittee bill -- take State flexibility to a counterproductive extreme. By and large, we can leave to the States the decision about who will participate and when. But, the Shaw bill subjects only 2 percent of the caseload to a work requirement in 1996, and never defines what work is. This is a weaker work requirement than under current law and fails to deliver on what the American people want: a real work-based welfare system. State flexibility? Yes. Total abdication of Federal accountability? No.

A real work requirement means that far fewer families will be exempt from work requirements. It also means State programs that serve significantly more of the caseload. At the Federal level, our job is to dictate the broad philosophy -- that we want work for wages to be part of the experience of most families on welfare. But, DEMOCRATS cannot support a policy -- reflected in the Contract with America -- that gives billions of dollars to the States without ever making certain that they use the money to put more people to work. That would be foolish.

**Second, there is no requirement for education, training, and support services.**-- If we truly want welfare families to support themselves, education, training, and job placement services must be a part of each State program. That doesn't mean each recipient must be entitled to each and every service. But, given what we know about the serious educational and training deficiencies of long-term welfare recipients -- and our desire to help most of these families find a job -- we would be setting ourselves up for failure if we allowed, as the Contract does, States to require work without the ancillary services that research shows us are the key to success. That means balancing our desire to extend flexibility to the States with our instinct for what constitutes a humane program.

**Third, cruel and arbitrary time limits.**-- Time limits are only fair if they are connected to a real job that will support the family. And when that connection is there, DEMOCRATS think States should be permitted to impose time limits. However, DEMOCRATS cannot support a nationwide, 5- or 2-year time limit that doesn't also require the State to help make certain that wages will be replacing welfare.

**Fourth, no certainty of child care for mothers who are required to work.--** DEMOCRATS have deep concerns about Republican proposals to block grant child care funds. Block grants, with fewer resources, would be counterproductive at a time when our desire is to dramatically increase the number of AFDC families who are working. If we are serious about moving families off of welfare and into work *permanently*, then States are likely to need new funds for child care. All families who are making the transition from AFDC to employment should continue to receive child care and health care as needed, and beyond the one year of transitional aid now provided.

Welfare reform should give States the flexibility to continue to experiment with such programs, with the Federal Government sharing the cost. Simply put, you cannot ask a single parent with young children to work -- and do so full-time -- if she does not have safe, affordable, reliable child care to back her up.

### **B. What Democrats Mean by a Work-Based Welfare System**

Let's turn now to the DEMOCRATIC PLAN. It is the cornerstone of a constructive welfare-to-work strategy. Our plan adheres to three basic principles:

**First, the number one priority is work.--** Anyone who can work should move to work as quickly as possible. From the very first day on welfare, recipients would be required to aggressively prepare for work and look for a job. After two years, recipients would be required to work or lose cash assistance.

In an effort to fulfill this requirement, an up-front assessment of the qualifications and needs of each family would be performed when the family applies for assistance. The assessment would include career counseling and result in a self-sufficiency plan for each adult AFDC recipient who enters the system.

**Second, let's measure outcomes, for a change, not process.--** We waste a lot of time and energy today making sure each step along the way is completed, never paying close enough attention to whether we actually achieved what we set out to accomplish. For once, let's set clear and specific measures of performance for State work and training programs and base our Federal contribution on how well the State does. How would DEMOCRATS measure that success? We'd base future funding on:

- whether States find jobs for recipients, how many jobs they find, and how long the recipient stays at work;
- whether the plan States develop for serving each family was actually carried out and resulted in a job;
- whether States meet participation requirements each year; and
- whether families achieve self-sufficiency, measured by changes in the child poverty rate and improvements in family income.

One caution is in order here. When we set this system up -- focusing on outcomes -- we must be certain that we don't just encourage States to "cream" off those job-ready families who would have left welfare on their own. We have made that

mistake before. The AFDC program is full of families who only need AFDC to help them through a temporary crisis. They'll be on their feet – and back at work – in only a few months. Our challenge is to find jobs for those who are the least likely to find a permanent alternative to welfare and who – over time – are going to consume most of our welfare dollars.

**Third, there is considerable room for more State flexibility.--** States make a good argument that too much Federal involvement in the details of their program hamstrings their ability to be creative and tailor their efforts to unique circumstances. Generally, States should be free to design their work and training program and the citizens of the State should hold the Governor accountable. There is a delicate balance here, however, because it is also in our national interest to assure the safety, health, and welfare of all children, regardless of where they live.

### **C. The Specifics**

Under the DEMOCRATIC plan, clear expectations will be set but States will have broad discretion, within those goals, to implement a work-based welfare system. The Federal responsibility will be to assure State accountability for the goals.

#### **1. The DEMOCRATIC Work First Program**

- o **Participation rates.--** The DEMOCRATIC plan starts almost where the Republican plan ends. States decide who participates and who is exempt, so long as:

- In FY 1997, 15 percent of AFDC families participate
- In FY 1998, 25 percent of AFDC families participate
- In FY 1999, 30 percent of AFDC families participate
- In FY 2000, 35 percent of AFDC families participate
- In FY 2001, 40 percent of AFDC families participate
- In FY 2002, 45 percent of AFDC families participate
- In FY 2003, and each succeeding year, 50 percent of AFDC families participate.

- o **Self-sufficiency plan.--** Within 30 days (90 days at State option) of being determined eligible for AFDC, a self-sufficiency plan (contract of mutual responsibility) must be developed for each adult recipient. The plan will explain how the State will help and what the recipient will do to find employment. The plan will, on average, require 20 hours of activity per week. It will identify the education, training and support services that will be provided to reach the goal, and it will set a timetable for achieving the goals. Any State-imposed limit on the length of benefits cannot begin until the plan has been signed by both parties.

- o **Components of the State's work program.--** Each State designs its own program. Program components must at least include: (1) job placement, job creation, and upfront job search by those recipients the State decides can benefit from early job search; (2) a temporary subsidized employment program or a plan for hiring – and holding accountable – independent

placement companies and a community service/work experience program; and (3) education, training and support services, with child care guaranteed for those the State determines need it in order to participate.

- o **Time limits.--** Within two years, recipients in the Work First Program must go to work, preferably in an unsubsidized private sector job, but if necessary in a subsidized job, or lose cash assistance. After 4 years in the Work First Program, benefits to adults would be terminated, but could be extended at State option.
- o **Definition of participation.--** During the first two-years, the adult in the family must be working or participating in the activities identified in the self-sufficiency plan. After two years, the adult must be working at least 20 hours (includes on-the-job training, community service, or subsidized work).
- o **Sanctions.--** States determine any sanctions and their duration. However, no benefits may be paid for anyone who refuses to work, refuses to look for work, or turns down a job.
- o **Work First Funding.--** Work First would replace the JOBS program. Under Work First, the Federal share would be 70 percent or the Medicaid match plus 10 percent, whichever is higher. However, beginning in FY 1999, the Secretary of Health and Human Services is authorized to modify the Federal share to reflect State performance.

Funding would be provided as a capped entitlement to the States at the following levels (including the \$1 billion annually that is currently authorized):

In FY 1997, \$1.5 billion;  
In FY 1998, \$1.9 billion;  
In FY 1999, \$2.8 billion;  
In FY 2000, \$3.7 billion;  
In FY 2001, \$5.0 billion; and  
In FY 2002 and beyond, the funding level would be adjusted to accommodate increases in inflation and caseload.

- o **Coordination with earned income tax credit.--** State AFDC agencies would be required to provide notice -- in writing -- of the availability of the EITC upon application for and termination of cash assistance. Employers would be required to inform new employees earning less than \$30,000 annually, of the option of receiving EITC payments in advance through their payroll.
- o **Child care.--** Combine the AFDC transitional child care program, the at-risk child care program, and that portion (75 percent) of the child care development block grant that is currently used for direct child care assistance. Merge these programs into a capped entitlement under Title XXB of the Social Security Act. Funds would total \$1.3 billion in FY 1997, with adjustments for inflation in each subsequent year. States must assure

that no AFDC family will be required to work, or have cash assistance terminated, if child care is needed and not provided.

The remaining 25 percent of the child care development block grant would continue as discretionary spending and be used to expand parental choice, improve the availability and quality of care, and promote health and safety.

- o **Transition health benefits.**-- Retain the current law Medicaid transition (one year of Medicaid), with one additional year using vouchers to deliver health care cost effectively.
- o **Penalties for displacement.**-- No recipient may replace an existing worker.

## 2. Give States More Discretion

- o **Basic State decisions.**-- States would decide who participates and who is exempt, so long as the participation requirements are met each year. They would also establish penalties for failure to participate.
- o **Let States reward work.**-- States could modify the treatment of earned income to encourage work.
- o **Permit States to use Work First funding for job creation.**-- States could implement a grant diversion program, work supplementation, or another approach designed by the State. Any State that uses funds for job creation must place at least half of participants in private sector jobs. States could enter into performance-based contracts with private employment firms. States also could use the funds to support micro-enterprise and self-employment efforts.

## 3. The Federal Role

- o **Accountability.**-- Require the Secretary to establish performance-based measures and apply them to States in allocating funds in future years. Success would be measured by: (1) whether the State finds jobs for recipients, how many jobs they find, and how long the recipient stays at work; (2) whether the self-sufficiency plan the State develops for serving each family was actually carried out and resulted in a job; (3) whether the State met the participation standards; and (4) whether families achieve self-sufficiency.
- o **Plan approval.**-- The Secretary of HHS, in consultation with the Secretary of Labor, will review each plan and certify that it meets the requirements of the law.
- o **Penalties for poor performance.**-- The Federal share of AFDC administrative and benefit funds will be reduced, under a formula

established by the Secretary, for States that fail to meet the accountability standards. Reductions would occur first in funds for State administration.

## II. PROTECT CHILDREN

### A. Teen Pregnancy and Out-of-Wedlock Births

Teen pregnancy -- and growth in the number of out-of-wedlock births -- is a problem that must be addressed. But government alone cannot solve this problem. We must help teenagers to have a vision for their own future and to delay parenthood until they are emotionally and financially capable of nurturing their child. That task requires a concerted effort by our communities, our religious leaders, parents, the media, and politicians.

In the Family Support Act of 1988, we recognized that it is wrong to encourage a teen parent to move out on their own, supported by the welfare system. So the Act gave States flexibility -- permitting them to require young mothers to live at home as a condition of receiving AFDC. Under these circumstances States are also permitted to pay the welfare check to the parent of the minor mother.

There are additional steps that should be taken today to discourage teen parenthood. However, the proposals in the Contract with America are too draconian. Under the Contract, any child of a minor mother born out-of-wedlock would be permanently ineligible for aid. It would be counterproductive and damaging to children to punish -- for life -- a child who did not choose to be born out-of-wedlock. Toward that end, the DEMOCRATS propose the following alternative:

- o **Establish incentives for responsible behavior.**-- Require minor parents to live at home (or, if that is not possible, under the supervision of another adult or in a group home) in order to be eligible for AFDC. Require school-age parents to stay in school. And require full cooperation -- up-front, before any benefits are paid -- with paternity establishment efforts.
- o **Aggressively enforce child support obligations as a means to hold both parents responsible for supporting the child.**-- That means working to establish awards in every case, ensuring fair award levels, and collecting awards that are owed.
- o **Reduce teen pregnancy and out-of-wedlock births.**-- Lead a national campaign against teen pregnancy; establish a national clearinghouse on teen pregnancy prevention; and conduct demonstration projects of prevention approaches.

Steps like these will go a long way toward addressing the problem we face with teen parenthood, without unfairly and unnecessarily penalizing the children born into these families.

### B. Paternity and Child Support Enforcement

A typical child born in the United States today will spend some time in a single-parent home. Despite concerted efforts by all levels of government, the current system

fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid.

The problem is threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases.

To our disappointment, the Contract with America included no direct child support provisions. It does, however, contain one paternity establishment provision: AFDC benefits would be denied to any child whose paternity has not been established, even if the parent has fully cooperated with efforts to establish paternity and the State or court is at fault. In the Subcommittee bill, this policy was moderated somewhat -- States would be required to pay reduced benefits for six months to a child whose paternity has not been established -- but the policy still punishes the child for something he cannot control.

Both the Clinton Administration and the Women's Caucus have proposed comprehensive child support enforcement measures. There are many similarities between these efforts. Child support is an integral part of real welfare reform. Its absence from the original Contract with America is disturbing.

DEMOCRATS proposed that child support be a part of welfare reform from day one. From our perspective, a comprehensive child support enforcement package would:

- o **Replace the paternity establishment provision in the Contract with a tough, but more humane, requirement.**-- Require more rigorous, up-front, cooperation with paternity, as the Clinton Administration has proposed, but don't punish the family for the failure of the State or the court to act promptly. Instead, require the State to establish paternity within one year or face a penalty.
- o **Work to establish awards in every case.**-- This can be accomplished by streamlining the paternity establishment process, making cooperation from mothers a real condition for receiving AFDC benefits, expanding outreach and education programs aimed at voluntary paternity establishment, holding States to performance-based incentives for improving paternity establishment rates; and giving States administrative authority to establish awards.
- o **Ensure fair award levels.**-- Require universal, periodic, administrative updating of awards for all cases; pass on more of child support collected to families leaving welfare; and establish a national commission to study State guidelines and the desirability of uniform national guidelines.
- o **Collect awards that are owed.**-- Bring State administrative systems into the 21st Century by requiring a central registry and centralized collection

and disbursement capability; establish a national clearinghouse to aid with enforcement, particularly of interstate cases; revoke professional, occupational, and drivers' licenses to make delinquent parents pay child support; use universal wage withholding, better asset and income information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing of bankruptcy-related obstacles, and wage garnishment procedures for all employees. Also establish a performance-based financing and incentive system.

A complete child support package, like this one, will send a clear message -- to both parents -- that they are expected to support their families. That is, the DEMOCRATS believe, precisely the kind of message we want to send with welfare reform.

### **C. Child Welfare and Foster Care**

Our child welfare and foster care programs are part of this nation's most basic safety net for children. These programs assure that any child who is abused or neglected will have a safe place to go. In recent years, there have been criticisms of these programs, particularly of the limited capacity States have had to assist families whose child require out-of-home care or who are at risk of such a placement. Critics have also charged that children who are unlikely to ever be able to return home have been left too long in the limbo of foster care, making adoption for these children a hoped for, but unlikely outcome.

The Republican proposal would reduce funds for child protective services by an estimated \$5 billion over the next five years. States would experience reduction in funds of 26 percent in FY 2000 alone. We cannot place the fate of our most vulnerable children to simple economics. In 1992, 440,000 children were in foster care in the United States. They deserve to know that they will be safe.

To address these concerns, the Congress, in 1993, passed and the President signed into law, the Family Preservation Act. This new law encourages innovative State efforts to help families who are at risk of losing their children to foster care and revamps the burdensome administrative procedures that some believe have led to unnecessarily long stays in foster care. The Family Preservation Act is just now being implemented in the States. DEMOCRATS believe that the prudent course is to allow these reforms -- which enjoyed bipartisan support -- to take effect, monitor closely their success, and consider improvements in future years as needed. To scrap the entire child welfare and foster care system now and replace it with a loosely-defined block grant that does not assure adequate protection for children would be foolhardy.

At a minimum the current foster care maintenance and adoption assistance program should be retained. A revised child welfare block grant would be created by combining the various discretionary child welfare programs. The Family Preservation Act would be implemented on schedule, since it makes an important investment in America's families.

### **D. Keeping the Government out of Family Life**

Far too often, Federal laws intervene in decisions that are best left to families. DEMOCRATS are committed to assuring that no new and unnecessary Federal requirements creep into the law, when such decisions are best left to families. Whether the ideology expressed by such legislation is conservative or liberal is irrelevant.

To that end, the DEMOCRATIC plan makes certain that families will remain together in tough economic times. It will encourage marriage by eliminating Federal rules that discriminate against the formation of families. And it will make certain that our Federal welfare rules do not encourage families to choose abortion as their only viable choice.

Specifically, the DEMOCRATIC plan would:

- o **Protect family rights.**-- Prohibit States from placing a child in an out-of-home setting against the wishes of the child's custodial parent solely because of the economic circumstances, marital status, or age of the parent.
- o **End discrimination against two-parent families.** -- Base AFDC eligibility on need, having an eligible child, and living with a relative, rather than on the employment status of one of the parents (i.e., eliminate the 100-hour rule). Once eligible for benefits, two-parent families would be subject to the same work requirements as single-parent families.
- o **Encourage marriage.**-- Eliminate the stepparent deeming rules to remove the penalty against marriage by low-income parents.
- o **Discourage abortion.**-- Establish rigorous, but humane paternity establishment rules that hold parents of children born out-of-wedlock responsible for their actions but don't deny them cash aid in hard times and encourage abortion. Similarly, family caps and time limits would be left to State discretion.

#### **E. SSI Disabled Children**

##### **1. The Republican Plan Would Deny SSI Benefits to Hundreds of Thousands of Disabled Children**

The Subcommittee bill would throw hundreds of thousands of disabled children off the SSI rolls. By the year 2000, the bill will deny cash SSI benefits to more than 800,000 disabled children.

The Subcommittee bill eliminates cash benefits to nearly all future applicants -- even those children who are so severely disabled that they meet or equal the listing of impairments in the disability regulations which demonstrate *prima facie* proof of disability. Republicans assert that children who will be denied cash benefits, but who meet or equal the listings, will be eligible for services under a new State block grant program. However, there is no guarantee that any State will in fact provide services through the block grant. Under the bill, the States may decide who among the qualified

children may receive services; which of the authorized services the State will provide; and the duration of the services

The Subcommittee bill also cuts off both cash and Medicaid almost immediately for over 200,000 disabled children who were awarded benefits based on a functional assessment of their disabilities. These are children who have a combination of impairments, none of which by itself meets or equals the listings, but which, when taken together, result in a disabling condition. Over 33,000 of these children have physical disabilities. By the year 2000, nearly 400,000 disabled children will be made ineligible for both SSI cash benefits and Medicaid under this provision. Moreover, the bill expressly denies block grant services to these children.

The bill is apparently an attempt to eliminate abuses in the program. There have been charges that parents are coaching their children to misbehave so that parents may apply for SSI benefits on their behalf. Republicans have made an attempt to find a solution to these abuses, but they have missed the mark. They have thrown the baby out with the bath water. Republicans punish more than three-quarters of a million children over the next 5 years without making any serious attempt to target the cases which are most subject to abuse.

## **2. The DEMOCRATS Would Eliminate Abuses While Protecting Disabled Children**

Specifically, the DEMOCRATS would direct the Social Security Administration to restrict significantly childhood disability benefits subject to abuse by:

- o eliminating "maladaptive behavior" as a means of receiving benefits;**
- o significantly tightening the severity threshold in the Individual Functional Assessment (IFA) criteria;**
- o increasing the use of standardized tests.**

Eliminating "maladaptive behavior" from the so-called "domains" on which benefits may be based would eliminate the possibility of children receiving benefits because parents have coached them to misbehave. Raising the severity threshold in the Individual Functional Assessment would assure that only severely disabled children would receive benefits, and increasing the use of standardized tests, in combination with the other changes, would help to take teachers and principals out of the business of assessing children.

The DEMOCRATIC proposal is more effective than the Subcommittee bill. Rather than denying benefits to severely disabled children, the DEMOCRATIC proposal eliminates the behavior categories which are subject to abuse **in both the listings and the IFA**. Thus, the DEMOCRATS tighten the criteria in the areas where the most growth has occurred -- behavior disorders. According to the General Accounting Office more growth has occurred in these areas of the listings than in the IFA.

The DEMOCRATIC proposal assures that all children with significant disabilities can be evaluated for SSI eligibility based on a strict test of the overall disabling consequences of their impairments. It does not deny a child the chance to demonstrate

that a combination of impairments has caused him to be as severely disabled as a child who meets or equals the listings. **The DEMOCRATS target and eliminate abuses while protecting vulnerable disabled children.**

### III. STATE FLEXIBILITY

#### A. Remove Cumbersome Federal Income and Asset Rules

Part of the Republican welfare reform debate has centered on giving States more flexibility. DEMOCRATS agree. Our plan would remove much of the Federal micromanagement added to the law at the request of Republican Administrations over the past 15 years and replace it with State discretion to make basic program decisions. State plans would still be required and HHS would judge States on performance.

For example, States would be granted authority to determine allowable assets, including the value of any car a family may own and remain eligible for cash assistance. States would determine the treatment of any income of the family, such as earnings, child support, stepparent income, and energy assistance, so long as the State policies encourage work.

They would decide which administrative procedures to use in determining eligibility and benefit amount, including whether and under what terms to require retrospective budgeting/monthly reporting by recipients. Federal rules on the treatment of any lump sum income received by a family, establishing a gross income limit, proscribing a nominal threshold below which it is not cost-effective to make an AFDC payment, and requiring that the dollar value of benefits payments be rounded down to the next dollar would be eliminated. All of these requirements were added by Republican Administrations. DEMOCRATS believe these decisions are best left to the States.

#### B. The Specifics

In lieu of these prescriptive Federal mandates, States would have discretion to:

[Check that all States are listed]

- o **Define the family unit and impose family caps.**-- Georgia, Indiana, New Jersey, and Wisconsin now impose family caps under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Require school attendance, reduce benefits for failure to attend school, or provide incentives for school.**-- Arkansas, California, Colorado, Indiana, Oklahoma, and South Carolina now impose some form of these limits under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Determine asset amounts and automobile value.**-- California, Colorado, Connecticut, Florida, Iowa, Michigan, New York, Pennsylvania, South Carolina, South Dakota, Virginia, and Wyoming vary these policies under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.

- o **Determine how to count child support income in determining AFDC eligibility.**-- Connecticut, Oregon, Vermont, and Wisconsin alter the child support income rules under a waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Reward work, by setting new rules for reducing the welfare check when families go to work.**-- Florida, Illinois, Iowa, Mississippi, Oregon, Pennsylvania, South Carolina, South Dakota, and Vermont have received waivers to modify these rules to reward work. Under the DEMOCRATIC plan, a waiver would no longer be necessary so long as the State policy rewards work.
- o **Encourage family formation by ending discrimination against two-parent families and setting new rules for accounting for stepparent income.**-- Mississippi and New York are doing this now by waiver, for two-parent families; Virginia is doing it now, for stepparents, but only by waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Require child immunizations.**-- Colorado, Florida, Indiana, Michigan, Mississippi, and South Carolina have waivers to permit this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Extend the child care and health care transitions.**-- Connecticut, New York, Pennsylvania, South Carolina, and Virginia have received waivers to allow this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Time limit assistance.**-- Florida, Indiana and Wisconsin have received waivers to do this. Under the DEMOCRATIC plan, States could decide whether to limit assistance after two years, with one caveat: States may not end assistance if there is not a job available.

February 23, 1995 12:33pm

## **THE DEMOCRATIC ALTERNATIVE**

### **I. Work, First and Foremost**

#### **A. The Republican Contract Just Doesn't Measure Up**

The American people want a tough, but fair, welfare system; one that, for most families, replaces the welfare check with a paycheck. The Contract with America proposes a tough and mean welfare system. It punishes children and does little to convert our check-writing welfare bureaucracy into an aggressive job placement service. Some of the Contract's shortcomings are:

**First, it's weak on work.--** The Contract -- and the Subcommittee bill -- take State flexibility to a counterproductive extreme. By and large, we can leave to the States the decision about who will participate and when. But, the Shaw bill subjects only 2 percent of the caseload to a work requirement in 1996, and never defines what work is. This is a weaker work requirement than under current law and fails to deliver on what the American people want: a real work-based welfare system. State flexibility? Yes. Total abdication of Federal accountability? No.

A real work requirement means that far fewer families will be exempt from work requirements. It also means State programs that serve significantly more of the caseload. At the Federal level, our job is to dictate the broad philosophy -- that we want work for wages to be part of the experience of most families on welfare. But, DEMOCRATS cannot support a policy -- reflected in the Contract with America -- that gives billions of dollars to the States without ever making certain that they use the money to put more people to work. That would be foolish.

**Second, there is no requirement for education, training, and support services.--** If we truly want welfare families to support themselves, education, training, and job placement services must be a part of each State program. That doesn't mean each recipient must be entitled to each and every service. But, given what we know about the serious educational and training deficiencies of long-term welfare recipients -- and our desire to help most of these families find a job -- we would be setting ourselves up for failure if we allowed, as the Contract does, States to require work without the ancillary services that research shows us are the key to success. That means balancing our desire to extend flexibility to the States with our instinct for what constitutes a humane program.

**Third, cruel and arbitrary time limits.--** Time limits are only fair if they are connected to a real job that will support the family. And when that connection is there, DEMOCRATS think States should be permitted to impose time limits. However, DEMOCRATS cannot support a nationwide, 5- or 2-year time limit that doesn't also require the State to help make certain that wages will be replacing welfare.

**Fourth, no certainty of child care for mothers who are required to work.--** DEMOCRATS have deep concerns about Republican proposals to block grant child care funds. Block grants, with fewer resources, would be counterproductive at a time when our desire is to dramatically increase the number of AFDC families who are working. If we are serious about moving families off of welfare and into work *permanently*, then States are likely to need new funds for child care. All families who are making the transition from AFDC to employment should continue to receive child care and health care as needed, and beyond the one year of transitional aid now provided.

Welfare reform should give States the flexibility to continue to experiment with such programs, with the Federal Government sharing the cost. Simply put, you cannot ask a single parent with young children to work – and do so full-time – if she does not have safe, affordable, reliable child care to back her up.

### **B. What Democrats Mean by a Work-Based Welfare System**

Let's turn now to the DEMOCRATIC PLAN. It is the cornerstone of a constructive welfare-to-work strategy. Our plan adheres to three basic principles:

#### **STRIKE THE FOLLOWING PARAGRAPH:**

**First, no one gets cut off without a job.--** States would be permitted to impose time limits on cash assistance IF they have worked aggressively to prepare people for work, helped them find a job and, if necessary, subsidized a job for the individual. The American people want a tough but fair welfare system. We should set new rules of the game, but when recipients play by those rules and – through no fault of their own – still don't have a job, then we must supply one. Arbitrarily cutting these families off is unfair.

#### **AND REPLACE IT WITH:**

*First, the number one priority is work.– Anyone who can work should move to work as quickly as possible. From the very first day on welfare, recipients would be required to aggressively prepare for work and look for a job. After two years, recipients would be required to work or lose cash assistance.*

In an effort to fulfill this requirement, an up-front assessment of the qualifications and needs of each family would be performed when the family applies for assistance. The assessment would include career counseling and result in a self-sufficiency plan for each adult AFDC recipient who enters the system.

**Second, let's measure outcomes, for a change, not process.--** We waste a lot of time and energy today making sure each step along the way is completed, never paying close enough attention to whether we actually achieved what we set out to accomplish. For once, let's set clear and specific measures of performance for State work and training programs and base our Federal contribution on how well the State does. How would DEMOCRATS measure that success? We'd base future funding on:

-- whether States find jobs for recipients, how many jobs they find, and how long the recipient stays at work;

- whether the plan States develop for serving each family was actually carried out and resulted in a job;
- whether States meet participation requirements each year; and
- whether families achieve self-sufficiency, measured by changes in the child poverty rate and improvements in family income.

One caution is in order here. When we set this system up - focusing on outcomes - we must be certain that we don't just encourage States to "cream" off those job-ready families who would have left welfare on their own. We have made that mistake before. The AFDC program is full of families who only need AFDC to help them through a temporary crisis. They'll be on their feet - and back at work - in only a few months. Our challenge is to find jobs for those who are the least likely to find a permanent alternative to welfare and who - over time - are going to consume most of our welfare dollars.

**Third, there is considerable room for more State flexibility.--** States make a good argument that too much Federal involvement in the details of their program hampers their ability to be creative and tailor their efforts to unique circumstances. Generally, States should be free to design their work and training program and the citizens of the State should hold the Governor accountable. There is a delicate balance here, however, because it is also in our national interest to assure the safety, health, and welfare of all children, regardless of where they live.

### **C. The Specifics**

Under the DEMOCRATIC plan, clear expectations will be set but States will have broad discretion, within those goals, to implement a work-based welfare system. The Federal responsibility will be to assure State accountability for the goals.

#### **1. The DEMOCRATIC Work First Program**

- o **Participation rates.--** The DEMOCRATIC plan starts almost where the Republican plan ends. States decide who participates and who is exempt, so long as:

In FY 1997, 15 percent of AFDC families participate  
 In FY 1998, 25 percent of AFDC families participate  
 In FY 1999, 30 percent of AFDC families participate  
 In FY 2000, 35 percent of AFDC families participate  
 In FY 2001, 40 percent of AFDC families participate  
 In FY 2002, 45 percent of AFDC families participate  
 In FY 2003, and each succeeding year, 50 percent of AFDC families participate.

- o **Self-sufficiency plan.--** Within 30 days (90 days at State option) of being determined eligible for AFDC, a self-sufficiency plan (contract of mutual responsibility) must be developed for each adult recipient. The plan will explain how the State will help and what the recipient will do to find

employment. The plan will, on average, require 20 hours of activity per week. It will identify the education, training and support services that will be provided to reach the goal, and it will set a timetable for achieving the goals. Any State-imposed limit on the length of benefits cannot begin until the plan has been signed by both parties.

- o **Components of the State's work program.**-- Each State designs its own program. Program components must at least include: (1) job placement, job creation, and upfront job search by those recipients the State decides can benefit from early job search; (2) a temporary subsidized employment program or a plan for hiring -- and holding accountable -- independent placement companies and a community service/work experience program; and (3) education, training and support services, with child care guaranteed for those the State determines need it in order to participate.

lo **Time limits.**--

**STRIKE THE FOLLOWING:**

States may impose time limits on cash assistance after 2 years, but only if work -- through a job or a community service position -- is the alternative.

**AND REPLACE IT WITH:**

*Within two years recipients in the Work First Program must go to work, preferably in an unsubsidized private sector job, but if necessary in a subsidized job or lose cash assistance.*

*After 4 years in the Work First program, benefits to adults could, at State option, be terminated.*

OR

*After 4 years in the Work First Program, benefits to adults would be terminated, but could be extended at State option.*

- o **Definition of participation.**-- During the first two-years, the adult in the family must be working or participating in the activities identified in the self-sufficiency plan. After two years, the adult must be working at least 20 hours (includes on-the-job training, community service, or subsidized work).
- o **Sanctions.**-- States determine any sanctions and their duration. However, no benefits may be paid for anyone who refuses to work, refuses to look for work, or turns down a job.
- o **Work First Funding.**-- Work First would replace the JOBS program. Under Work First, the Federal share would be 70 percent or the Medicaid match plus 10 percent, whichever is higher. However, beginning in FY 1999, the Secretary of Health and Human Services is authorized to modify the Federal share to reflect State performance.

Funding would be provided as a capped entitlement to the States at the following levels (including the \$1 billion annually that is currently authorized):

In FY 1997, \$1.5 billion;

In FY 1998, \$1.9 billion;

In FY 1999, \$2.8 billion;

In FY 2000, \$3.7 billion;

In FY 2001, \$5.0 billion; and

In FY 2002 and beyond, the funding level would be adjusted to accommodate increases in inflation and caseload.

- o **Coordination with earned income tax credit.**-- State AFDC agencies would be required to provide notice -- in writing -- of the availability of the EITC upon application for and termination of cash assistance. Employers would be required to inform new employees earning less than \$30,000 annually, of the option of receiving EITC payments in advance through their payroll.

- o **Child care.**-- Combine the AFDC transitional child care program, the at-risk child care program, and that portion (75 percent) of the child care development block grant that is currently used for direct child care assistance. Merge these programs into a capped entitlement under Title XXB of the Social Security Act. Funds would total \$1.3 billion in FY 1997, with adjustments for inflation in each subsequent year. States must assure that no AFDC family will be required to work, or have cash assistance terminated, if child care is needed and not provided.

The remaining 25 percent of the child care development block grant would continue as discretionary spending and be used to expand parental choice, improve the availability and quality of care, and promote health and safety.

- o **Transition health benefits.**-- Retain the current law Medicaid transition (one year of Medicaid), with one additional year using vouchers to deliver health care cost effectively.
- o **Penalties for displacement.**-- No recipient may replace an existing worker.

## 2. Give States More Discretion

- o **Basic State decisions.**-- States would decide who participates and who is exempt, so long as the participation requirements are met each year. They would also establish penalties for failure to participate.
- o **Let States reward work.**-- States could modify the treatment of earned income to encourage work.

- o **Permit States to use Work First funding for job creation.**-- States could implement a grant diversion program, work supplementation, or another approach designed by the State. Any State that uses funds for job creation must place at least half of participants in private sector jobs. States could enter into performance-based contracts with private employment firms. States also could use the funds to support micro-enterprise and self-employment efforts.

### **3. The Federal Role**

- o **Accountability.**-- Require the Secretary to establish performance-based measures and apply them to States in allocating funds in future years. Success would be measured by: (1) whether the State finds jobs for recipients, how many jobs they find, and how long the recipient stays at work; (2) whether the self-sufficiency plan the State develops for serving each family was actually carried out and resulted in a job; (3) whether the State met the participation standards; and (4) whether families achieve self-sufficiency.
- o **Plan approval.**-- The Secretary of HHS, in consultation with the Secretary of Labor, will review each plan and certify that it meets the requirements of the law.
- o **Penalties for poor performance.**-- The Federal share of AFDC administrative and benefit funds will be reduced, under a formula established by the Secretary, for States that fail to meet the accountability standards. Reductions would occur first in funds for State administration.

## II. PROTECT CHILDREN

### A. Teen Pregnancy and Out-of-Wedlock Births

Teen pregnancy -- and growth in the number of out-of-wedlock births -- is a problem that must be addressed. But government alone cannot solve this problem. We must help teenagers to have a vision for their own future and to delay parenthood until they are emotionally and financially capable of nurturing their child. That task requires a concerted effort by our communities, our religious leaders, parents, the media, and politicians.

In the Family Support Act of 1988, we recognized that it is wrong to encourage a teen parent to move out on their own, supported by the welfare system. So the Act gave States flexibility -- permitting them to require young mothers to live at home as a condition of receiving AFDC. Under these circumstances States are also permitted to pay the welfare check to the parent of the minor mother.

There are additional steps that should be taken today to discourage teen parenthood. However, the proposals in the Contract with America are too draconian. Under the Contract, any child of a minor mother born out-of-wedlock would be permanently ineligible for aid. It would be counterproductive and damaging to children to punish -- for life -- a child who did not choose to be born out-of-wedlock. Toward that end, the DEMOCRATS propose the following alternative:

- o **Establish incentives for responsible behavior.**-- Require minor parents to live at home (or, if that is not possible, under the supervision of another adult or in a group home) in order to be eligible for AFDC. Require school-age parents to stay in school. And require full cooperation -- up-front, before any benefits are paid -- with paternity establishment efforts.
- o **Aggressively enforce child support obligations as a means to hold both parents responsible for supporting the child.**-- That means working to establish awards in every case, ensuring fair award levels, and collecting awards that are owed.
- o **Reduce teen pregnancy and out-of-wedlock births.**-- Lead a national campaign against teen pregnancy; establish a national clearinghouse on teen pregnancy prevention; and conduct demonstration projects of prevention approaches.

Steps like these will go a long way toward addressing the problem we face with teen parenthood, without unfairly and unnecessarily penalizing the children born into these families.

### B. Paternity and Child Support Enforcement

A typical child born in the United States today will spend some time in a single-parent home. Despite concerted efforts by all levels of government, the current system

fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid.

The problem is threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases.

To our disappointment, the Contract with America included no direct child support provisions. It does, however, contain one paternity establishment provision: AFDC benefits would be denied to any child whose paternity has not been established, even if the parent has fully cooperated with efforts to establish paternity and the State or court is at fault. In the Subcommittee bill, this policy was moderated somewhat -- States would be required to pay reduced benefits for six months to a child whose paternity has not been established -- but the policy still punishes the child for something he cannot control.

Both the Clinton Administration and the Women's Caucus have proposed comprehensive child support enforcement measures. There are many similarities between these efforts. Child support is an integral part of real welfare reform. Its absence from the original Contract with America is disturbing.

DEMOCRATS proposed that child support be a part of welfare reform from day one. From our perspective, a comprehensive child support enforcement package would:

- o **Replace the paternity establishment provision in the Contract with a tough, but more humane, requirement.**-- Require more rigorous, up-front, cooperation with paternity, as the Clinton Administration has proposed, but don't punish the family for the failure of the State or the court to act promptly. Instead, require the State to establish paternity within one year or face a penalty.
- o **Work to establish awards in every case.**-- This can be accomplished by streamlining the paternity establishment process, making cooperation from mothers a real condition for receiving AFDC benefits, expanding outreach and education programs aimed at voluntary paternity establishment, holding States to performance-based incentives for improving paternity establishment rates; and giving States administrative authority to establish awards.
- o **Ensure fair award levels.**-- Require universal, periodic, administrative updating of awards for all cases; pass on more of child support collected to families leaving welfare; and establish a national commission to study State guidelines and the desirability of uniform national guidelines.
- o **Collect awards that are owed.**-- Bring State administrative systems into the 21st Century by requiring a central registry and centralized collection

and disbursement capability; establish a national clearinghouse to aid with enforcement, particularly of interstate cases; revoke professional, occupational, and drivers' licenses to make delinquent parents pay child support; use universal wage withholding, better asset and income information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing of bankruptcy-related obstacles, and wage garnishment procedures for all employees. Also establish a performance-based financing and incentive system.

A complete child support package, like this one, will send a clear message -- to both parents -- that they are expected to support their families. That is, the DEMOCRATS believe, precisely the kind of message we want to send with welfare reform.

### **C. Child Welfare and Foster Care**

Our child welfare and foster care programs are part of this nation's most basic safety net for children. These programs assure that any child who is abused or neglected will have a safe place to go. In recent years, there have been criticisms of these programs, particularly of the limited capacity States have had to assist families whose child require out-of-home care or who are at risk of such a placement. Critics have also charged that children who are unlikely to ever be able to return home have been left too long in the limbo of foster care, making adoption for these children a hoped for, but unlikely outcome.

The Republican proposal would reduce funds for child protective services by an estimated \$5 billion over the next five years. States would experience reduction in funds of 26 percent in FY 2000 alone. We cannot place the fate of our most vulnerable children to simple economics. In 1992, 440,000 children were in foster care in the United States. They deserve to know that they will be safe.

To address these concerns, the Congress, in 1993, passed and the President signed into law, the Family Preservation Act. This new law encourages innovative State efforts to help families who are at risk of losing their children to foster care and revamps the burdensome administrative procedures that some believe have led to unnecessarily long stays in foster care. The Family Preservation Act is just now being implemented in the States. DEMOCRATS believe that the prudent course is to allow these reforms -- which enjoyed bipartisan support -- to take effect, monitor closely their success, and consider improvements in future years as needed. To scrap the entire child welfare and foster care system now and replace it with a loosely-defined block grant that does not assure adequate protection for children would be foolhardy.

At a minimum the current foster care maintenance and adoption assistance program should be retained. A revised child welfare block grant would be created by combining the various discretionary child welfare programs. The Family Preservation Act would be implemented on schedule, since it makes an important investment in America's families.

### **D. Keeping the Government out of Family Life**

Far too often, Federal laws intervene in decisions that are best left to families. DEMOCRATS are committed to assuring that no new and unnecessary Federal requirements creep into the law, when such decisions are best left to families. Whether the ideology expressed by such legislation is conservative or liberal is irrelevant.

To that end, the DEMOCRATIC plan makes certain that families will remain together in tough economic times. It will encourage marriage by eliminating Federal rules that discriminate against the formation of families. And it will make certain that our Federal welfare rules do not encourage families to choose abortion as their only viable choice.

Specifically, the DEMOCRATIC plan would:

- o **Protect family rights.**-- Prohibit States from placing a child in an out-of-home setting against the wishes of the child's custodial parent solely because of the economic circumstances, marital status, or age of the parent.
- o **End discrimination against two-parent families.** -- Base AFDC eligibility on need, having an eligible child, and living with a relative, rather than on the employment status of one of the parents (i.e., eliminate the 100-hour rule). Once eligible for benefits, two-parent families would be subject to the same work requirements as single-parent families.
- o **Encourage marriage.**-- Eliminate the stepparent deeming rules to remove the penalty against marriage by low-income parents.
- o **Discourage abortion.**-- Establish rigorous, but humane paternity establishment rules that hold parents of children born out-of-wedlock responsible for their actions but don't deny them cash aid in hard times and encourage abortion. Similarly, family caps and time limits would be left to State discretion.

#### **E. SSI Disabled Children**

##### **1. The Republican Plan Would Deny SSI Benefits to Hundreds of Thousands of Disabled Children**

The Subcommittee bill would throw hundreds of thousands of disabled children off the SSI rolls. By the year 2000, the bill will deny cash SSI benefits to more than 800,000 disabled children.

The Subcommittee bill eliminates cash benefits to nearly all future applicants -- even those children who are so severely disabled that they meet or equal the listing of impairments in the disability regulations which demonstrate prima facie proof of disability. Republicans assert that children who will be denied cash benefits, but who meet or equal the listings, will be eligible for services under a new State block grant program. However, there is no guarantee that any State will in fact provide services through the block grant. Under the bill, the States may decide who among the qualified

children may receive services; which of the authorized services the State will provide; and the duration of the services

The Subcommittee bill also cuts off both cash and Medicaid almost immediately for over 200,000 disabled children who were awarded benefits based on a functional assessment of their disabilities. These are children who have a combination of impairments, none of which by itself meets or equals the listings, but which, when taken together, result in a disabling condition. Over 33,000 of these children have physical disabilities. By the year 2000, nearly 400,000 disabled children will be made ineligible for both SSI cash benefits and Medicaid under this provision. Moreover, the bill expressly denies block grant services to these children.

The bill is apparently an attempt to eliminate abuses in the program. There have been charges that parents are coaching their children to misbehave so that parents may apply for SSI benefits on their behalf. Republicans have made an attempt to find a solution to these abuses, but they have missed the mark. They have thrown the baby out with the bath water. Republicans punish more than three-quarters of a million children over the next 5 years without making any serious attempt to target the cases which are most subject to abuse.

## **2. The DEMOCRATS Would Eliminate Abuses While Protecting Disabled Children**

Specifically, the DEMOCRATS would direct the Social Security Administration to restrict significantly childhood disability benefits subject to abuse by:

- o eliminating "maladaptive behavior" as a means of receiving benefits;**
- o significantly tightening the severity threshold in the Individual Functional Assessment (IA) criteria;**
- o increasing the use of standardized tests.**

Eliminating "maladaptive behavior" from the so-called "domains" on which benefits may be based would eliminate the possibility of children receiving benefits because parents have coached them to misbehave. Raising the severity threshold in the Individual Functional Assessment would assure that only severely disabled children would receive benefits, and increasing the use of standardized tests, in combination with the other changes, would help to take teachers and principals out of the business of assessing children.

The DEMOCRATIC proposal is more effective than the Subcommittee bill. Rather than denying benefits to severely disabled children, the DEMOCRATIC proposal eliminates the behavior categories which are subject to abuse **in both the listings and the IFA**. Thus, the DEMOCRATS tighten the criteria in the areas where the most growth has occurred - behavior disorders. According to the General Accounting Office more growth has occurred in these areas of the listings than in the IFA.

The DEMOCRATIC proposal assures that all children with significant disabilities can be evaluated for SSI eligibility based on a strict test of the overall disabling consequences of their impairments. It does not deny a child the chance to demonstrate

that a combination of impairments has caused him to be as severely disabled as a child who meets or equals the listings. **The DEMOCRATS target and eliminate abuses while protecting vulnerable disabled children.**

### III. STATE FLEXIBILITY

#### A. Remove Cumbersome Federal Income and Asset Rules

Part of the Republican welfare reform debate has centered on giving States more flexibility. DEMOCRATS agree. Our plan would remove much of the Federal micromanagement added to the law at the request of Republican Administrations over the past 15 years and replace it with State discretion to make basic program decisions. State plans would still be required and HHS would judge States on performance.

For example, States would be granted authority to determine allowable assets, including the value of any car a family may own and remain eligible for cash assistance. States would determine the treatment of any income of the family, such as earnings, child support, stepparent income, and energy assistance, so long as the State policies encourage work.

They would decide which administrative procedures to use in determining eligibility and benefit amount, including whether and under what terms to require retrospective budgeting/monthly reporting by recipients. Federal rules on the treatment of any lump sum income received by a family, establishing a gross income limit, proscribing a nominal threshold below which it is not cost-effective to make an AFDC payment, and requiring that the dollar value of benefits payments be rounded down to the next dollar would be eliminated. All of these requirements were added by Republican Administrations. DEMOCRATS believe these decisions are best left to the States.

#### B. The Specifics

In lieu of these prescriptive Federal mandates, States would have discretion to:

(Check that all States are listed)

- o **Define the family unit and impose family caps.**-- Georgia, Indiana, New Jersey, and Wisconsin now impose family caps under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Require school attendance, reduce benefits for failure to attend school, or provide incentives for school.**-- Arkansas, California, Colorado, Indiana, Oklahoma, and South Carolina now impose some form of these limits under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Determine asset amounts and automobile value.**-- California, Colorado, Connecticut, Florida, Iowa, Michigan, New York, Pennsylvania, South Carolina, South Dakota, Virginia, and Wyoming vary these policies under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.

- o **Determine how to count child support income in determining AFDC eligibility.**-- Connecticut, Oregon, Vermont, and Wisconsin alter the child support income rules under a waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Reward work, by setting new rules for reducing the welfare check when families go to work.**-- Florida, Illinois, Iowa, Mississippi, Oregon, Pennsylvania, South Carolina, South Dakota, and Vermont have received waivers to modify these rules to reward work. Under the DEMOCRATIC plan, a waiver would no longer be necessary so long as the State policy rewards work.
- o **Encourage family formation by ending discrimination against two-parent families and setting new rules for accounting for stepparent income.**-- Mississippi and New York are doing this now by waiver, for two-parent families; Virginia is doing it now, for stepparents, but only by waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Require child immunizations.**-- Colorado, Florida, Indiana, Michigan, Mississippi, and South Carolina have waivers to permit this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Extend the child care and health care transitions.**-- Connecticut, New York, Pennsylvania, South Carolina, and Virginia have received waivers to allow this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Time limit assistance.**-- Florida, Indiana and Wisconsin have received waivers to do this. Under the DEMOCRATIC plan, States could decide whether to limit assistance after two years, with one caveat: States may not end assistance if there is not a job available.

February 22, 1995 5:14pm

## THE DEMOCRATIC ALTERNATIVE

DRAFT

### I. Work, First and Foremost

#### A. The Republican Contract Just Doesn't Measure Up

The American people want a tough, but fair, welfare system; one that, for most families, replaces the welfare check with a paycheck. The Contract with America proposes a tough and mean welfare system. It punishes children and does little to convert our check-writing welfare bureaucracy into an aggressive job placement service. Some of the Contract's shortcomings are:

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A real work requirement means that far fewer families will be exempt from work requirements. It also means State programs that serve significantly more of the caseload. At the Federal level, our job is to dictate the broad philosophy -- that we want work for wages to be part of the experience of most families on welfare. But, DEMOCRATS cannot support a policy -- reflected in the Contract with America -- that gives billions of dollars to the States without ever making certain that they use the money to put more people to work. That would be foolish.

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**Third, cruel and arbitrary time limits.**-- Time limits are only fair if they are connected to a real job that will support the family. And when that connection is there, DEMOCRATS think States should be permitted to impose time limits. However, DEMOCRATS cannot support a nationwide, 5- or 2-year time limit that doesn't also require the State to make certain that wages will be replacing welfare.

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*First, the number one priority is a job.-- States would be permitted to impose time limits on cash assistance after they have worked aggressively to prepare people for work and helped them find a job. The American people want a tough but fair welfare system. We should set new rules of the game, expect recipients to play by those rules, and help them find a job to replace welfare. 1*

In an effort to fulfill this requirement, an up-front assessment of the qualifications and needs of each family would be performed when the family applies for assistance. The assessment would include career counseling and result in a self-sufficiency plan for each adult AFDC recipient who enters the system.

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- whether the plan States develop for serving each family was actually carried out and resulted in a job;
- whether States meet participation requirements each year; and
- whether families achieve self-sufficiency, measured by changes in the child poverty rate and improvements in family income.

One caution is in order here. When we set this system up -- focusing on outcomes -- we must be certain that we don't just encourage States to "cream" off those job-ready families who would have left welfare on their own. We have made that mistake before. The AFDC program is full of families who only need AFDC to help them through a temporary crisis. They'll be on their feet -- and back at work -- in only a few months. Our challenge is to find jobs for those who are the least likely to find a permanent alternative to welfare and who -- over time -- are going to consume most of our welfare dollars.

**Third, there is considerable room for more State flexibility.--** States make a good argument that too much Federal involvement in the details of their program hamstring their ability to be creative and tailor their efforts to unique circumstances. Generally, States should be free to design their work and training program and the citizens of the State should hold the Governor accountable. There is a delicate balance here, however, because it is also in our national interest to assure the safety, health, and welfare of all children, regardless of where they live.

### **C. The Specifics**

Under the DEMOCRATIC plan, clear expectations will be set but States will have broad discretion, within those goals, to implement a work-based welfare system. The Federal responsibility will be to assure State accountability for the goals.

#### **1. The DEMOCRATIC Work First Program**

- o **Participation rates.--** The DEMOCRATIC plan starts almost where the Republican plan ends. States decide who participates and who is exempt, so long as:

In FY 1997, 15 percent of AFDC families participate  
 In FY 1998, 25 percent of AFDC families participate  
 In FY 1999, 30 percent of AFDC families participate  
 In FY 2000, 35 percent of AFDC families participate  
 In FY 2001, 40 percent of AFDC families participate  
 In FY 2002, 45 percent of AFDC families participate  
 In FY 2003, and each succeeding year, 50 percent of AFDC families participate.

- o **Self-sufficiency plan.--** Within 30 days (90 days at State option) of being determined eligible for AFDC, a self-sufficiency plan (contract of mutual responsibility) must be developed for each adult recipient. The plan will explain how the State will help and what the recipient will do to find

employment. The plan will, on average, require 20 hours of activity per week. It will identify the education, training and support services that will be provided to reach the goal, and it will set a timetable for achieving the goals. Any State-imposed limit on the length of benefits cannot begin until the plan has been signed by both parties.

- o **Components of the State's work program.**-- Each State designs its own program. Program components must at least include: (1) job placement, job creation, and upfront job search by those recipients the State decides can benefit from early job search; (2) a temporary subsidized employment program or a plan for hiring -- and holding accountable -- independent placement companies and a community service/work experience program; and (3) education, training and support services, with child care guaranteed for those the State determines need it in order to participate.

lo **Time limits.**--

*OPTION 1: States may impose time limits on cash assistance after 2 years, but only if work -- through a job or a community service position -- is the alternative.*

OR

*OPTION 2: States may impose time limits on cash assistance after 2 years, but only if work -- through a job or community service position -- is the alternative. The community service position could extend for two additional years before benefits are terminated for the adult in the family. Up to 10 percent of those adults who reach the 4-year limit could continue to receive benefits at State option.]*

- o **Definition of participation.**-- During the first two-years, the adult in the family must be working or participating in the activities identified in the self-sufficiency plan. After two years, the adult must be working at least 20 hours (includes on-the-job training, community service, or subsidized work).
- o **Sanctions.**-- States determine any sanctions and their duration. However, no benefits may be paid for anyone who refuses to work, refuses to look for work, or turns down a job.
- o **Work First Funding.**-- Work First would replace the JOBS program. Under Work First, the Federal share would be 70 percent or the Medicaid match plus 10 percent, whichever is higher. However, beginning in FY 1999, the Secretary of Health and Human Services is authorized to modify the Federal share to reflect State performance.

Funding would be provided as a capped entitlement to the States at the following levels (including the \$1 billion annually that is currently authorized):

In FY 1997, \$1.5 billion;  
In FY 1998, \$1.9 billion;

In FY 1999, \$2.8 billion;  
In FY 2000, \$3.7 billion;  
In FY 2001, \$5.0 billion; and  
In FY 2002 and beyond, the funding level would be adjusted to accommodate increases in inflation and caseload.

- o **Coordination with earned income tax credit.**-- State AFDC agencies would be required to provide notice -- in writing -- of the availability of the EITC upon application for and termination of cash assistance. Employers would be required to inform new employees earning less than \$30,000 annually, of the option of receiving EITC payments in advance through their payroll.
- o **Child care.**-- Combine the AFDC transitional child care program, the at-risk child care program, and that portion (75 percent) of the child care development block grant that is currently used for direct child care assistance. Merge these programs into a capped entitlement under Title XXB of the Social Security Act. Funds would total \$1.3 billion in FY 1997, with adjustments for inflation in each subsequent year. States must assure that no AFDC family will be required to work, or have cash assistance terminated, if child care is needed and not provided.

The remaining 25 percent of the child care development block grant would continue as discretionary spending and be used to expand parental choice, improve the availability and quality of care, and promote health and safety.
- o **Transition health benefits.**-- Retain the current law Medicaid transition (one year of Medicaid), with one additional year using vouchers to deliver health care cost effectively.
- o **Penalties for displacement.**-- No recipient may replace an existing worker.

## 2. Give States More Discretion

- o **Basic State decisions.**-- States would decide who participates and who is exempt, so long as the participation requirements are met each year. They would also establish penalties for failure to participate.
- o **Let States reward work.**-- States could modify the treatment of earned income to encourage work.
- o **Permit States to use Work First funding for job creation.**-- States could implement a grant diversion program, work supplementation, or another approach designed by the State. Any State that uses funds for job creation must place at least half of participants in private sector jobs. States could enter into performance-based contracts with private employment firms. States also could use the funds to support micro-enterprise and self-employment efforts.

### 3. The Federal Role

- o **Accountability.**-- Require the Secretary to establish performance-based measures and apply them to States in allocating funds in future years. Success would be measured by: (1) whether the State finds jobs for recipients, how many jobs they find, and how long the recipient stays at work; (2) whether the self-sufficiency plan the State develops for serving each family was actually carried out and resulted in a job; (3) whether the State met the participation standards; and (4) whether families achieve self-sufficiency.
- o **Plan approval.**-- The Secretary of HHS, in consultation with the Secretary of Labor, will review each plan and certify that it meets the requirements of the law.
- o **Penalties for poor performance.**-- The Federal share of AFDC administrative and benefit funds will be reduced, under a formula established by the Secretary, for States that fail to meet the accountability standards. Reductions would occur first in funds for State administration.

## II. PROTECT CHILDREN

### A. Teen Pregnancy and Out-of-Wedlock Births

Teen pregnancy -- and growth in the number of out-of-wedlock births -- is a problem that must be addressed. But government alone cannot solve this problem. We must help teenagers to have a vision for their own future and to delay parenthood until they are emotionally and financially capable of nurturing their child. That task requires a concerted effort by our communities, our religious leaders, parents, the media, and politicians.

In the Family Support Act of 1988, we recognized that it is wrong to encourage a teen parent to move out on their own, supported by the welfare system. So the Act gave States flexibility -- permitting them to require young mothers to live at home as a condition of receiving AFDC. Under these circumstances States are also permitted to pay the welfare check to the parent of the minor mother.

There are additional steps that should be taken today to discourage teen parenthood. However, the proposals in the Contract with America are too draconian. Under the Contract, any child of a minor mother born out-of-wedlock would be permanently ineligible for aid. It would be counterproductive and damaging to children to punish -- for life -- a child who did not choose to be born out-of-wedlock. Toward that end, the DEMOCRATS propose the following alternative:

- o **Establish incentives for responsible behavior.**-- Require minor parents to live at home (or, if that is not possible, under the supervision of another adult or in a group home) in order to be eligible for AFDC. Require school-age parents to stay in school. And require full cooperation -- up-front, before any benefits are paid -- with paternity establishment efforts.
- o **Aggressively enforce child support obligations as a means to hold both parents responsible for supporting the child.**-- That means working to establish awards in every case, ensuring fair award levels, and collecting awards that are owed.
- o **Reduce teen pregnancy and out-of-wedlock births.**-- Lead a national campaign against teen pregnancy; establish a national clearinghouse on teen pregnancy prevention; and conduct demonstration projects of prevention approaches.

Steps like these will go a long way toward addressing the problem we face with teen parenthood, without unfairly and unnecessarily penalizing the children born into these families.

### B. Paternity and Child Support Enforcement

A typical child born in the United States today will spend some time in a single-parent home. Despite concerted efforts by all levels of government, the current system

fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid.

The problem is threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases.

To our disappointment, the Contract with America included no direct child support provisions. It does, however, contain one paternity establishment provision: AFDC benefits would be denied to any child whose paternity has not been established, even if the parent has fully cooperated with efforts to establish paternity and the State or court is at fault. In the Subcommittee bill, this policy was moderated somewhat -- States would be required to pay reduced benefits for six months to a child whose paternity has not been established -- but the policy still punishes the child for something he cannot control.

Both the Clinton Administration and the Women's Caucus have proposed comprehensive child support enforcement measures. There are many similarities between these efforts. Child support is an integral part of real welfare reform. Its absence from the original Contract with America is disturbing.

DEMOCRATS proposed that child support be a part of welfare reform from day one. From our perspective, a comprehensive child support enforcement package would:

- o **Replace the paternity establishment provision in the Contract with a tough, but more humane, requirement.**-- Require more rigorous, up-front, cooperation with paternity, as the Clinton Administration has proposed, but don't punish the family for the failure of the State or the court to act promptly. Instead, require the State to establish paternity within one year or face a penalty.
- o **Work to establish awards in every case.**-- This can be accomplished by streamlining the paternity establishment process, making cooperation from mothers a real condition for receiving AFDC benefits, expanding outreach and education programs aimed at voluntary paternity establishment, holding States to performance-based incentives for improving paternity establishment rates; and giving States administrative authority to establish awards.
- o **Ensure fair award levels.**-- Require universal, periodic, administrative updating of awards for all cases; pass on more of child support collected to families leaving welfare; and establish a national commission to study State guidelines and the desirability of uniform national guidelines.
- o **Collect awards that are owed.**-- Bring State administrative systems into the 21st Century by requiring a central registry and centralized collection

and disbursement capability; establish a national clearinghouse to aid with enforcement, particularly of interstate cases; revoke professional, occupational, and drivers' licenses to make delinquent parents pay child support; use universal wage withholding, better asset and income information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing of bankruptcy-related obstacles, and wage garnishment procedures for all employees. Also establish a performance-based financing and incentive system.

A complete child support package, like this one, will send a clear message -- to both parents -- that they are expected to support their families. That is, the DEMOCRATS believe, precisely the kind of message we want to send with welfare reform.

### **C. Child Welfare and Foster Care**

Our child welfare and foster care programs are part of this nation's most basic safety net for children. These programs assure that any child who is abused or neglected will have a safe place to go. In recent years, there have been criticisms of these programs, particularly of the limited capacity States have had to assist families whose child require out-of-home care or who are at risk of such a placement. Critics have also charged that children who are unlikely to ever be able to return home have been left too long in the limbo of foster care, making adoption for these children a hoped for, but unlikely outcome.

The Republican proposal would reduce funds for child protective services by an estimated \$5 billion over the next five years. States would experience reduction in funds of 26 percent in FY 2000 alone. We cannot place the fate of our most vulnerable children to simple economics. In 1992, 440,000 children were in foster care in the United States. They deserve to know that they will be safe.

To address these concerns, the Congress, in 1993, passed and the President signed into law, the Family Preservation Act. This new law encourages innovative State efforts to help families who are at risk of losing their children to foster care and revamps the burdensome administrative procedures that some believe have led to unnecessarily long stays in foster care. The Family Preservation Act is just now being implemented in the States. DEMOCRATS believe that the prudent course is to allow these reforms -- which enjoyed bipartisan support -- to take effect, monitor closely their success, and consider improvements in future years as needed. To scrap the entire child welfare and foster care system now and replace it with a loosely-defined block grant that does not assure adequate protection for children would be foolhardy.

At a minimum the current foster care maintenance and adoption assistance program should be retained. A revised child welfare block grant would be created by combining the various discretionary child welfare programs. The Family Preservation Act would be implemented on schedule, since it makes an important investment in America's families.

### **D. Keeping the Government out of Family Life**

Far too often, Federal laws intervene in decisions that are best left to families. DEMOCRATS are committed to assuring that no new and unnecessary Federal requirements creep into the law, when such decisions are best left to families. Whether the ideology expressed by such legislation is conservative or liberal is irrelevant.

To that end, the DEMOCRATIC plan makes certain that families will remain together in tough economic times. It will encourage marriage by eliminating Federal rules that discriminate against the formation of families. And it will make certain that our Federal welfare rules do not encourage families to choose abortion as their only viable choice.

Specifically, the DEMOCRATIC plan would:

- o **Protect family rights.**-- Prohibit States from placing a child in an out-of-home setting against the wishes of the child's custodial parent solely because of the economic circumstances, marital status, or age of the parent.
- o **End discrimination against two-parent families.** -- Base AFDC eligibility on need, having an eligible child, and living with a relative, rather than on the employment status of one of the parents (i.e., eliminate the 100-hour rule). Once eligible for benefits, two-parent families would be subject to the same work requirements as single-parent families.
- o **Encourage marriage.**-- Eliminate the stepparent deeming rules to remove the penalty against marriage by low-income parents.
- o **Discourage abortion.**-- Establish rigorous, but humane paternity establishment rules that hold parents of children born out-of-wedlock responsible for their actions but don't deny them cash aid in hard times and encourage abortion. Similarly, family caps and time limits would be left to State discretion.

#### **E. SSI Disabled Children**

##### **1. The Republican Plan Would Deny SSI Benefits to Hundreds of Thousands of Disabled Children**

The Subcommittee bill would throw hundreds of thousands of disabled children off the SSI rolls. By the year 2000, the bill will deny cash SSI benefits to more than 800,000 disabled children.

The Subcommittee bill eliminates cash benefits to nearly all future applicants -- even those children who are so severely disabled that they meet or equal the listing of impairments in the disability regulations which demonstrate prima facie proof of disability. Republicans assert that children who will be denied cash benefits, but who meet or equal the listings, will be eligible for services under a new State block grant program. However, there is no guarantee that any State will in fact provide services through the block grant. Under the bill, the States may decide who among the qualified

children may receive services; which of the authorized services the State will provide; and the duration of the services

The Subcommittee bill also cuts off both cash and Medicaid almost immediately for over 200,000 disabled children who were awarded benefits based on a functional assessment of their disabilities. These are children who have a combination of impairments, none of which by itself meets or equals the listings, but which, when taken together, result in a disabling condition. Over 33,000 of these children have physical disabilities. By the year 2000, nearly 400,000 disabled children will be made ineligible for both SSI cash benefits and Medicaid under this provision. Moreover, the bill expressly denies block grant services to these children.

The bill is apparently an attempt to eliminate abuses in the program. There have been charges that parents are coaching their children to misbehave so that parents may apply for SSI benefits on their behalf. Republicans have made an attempt to find a solution to these abuses, but they have missed the mark. They have thrown the baby out with the bath water. Republicans punish more than three-quarters of a million children over the next 5 years without making any serious attempt to target the cases which are most subject to abuse.

## **2. The DEMOCRATS Would Eliminate Abuses While Protecting Disabled Children**

Specifically, the DEMOCRATS would direct the Social Security Administration to restrict significantly childhood disability benefits subject to abuse by:

- o **eliminating "maladaptive behavior" as a means of receiving benefits;**
- o **significantly tightening the severity threshold in the Individual Functional Assessment (IFA) criteria;**
- o **increasing the use of standardized tests.**

Eliminating "maladaptive behavior" from the so-called "domains" on which benefits may be based would eliminate the possibility of children receiving benefits because parents have coached them to misbehave. Raising the severity threshold in the Individual Functional Assessment would assure that only severely disabled children would receive benefits, and increasing the use of standardized tests, in combination with the other changes, would help to take teachers and principals out of the business of assessing children.

The DEMOCRATIC proposal is more effective than the Subcommittee bill. Rather than denying benefits to severely disabled children, the DEMOCRATIC proposal eliminates the behavior categories which are subject to abuse **in both the listings and the IFA**. Thus, the DEMOCRATS tighten the criteria in the areas where the most growth has occurred -- behavior disorders. According to the General Accounting Office more growth has occurred in these areas of the listings than in the IFA.

The DEMOCRATIC proposal assures that all children with significant disabilities can be evaluated for SSI eligibility based on a strict test of the overall disabling consequences of their impairments. It does not deny a child the chance to demonstrate

that a combination of impairments has caused him to be as severely disabled as a child who meets or equals the listings. **The DEMOCRATS target and eliminate abuses while protecting vulnerable disabled children.**

### III. STATE FLEXIBILITY

#### A. Remove Cumbersome Federal Income and Asset Rules

Part of the Republican welfare reform debate has centered on giving States more flexibility. DEMOCRATS agree. Our plan would remove much of the Federal micromanagement added to the law at the request of Republican Administrations over the past 15 years and replace it with State discretion to make basic program decisions. State plans would still be required and HHS would judge States on performance.

For example, States would be granted authority to determine allowable assets, including the value of any car a family may own and remain eligible for cash assistance. States would determine the treatment of any income of the family, such as earnings, child support, stepparent income, and energy assistance, so long as the State policies encourage work.

They would decide which administrative procedures to use in determining eligibility and benefit amount, including whether and under what terms to require retrospective budgeting/monthly reporting by recipients. Federal rules on the treatment of any lump sum income received by a family, establishing a gross income limit, proscribing a nominal threshold below which it is not cost-effective to make an AFDC payment, and requiring that the dollar value of benefits payments be rounded down to the next dollar would be eliminated. All of these requirements were added by Republican Administrations. DEMOCRATS believe these decisions are best left to the States.

#### B. The Specifics

In lieu of these prescriptive Federal mandates, States would have discretion to:

(Check that all States are listed)

- o **Define the family unit and impose family caps.**-- Georgia, Indiana, New Jersey, and Wisconsin now impose family caps under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Require school attendance, reduce benefits for failure to attend school, or provide incentives for school.**-- Arkansas, California, Colorado, Indiana, Oklahoma, and South Carolina now impose some form of these limits under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.
- o **Determine asset amounts and automobile value.**-- California, Colorado, Connecticut, Florida, Iowa, Michigan, New York, Pennsylvania, South Carolina, South Dakota, Virginia, and Wyoming vary these policies under a waiver. A waiver would no longer be necessary under the DEMOCRATIC plan.

- o **Determine how to count child support income in determining AFDC eligibility.**-- Connecticut, Oregon, Vermont, and Wisconsin alter the child support income rules under a waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Reward work, by setting new rules for reducing the welfare check when families go to work.**-- Florida, Illinois, Iowa, Mississippi, Oregon, Pennsylvania, South Carolina, South Dakota, and Vermont have received waivers to modify these rules to reward work. Under the DEMOCRATIC plan, a waiver would no longer be necessary so long as the State policy rewards work.
- o **Encourage family formation by ending discrimination against two-parent families and setting new rules for accounting for stepparent income.**-- Mississippi and New York are doing this now by waiver, for two-parent families; Virginia is doing it now, for stepparents, but only by waiver. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Require child immunizations.**-- Colorado, Florida, Indiana, Michigan, Mississippi, and South Carolina have waivers to permit this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Extend the child care and health care transitions.**-- Connecticut, New York, Pennsylvania, South Carolina, and Virginia have received waivers to allow this. Under the DEMOCRATIC plan, a waiver would no longer be necessary.
- o **Time limit assistance.**-- Florida, Indiana and Wisconsin have received waivers to do this. Under the DEMOCRATIC plan, States could decide whether to limit assistance after two years, with one caveat: States may not end assistance if there is not a job available.