

WR-legis.

**FAX**

UNITED STATES SENATOR • CONNECTICUT

**Joseph I. Lieberman**



~~CONFIDENTIAL~~  
~~FOR ADDRESSES' EYES ONLY~~

FAX TO: Bruce Reed

OFFICE: The White House

PHONE: 456-6515 / 456-7431

DATE: 3/10/94 TIME: 6:15

PAGES (INCLUDING THIS): 5

SUBJECT: Sen Lieberman's welfare reform bill.

FROM: Elizabeth Drye 224-4042

Bruce - The Senator really appreciated your help and ideas. This is for your eyes only. We plan to introduce the bill early next week.

~~--- CONFIDENTIAL ---~~  
p/s

## DRAFT WELFARE LEGISLATION OUTLINE

### **SECTIONS 1-4: Purpose of bill and general provisions relating to state pilot projects.**

**Sec. 2.** States that the purpose of the bill is to implement the demonstration projects established in the bill as part of a comprehensive national program which would terminate aid to families with dependent children after 2 years, and would make employment available to such families where necessary to ensure their employment (i.e. this bill complements, and is not an alternative to, Administration's).

**Sec. 4.** Sets forth general provisions relating to demonstration projects. Authorizes \$150 million/yr for two years and \$200 million in the third year to support pilots, and requires states to have HHS-approved evaluation plans before receiving funds. A portion of these funds (25%) would support innovative pilot programs not specified in the bill but proposed by states.

### **TITLE I. Initiatives to Move Welfare Recipients into the Work Force**

**Sec. 101.** Supports State pilots to condition AFDC benefits for single parents under 20 years of age with at least one dependent child and no children under 6 months of age on attending school or participating in a job or job training program for a minimum of 35 hours per week and on living at home. States would also impose a time limit (not specified) on benefits, and make child care available during training and work activities. Since the program would be expensive, it targets those at greatest risk of long-term welfare dependency -- teenage mothers.

**Sec. 102.** Authorizes the Secretary of HHS to establish a pilot program with the Jobs Corps (a successful, residential anti-poverty program for youths 16-22 years of age) targeting teenage mothers on AFDC with below school-age children. The pilot would include a Parents-as-Teachers type program designed to teach parents how to help prepare their children for school and learning.

**Sec. 103.** Supports state pilots to require 30 days of assisted job search or, where appropriate, substance abuse treatment immediately following application for AFDC, coinciding with the usual lag time between application for and receipt of benefits. Applicants would have to complete the assigned activities before receiving AFDC payments.

**Sec. 104.** A national change to permit states to allow AFDC families to save money (up to \$10,000) for education and training or starting a small business.

**Sec. 105.** Expands on legislation introduced in 1993 with Senator Dodd.

- A national change to permit states to help recipients start a small business by allowing participants a one-time election to fully deduct capital equipment purchases in one year;
- supports state pilots to establish public-private partnerships to provide technical assistance to self-employed AFDC recipients;
- supports state pilots to train AFDC recipients as self-employed providers of child care services; and
- supports state pilot projects to promote ownership of extended family-owned businesses by AFDC recipients. Would provide incentives and assistance for families receiving aid to families with dependent children to work together as managers and employees in extended family-owned businesses.

**Sec. 106.** Amends JOBS provisions to emphasize efforts to move people into the work force over training and education.

**TITLE II: Initiatives to Strengthen Families and Break the Cycle of Welfare Dependency**

**Sec. 201.** Supports state pilots to establish child centered programs through conversion of AFDC and JOBS payments into block grants, plus funds available under other sections of this bill. States could apply portions of funds to: (1) establish residential homes for teenage mothers with children, including supporting the pilot project described in section 107; (2) expand programs to expedite and improve adoption of children; (3) expand child care assistance for needy children of working families; (4) establish supportive residential schools for children enrolled at the request of their parents; (5) provide other services directly to needy children; and (6) fund other programs that are consistent with the purposes of the Act. The Secretary of DHHS, in reviewing the application, must ensure that the State's program will protect the well-being of affected children.

**Sec. 202.** Supports state pilots to discourage welfare recipients from having additional children while on welfare and increase the financial reward for work. Recipients who had a second child would not get additional benefits but would be allowed to keep a higher portion of job earnings.

**Sec. 203.** Supports state pilots to improve incentives to get married. States would disregard to a greater extent the second parent's earnings and work patterns in determining benefits.

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**Sec. 206.** Supports state demonstrations of innovative teenage pregnancy prevention programs.

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Companies would keep a portion of welfare savings as payment for successful job placements.

**Sec. 302.** Supports state pilots to implement performance-based management systems for public welfare providers.

**TITLE IV: Offsetting Expenditure Reductions**

**Sec. 401.** Eliminates the "three-entity" rule, reducing the amount of certain Federal subsidies individual farmers can receive from \$250,000 to \$125,000 per year.

## N E W S R E L E A S E



FOR RELEASE

**U.S. SENATOR JOE LIEBERMAN  
CONNECTICUT**

**PRESS OFFICE:** (202) 224-4041 or (202) 224-9965 (after 6 p.m.)  
Jim Kennedy (202) 583-5697 (H) Kathie Scarrah (703) 845-2874 (H)  
*Actuality Line* : (202) 224-6095

March 15, 1994

**Lieberman Introduces Welfare Reform Legislation**  
**Senator's Bill Allows States To Conduct Pilot Programs**  
**To Move People From Welfare To Work And Rebuild Families**

WASHINGTON, DC -- Calling the current welfare system "a failure for the people on welfare and for the people who pay for it," Senator Joe Lieberman today introduced legislation that encourages states to implement innovative welfare reform ideas.

"The United States has one of the most expensive welfare systems in the world," Senator Lieberman said. "But last year 20 percent of America's children were poor -- a higher percentage than any other industrialized country."

"Under our current welfare system, if you are born to an unmarried teenage mother who hasn't finished high school, the odds are you will spend the rest of your childhood in poverty," Senator Lieberman said. "The irony is tragic: a system designed to help children out of poverty has become a trap that keeps too many children in poverty and destroys fundamental American values of family, work and responsibility. We need welfare reform that helps put people back to work, encourages the rebuilding of two-parent families, deters out-of-wedlock births and shakes up the welfare bureaucracy."

Senator Lieberman's proposal authorizes \$500 million over three years to support demonstration projects for welfare reform in states. After the projects are complete, the Secretary of Health and Human Services will evaluate the projects and recommend to Congress which should be adopted nationally.

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reform -- 2222

No new spending is called for, because the legislation pays for itself through elimination of a loophole in a subsidy program for farmers. "We can reform welfare for the poor by cutting welfare for farmers who don't need it," Senator Lieberman said.

More than a dozen welfare reform projects are outlined in Senator Lieberman's legislation, and states can also apply for funds for projects of their own design. The demonstration projects would allow designated states to:

- discourage people on welfare from having additional children. Parents who had a second child would not get additional benefits but would be allowed to keep a higher portion of job earnings without losing welfare benefits.

- improve incentives for people on welfare to get married by disregarding more of the second parent's earnings and work patterns in determining benefit levels.

- reduce AFDC benefits if school attendance of parent or child is irregular or preventive health care for the dependent children is available but not used.

- condition AFDC benefits for most single parents under 20 years of age on living at home and attending school or participating in a job or job training program.

- establish child centered programs by converting portions of AFDC and other payments into block grants, which could be used to create residential homes for teenage mothers; expand and expedite adoption programs; expand child care assistance for working families; establish residential schools for children enrolled at the request of their parents; and pursue other activities that assist poor children and strengthen families.

- create teen pregnancy prevention and family planning services;

- expand Jobs Corps programs to benefit teenage mothers on AFDC with below school-age children.

- give mothers on AFDC more incentive to help states track down deadbeat fathers by allowing them to keep more of the money collected from such fathers.

- put more pressure on teenage boys to avoid parenting children by making their families accountable for child support obligations; and

- use private sector firms to help states place people who are on welfare in private sector jobs.

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reform -- 3333

Several states have begun implementing one or more of the above programs, and Senator Lieberman's bill would allow more states to try them. The Senator's bill also gives the Secretary of Health and Human Services wider latitude to grant states waivers to conduct other welfare reform experiments.

"My legislation is designed to supplement whatever national changes are recommended by the President this year as Congress considers the welfare reform issue," Senator Lieberman said. "While we are likely to achieve consensus on some across-the-board changes in welfare, there are other ideas that frankly should be tested in one or a few states before we implement them everywhere. That's what my legislation would allow us to do."

"The goal of welfare reform should be three-fold: we should help people on welfare find work in the private sector. We should 'reinvent' the welfare bureaucracy to enable welfare workers to concentrate more on helping people move out of the welfare system and less on paperwork designed to get and keep people on welfare. And we should also discourage people from having children when they are too young and when they are not married," Senator Lieberman said. "The law and government should be discouraging out-of-wedlock teenage parenthood because it is morally wrong and it's usually a disaster for the children and their mothers. That's part of what my proposal aims to do," Senator Lieberman said.

Senator Lieberman emphasized that economic development and crime prevention in poor neighborhoods, health care reform and better schools must be part of an overall answer to welfare and poverty in America. He also said improved collection of child support is an important part of the solution, and announced today his cosponsorship of legislation introduced by Senator Bill Bradley. The Bradley bill would:

- criminalize failure to pay child support and suspend driver's and professional licenses of deadbeat parents.

- require new employees to designate if they owe child support on their "W-4" forms, and require employers to send such forms to the state child support enforcement agency;

(more)

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UNITED STATES SENATOR • CONNECTICUT

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Fax to: BRUCE REED Date 3/15 3:15 PM

Fax# 456-7431 Pages 4

From: SEN. LIEBERMAN / ELIZABETH  
REED

Message: DELIVER  
IMMEDIATELY



FOR RELEASE

March 15, 1994

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- mandate paternity acknowledgment in the hospital when a baby is born;
- establish a national computer network and a new federal law to make interstate child support collection easier;

Besides the state-oriented demonstration programs, Senator Lieberman's welfare reform plan expands on legislation he introduced last year with Senator Chris Dodd (D-CT), which gives people on welfare everywhere in America the opportunity to save up to \$10,000 for job training, education or investment in a small business, and provides tax breaks for so-called "micro-enterprises" (small businesses often run out of a home).

Senator Lieberman said that the changes he is promoting as state-level demonstration projects do not include a denial of food stamps or health benefits to any poor person. "While we want to encourage work, and discourage premature parenthood, we must not penalize the children who are born to mothers on welfare," Senator Lieberman said. "In fact, we must do a better job at helping poor children than the current welfare system allows. That's what my legislation envisions, even as it works to reduce the number of children born to teenage and unmarried parents."

Senator Lieberman said genuine welfare reform will cost money, at least in the short term. But, over time, society will save much more than it spends if welfare reform works, because a lot of children who might otherwise be born into a life of poverty will avoid that fate, and many people will be taxpayers who otherwise would be tax-drainers.

Senator Lieberman said he targets states in his welfare reform plan because "states should be the testing ground for proposals that are promising but unproven, or that involve some risk. States have the willingness and the ability to test multi-faceted, targeted solutions to the problem. They best understand the needs of their citizens and are best able to creatively bring together public and private resources to affect change."

"The bottom line for me is the need to change the status quo. Today, too many people on welfare are POW's: Prisoners Of Welfare. That reality must end," Senator Lieberman said.

Senator Lieberman worked on welfare issues as State Senate Majority Leader and Attorney General in Connecticut. He is the author of "Child Support In America" (Yale University Press, 1986). He recently completed a series of meetings with welfare providers, experts and people on welfare as part of his work on reform legislation.

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Fax to: BRUCE REED Date 3/15 2015

Fax# 456-7431 Pages 14

From: SEN. LIEBERMAN / ELIZABETH  
IRTS

Message: DELIVER  
IMMEDIATE

TUESDAY, MARCH 15, 1994

"THE WELFARE REFORM THROUGH STATE INNOVATION ACT"  
SENATOR JOE LIEBERMAN

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**Sec. 401.** Eliminates the "three-entity" rule, reducing the amount of certain Federal subsidies individual farmers can receive from \$250,000 to \$125,000 per year.

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**STATEMENT OF SENATOR JOE LIEBERMAN  
ON THE INTRODUCTION OF  
"THE WELFARE REFORM THROUGH STATE INNOVATION ACT"**

Mr. President, today I am introducing the Welfare Reform Through State Innovation Act of 1994. The welfare system is in crisis. The United States has one of the most expensive welfare systems in the world. But last year 20% of America's children were poor -- a higher percentage than any other industrialized country.

There is a consensus that we need to do something different from what we have done for the past 25 years to move poor children out of poverty and despair. The primary welfare program -- Aid to Families with Dependent Children (AFDC) -- is viewed by those participating in it *and* those paying for it as a failure. And there is some consensus about the objectives of reform -- Americans agree that welfare should strengthen, not weaken, the benefits of work and family. But little consensus exists on how best to achieve our goals, and the welfare reform debate is increasingly polarized.

As a legislator and law enforcer, I have worked on welfare issues for nearly 25 years. Over the past year I have tried to pull together the best welfare reform ideas. In the process, I have talked to those studying the system, those working in the system, and those dependent on the system. I am particularly appreciative of the counsel of Audrey Rowe, Connecticut's Commissioner of Social Services. Most of all, I have benefitted from my discussions with people who have been on welfare, and who have been willing to talk candidly with me about their experiences and their ideas.

The bill I am introducing today is designed to move the debate forward and respond to the concerns of all who are justifiably disappointed with welfare as we know it. It is designed to supplement the Administration's pending legislation that will make wholesale national changes in the welfare system. My bill embraces certain national reforms about which there is broad agreement, and gives States the responsibility and the opportunity to test innovative solutions to this complicated crisis. Making the States central players in our reform strategy is good policy and enlisting their involvement will help us pass a welfare reform bill this year.

The focus of a reformed welfare system must be to move people back into the work force. The Administration is preparing welfare reform legislation that will, among other things, impose a national two-year limit on welfare benefits followed by a requirement to work in private sector, or if necessary, public service jobs. I commend and support this effort.

My bill will work in concert with the President's proposal to ensure we achieve meaningful reform. It provides the flexibility, resources and guidance States need to implement innovative solutions not ready for application at the national level. It makes States full partners in our efforts to put people back to work, strengthen families, reduce teenage pregnancies and reinvent the welfare bureaucracy.

I believe States must take center stage in order for us to fully meet the objectives of reform. Let me review those objectives.

First, we need to change the many perverse incentives in the current system that discourage work and weaken families. Today's welfare system demands little of people on welfare. It impedes, rather than empowers, those who seek to help themselves. It provides direct rewards for behaviors -- including teenage childbearing -- that contribute to the cycle of poverty. In multiple ways, it undermines our fundamental American values of work, family and responsibility.

Let me give you some specific examples. Under current AFDC rules:

- o If an AFDC mother goes back to work, her income increases only minimally -- often not enough to cover child care -- and she loses her medicaid benefits. She is likely to be economically worse off if she returns to the work force; so she stays on welfare.
- o If she or her children save money for education, the family becomes ineligible for welfare because they have too much money in the bank. Their inability to save without losing AFDC helps trap her children in the cycle of poverty.
- o Getting married reduces or eliminates a mother's benefits.
- o If a mother identifies the father of her child and works with authorities to secure child support payments, she receives only a limited portion of the benefit (\$50 per month). She therefore has limited incentives to seek child support. The result is that few children of poor mothers see any portion of their father's earnings.

There are reasons for each of these rules. They seek to target benefits toward our most needy citizens. But the lines they draw to keep the "undeserving" out inadvertently discourage those in the system from leaving it. For welfare mothers, it is more often than not a rational economic decision to stay single and stay on welfare. That result is absurd. Welfare reform must reverse these incentives.

Second, welfare reform must also seek to address some of the causes of poverty that bring people onto the system in the first place. The recent growth in the number of people on welfare is alarming. Between 1979 and 1989, about 7 million children were in the AFDC program at any given time. But between 1989 and 1993, the number of children receiving AFDC increased by about 30% to 9.3 million children. Today 14 million people -- 5 million families -- receive AFDC assistance.

And the numbers alone don't tell the worst part of the story. An increasing percentage of those entering the system are never-married mothers at greatest risk of long-term welfare dependency. Between 1983 and 1992, families headed by unwed mothers accounted for about four-fifths of the growth in people on welfare, and at least 40% of never-married mothers receiving AFDC remain in the system for 10 years or more.

Never-married teen parents are particularly likely to fall into long-term welfare dependency. More than one half of welfare spending goes to women who first gave birth as teens. As William Raspberry noted in a recent Washington Post column aptly entitled *Out of Wedlock, Out of Luck*, children born to parents who had their first child out-of-wedlock before they finished high school and reached the age of 20 are "almost guaranteed a life of poverty." In other words, they and their parents are almost guaranteed a life on welfare. Citing William A. Galston's analyses, Raspberry notes that a startling 79% of children in this category lived in poverty in 1992. In contrast, only 8% of children whose parents had achieved all three milestones -- marriage, graduation and the 20th birthday -- before having their first child were living in poverty.

These numbers make it clear that we must make preventing teenage pregnancy a central part of our welfare reform strategy. If we do not, more and more children and their unwed teenage mothers will be condemned to lives of poverty and hopelessness.

Reducing teenage, out-of-wedlock childbearing will not be easy. As Senator Daniel Patrick Moynihan points out, the illegitimacy rate in 1970 was about 10%. Since that time it has continued its steady, linear rise and has now reached an alarming 30%.

The potential effect of welfare itself on illegitimacy has taken center stage in the welfare reform debate. David Ellwood, economist and Department of Health and Human Services official, has found little evidence that welfare contributes to the increase in illegitimacy. In his book, *Poor Support*, he points to several other concurrent social changes that are likely contributors to the increase -- the growing percentage of women in the work force, the drop in earnings and rise in unemployment among young men, and changes in attitudes toward marriage.

Others interpret the data differently. Most notably, Charles Murray believes that welfare is the primary cause of the increase in illegitimate births. In a catalytic *Wall Street Journal* article published October 29, 1993, Murray argues that welfare has reduced the economic penalty associated with out-of-wedlock childbearing and, in turn, has reduced the social stigma associated with it. He concludes that the removal of both of these disincentives has led to more out-of-wedlock births. Based on this conclusion, Murray recommends the dramatic step of ending welfare altogether. Murray recognizes that his approach may put this generation of children at risk and advocates, among other things, government investment in new facilities to care for these children.

The stigma of illegitimacy was not just an accident of social history; it was a societal attempt to protect children. The stigma is largely gone. Raspberry's article cites polling results indicating that 70% of Americans aged 18 to 34 believe that people having children out of wedlock do not deserve any moral reproach. But the decision to bear a child has profound moral and practical content. We must infuse our children with a clear understanding of the consequences of teenage childbearing.

Few would argue that a national campaign to discourage unmarried teenagers from having children is not a good thing to do. The question for those of us working on welfare reform is this: can we supplement that campaign with changes in welfare policy that also discourage out-of-wedlock births?

Some might say no, believing that there is little correlation between welfare and out-of-wedlock births. The empirical evidence is generally viewed as inconclusive. Some controlled studies have demonstrated a positive association between welfare payments and out-of-wedlock births, and my own conversations with teenage mothers bear this out.

However, imposing nationwide changes in welfare payments to reduce teenage parenthood is not yet appropriate, given the lack of conclusive evidence, and the impact of those changes on the people on welfare. But it is important to test these ideas at the State level, in a way that poses little risk, yet possesses the potential for very positive results. Our goal for this aspect of welfare reform should be to reduce the number of children born into poverty, while providing greater assistance and opportunities for children who are born poor.

We must pursue several paths to reform:

- Improving the economic outlook for young men and women by enhancing their education and job opportunities. That increases their hope for success and therefore the "opportunity costs" associated with early childbearing.
- Requiring young people on welfare to stay in school and/or work, and to live at home, to reduce the advantages of welfare.

○ Strengthening child support enforcement, and holding parents of young men financially accountable for their sons' children, to increase the teenagers' disincentives to father children.

As we try to discourage out-of-wedlock births, we must not forget the children who are born, despite the disincentives. That involves a redirection of welfare support from the parents of poor children to the children themselves.

A portion of the welfare population -- perhaps a small but significant portion -- is unlikely to respond to stronger inducements and penalties. In a recent Los Angeles Times article, Adela de la Torre, an economist at California State University at Long Beach, writes that the children of such parents "become victims of trickle down welfare programs ... if we deem the parent unfit for welfare support, the child, too, loses." De la Torre rejects the notion that building stronger parental inducements into the welfare system will change the behavior of all parents and calls instead for a more child-centered social service agenda that recognizes and serves the needs of children in a more direct, comprehensive, and integrated fashion. She makes an important point.

Similarly, Thomas Corbett of the University of Wisconsin asks in a Spring, 1993 *Focus* article whether it is "compassionate to throw a little bit of welfare into troubled families and do little else to aid the children?" The answer is, of course, relative. AFDC reflects our best intentions toward these children, but it often fails them. Whether cash payments to unresponsive parents is the most compassionate approach, Corbett concludes, "depends partly on how many children are involved and whether we can design and finance the technologies required to assist them." It is incumbent on us, as part of welfare reform, to explore the alternatives to a largely parent-based system, and find the answers to his question. One way to do this is to enable States to reduce and convert part or all of AFDC payments to block grants and combine the grants with other funds available under this bill to care for children, strengthen families, and implement other reforms.

Taken together these reforms, I believe, would begin to address the underlying problems that Ellwood and Murray have highlighted.

Changing the welfare system to move people back into the work force and to better serve the needs of children will require changing the way the welfare bureaucracy does business. Many welfare offices don't know how many children they have in foster care. Many still operate out of cardboard files and lose people in the shuffle of paper. Offices often suffer from inter-agency rivalry and bureaucratic bickering. It is tragic when a child suffers needlessly because the system fails under the weight of its own inefficiency.

This need not happen. Some innovative States and municipalities have tried to make their welfare systems more efficient and service oriented. At a hearing I held last December, Carmen Nazario, the Secretary of Health and Human Services in Delaware, testified that her state has brought public and private social services together in a single location and is now developing a computer network to link programs.

David Truax from the Maryland Department of Human Resources described a second approach to improving services. Maryland now provides each participant with a debit card that has AFDC, Food Stamps, and General Assistance benefits on it. Electronic benefit cards have several advantages: they preclude the trading of food stamps for drugs; they introduce people to the banking system; they make it easier for them to budget their money since they don't have to cash one single check; and, they reduce their vulnerability to crime.

Further, offices should encourage and empower, not discourage and demean, those they serve. It can be done. America Works, a private organization that trains people on welfare for work and places them in jobs, provides proof. During my visit to their Hartford Connecticut office I found that clients felt they were getting the help they needed to succeed, and were motivated and optimistic. I asked one young woman who had just completed her training if she expected to be placed successfully in a job. She responded with enthusiasm, "absolutely." This spirit does not typically pervade traditional welfare offices.

Most important, welfare offices should be held accountable for results. They need to make the shift from writing checks to moving people on welfare into jobs. To promote this change, we should seek to establish competition among agencies and greater choice for people on welfare. We should encourage public agencies to contract with effective private sector companies and to better reward those public employees who successfully help people become self-sufficient.

These welfare reform goals are a tall order, and we cannot and should not expect far-reaching reform to happen overnight. In fact, several factors will temper our pace.

First, cost. Changing the disincentives for work in the current system, providing recipients with the tools they need to return to the work force, strengthening the family and increasing efforts to prevent teen pregnancy -- these reforms will cost money.

In a recent article in *The New Republic*, Paul Offner of the Senate Finance Committee staff advises us to learn an important lesson from the 1988 Family Support Act: overly-ambitious and under-funded reform efforts are doomed to failure. They do little to change the expectations of those working in the system or those using it.

Second, uncertainty. We have few proven reforms, and those that have been tested, such as the model education and training programs launched in California and Florida, have delivered only marginal results to date. Absent better information, we would be wise to heed the advice of Proverbs: "It is not good to have zeal without knowledge." Changes in welfare are consequential. They affect people's lives, children's lives.

How then should we proceed?

First, we should implement on a national level reforms about whose effects we are most certain. For example, the Federal government should take the lead in making work pay. Congress has already taken an important step in this direction by increasing the Earned Income Tax Credit. And I hope and expect that this Congress will pass a health care reform bill that ensures all individuals have health insurance, regardless of their economic status, so that health care worries will no longer provide a disincentive for leaving welfare.

We must also make returning to work the primary focus of the welfare system. President Clinton's pending legislation establishing a two-year time limit followed by work will be central to this effort. To avoid the dangers of under-funding, the Administration appears to be considering targeting its program to younger, new entrants -- those most at risk for welfare dependency. This approach makes sense. And I fully support the Administration's effort.

The Federal government must also take the lead in improving child support enforcement. As a starting point, it should fully implement the recommendations of the U.S. Commission on Interstate Child Support. Senator Bill Bradley, a member of the Commission, has introduced S. 689, the Interstate Child Support Enforcement Act, to implement the Commission's recommendations. My Connecticut colleague, Congresswoman Kennelly, also a Commission member, has introduced a similar bill, H.R. 1961, in the House. I am cosponsoring Senator Bradley's bill, which will, among other things: mandate hospital-based paternity acknowledgement programs; require employers to submit W-4 forms for all new employees to State child support enforcement agencies; and provide States the authority they need to assert jurisdiction over non-resident parents. The era of "deadbeat dads" should end.

Further, the Federal government should take the lead on improving our understanding of the causes of and solutions to welfare dependency. Senator Moynihan advocates, and I support, a national effort to develop and track indicators or correlates of poverty, welfare participation, and the performance of welfare programs. That kind of baseline information is essential if we are to measure the benefits of reforms.

And while we are studying the problem, we should aggressively test new solutions. That is the part of the puzzle my bill targets. States should be the testing ground for those proposals that are promising but unproven, or that involve some human or financial risk. States have both the willingness *and* the ability to test multi-faceted, targeted solutions to the problem. They understand the unique needs of their citizens and are best able to creatively bring together public and private resources to affect change.

States are willing and eager to play this role. In testimony before the Senate Finance Committee's Subcommittee on Social Security and Family Policy, The American Public Welfare Association and other State organizations indicated their strong desire to pursue innovative strategies. My own State of Connecticut has developed a comprehensive reform proposal, and I believe the Federal government should assist in implementing it. While States can already pursue their own welfare reform initiatives through a Federal waiver process, certain waiver conditions, particularly the requirement for budget neutrality, limit their ability to move forward.

My bill will provide States with the resources, technical support and flexibility necessary to organize and test the additional solutions we need. The bill authorizes the Department of Health and Human Services to spend \$500 million over three years to support a series of specific demonstration projects set forth in the bill as well as other, State-initiated reforms. These State demonstrations will be reviewed and approved by the Department's Secretary. At the end of the three years of demonstration projects the Secretary will recommend to Congress which are ready to be imposed nationally. My proposal requires States to obtain independent evaluations of these projects, but allows for flexibility in how such evaluations are conducted so as not to hinder program design. Some of the demonstration projects in the bill are already underway in one or two States, but have not yet been fully evaluated. The added resources and flexibility will allow more States to test a broader range of ideas.

Specifically, the bill supports the following reforms:

Title I includes initiatives to move people on welfare into the work force. Two pilot programs focus on teenage parents. The first allows States to condition AFDC benefits for single parents under 20 years of age on: (1) attending school, participating in job training or holding a job; and (2) living at home. The second allows States to include young AFDC clients in the Jobs Corps -- a successful, residential anti-poverty program for youths 16-22 years of age.

Title I also permits States to require 30 days of State-assisted job search or, where appropriate, substance abuse treatment, during the usual lag time between application for and receipt of benefits. Other provisions in this title assist people on welfare in accumulating assets to invest in education or to start a small business.

Title II supports State demonstrations that strengthen families and break the cycle of welfare dependency. States could establish a more child-centered welfare program through conversion of all or part of AFDC and JOBS funds into a block grant. Under this pilot program, States could apply the block grant funds, supplemented by additional funds made available under the Act, to: establish residential homes for teenage mothers and their children which include enhanced social and employment services; improve child care; speed adoption; make available residential schooling for children enrolled at the request of their parents; and provide other services to needy children. No State program under this Title could move forward unless the Secretary of the Department of Health and Human Services found that the program fully protected the well-being of affected children. State welfare administrators I spoke with were interested in the block grant approach because they felt it could provide the flexibility and resources they need to tackle real program reforms.

Another section of Title II allows States to discourage people on welfare from having additional children; States could eliminate the payment increase for additional children while increasing the financial reward for work. The Title also allows States to liberalize eligibility rules for two-parent families to encourage marriage. It also supports States seeking to strengthen child support collection by raising the amount of child support people on welfare can keep without reducing their benefits, by holding parents accountable for the child support obligations of their sons who are minors, and through other means proposed by the State. Finally Title II supports innovative State teenage pregnancy prevention programs.

Title III seeks to diversify and improve the performance of welfare services and change the culture of welfare offices. The Title supports State pilots to provide incentives to private sector, for-profit and non-profit groups to place people on welfare in private sector jobs. Companies would keep a portion of welfare savings as payment for successful job placements. Title III also supports State pilots to improve the performance of welfare office employees through, for example, providing direct bonuses to employees and judging their performance based on their clients' progress toward self-sufficiency.

Finally, Title IV authorizes offsetting expenditure reductions to ensure the bill is budget neutral. In other words, the bill pays for itself. Specifically, it eliminates the "three-entity" rule. Currently, an individual farmer can qualify for up to \$125,000 per year in certain government subsidies. If he forms two other business entities with two other individuals (say, a friend and a sister), each of these entities can qualify for another \$125,000 per year. So the individual farmer can receive up to \$250,000 in subsidies per year -- \$125,000 for his first business entity, and half of \$125,000 for each of his second and third entities. My bill says, "enough is enough," and caps the amount of agricultural subsidies any one person gets from the Federal government at \$125,000. A preliminary Congressional Budget Office estimate indicates this change will save \$675 million over five years -- money that is better spent on the truly needy.

Americans continue to show concern for the poor, and particularly poor children. A recent poll commissioned by the Children's Defense Fund and others found that 64% of Americans believe we should spend more on poor children. But the same poll found that 55% think we spend too much on welfare, and 68% think we should not increase payments to parents for any additional children they have while on welfare.

Our current approach to helping the poor is clearly not working. The goal of welfare reform is to transform the status quo into a system that promotes work, family and responsibility and protects children from a life of poverty. This bill, with the Administration's proposal, will begin to allow us to do just that.

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Lieberman  
2/22

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**DRAFT WELFARE LEGISLATION -- OUTLINE**

**SECTIONS 1-4: Purpose of bill and general provisions relating to state pilot projects.**

**Sec. 2.** States that the purpose of the bill is to implement the demonstration projects established in the bill as part of a comprehensive national program which would terminate aid to families with dependent children after 2 years, and would make employment available to such families where necessary to ensure their employment (i.e. this bill complements, and is not an alternative to, Administration's).

**Sec. 4.** Sets forth general provisions relating to demonstration projects. Authorizes \$100 million/yr for three years to support pilots, and requires states to have HHS-approved evaluation plan before receiving funds. A portion of these funds (25%) would support innovative pilot programs not specified in the bill but proposed by states.

**TITLE I. Initiatives to Move Welfare Recipients into the Work Force**

**Sec. 101.** Supports State pilots to condition AFDC benefits for single parents under 20 years of age with at least one dependent child and no children under 6 months of age on attending school or participating in a job or job training program for a minimum of 35 hours per week, and limit the time period for completion of training activities. States impose a time limit (not specified) on benefits, and make child care available during training and work activities. Since the program would be expensive, it targets those at greatest risk of long-term welfare dependency -- teenage mothers.

**Sec. 102.** Authorizes the Secretary of HHS to establish a pilot program with the Jobs Corps (a successful, residential anti-poverty program for 16-22 year olds) targeting teenage mothers on AFDC with below school-age children. The pilot would include a Parents-as-Teachers type program designed to teach parents how to help prepare their children for school and learning.

**Sec. 103.** Supports state pilots to use private sector, for-profit and non-profit groups to place welfare recipients in private sector jobs. Private companies would keep a portion of welfare savings as payment for successful job placements.

**Sec. 104.** A national change to permit states to allow AFDC families to save money (up to \$10,000) for education and training or starting a small business.

**Sec. 105.** Expands on legislation JIL introduced with Senator Dodd.

- A national change to permit states to help recipients start a small business by allowing participants a one-time election to fully deduct capital equipment purchases in one year;
- supports state pilots to establish public-private partnerships to provide technical assistance to self-employed AFDC recipients;
- supports state pilots to train AFDC recipients as self-employed providers of child care services; and
- supports state pilot projects to promote ownership of extended family-owned businesses by AFDC recipients. Would provide incentives and assistance for families receiving aid to families with dependent children to work together as managers and employees in extended family-owned businesses.

**Sec. 106.** Amends JOBS provisions to emphasize efforts to move people into the work force over training and education.

**TITLE II: Initiatives to Break the Cycle of Welfare Dependency and Strengthen Families:**

**Sec. 201.** Supports state pilots to establish child centered programs through conversion of AFDC and JOBS payments into block grants. States could apply funds to: (1) establish residential schooling/community homes for neglected or abused children (or children enrolled by parental request); (2) establish residential homes for teenage mothers with children, including supporting the pilot project described in section 107; (3) expand programs to promote, expedite, and ensure adoption of children; (4) expand child care assistance for needy children of working families; (5) support community-based programs for teen pregnancy prevention and family planning; and/or (6) enhance child support collection, including holding parents accountable for supporting any children of their own minor children.

**Sec. 202.** Supports state pilots to discourage welfare recipients from having additional children while on welfare and increase the financial reward for work. Recipients who had a second child would not get additional benefits but would be allowed to keep a higher portion of job earnings.

**Sec. 203.** Supports state pilots to improve incentives to get married. States would disregard to a greater extent the second parent's earnings and work patterns in determining benefits.

**Sec. 204.** Supports state pilots to reduce AFDC benefits if school attendance of mother or child is irregular or preventive health care for the dependent children is not attained

**Sec. 205.** Supports demonstration projects to increase child support disregard, from \$50 to a higher level decided by the state.

**TITLE III: Increased Availability of Waivers:**

**Sec. 301.** Broadens Secretary of HHS's authority to grant states waivers.

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103D CONGRESS  
1ST SESSION

# H. R. 1293

To replace the program of aid to families with dependent children with a program of block grants to States for families with dependent children, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1993

Mrs. MEYERS of Kansas (for herself, Mrs. JOHNSON of Connecticut, Mr. GILMAN, Mr. CLINGER, Mr. FAWELL, Mr. GINGRICH, Mr. SOLOMON, Mr. DELAY, Mr. EWING, Mr. MOORHEAD, Mr. STUMP, Mr. GOSS, Mr. DREIER, Mr. BALLENGER, and Mr. LIVINGSTON) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To replace the program of aid to families with dependent children with a program of block grants to States for families with dependent children, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Welfare and Teenage  
5 Pregnancy Reduction Act".

WR ~~FIA~~ LEGIS.

- Intensive Placement Assst.
  - Work/Study
  - Nat. Service ?
  - Bill Bradley ideas
  - Targeted OJT
- Work for NCPs  
Block grant

# WELFARE REFORM

## THE WELFARE ELIMINATION ACT OF 1993

### National Service Work Program

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The Welfare Elimination Act of 1993  
(WEA)

Summary

The many proposals that today go by the term "welfare reform" suggest that the flaws in our welfare programs lie in how they are operated. The President proposes to "end welfare as we know it" through limits on eligibility, and states throughout the country are heralding welfare experiments that aim to modify behavior, restrict benefits or expand training. These changes may be significant, but none of these reforms challenge welfare's guiding principles.

Today, we support more than five million families through programs based largely on cash assistance. But some sixty years ago, Franklin Roosevelt experimented with cash assistance relief and rejected it as "a narcotic and a subtle destroyer of spirit." Until we take his lead and develop assistance programs based on work, we will never solve welfare's myriad problems.

The Welfare Elimination Act of 1993 (WEA) does not tinker with current welfare system; it abolishes it. WEA asserts that to truly end welfare as we know it, we must replace the patchwork of overlapping public assistance and job training programs with a simple framework and a simple mission. It:

- 1) Abolishes AFDC, JOBS, Food Stamps, the JTPA and many other federally funded job training programs.
- 2) Provides income benefits to families in temporary crisis. The majority of current welfare recipients have suffered a temporary setback and leave the rolls soon after their emergency passes.
- 3) Provides intensive job-readiness and placement assistance with the goal of securing a job in the private sector.
- 4) Provides, as a last resort, a community service job.

WEA differs from the current welfare system in many ways. It:

**Eliminates indefinite cash assistance.** No individual will collect assistance for more than six months without full-time participation in an intensive job placement program; no individual will collect assistance for more than a year without working for it.

**Respects people; promotes initiative.** WEA rejects one size fits all support and relies on individual initiative. The help a person receives comes as a result of choices s/he has made.

**Encourages private sector employment.** Participants will clearly be financially better off by finding and keeping a job in the private sector as opposed to receiving government assistance.

**Cuts out bureaucracy and administrative costs.** By making cash assistance available only in temporary, emergency situations, during voluntary job training, or for public sector work, government eliminates the need to spend resources acting as cop or watchdog over long term recipients.

#### MISSION

To eliminate welfare, support employment opportunities, enable people to become employed, and support people in existing jobs.

This mission statement is supported by several principles that guided the development of the Welfare Elimination Act.

- 1) Full time workers should be able to support their families.
- 2) All program components should help participants find employment in unsubsidized jobs.
- 3) Families and individuals experiencing a temporary financial crisis should receive short term emergency benefits. All other cash assistance shall be linked to participation in job training, placement programs, or public service work.
- 4) Individuals unable to find work should first be offered job placement assistance or education and training.
- 5) The public sector should be the employer of last resort.

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GENERAL PROGRAM DESCRIPTION

Individuals seeking assistance at the local office will have several options.

- \* Temporary Emergency Assistance (TEA). If a family has a temporary crisis, TEA provides limited cash assistance for up to six months. This program is intended for families that are going to be able to reenter the work force without further assistance from the government. The needs of such families are often strictly financial.
- \* National Service Work Program (NSWP). The majority of those seeking assistance will choose the NSWP. This program offers two job placement tracks for persons with different needs.

Intensive Placement Assistance (IPA). This is a six month program of intensive job readiness and placement assistance. During this time, participants shall participate in job readiness training, skills enhancement/update training, receive budgeting and family management instruction, interviewing and resume assistance to supplement the intensive placement assistance. Trained counselors will provide case management and job counseling. The counselors will focus heavily on linking the participant and potential employers. The goal is to find the participant an unsubsidized job before the end of the six month program.

← good name

Work/Study. This is a program for those participants whose assessment indicate that additional education will enhance the chances of full time employment in an unsubsidized job. Participants will be required to work part-time to participate in this program.

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Public Service Job. For those who have completed the six month IPA program and have been unable to find an unsubsidized job, a public service job will be available. The job will be full time, but will provide less income than full-time unsubsidized jobs. Ongoing job placement assistance will be provided by a case manager.

All of the program components assist participants and their families to become self-sufficient through unsubsidized employment.

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## PROGRAM COMPONENTS

### Temporary Emergency Assistance (TEA)

A large percentage of welfare recipients have only a short term need for financial assistance; they leave the welfare rolls on their own initiative as soon as the emergency passes. These households only have a financial need; they do not need other support services, training, education and/or job placement. Such households will receive TEA for no more than six months.

- \* For up to six months, all households with income below 50% of the poverty level shall be eligible for emergency cash assistance to assist them through a temporary crisis. The benefit level shall be 50% of the poverty level, adjusted for the household size.
- \* The benefit level can "fill the gap" between household income and 50% of the poverty level.
- \* During this period, individuals can volunteer for assessment and/or part-time public work placement (PTPS) to partially work off the cash assistance, provide an attachment to the work place, a work experience for reference purposes, etc.
- \* TEA will be available only for a total of six months in any 24 month period.
- \* There will be no requirements conditioning receipt of TEA; as a result, the administrative burden of monitoring for "compliance" will be eliminated. Since many families enter the welfare system after a temporary crisis, government will be able to conserve its limited resources to assist those who have more complex needs.

#### Next steps:

*If the household is still in need after receiving TEA for six months, the individual may enter the National Service Work Program, either the work/study or the Intensive Placement Assistance program. The worker must first be assessed to determine education and work options.*

Margy Draft #30  
November 19, 1993  
NOT FINAL

## **National Service Work Program**

The program will include an initial assessment to determine education and work options, followed by Intensive Placement Assistance or work/study. The Intensive Placement Assistance program will last for up to six months and will provide all possible support to individuals for placement in an unsubsidized job. A second option will be a work/study program. Individuals who are not placed in an unsubsidized job at the end of the six month IPA, will be offered a public service job.

### **Assessment**

Prior to entering the IPA or the work/study program, applicants will be assessed to determine level of "job readiness". This assessment will also determine level of educational achievement attained and achievable. In order to adequately provide placement assistance and educational counseling, the assessment is a critical component of the NSWP.

### **Next steps:**

After assessment, and in consultation with a trained counselor, the individual may choose either the work/study or the IPA program.

### **Intensive Placement Assistance**

Work in an unsubsidized job is the goal for all participants. Because we value such work, an intensive job placement program shall be the first step for all participants (except those who choose the work study/option). Participants shall remain in this program until they are placed in a full time job, or six months have passed, whichever comes first.

During this time, participants shall participate in job readiness training, skills enhancement/update training, receive budgeting and family management instruction, interviewing and resume assistance to supplement the intensive placement assistance. Where appropriate, and as time permits, some participants may choose to attend classes to obtain a GED, or otherwise further their education and enhance skills. The case manager will be the broker between the participant and potential employers.

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November 19, 1993  
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During the IPA component, the participants will be paid \$4.00 per hour for 40 hours of job readiness/public service work/class. They will be entitled to an Earned Income Tax Credit (EITC) that will raise the household income to 75% of the poverty level.

*Next steps:*

*Participants who are unable to find a job by the end of the six month period of IPA will be offered a public service job. An assigned case manager/counselor will continue to assist the worker with unsubsidized job placement. Participants may also choose to enter work/study at the end of the six month period.*

**Work/Study**

Participants may choose a work/study option, designed to enhance their employability options, based upon the assessment indications. Options include educational, technical training, or apprenticeship programs. Each participant will be encouraged to look for a part-time unsubsidized job. S/he may work part-time in a public service job if she cannot obtain an unsubsidized part-time job.

The work/study program also will be available to persons in unsubsidized jobs whose household income is below 75% of the poverty level. The participant may be compensated at \$4.00 per hour for up to 20 hours of class per week. The EITC for the part-time unsubsidized worker in this program will be limited to the amount earned by a subsidized worker with the same household size.

Part-time public service workers will be paid for 40 hours per week at \$4.00 per hour for work/study. Work/study participants must fulfill the minimum work/study requirement of 40 hours per week in class or work. This payment level ensures that unsubsidized jobs, outside the National Service Work Program, are preferable to the National Service Work Program public service job, even if the outside job is only paying minimum wage (\$4.25).

The individual can continue in the work/study program for up to four years. S/he must be actively working toward educational or training goals to remain in the work/study program.

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November 19, 1993  
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**Next steps:**

*After completing the educational or training goals, or at the end of four years, whichever comes first, the individual must enter the IPA program or begin work in an unsubsidized job.*

**Public Service Placement**

After six months in the IPA program, National Service Work Program jobs will be available to anyone who applies, without regard to household income or circumstances, or previous receipt of TEA.

The wage scale for these jobs will be \$4.00 per hour, and EITC will be limited to bring the household to only 75% of the poverty level. This will remove any incentive to stay in the National Service Work Program jobs for all of those who can be employed in unsubsidized jobs.

Ongoing case management will provide continuing efforts to place individuals in jobs outside the National Service Work Program.

**Exemptions:**

(A) Households that may continue to receive the TEA for longer than six months:

\*High school students up to age 20; children below the age of 18 will be ineligible for the National Service Work Program to encourage them to stay in school full time. Teenage parents under age 18 will be required to live in an adult supervised living arrangement.

\*Single parents and guardians of children under 3 months of age, and single parents and guardians of dependent disabled children. Teenage parents under age 18 will be required to return to school within three months to remain eligible.

For those households that remain financially eligible and meet the exception criteria listed above, the TEA payment will continue to be available. Individuals in these households (except children under age 18) may still volunteer for the National Service Work Program.

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(B) Households with an exemption from full time participation in the National Service Work Program:

\*Two parent households will be required to have the equivalent of one full time worker. They may achieve this goal by any combination of work and study hours, as described above. However, all parents are **permitted** to participate on a full time basis. They must volunteer for the full time IPA before obtaining a full time public sector placement.

\*Part-time workers in unsubsidized jobs with household earnings (combined with EITC) below 75% of the poverty level, who are unable to obtain a full-time unsubsidized job or an unsubsidized job that pays more than the full time National Service Work Program job, may participate on a part-time basis.

\*Participants in a substance abuse treatment program will be required to participate in work and/or study and treatment for a combined total of 40 hours per week.

#### DELIVERY SYSTEM

The IPA services shall be delivered in community based settings, like the old settlement house approach or the new family resource center approach. The services shall be delivered by entities which shall compete for the right to deliver the services through a competitive bidding process. Existing agencies, including those currently offering JOBS, JTPA and placement for unemployment compensation recipients, may apply, as well as non-profit and for profit corporations.

Funding shall not be limited to one entity per jurisdiction. Some service providers may be best equipped to work with a specialized population. It will also be advantageous to have different service providers in the same jurisdiction competing against one another. Subsequent contracts can only be awarded based upon a successful outcome-based performance review.

However, these goals must be balanced against the need for reduced overhead and streamlined administration. Also, clients must be able to easily understand where to go for services. In any case, one stop shopping for placement services for all persons in need shall be the goal.

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## FUNDING

The federal government should agree to cover the full cost of this program, in exchange for adequate state/local funding of the education and training program that will be accessible to everyone who wants additional education, including participants in the work/study program. A maintenance of effort provision should be included to require states to invest their current level of welfare funding in education and training programs. States will be required to target educational opportunities to non-traditional students.

Most federally funded training programs should be eliminated. Only programs created to assist those workers whose job loss is caused by a federal policy decision, like defense conversion programs, should be retained. As a result, the federal government will fund the TEA and NSWP program, while states and local governments will fund the education and training programs utilized by participants in the NSWP.

This plan supports the Reinventing Government proposal for streamlining of job training and one-stop shopping opportunities for displaced workers. The existing fragmented system acts as a barrier to participants because 1) duplication of services adds unnecessary costs, and 2) lack of information leads to confusion about how to access services.

Eliminating these programs could result in a \$16 billion dollar savings in the federal budget. Some of the savings shall be applied to a targeted training tax credit to businesses that create on the job training opportunities.

The federal government will no longer fund Food Stamps. The value of Food Stamps will be "cashed out" through the EITC for all households that would be eligible for Food Stamps under the existing program guidelines. Other programs that will be eliminated include AFDC and JOBS.

A block grant approach to funding shall be utilized. The amount of the grant shall be based upon a formula developed at the federal level using census poverty data, unemployment rates, job development rates, and an approximate cost per person for the new program. A grant shall be made to each jurisdiction on an annual basis for allotment to successful bidders for provision of services. A contingency fund shall be available for additional resources if the jurisdiction can show that the initial allocation was inadequate based upon the number of participants. good

### SUPPORT SERVICES

*These services are generally available, when needed to prevent barriers to employment, upon request by any participant, including those working outside the National Service Work Program system as a transition benefit for up to one year.*

Case management/Counseling: Ongoing job development, job contact, job placement services and job readiness training for anyone in PTPS, education/training, National Service Work Program participants, and as a transition benefit. The case manager will be the broker between the worker and the job market. The case manager will also make referrals to other appropriate services. Case managers will be trained to identify barriers to appropriate job performance such as mental illness, learning disabilities, substance abuse etc.

Legal Services: Legal services shall be provided to all PTPS volunteers, education/training participants, National Service Work Program participants and as a transition benefit. These services shall be limited to those situations requiring legal intervention that are a barrier to employment.

**Targeted Training Tax Credit:** A targeted training tax credit will be created for employers that provide on the job training. ←

### EXISTING INITIATIVES FOR JOB SUPPORT

*The following support services exist or have been proposed and are being currently considered. They are important components of any work program. The success of the NSWP depends on their continuing existence and/or enactment. In some cases, existing programs may need to be expanded.*

Tax assistance: EITC will be expanded for all working persons. It will be adjusted for family size, will be refundable and can be refunded in the paycheck. EITC will be enhanced to compensate households for the "cashing out" of Food Stamps. Most households participating in the National Service Work Program will receive tax credits bringing their income up to a maximum of 75% of the poverty level. Those persons in a full-time job outside the National Service Work Program system will receive tax credits bringing their household income up to the poverty level.

Margy Draft #30  
November 19, 1993  
NOT FINAL

Health Care: The administration's proposal should eliminate the need for a health care program that is tied to receipt of benefits. Adequate health care will include substance abuse treatment and mental health services.

Child Day Care: Child care shall be provided to all parents and other official caretakers in education/training, substance abuse treatment programs, part-time public service (PTPS) volunteers, National Service Work Program participants, and as a transition benefit. In addition, child care shall be universally available to all households with income below 200% of the poverty level, on a sliding fee scale basis.

Child Support Enforcement: Various options to improve collection are being investigated. The Administration is currently reviewing the system to enhance collection. A federalized system of enforcement and changes in the state programs are currently under consideration. Non-paying child support obligors could be ordered by the court to participate in NSWP. Such an option provides the non-custodial parent with a source of income for payment of the child support obligation, and "under the table" workers would be flushed out by the 40 hour per week work requirement of the NSWP.

X  
NCP  
work

**POVERTY LEVEL/PAYMENT LEVELS FOR A FAMILY OF THREE**

	Annual	Monthly	
50%	= \$5,945	\$495	TEA benefit level
75%	= \$8,918	\$743	Full time NSWP households
100%	= \$11,890	\$991	Full time worker in unsubsidized job

Almost all households will be better off under this proposal than in the current AFDC/Food Stamp program in the states.

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

Margy Draft #30  
November 19, 1993  
NOT FINAL

### ELIGIBILITY

**Temporary Emergency Assistance:** Any household in need with an income below 50% of the poverty level.

There will be no asset limits, to encourage savings for education, a home, a business - microenterprise.

**National Service Work Program:** Any individual who volunteers.

There shall be disciplinary action for inappropriate behavior on the job that cannot be resolved by working with the case manager. When necessary, permanent or temporary ineligibility for the National Service Work Program shall be imposed as a job action.

**Disability Assistance:** SSI recipients will not be eligible for TEA or National Service Work Program, but the existing SSI program will be expanded to include all persons incapable of working, and their dependents.

The SSI program was originally intended to federalize the state's programs of assistance to the aged, blind and disabled. Changes in the program's application process have resulted in a 70% denial rate; two-thirds of these applicants ultimately prevail in the appeal process. The SSI program should include a presumptive eligibility component to reduce the need for state assistance to applicants.

Also, the state programs of General Assistance and Disability Assistance should be reviewed to determine the need for new categories of eligibility for SSI. This will ensure that the SSI program fulfills its original goal of federalizing assistance to people who cannot support themselves and their families by working.

Currently, single persons receive a monthly SSI payment of \$434, while the poverty level for single persons is \$6,810 annually and \$567 monthly. Households dependent upon a disabled person will receive a benefit payment adjusted for family size.

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

House of Representatives, U.S.

MEMORANDUM

Thought you  
would be interested.

Sincerely,  
Betsy T. Mink

WR-Legis

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

November 24, 1993

President William J. Clinton  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Dear Mr. President:

We applaud your efforts to improve the status of working families in this country. The children's initiative within the Budget Reconciliation bill, which included the earned income tax credit; expansion of the food stamp program; increased funding for family preservation and childhood immunization was a first step toward a real investment in human needs.

We are writing to encourage continued efforts along these lines through policy initiatives that provide thoughtful, practical solutions to the economic and social problems facing America, including real welfare reform. We believe that true reform of the welfare system can potentially move families toward self-sufficiency and control over their own lives and destinies.

We strongly endorse the principles agreed upon by the Coalition on Human Needs, an alliance of over 100 national organizations working together to promote public policies which address the needs of low-income Americans. We believe that to properly address human needs welfare reform must:

**1) REDUCE THE NEED FOR WELFARE**

- \* **Reform of the Aid to Families with Dependent Children (AFDC) program cannot succeed in the absence of a broader anti-poverty strategy.** Families are often forced to rely on welfare because other social systems have failed. A meaningful anti-poverty strategy must include assured child support benefits for all children with an absent parent, improved unemployment insurance protection, a refundable children's tax credit, universal access to health care, an increased minimum wage, an expanded Earned Income Tax Credit, quality child care needed for employment and preparation for employment, improved access to federal nutrition programs, as well as other reforms and initiatives outside the AFDC system.

- \* Investing in education and training opportunities for welfare recipients is critically important. Federal funding for the Job Opportunities and Basic Skills (JOBS) program -- or any successor program -- should be increased to expand education and training services that give participants the necessary skills to obtain a decent paying, stable job. The state matching funding requirement should be waived or substantially reduced. Job preparation activities for AFDC recipients should include the option to pursue higher education as well as nontraditional training.
- \* By enabling parents to get work and get off welfare we must face the realities of a labor market that is increasingly dominated by low-wage, part-time and temporary jobs that cannot support a family. In many communities, jobs of any kind are scarce. Initiatives to provide job training and create jobs which pay a living wage must be pursued aggressively.

## 2) WORK FOR WAGES NOT FOR WELFARE

- \* Public sector employment created for people leaving the AFDC system must provide pay and benefits equal to other workers doing the same work, without displacing current workers and jobs. Requiring work in exchange for welfare benefits would create a permanent underclass of impoverished parents who would not enjoy the basic rights to which all other American workers are entitled. Creating such a permanent working underclass would erode both wages and employment standards for all Americans.
- \* The AFDC system should allow working parents to receive benefits and not penalize them for their work effort. Reforms should be made to make it easier to combine some paid employment with AFDC receipt by finding ways to allow recipients to retain more of their earnings and to save for future needs.

## 3) ASSURE AN ADEQUATE SAFETY NET FOR CHILDREN AND THEIR FAMILIES

- \* Curtailing access to welfare without reducing the need for income support will only increase poverty and hurt needy families. Time limits on the receipt of AFDC benefits are unacceptably arbitrary because they fail to take into account individual circumstances, the needs of dependent children, and the failure of the economy to generate decent jobs.
- \* The welfare system should provide adequate support to families while they are preparing to succeed in the work force. Adequate support for welfare recipients must include the income necessary to meet basic needs, as well as access to health care, housing, education or job training, child care, and other

President William J. Clinton  
Page Three  
November 1993

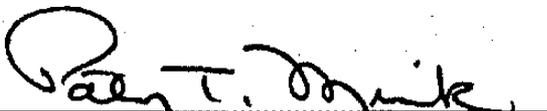
supportive services. Supportive services should be continued during periods of combining paid employment and AFDC receipt, as well as for a transitional period after receipt of AFDC ends.

- \* While innovative strategies proposed by the states for addressing the needs of welfare recipients should be considered, state requests for waivers from federal law governing the AFDC program must be carefully reviewed by the Health and Human Services Department in a fair and public process. Some states have used the waiver process as a back-door method for cutting benefits and imposing punitive behavioral requirements on recipients. Care must be taken to prevent recipients from being worse off by waivers granted.
- \* The welfare system must treat people with dignity. Family cap provisions, restrictions on migration and other measures that seek to punish certain behaviors hurt needy families and do nothing to help them escape poverty. A reformed welfare system should emphasize incentives over penalties.

Real welfare reform requires a solid commitment to these principles, reinforced by substantial financial and human resources. Anything less is not real reform.

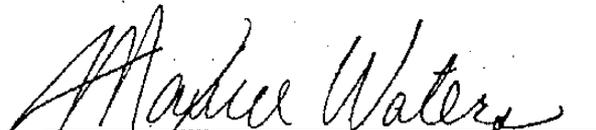
We look forward to working with you to improve the lives of low-income Americans.

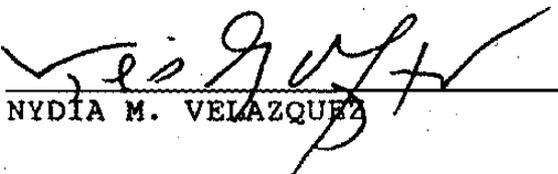
Sincerely,

  
PATSY T. MINK

  
BERNARD SANDERS

  
LYNN C. WOOLSEY

  
MAXINE WATERS

  
NYDIA M. VELAZQUEZ

  
BARBARA-ROSE COLLINS

George Miller  
GEORGE MILLER

Neil Abercrombie  
NEIL ABERCROMBIE

Jolene Unsoeld  
JOLENE UNSOELD

Ed Pastor  
ED PASTOR

William D. Ford  
WILLIAM D. FORD

Pat Williams  
PAT WILLIAMS

Carrie P. Meek  
CARRIE P. MEEK

Louis Stokes  
LOUIS STOKES

Ron De Lugo  
RON DE LUGO

Barney Frank  
BARNEY FRANK

Ronald V. Dellums  
RONALD V. DELLUMS

Leslie L. Byrne  
LESLIE L. BYRNE

Maurice Hinchey  
MAURICE HINCHEY

Harry Johnston  
HARRY JOHNSTON

Patricia Schroeder  
PATRICIA SCHROEDER

Lane Evans  
LANE EVANS

John W. Olver  
JOHN W. OLVER

Nita M. Lowey  
NITA M. LOWEY

*Dan Hamburg*

DAN HAMBURG

*Sam Farr*

SAM FARR

*Lucille Roybal-Allard*

LUCILLE ROYBAL-ALLARD

*James A. Traficant, Jr.*

JAMES A. TRAFICANT, JR.

*Edolphus Towns*

EDOLPHUS TOWNS

*Donald M. Payne*

DONALD M. PAYNE

*Kweisi Mfume*

KWEISI MFUME

*Alcee Hastings*

ALCEE HASTINGS

*Cardiss Collins*

CARDISS COLLINS

*William J. Jefferson*

WILLIAM J. JEFFERSON

*Jose Serrano*

JOSE SERRANO

*David Bonior*

DAVID BONIOR

*Marcy Kaptur*

MARCY KAPTUR

*Peter A. DeFazio*

PETER A. DEFAZIO

*Craig A. Washington*

CRAIG A. WASHINGTON

*Tom Lantos*

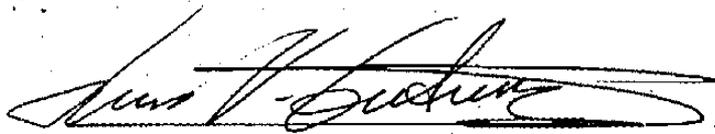
TOM LANTOS

*Thomas M. Barrett*

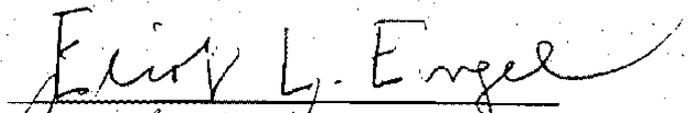
THOMAS M. BARRETT

*Corrine Brown*

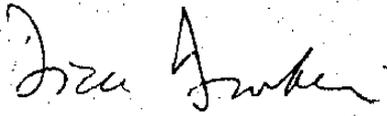
CORPINE BROWN



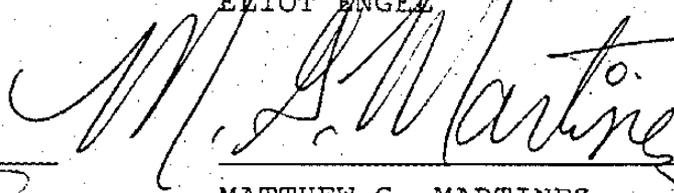
LUIS GUTIERREZ



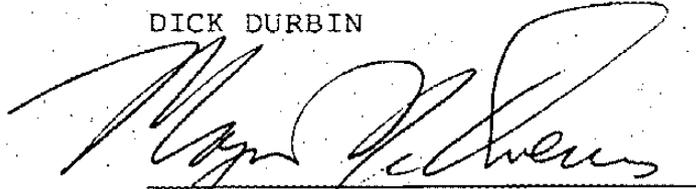
ELIOT ENGEL



DICK DURBIN



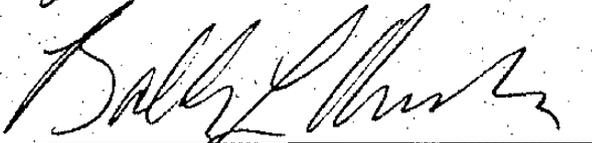
MATTHEW G. MARTINEZ



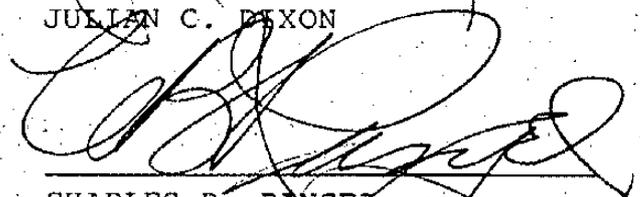
MAJOR R. OWENS



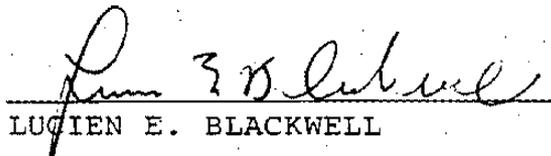
JULIAN C. DIXON



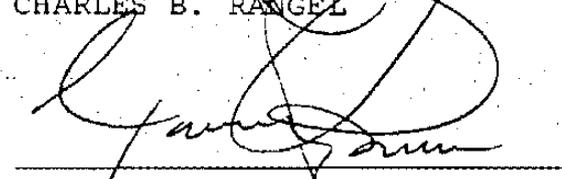
BOBBY L. RUSH



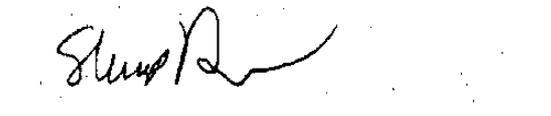
CHARLES B. RANGEL



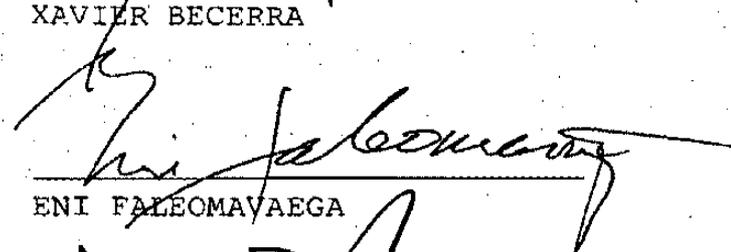
LUCIEN E. BLACKWELL



XAVIER BECERRA



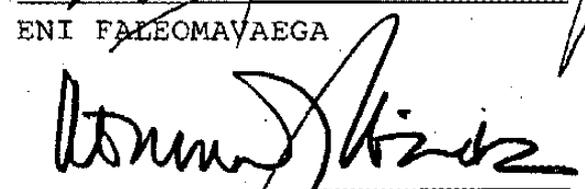
SHERROD BROWN



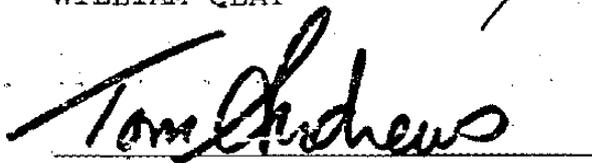
ENI FALEOMAVAEGA



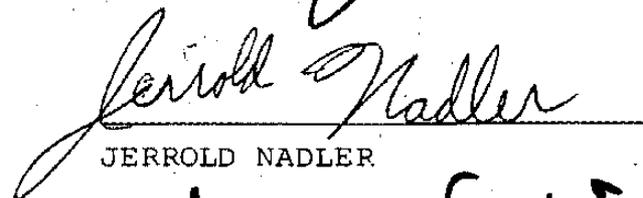
WILLIAM CLAY



NORMAN Y. MINETA



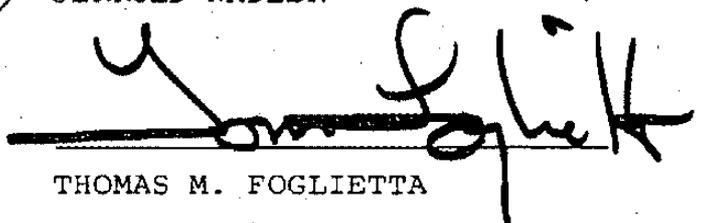
THOMAS H. ANDREWS



JERROLD NADLER



GARY L. ACKERMAN



THOMAS M. FOGLIETTA

*Pete Stark*

FORTNEY PETE STARK

*Cynthia A. McKinney*

CYNTHIA A. MCKINNEY

*Nancy Pelosi*

NANCY PELOSI

*Eva M. Clayton*

EVA M. CLAYTON

*Melvin L. Watt*

MELVIN L. WATT

*Carlos Romero Barcelo*

CARLOS ROMERO-BARCELO

*Henry B. Gonzalez*

HENRY B. GONZALEZ

*Robert C. Scott*

ROBERT C. SCOTT

*Bob Filner*

BOB FILNER

*John Lewis*

JOHN LEWIS

*Robert A. Underwood*

ROBERT A. UNDERWOOD

*Eddie Bernice Johnson*

EDDIE BERNICE JOHNSON

*Don Edwards*

DON EDWARDS

*Anna G. Eshoo*

ANNA G. ESHOO

*Earl F. Hilliard*

EARL F. HILLIARD

*Eleanor Holmes Norton*

ELEANOR HOLMES NORTON

*Bennie G. Thompson*

BENNIE G. THOMPSON

*Albert R. Wynn*

ALBERT R. WYNN

*Henry A. Waxman*  
HENRY A. WAXMAN

*Jim McDermott*  
JIM MCDERMOTT

*James E. Clyburn*  
JAMES E. CLYBURN

*John Conyers, Jr.*  
JOHN CONYERS, JR.

*Esteban E. Torres*  
ESTEBAN E. TORRES

*Sam Gejdenson*  
SAM GEJDENSON

*Edward J. Markey*  
EDWARD J. MARKEY

*Tony P. Hall*  
TONY P. HALL

*Martin O. Sabo*  
MARTIN O. SABO

*Floyd H. Flake*  
FLOYD H. FLAKE

*Walter R. Tucker, III*  
WALTER R. TUCKER, III

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**WORKING GROUP ON WELFARE REFORM,  
FAMILY SUPPORT AND INDEPENDENCE**

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*WR-Legis*

**DATE:** January 31, 1994  
**TO:** Executive Staff  
**FROM:** Jeremy Ben-Ami,  
Working Group on Welfare Reform  
**SUBJECT:** Hearing Report on Creating Public Service Jobs

Attached is a report of the January 27 hearing before the Senate Labor and Human Resources Subcommittee on Employment and Productivity (Simon). The subject of the hearing was "Creating Public Service Jobs."

Senator David Boren (D-OK) testified in favor of implementing a modernized Community Works Progress Administration program. Michael White, Mayor of Cleveland, Ohio testified in support of the need to create public service jobs as a fundamental element of any crime or welfare reform program.

Other witnesses represented the Connecticut Department of Social Services and the American Public Welfare Association; the Franklin County Department of Human Services in Columbus, Ohio; the National Association of Service and Conservation Corps; and Manpower Development Research Corporation.

If you have any questions or wish to see copies of the testimony, please call Helene Grady in welfare reform at (401-4886).

**HEARING REPORT ON  
CREATING PUBLIC SERVICE JOBS**

**SENATE LABOR AND HUMAN RESOURCES  
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY**

January 27, 1994

**MEMBERS PRESENT:**

**Chairman Simon (D-IL)**

**WITNESSES:**

**Senator David Boren (D-OK)**

**Michael White, Mayor, Cleveland, Ohio**

**Audrey Rowe, Commissioner, Connecticut Department of Social Services and representative,  
American Public Welfare Association**

**Leila Hardaway, Deputy Director for Social Services, Franklin County Department of  
Human Services, Columbus, Ohio**

**Kathleen Selz, Director, National Association of Service and Conservation Corps**

**Thomas Brock, Senior Research Associate, Manpower Development Research Corporation**

**OPENING STATEMENT**

Chairman Simon opened the hearing with a brief statement that discussed the link between welfare reform and the need to create jobs. Senator Simon clearly stated that most welfare recipients want to work, and it is the government's responsibility to help them be productive. Creating jobs for people would not only help move people off welfare, but is also essential in any effort to rebuild communities and to fight crime. He pointed out that at the same time that there are millions of people on welfare, on unemployment compensation, or just on the streets, there are huge needs in this country that are not being addressed. He used the WPA as an example of a program that linked these two things and that was successful in giving people jobs and in rebuilding communities. He suggests we learn from the WPA and build on it with a new program for creating public service jobs.

**TESTIMONY**

Senator David Boren testified to the urgency of a welfare reform program that involves an opportunity for public service employment. He described the Community WPA program introduced by him and Sen. Simon two years ago. Their program is based on the Great

## Page 2 - Creating Public Service Jobs

Depression program and complements the current JOBS program. He commented on welfare reform as a top priority of the Clinton administration and said that he believes Congress will succeed in passing both welfare reform and health care reform this year. He believes that welfare reform must include a large effort to help recipients find jobs. He stated that the Working Group's proposal so far is very similar to the Community WPA program, with the same basic principle: if you are able to work, you will have the opportunity to work.

### NO DISCUSSION TIME.

Mayor Michael White is chairman of the National Conference of Democratic Mayors. On behalf of America's cities, Mayor White urged the passing of legislation, such as the Community WPA bill, to provide a salary and work experience to those who need it. He testified that projects exist which need to be done; in fact, the U.S. Conference of Mayors has a list of approximately 8600 such projects in cities around the country. We must create jobs in order to move people off welfare and in order to reduce crime.

Audrey Rowe discussed the details of the APWA's welfare reform recommendations and also offered her experience with CWEP in Connecticut. She believes that targeting AFDC recipients under any new or reauthorized community development, economic development or private sector job development program enacted by Congress is more feasible than creating a new, separate public service jobs program for the AFDC population. The CWEP programs that have operated in the past--and those studied by MDRC--were small in scale with little evidence to support that CWEP leads to consistent employment or earnings or reductions in welfare caseloads or costs. CWEP has experienced problems with matching the skills of the available pool of workers with the needs of employers, with attendance rates, and with a lack of transportation and child care. Additionally, for those states with bargaining agreements with public sector unions, the use of CWEP clients in state or local government agencies has posed a problem. However, Rowe concluded by saying that if we can address some of these impediments, CWEP can serve as a structured, meaningful work activity for states and AFDC recipients facing a mandatory work requirement.

**DISCUSSION:** Chairman Simon asked Mayor White whether his neighborhood was originally more economically integrated than it is today and what would happen to the crime rate if work was guaranteed. Mayor White said that in inner-city neighborhoods such as his, where income has decreased and unemployment has increased, children do not have positive role models available to them. The Mayor advocates a year-round work program for youth that would provide both role models and money for their families. He also said that crime would undoubtedly decrease if work was guaranteed.

Chairman Simon asked Ms. Rowe if a CWEP program would consist of only "reject" participants who would never find private sector jobs. Ms. Rowe said that the CWEP component would be transitional while participants get the further education or training needed to be placed in unsubsidized work.

### Page 3 - Creating Public Service Jobs

Chairman Simon asked how we could spread the work about the EITC. Ms. Rowe said that in Connecticut all intake workers are being trained about the EITC and are making it part of the initial intake interview for AFDC. She said they are working on ways to also get the word out to employers.

Leila Hardaway shared her positive experiences with CWEP in Ohio. By the time the Family Support Act was passed in 1988, 41 of Ohio's 88 counties were already participating in work programs. As a result of the legislation, CWEP was expanded. CWEP is required for all mandatory participants who are not involved in other components. The Franklin County CWEP is increasing its role with the private sector, expanding its job development activities and advocating for entry-level CWEP positions in the private sector. She recommends that legislation include this private sector involvement in job creation and allow state and local flexibility for program design.

Kathleen Selz described her experience with the nation's youth service and conservation corps which engages more than 20,000 young adults (age 16-25) in full-time community service programs each year. All corps provide a stipend, mostly minimum wage or wages slightly above minimum wage, and education, job-training and life skills classes. Corps function as an example of a "welfare to work" program. With regard to the Community WPA bill, she recommends eliminating the requirement of a high school diploma for any participant under 20 years of age and enhancing the testing and education requirements to meet the needs of high school dropouts.

Thomas Brock testified on findings from MDRC's research on Unpaid Work Experience programs for welfare recipients. Although the programs used in the evaluation were very small-scale, MDRC found that Unpaid Work Experience programs are feasible to operate and can provide meaningful work. However, other results include: Unpaid Work Experience is not an effective means of increasing earnings or reducing welfare payments -- at least not as operated in the 1980s; a reasonable estimate of the annual cost of keeping an Unpaid Work Experience position falls between \$2,000 and \$4,000 (in 1993 dollars), *exclusive of child care*; and there may be practical limitations to the scale at which Unpaid Work Experience programs can operate. Any successful large-scale job creation effort for AFDC recipients would have to include: adequate funding; a broad-based job development strategy (possibly including the private sector); managerial expertise and linkages with employers; and widespread political, administrative and public support.

**DISCUSSION:** Chairman Simon asked Mr. Brock what kind of a jobs bill he would design, if he were a Senator. Mr. Brock included several elements to his bill: 1) he would endorse and build upon the JOBS program with more education and training to prepare participants for entry into the private labor market; 2) he would include a public jobs component; 3) he would ensure financial backing to make the program real; and 4) he would consider it as part of an overall economic development strategy.

OFFICE OF DOMESTIC POLICY

THE WHITE HOUSE

FROM THE OFFICE OF: CAROL H. RASCO  
ASSISTANT TO THE PRESIDENT  
FOR DOMESTIC POLICY

TO: Reed

Way

DRAFT RESPONSE FOR CHR BY: \_\_\_\_\_

PLEASE REPLY (COPY TO CHR): \_\_\_\_\_

PLEASE ADVISE BY: \_\_\_\_\_

LET'S DISCUSS: \_\_\_\_\_

FOR YOUR INFORMATION:  \_\_\_\_\_

REPLY USING FORM CODE: \_\_\_\_\_

FILE: \_\_\_\_\_

RETURN ORIGINAL TO CHR: \_\_\_\_\_

SCHEDULE: \_\_\_\_\_

REMARKS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1/29/94

CHIEF OF STAFF  
THE WHITE HOUSE  
WASHINGTON, D.C. 20500

*Carol Rasco*

I thought you might be interested in the attached.

Personally,

*Mack*

Mack McLarty



JAN 31 1994  
WR legis

Congress of the United States  
House of Representatives  
Washington, D. C. 20515

Dan Rostenkowski  
Illinois

January 26, 1994

Dear Mack:

Enclosed, as I mentioned to you on the phone yesterday, are some thoughts on welfare reform. I appreciate your sharing this with the President.

Sincerely yours,

Dan Rostenkowski

Mr. Thomas F. McLarty  
Chief of Staff to the President  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

2 ↓  
Would you like the sound of  
my voice!

January 27, 1994

MEMORANDUM

To: President Clinton  
From: Chairman Rostenkowski  
Re: THOUGHTS ON WELFARE REFORM

I am a little embarrassed to send you these historical comments about welfare reform because, if my memory serves me well, the last time we tackled this issue you were there -- at the witness table when my Subcommittee marked up the bill and so involved in the negotiations that some thought you were actually a conferee on the bill.

Nevertheless, our experience in the 1980's offers some important lessons that you ought to keep in mind if you are intent on walking down this road again.

The 1988 Family Support Act was the first successful attempt in 20 years to reform the welfare system. Attempts in 1967 and 1977 failed, largely, in my view, because the extremes of the political spectrum refused to compromise.

We succeeded in 1988 for two reasons. First, because congressional Democrats capitalized on the rhetoric of a Republican President and the bipartisan enthusiasm of the nation's Governors' -- led by you -- for reforming welfare. And, second, because liberal and conservative Democrats united with each other, forcing the Republicans to the center.

In doing so, Democrats for the first time agreed to target tough work requirements on some welfare recipients in exchange for providing support services -- child care and health benefits -- to those who go to work. Republicans sought to limit new spending for these purposes, to impose work requirements on as many recipients as possible, and to limit who can be eligible for welfare.

I am told that the 1988 Act has met with limited success, primarily because States have been unable to meet their end of the financial bargain. Federal Funds for education and training have gone unexpended for lack of a State match. You would be wise -- as your first priority -- to repair the holes in the 1988 Act and deliver on the promises we made then to welfare recipients.

This time around, we will face the same political dynamic. Liberals/moderates (and you, I suspect) will argue that we need to do more to help recipients support themselves; you may also advocate a time-limit on welfare benefits. Conservatives will endorse the work rhetoric but will be more interested in punishing those on welfare than investing Federal funds in assuring that recipients find real work. It may be that, ultimately, all the Republicans want to do is embarrass the Democrats on this issue.

The bottom line: you can't count on many Republican votes in the House. Whatever you propose on welfare, the Republicans will stake out the territory well to your right. Based on the experience of the 1980's, your best bet is to find a package that a majority of Democrats can support and stick with it. Making concessions in the name of bipartisanship -- especially early -- is likely to get you into trouble. The following chronology illustrates my point.

**THE CHRONOLOGY**

December 19, 1985

The House FY 85 budget reconciliation bill proposes to extend welfare benefits to unemployed two-parent families. Senate conferees agree to the provision but the Senate deletes it from the conference report when President Reagan threatens to veto the bill. Senate Republicans agree to consider it again.

January 1986

In his State of the Union message, President Reagan calls for welfare reform. Later that year, he proposes a "no-cost" reform package that encourages State innovation.

October 17, 1986

Again, the House FY 87 budget reconciliation bill contains the unemployed two-parent family welfare benefit. This provision is deleted in conference after President Reagan again threatens to veto the bill if it is included.

1987

President Reagan proposes a second "welfare reform" package -- new work requirements for welfare recipients.

The nation's governors make welfare reform their top priority. Bill Clinton (D-AR) and Mike Castle (R-DE, now a Member of the House) are designated as lead governors. The governors' proposal is the basis for the House bill (HR 1720) and the Senate amendment (S 1511).

March 19, 1987

Rep. Harold Ford introduces HR 1720.

June-September 1987

HR 1720 is reported (amended) by the House Committees on Ways and Means, Education and Labor, and Energy and Commerce. In Committee, Republicans seek to reduce the cost of the bill, impose stiff work requirements on large numbers of recipients, and restrict those who might be eligible for new benefits.

December 16, 1987

HR 1720 passes the House (amended) by a vote of 230-194 (13 Republicans support the bill). Before passage, the House adopts an Andrews (D-TX) amendment which reduces the new benefits proposed in the reported bill and strengthens the child support enforcement provisions. Nevertheless, Administration spokesmen allege that the President will veto the bill as passed.

January 1988

President Reagan reiterates his call for welfare reform but supports only the Republican alternative (demonstration projects and work requirements).

April 20, 1988

Senate Finance Committee reports (amended) S 1511 with bipartisan support. Until now, Finance Committee action has been delayed by Chairman Bentsen. He cites the press of other business -- a trade bill and the catastrophic bill -- and a desire for bipartisan and southern Democratic support. As a result, the Senate bill is more modest than the House measure.

June 16, 1988

The Senate amendment to HR 1720 passes the Senate by a vote of 93-3. Administration spokesmen allege that the President will also veto the Senate bill.

- July 7, 1988 House conferees are instructed to limit the cost of the bill and adopt stricter work requirements.
- September 16, 1988 House conferees are instructed again.
- September 29, 1988 Senate adopts the conference report by a vote of 96-1.
- September 30, 1988 House adopts the conference report by a vote of 347-53 (142 Republicans support).
- October 13, 1988 President Reagan signs HR 1720 into law. The law balances work requirements with new health and child care benefits. A limited two-parent family benefit is included. Only the most liberal House Members and advocacy groups (including the Children's Defense Fund) oppose it.

Tom Downey and Deborah Colton contributed to this memorandum.

WR - LEWIS.

MICHAEL A. ANDREWS  
28TH DISTRICT, TEXAS

COMMITTEE ON  
WAYS AND MEANS

COMMITTEE ON THE  
BUDGET

JOINT ECONOMIC COMMITTEE

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January 20, 1994

President William J. Clinton  
The White House  
Washington D.C. 20500

Mr. President:

Recent reports indicate your administration may be planning to delay welfare reform until an agreement on a health care reform package is reached. These reports have caused a great deal of concern, not only because of your previous commitment to welfare reform, but also because the two issues are so inextricably linked that revising one greatly affects the other.

That is why I urge you to use your upcoming State of the Union Address to reaffirm your commitment to reforming the welfare system in this country concurrently with health care reform. The American people have agreed with your call to end welfare as we know it. Instead of promoting dependency, we should establish a program that replaces welfare with work, retrains workers, makes child care accessible to working mothers, and, most importantly, makes deadbeat parents pay their child support.

Most of all, failing to seriously address welfare reform could actually be detrimental to your health care goals. Unless we are willing to show the American people that the government is serious about ending entitlement dependency, exemplified by our current welfare system, any plan to increase the federal government's role in health care would be jeopardized.

Underscoring your administration's commitment to accomplishing both health care and welfare reform would certainly be a powerful and productive start to your second year.

Very truly yours,

*Michael A. Andrews*  
Michael A. Andrews  
Member of Congress

To: Bruce Reed  
FR: Linda M.  
FYI.

*WR-Legislation*

**MEMORANDUM**

**TO:** Bruce Reed, Mary Jo Bane, David Ellwood, Co-Chairs, President's Task Force on Welfare Reform  
**FR:** Jim Townsend, Legislative Director, Representative Nita Lowey  
**RE:** Rep. Lowey's Draft "Work-First Welfare Reform Act"  
**DA:** January 4, 1993

---

We wanted to share with you draft welfare reform legislation which Mrs. Lowey plans to introduce early in the 2nd session. Our goal is to complement the work of the task force by proposing legislation based on two of the country's most successful welfare reform demonstrations: California's GAIN program and New York's CAP.

In developing this proposal, we have consulted extensively with individuals directly involved in implementing and evaluating current welfare reform efforts. We feel strongly that welfare reform legislation should rely upon approaches, such as those used in GAIN and CAP, which have a demonstrated record of success. Our bill offers a model for transforming welfare into a work-promotion system by: (1) integrating aggressive job-development into the standard practices of welfare agencies; (2) providing welfare recipients the best work incentive of all -- the chance to receive more total income; and (3) providing states the flexibility and support necessary for the JOBS program to achieve its goals.

We congratulate you and your colleagues for undertaking the historic task of reinventing welfare and look forward to working with you to enact legislation that will make practical, yet far-reaching, changes to the manner in which welfare programs operate in this nation. We look forward to your comments. I can be reached at 225-6506.

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## SUMMARY OF WORK-FIRST WELFARE REFORM ACT (draft)

*The purpose of the bill is to create a national model for welfare reform that would require states which elect to pursue this approach to fundamentally reorient their welfare programs toward getting everyone who is capable of working to work. This welfare reform option offers tangible work incentives to recipients in exchange for formal commitments to take steps necessary to achieve independence from AFDC. This legislation goes beyond time-limits as a work-incentive by offering AFDC recipients the opportunity to receive more total income. Based on two of the country's most successful pilot demonstrations, this approach, we are confident, offers a better means of encouraging the behaviors among welfare recipients that are the goal of virtually all welfare reform proposals.'*

### TITLE I -- STATE WELFARE REFORM OPTION

This title establishes an option for welfare reform under which states would develop plans for fundamentally reorienting the operation of their welfare programs to emphasize work before welfare. A State which elects to pursue this option and obtains approval of its welfare reform plan, would qualify for enhanced federal aid under Title II of the bill. A state's plan must include strategies and procedures for:

- \* Improving the integration of welfare and job development programs and personnel and establishing outcome based-performance measures for such programs and personnel.
- \* Creating linkages with public and private employers, employment service agencies, and other social service providers in order to facilitate access to job placement, skill training, and other social services necessary for economic self-sufficiency.
- \* Providing services to prevent families from entering the welfare rolls in the first place and transitional case management for AFDC recipients to help them attain a firm foothold in the work force.
- \* Establishing formal agreements between the State and all AFDC recipients that specify their mutual obligations in working to attain long-term self-sufficiency for recipients. States shall have the flexibility to tailor such agreements to the needs and capacities of recipients. Such agreements shall include work and child support incentives that will enable welfare recipients to receive more total income (wages-child support-welfare) than they would not working.
- \* Increasing employment among participants in the JOBS program.

---

This legislation draws on the approaches used in two acclaimed welfare reform demonstrations -- California's Greater Avenues for Independence (GAIN) program and New York's Child Assistance Program (CAP). A recent 2-year independent evaluation of CAP showed a 25 percent increase in the chance that a family would obtain support orders for all children who lacked them. CAP also raised participants' average total earnings by 27 percent and increased average hours worked by 25 percent. GAIN showed similarly impressive increases in earnings. The Executive Summary of the CAP evaluation is reprinted on page H-10992 of the November 23 *Congressional Record*.

**TITLE II -- INCENTIVES FOR STATE PARTICIPATION IN WELFARE REFORM**

This title rewards states which embark on the welfare reform option outlined in Title I with enhanced federal support for activities which are needed to help more welfare recipients obtain employment and achieve self-sufficiency. These include:

- \* Enhanced federal support for JOBS (accompanied by requirements for improved outcomes -- i.e. job placement, skill training);
- \* Authority to adjust AFDC benefits on a quarterly basis;
- \* Job Development personnel classified as an AFDC administrative expense for federal matching purposes;
- \* Enhanced federal matching for job development, automation, and implementation of plans for reducing client-to-case worker ratios.
- \* 95 percent federal reimbursement for costs of evaluating impact of welfare reform plan.
- \* Special welfare reform planning grants.

**TITLE III -- NATIONAL POLICY CHANGES TO REWARD WORK (all States)**

- \* Allow States to establish enhanced earnings disregards for AFDC recipients to make work pay more than welfare.
  - \* Eliminate the AFDC work-hours limit which discriminates against two-parent families.
  - \* Amend tax code to make Dependent and Child Care Tax Credit fully refundable.
  - \* Establish mechanism for federal departments to eliminate conflicting administrative requirements in AFDC, Medicaid, Food Stamps, and JTPA program.
  - \* Direct HHS Secretary to issue guidance on outcome measures for JOBS program and require states to develop their own outcome measures for JOBS, based on federal guidance.
  - \* Enhance utilization by former AFDC recipients of Transitional Child Care benefits.
-

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**H.R. \_\_\_\_\_**

Mrs. Lowey (for herself and \_\_\_\_\_) introduced the following bill; which was referred jointly to the Committees on \_\_\_\_\_.

A Bill to amend Title IV of the Social Security Act to establish a national welfare reform option and to offer special benefits to States which adopt such option, and for other purposes.

**SEC. 1. SHORT TITLE.**

This Act may be cited as the "Work-First Welfare Reform Act of 1994".

**SEC. 2. FINDINGS AND PURPOSES.** [to be provided]

**TITLE I -- STATE WELFARE REFORM OPTION**

In order to be considered a "Welfare Reform State" eligible for Federal incentives provided under Title II of this Act, a State must meet the requirements contained in Sections 1, 2, and 3 of this Title and Section 4 of Title III of this Act.

**Sec. 1. WELFARE REFORM PLAN.**

A State, within one year following the date of enactment of this Act, shall submit for the approval of the Secretary of the Department of Health and Human Services (hereafter in this Act referred to as the "Secretary") a State Welfare Reform Plan for reorienting the mission of such State's welfare agency in order to enable such agency to:

(1) Integrate welfare and job development services within the State and create linkages with public and private employers, employment service agencies, and other social service providers with the goal of facilitating access to job placement, skill training, and other social services necessary for economic self-sufficiency;

(2) Assist applicants for AFDC, former recipients of such assistance, or other low-income individuals in obtaining employment and skill training that will eliminate or minimize the need for providing public assistance to such individuals;

(3) Establish formal agreements between all AFDC recipients and such State agency that specify their mutual obligations in working to attain long-term self-sufficiency for such recipients; and

(4) Provide for the prompt involvement of all AFDC recipients (not exempted under current law) in employment, job-search, self-sufficiency

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1 planning, and skill training that will lead to economic self-sufficiency.

2 Such plan shall amend a State's existing AFDC plan under Section  
3 402(a) or AFDC-JOBS plan under Section 482(a) and shall contain the  
4 elements described in Subsections (a), (b), (c), and (d) of this Section --

5 (a) WELFARE-JOB DEVELOPMENT INTEGRATION PLAN. A State  
6 shall develop a plan designed to integrate welfare and job development services  
7 and to improve and expand case management services available to individuals  
8 receiving assistance under Title IV-A. Such plan shall include strategies for:

9 (1) Integrating job development personnel into the management and  
10 operation of welfare agencies for the purposes of:

11 (A) utilizing such personnel in intake settings in order to evaluate  
12 the earning capacity and job development needs of applicants for  
13 public assistance prior to their enrollment and to provide such  
14 applicants with job placement counseling in order to obviate or  
15 minimize the need for obtaining public assistance;

16 (B) significantly increasing the utilization of such personnel in  
17 providing case management to recipients of assistance under Title  
18 IV-A and IV-F with the goal of increasing the number of such  
19 recipients that are engaged in employment or some form of work  
20 experience; and

21 (C) enhancing linkages between the Title IV-A agency and  
22 employers, job training and education institutions, and other social  
23 service providers.

24 (2) Integrating information systems to provide welfare and job  
25 development personnel with access to relevant information about job  
26 openings, skill requirements, and education and skill training  
27 opportunities.

28 (3) Co-locating (where practicable) welfare and employment services.

29 (4) Establishing protocols for performance-based contracting and  
30 memoranda of understanding with job training providers based upon  
31 outcomes relating to job placement and retention.

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- 1 (5) Establishing training procedures for welfare personnel that  
2 emphasize job-placement, counseling, and case management.
- 3 (6) Establishing performance goals for individual welfare and job  
4 development personnel based on the job placement rate of Title IV-A  
5 recipients being assisted by such personnel.
- 6 (7) Modifying personnel plans and operating and capital budgets to  
7 reduce the client-to-case worker ratio within such agency with the goal of  
8 limiting such ratios to no more than 100 clients per case worker. Such  
9 modifications shall also have the goal of improving the capacity of a  
10 State to provide assistance to meet the needs of minor parents.
- 11 (8) Setting Title IV-A benefit levels such that payments, when  
12 combined with the earnings of any recipient who is employed full-time  
13 and participates in a Work-Support Agreement (under Subsection (c)(1)  
14 shall result in such recipient's total family income (excluding amounts  
15 received from the Earned Income Tax Credit or the Food Stamps  
16 program) being at or above the Federal poverty rate.

17 (b) EMPOWERMENT COMPACTS. A State shall develop procedures for  
18 negotiating and concluding an individual written agreement (hereafter in this  
19 Act referred to as an Empowerment Compact) between the State welfare  
20 agency (as defined by Title IV-A of the Social Security Act) and each non-  
21 disabled applicant for, or recipient of, Title IV-A benefits (hereafter to be  
22 referred to as a "Participant") within such State.

23 (1) GENERAL REQUIREMENTS. In general, any Empowerment  
24 Compact shall:

25 (A) Set out specific obligations of a State and of a Participant in  
26 taking the steps necessary for the Participant to achieve long-term  
27 self-sufficiency, and

28 (B) Include specific goals, and timetables for the attainment of  
29 such goals, that will enable a State and a Participant to periodically  
30 assess the progress of such Participant toward self-sufficiency.

31 (2) REASSESSMENT AND REVISION. Not later than 6 months  
32 following the conclusion of any Empowerment Compact and not less than  
33 once every 6 months thereafter, a State shall assess the progress of a  
34 Participant toward achieving goals for self-sufficiency, as established in

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1 such Empowerment Compact (pursuant to Subsection (b)(1)(B), and shall  
2 have the option, after consultation with such Participant, to revise the  
3 terms of such Compact in order to enhance a Participant's progress  
4 toward self-sufficiency. At the request of a Participant, a State at any  
5 time may revise the terms of such Participant's Empowerment Compact.

6 (c) REQUIRED OPTIONS FOR EMPOWERMENT COMPACTS. A State  
7 is required to offer, at a minimum, two types of Empowerment Compacts,  
8 which shall be described in the procedures required under Subsection (b),  
9 consistent with the requirements contained in Subsection (b), and available to  
10 any Participant, as follows --

11 (1) A Work-Support Agreement, which shall contain, at a minimum,  
12 the following terms:

13 (A) Benefit levels under Title IV-A shall be established such that  
14 payments, when combined with the earnings of a Participant from  
15 full-time employment, shall result in such Participant's total family  
16 income (excluding amounts received from the Earned Income Tax  
17 Credit or the Food Stamps program) being at or above the Federal  
18 poverty rate (adjusted for the size of such family). Benefits owed  
19 to a family with more than 4 members shall be calculated as if  
20 such family had 4 members. Whenever a Participant's total  
21 monthly income (as defined in this paragraph) exceeds the poverty  
22 level, a State shall have the option to reduce the amount of such  
23 Participant's earnings that is disregarded for the purpose of setting  
24 AFDC benefits. No Participant whose total family income exceeds  
25 150 percent of the Federal poverty rate shall be eligible to receive  
26 assistance under Title IV-A.

27 (B) A Participant, except as provided in subparagraph C, must  
28 have obtained a child support order for at least one child in his or  
29 her household.

30 (C) A State shall be authorized to waive the requirement set  
31 forth in Subsection (c)(1)(B) of this Title in specific instances in  
32 which a noncustodial parent is deceased or cannot be located after  
33 a good faith effort by the Participant to cooperate with efforts to  
34 determine such individual's whereabouts.

35 (D) Not later than 1 year following the conclusion of a Work-  
36 Support Agreement with a Participant, a State shall assess whether

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1 such Participant has the capacity to earn more than 150 percent of  
2 the poverty level. If such capacity does not exist, a State shall  
3 require such Participant to revise the terms of his or her  
4 Empowerment Compact to include specific plans and timetables for  
5 enhancing such Participant's earning capacity through skill training  
6 and or other activities deemed appropriate by a State. If it  
7 becomes necessary for a Participant to work fewer hours in order  
8 to undertake such activities, a State shall establish a payment level  
9 that shall result in such Participant's total family income being not  
10 less than 90 percent of the average of such total income during the  
11 three months prior to the initiation of such activities, provided that  
12 such Participant's monthly earnings or work hours remain at not  
13 less than 75 percent of the average level of such earnings or work  
14 hours during the 3 month period prior to the initiation of such  
15 activities.

16 (E) A Participant shall be exempt from the limits on countable  
17 assets ordinarily applicable to Title IV-A recipients, provided that  
18 such Participant is employed or has had at least 1 labor-force  
19 attachment during the previous 3 months.

20 (F) A Participant shall be eligible to receive Food Stamp benefits  
21 in cash (i.e. check) or by means of an electronic benefits transfer.

22 (G) A State welfare agency shall provide case management  
23 services to a Participant and in doing so -- shall (i) engage with a  
24 Participant in Self-Sufficiency Planning (as defined) and (ii) form  
25 partnerships with local schools, employers, and community-based-  
26 organizations to provide linkages that will assist a Participant in  
27 overcoming personal barriers to self-sufficiency including substance  
28 abuse, obtain education and job-training, and secure employment.

29 (H) A State welfare agency shall provide case management  
30 services to a Participant for up to six months following the  
31 termination of such Participant's Title IV-A benefits.

32 (I) A State welfare agency shall deposit in an interest-bearing  
33 account court-ordered child support payments in excess of the  
34 maximum amount permitted to be paid to a Participant under  
35 AFDC. Such payments shall not exceed 50 dollars per month and  
36 shall discontinue after they reach a total of \$500. Funds contained  
37 in such account shall be made available to such Participant not

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1 later than 1 month after the termination of Title IV-A payments to  
2 such Participant.

3 (2) A Skills Development Agreement for Participants who choose not  
4 to enter into a compact described in Subsection (c)(1), or who are unable  
5 to meet the requirements specified in such Subsection. A Skills  
6 Development Agreement shall contain, at a minimum, the terms specified  
7 in subparagraphs E, G, H, and I, of subsection (c)(1) of this Title.  
8 Additional terms of a Skills Development Agreement shall include the  
9 following:

10 (A) Any Participant, who is required under Title IV-F to enroll  
11 in the Job Opportunities and Basic Skills (JOBS) program, shall  
12 establish specific goals and timetables (as part of IV-F  
13 employability plan) for obtaining employment and, as necessary,  
14 for engaging in skill training and other activities in order to  
15 increase the earning-capacity of such Participant to at least 150  
16 percent of the poverty level.

17 (B) Not later than 1 year following the conclusion of a Skills-  
18 Development Agreement with a Participant, a State shall assess  
19 whether such Participant has the capacity to earn more than 150  
20 percent of the poverty level. If such capacity does not exist, a  
21 State shall require such Participant to revise the terms of his or her  
22 employability plan to include specific plans and timetables for  
23 enhancing such Participant's earning capacity through skill training  
24 and/or other activities deemed appropriate by a State.

25 (C) A Participant shall cooperate with child support enforcement  
26 efforts conducted by a State.

27 (d) **PLAN FOR INCREASING EMPLOYMENT AMONG PARTICIPANTS**  
28 **IN THE JOBS (TITLE IV-F) PROGRAM.** A State shall submit for the  
29 approval of the Secretary a plan for increasing the rates of employment among  
30 participants in such State's Title IV-F program. A State plan shall include  
31 specific strategies and cost estimates for building such State's capacity to  
32 deliver services to JOBS participants that will increase the hours worked,  
33 earnings, and total income of such individuals.

34 **SEC. 2. APPROVAL AND IMPLEMENTATION OF STATE WELFARE**  
35 **REFORM PLAN.** (a) **APPROVAL.** Not later than 120 days after the  
36 submission of a State Welfare Reform Plan required under Section 1, and after

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1 providing for public review and comment, the Secretary shall approve such  
2 plan if such plan meets the requirements of this Title.

3 (b) IMPLEMENTATION OF WELFARE-JOB DEVELOPMENT  
4 INTEGRATION PLAN. Not later than 6 months after the approval of a State  
5 Welfare Reform Plan, such State shall implement aspects of such plan required  
6 under Section 1(a) and 1(d).

7 (c) IMPLEMENTATION OF PROCEDURES FOR EMPOWERMENT  
8 COMPACTS. Not later than 6 months after the approval of a State Welfare  
9 Reform Plan, such State shall implement aspects of such Plan required under  
10 Section 1(b) and 1(c) according to the following schedule:

- 11 (1) Not later than 6 months following the approval of such procedures,  
12 such State shall certify that it is concluding Empowerment Compacts  
13 with all new applicants for AFDC assistance within such State, and  
14
- 15 (2) Not later than 1 year following the approval of such procedures,  
16 such State shall certify that it has concluded Empowerment Compacts  
17 with all AFDC recipients within such State.

18 **SEC. 3. ADDITIONAL REQUIREMENTS FOR WELFARE REFORM**  
19 **STATES.**

20 (a) EVALUATION OF WELFARE REFORM PERFORMANCE. Within 3  
21 years of receiving approval of a plan required under Section 1 and every 3  
22 years thereafter, a State shall report to the Secretary the findings of an  
23 evaluation of the impact of such State's Welfare Reform Plan on, at a  
24 minimum, the following factors:

- 25 (1) Earnings, hours worked, and total income of individuals receiving  
26 assistance under Title IV-A and Title IV-F;
- 27 (2) Rates at which such recipients obtain child support orders;
- 28 (3) The average time that individuals receive assistance under Title IV-  
29 A and Title IV-F;
- 30 (4) Recidivism rates among former AFDC recipients; and
- 31 (5) Hours spent in work experience and skill training programs.

32 (b) REPORT ON BARRIERS TO COORDINATION OF WELFARE AND

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1 JOB DEVELOPMENT PROGRAMS. Within 1 year following the date of  
2 enactment of this Act (an annually thereafter), a State shall submit to the  
3 Secretary a detailed report describing Federal and State laws and regulations  
4 which may inhibit implementation of the State Welfare Reform Plan.

5 **SEC. 4. DEFINITIONS.**  
6 [LANGUAGE TO FOLLOW]

7 **Title II -- INCENTIVES FOR STATE PARTICIPATION IN WELFARE REFORM.**

8 Any State which has been certified by the Secretary as a Welfare Reform  
9 State pursuant to Title I of this Act, shall be entitled to the following benefits -  
10

11 **SEC. 1. FULL FUNDING OF JOB OPPORTUNITY AND BASIC SKILLS**  
12 **TRAINING PROGRAM.**

13 (a) **REMOVAL OF FEDERAL PAYMENT LIMITATION AND**  
14 **IMPOSITION OF STATE MAINTENANCE OF EFFORT.** A Welfare  
15 Reform State shall not be subject to the payment limitation under Section 403(l)  
16 for carrying out the JOBS program, and shall, instead, be required to maintain  
17 its payments in any fiscal year under JOBS at or above the level of such  
18 payments as of fiscal year 1994. Such State's expenditures for the costs of  
19 operating a program established under Part F may be in cash or in kind, fairly  
20 evaluated.

21 (b) **MANDATED STATE PARTICIPATION RATES.** As a condition of  
22 receiving payments under Subsection (a), a State shall achieve a participation  
23 rate of not less than 50 percent within 3 years of the date of approval of such  
24 State's Welfare Reform Plan, and shall increase such participation rate by 10  
25 percent each year thereafter until such participation rate reaches 90 percent.  
26 The payment limitation under Section 403(l) shall be in effect for States which  
27 do not achieve the participation rates required under this Subsection.

28 (c) **REPEAL OF STATE MATCH REQUIREMENT FOR SUPPORTIVE**  
29 **SERVICES.** In the case of amounts expended for child care pursuant to  
30 paragraph (1)(A) of Section 402(g), there shall be no requirement for State  
31 resources for purposes of 403(a), except that no State shall expend amounts for  
32 child care in any fiscal year less than the amount such State expended in fiscal  
33 year 1994.

34 (d) **DEADLINE FOR RAPID ASSESSMENT AND REFERRAL.** For all  
35 individuals required to participate in the program pursuant to Section  
36 402(a)(19)(C), the State agency shall conduct the assessment, develop the

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1 employability plan, and refer the individuals to a program component (as  
2 required by Section 482(b)) within 60 days of the date upon which the  
3 individual is found eligible for such program.

4 **SEC. 2. SPECIAL AFDC BENEFITS FOR WELFARE REFORM**  
5 **STATES.**

6 (a) **AUTHORITY TO ADJUST INDIVIDUAL AFDC BENEFITS ON A**  
7 **QUARTERLY BASIS.** Any Welfare Reform State may reduce to once every  
8 three months the frequency that such State adjusts the level of AFDC payments  
9 owed to a Participant (as defined in Section 1(b) of Title I. Such calculations  
10 shall be based on a Participant's anticipated income during the succeeding three  
11 months and on other relevant factors which are ordinarily considered in setting  
12 AFDC payment levels.

13 (b) **JOB DEVELOPMENT PERSONNEL CONSIDERED AN AFDC**  
14 **ADMINISTRATIVE EXPENSE.** Any Welfare Reform State is eligible to  
15 receive Federal AFDC administrative assistance for expenses related to the use  
16 of job development personnel in the case management of Participants, provided  
17 that such expenses are incurred pursuant to an approved welfare-job  
18 development integration plan as described in Section 1(a)(1) of Title I.

19 (c) **INCREASED FEDERAL SHARE FOR INVESTMENTS IN JOB**  
20 **DEVELOPMENT AND IMPROVED INFORMATION SYSTEMS.** Any  
21 Welfare Reform State shall be eligible for reimbursement of 90 percent of the  
22 expenses related to implementing aspects of an approved welfare-job  
23 development integration plan specified in Section 1(a)(1)(A) (utilizing job  
24 development personnel) and Section 1(a)(2) (integrating information systems) of  
25 Title I.

26 (d) **INCREASED FEDERAL SHARE FOR INVESTMENTS TO REDUCE**  
27 **STATE CLIENT-TO-CASE WORKER RATIOS.** Any Welfare Reform State  
28 shall be eligible for reimbursement of 75 percent of the costs related to  
29 implementing aspects of an approved welfare-job development integration plan  
30 specified in Section 1(a)(1)(F) of Title I (reducing client-to-case worker ratios).

31 (e) **FEDERAL REIMBURSEMENT FOR EVALUATION COSTS.** The  
32 Secretary shall reimburse a State for 95 percent of the cost of conducting the  
33 evaluation required under Section 3(b) of Title I of this Act.

34 **SEC. 2. GRANTS TO SUPPORT WELFARE REFORM.**

35 (a) **WELFARE REFORM PLANNING GRANTS.** The Secretary is authorized  
36 to make grants to States for the purpose of developing plans and establishing

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R05

1 procedures required under Title I.

2 (b) **AUTHORIZATION OF APPROPRIATIONS.** Not more than 1 percent  
3 of the amount appropriated to carry out the JOBS program in any fiscal year  
4 shall be made available to the Secretary to carry out Section 2(a) of this Title  
5 during fiscal years 1994, 95, 96, 97, 98, 99, and 2000.

6 **TITLE III -- POLICY CHANGES TO REWARD WORK**

7 **SEC. 1. AUTHORIZE STATES TO ESTABLISH ENHANCED**  
8 **EARNINGS DISREGARDS FOR AFDC RECIPIENTS.**

9 States shall have the option to replace the current Federal rules for  
10 disregarding income in setting Title IV-A benefit levels, provided that such  
11 changes do not disregard more than the first \$200 of family earnings plus 50  
12 percent of any remaining family earnings.

13 **SEC. 2. ELIMINATE AFDC WORK-HOURS CEILING ON TWO-**  
14 **PARENT FAMILIES.**

15 Eliminate AFDC's ceiling on the number of hours per month that the  
16 principal wage earner in a two-parent family may work.

17 **Sec. 3. AMEND FEDERAL TAX CODE TO MAKE DEPENDENT AND**  
18 **CHILD CARE TAX CREDIT FULLY REFUNDABLE.** [language to be  
19 drafted]

20 **SEC. 4. ELIMINATE CONFLICTING ADMINISTRATIVE**  
21 **REQUIREMENTS** (i.e. matching and eligibility) **THAT INHIBIT**  
22 **COORDINATION OF AFDC, FOOD STAMPS, MEDICAID, AND JTPA**  
23 **PROGRAMS.** [language to be drafted] Purpose is to expand on FY 1994  
24 House Appropriations Committee Report Language -- page 107 of Report  
25 #103-156.

26 **SEC. 5. DIRECT SECRETARY TO ISSUE GUIDANCE ON OUTCOME**  
27 **MEASURES FOR JOBS.**

28 Not later than 9 months following the date of enactment, the Secretary  
29 shall issue a guidance document which establishes requirements for States to  
30 follow in developing and implementing outcome measures for the JOBS  
31 program. Such outcome measures shall consist of methods for assessing the  
32 success of a State's JOBS program in increasing the average hours worked,  
33 earnings, and total income of participants in such program. Such methods  
34 shall take into account macroeconomic factors in such State that affect the  
35 ability of such program to increase the involvement of its participants in

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1 employment.

2 **SEC. 6. STATE OUTCOME MEASURES AND TARGETS FOR JOBS**  
3 **PROGRAM.**

4 Not later than 6 months following the issuance by the Secretary of a  
5 guidance document relating to outcome measures and targets for the JOBS  
6 program (as required under Section 3), a State shall submit for the approval of  
7 the Secretary a plan for establishing outcome measures and targets for  
8 assessing the effectiveness of such State's JOBS program in

9 **SEC. 7. ENHANCE UTILIZATION OF TRANSITIONAL CHILD CARE.**

10 (a) **GAO REPORT ON METHODS OF DETERMINING UTILIZATION.** Not  
11 later than 6 months following the date of enactment, the Comptroller General  
12 shall submit to Congress a methodology for determining what proportion of  
13 eligible children are using transitional child care.

14 (b) **IMPROVED STATE EFFORT TO ENCOURAGE PARTICIPATION.** A  
15 State shall make a good faith effort to develop clear and simple child care  
16 information materials.

17 (c) **ADDITIONAL STATE OPTIONS.** A State shall have the option to:

18 (1) Waive the requirement that a family contribute to the cost of  
19 transitional child care, if such family is at or below the poverty level;  
20 and

21 (2) Provide transitional child care to a family that has not requested it  
22 if the family is eligible for such care and agrees to receive it.

23

**Congresswoman Nita M. Lowey  
U.S. House of Representatives  
1424 Longworth House Office Building  
(202) 225-6506  
Fax - (202) 225-0546**

**Facsimile Cover Sheet**

**TO: Bruce Reed**

**FROM: Jim Townsend**

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**If there are any problems, please contact me**

**at (202) 225-6506**

**Comments:**

*W-F legis*

[DISCUSSION DRAFT]

NOVEMBER 19, 1993

103D CONGRESS  
1ST SESSION

H. R. \_\_\_\_\_

IN THE HOUSE OF REPRESENTATIVES

Mr. FINGERHUT introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

A BILL

To establish a commission to design a replacement for cer-  
tain welfare, job training, and child care programs to  
better ensure that public assistance is a bridge to perma-  
nent employment.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Welfare Elimination  
5 Act of 1993".

1 **SEC. 2. ESTABLISHMENT OF COMMISSION TO ELIMINATE**  
2 **WELFARE.**

3 There is established a commission to be known as the  
4 "Commission to Eliminate Welfare" (in this Act referred  
5 to as the "Commission").

6 **SEC. 3. DUTIES OF COMMISSION.**

7 (a) **WELFARE AND JOB TRAINING REFORM.—**

8 (1) **IN GENERAL.—**The Commission shall de-  
9 sign a replacement for the program of aid to families  
10 with dependent children under part A of title IV of  
11 the Social Security Act, the food stamp program  
12 under the Food Stamp Act of 1977, the programs  
13 under the Job Training Partnership Act, and the  
14 targeted jobs credit under section 51 of the Internal  
15 Revenue Code of 1986 that is composed of—

16 (A) the use of amounts equal to the State  
17 and local shares under such programs for edu-  
18 cation and job training assistance for unem-  
19 ployed individuals in accordance with paragraph  
20 (2);

21 (B) a temporary emergency assistance pro-  
22 gram that meets the requirements of paragraph  
23 (3);

24 (C) such modifications to the program of  
25 supplemental security income benefits under  
26 title XVI of the Social Security Act as may be

1 necessary to accomplish the goals described in  
2 paragraph (4);

3 (D) a national service work program that  
4 meets the requirements of paragraph (5);

5 (E) a targeted job training tax credit that  
6 meets the requirements of paragraph (6); and

7 (F) an enhanced earned income tax credit  
8 that meets the requirements of paragraph (7).

9 (2) USE OF STATE AND LOCAL SHARES FOR  
10 EDUCATION AND JOB TRAINING ASSISTANCE FOR  
11 UNEMPLOYED INDIVIDUALS.—Each State and local  
12 government shall ensure that amounts equal to the  
13 aggregate amounts of State and local shares used to  
14 carry out programs specified in the matter preceding  
15 subparagraph (A) of paragraph (1) shall be used to  
16 provide education and job training assistance to un-  
17 employed individuals.

18 (3) TEMPORARY EMERGENCY ASSISTANCE PRO-  
19 GRAM.—The requirements of this paragraph are as  
20 follows:

21 (A) ELIGIBILITY FOR BENEFITS.—A  
22 household is to be eligible for benefits under the  
23 program if—

1 (i) the total income of the members of  
2 the household is less than 50 percent of  
3 the poverty line; and

4 (ii) the head of the household is not a  
5 recipient of supplemental security income  
6 benefits under title XVI of the Social Secu-  
7 rity Act.

8 (B) DISREGARD OF SSI RECIPIENTS.—Ex-  
9 cept as provided in subparagraph (A)(ii), recipi-  
10 ents of supplemental security income benefits  
11 under title XVI of the Social Security Act are  
12 to be disregarded in determining the eligibility  
13 of a household for benefits, and the amount of  
14 benefits payable to the household, under the  
15 program.

16 (C) AMOUNT OF BENEFITS.—Benefits  
17 under the program are to be paid to a house-  
18 hold in an amount equal to the amount by  
19 which 50 percent of the poverty line exceeds the  
20 total income of the members of the household.

21 (D) DURATION OF BENEFITS.—

22 (i) IN GENERAL.—Subject to clauses  
23 (ii) and (iii), benefits under the program  
24 are to be provided to a household for not

1 more than 6 months in any 24-month pe-  
2 riod.

3 (ii) EXCEPTION FOR CERTAIN HOUSE-  
4 HOLDS THAT INCLUDE A NEWBORN BABY  
5 OR DISABLED MINOR.—A household that  
6 meets the requirement of subparagraph  
7 (A) is to remain eligible for benefits under  
8 the program for so long as—

9 (I) the household includes a sin-  
10 gle parent or guardian of a member of  
11 the household who—

12 (aa) has not attained 3  
13 months of age; or

14 (bb) is disabled; and

15 (II) each member of the house-  
16 hold who has not attained 18 years of  
17 age is living in a living arrangement  
18 supervised by an adult.

19 (iii) EXCEPTION FOR CERTAIN FULL-  
20 TIME STUDENTS.—An individual who has  
21 not attained 20 years of age is to remain  
22 eligible for benefits under the program for  
23 so long as—

24 (I) the household of which the in-  
25 dividual is a member (but for clause

1 (i) would be eligible for such benefits;  
2 and

3 (II) the individual is a full-time  
4 student in a secondary school (or in  
5 the equivalent level of vocational or  
6 technical training).

7 (E) POVERTY LINE.—As used in this para-  
8 graph, the term “poverty line” means, with re-  
9 spect to a household the income official poverty  
10 line (as defined by the Office of Management  
11 and Budget, and revised annually in accordance  
12 with section 673(2) of the Omnibus Budget  
13 Reconciliation Act of 1981) applicable to a fam-  
14 ily of the same size as the household involved.

15 (4) MODIFICATIONS TO SSI PROGRAM.—The  
16 goals described in this paragraph are as follows:

17 (A) INCLUSION OF MINOR CHILDREN OF  
18 ELIGIBLE INDIVIDUALS.—Expand the program  
19 to include benefits for minor children of individ-  
20 uals eligible for such benefits.

21 (B) PROVISIONS OF BENEFITS BASED ON  
22 HOUSEHOLD SIZE.—Provide benefits to a  
23 household in an amount that is based on the  
24 size of the household.

1 (C) REDUCE NEED FOR STATE ASSIST-  
2 ANCE.—Ensure that all individuals who are eli-  
3 gible for and have applied for such benefits re-  
4 ceive such benefits in a timely manner, and ex-  
5 pand the program to the extent necessary to  
6 provide benefits to individuals and families who  
7 cannot support themselves through work and  
8 available benefits under State income assistance  
9 programs.

10 (5) NATIONAL SERVICE WORK PROGRAM.—The  
11 requirements of this paragraph are as follows:

12 (A) ESTABLISHMENT OF DELIVERY SYS-  
13 TEM.—

14 (i) GRANTS TO LOCAL GOVERN-  
15 MENTS.—The Federal government shall  
16 provide grants on an annual basis to local  
17 governments to provide job training and  
18 job placement assistance under the pro-  
19 gram to unemployed individuals for the  
20 purpose of placing such individuals in  
21 unsubsidized employment.

22 (ii) SUBGRANTS TO SERVICE PROVID-  
23 ERS.—(I) A local government that receives  
24 a grant under clause (i) shall use amounts  
25 from such grant to provide subgrants on a

1 competitive basis to eligible service provid-  
2 ers for the purpose of providing the assist-  
3 ance described under subparagraph (B) to  
4 participants.

5 (II) For purposes of this paragraph,  
6 the term "eligible service providers"  
7 includes—

8 (aa) existing entities providing  
9 services to unemployed individuals  
10 under Federal, State, or local law, in-  
11 cluding those entities providing serv-  
12 ices under the Job Opportunities and  
13 Basic Skills Training Program under  
14 part F of title IV of the Social Secu-  
15 rity Act (42 U.S.C. 681 et seq.) and  
16 the Job Training Partnership Act (29  
17 U.S.C. 1501 et seq.); and

18 (bb) appropriate nonprofit and  
19 for profit organizations.

20 (B) JOB TRAINING ASSISTANCE.—An eligi-  
21 ble service provider that receives a subgrant  
22 under subparagraph (A)(ii) shall use amounts  
23 from such subgrant to provide the following as-  
24 sistance to participants:

1 (i) INITIAL ASSESSMENT.—The serv-  
2 ice provider shall conduct an initial assess-  
3 ment of each participant to determine the  
4 level of education and work experience of  
5 each such participant. After such assess-  
6 ment, the participant, in consultation with  
7 a trained counselor, shall choose to receive  
8 either intensive placement assistance under  
9 clause (ii) or work/study assistance under  
10 clause (iii).

11 (ii) INTENSIVE PLACEMENT ASSIST-  
12 ANCE.—(I) The service provider shall pro-  
13 vide intensive placement assistance to par-  
14 ticipants for the purpose of preparing par-  
15 ticipants for and placing participants in  
16 unsubsidized employment. Such assistance  
17 shall include—

18 (aa) training to improve and up-  
19 date the work skills of participants;

20 (bb) training to improve and up-  
21 date the job interviewing skills and re-  
22 sume preparation skills of partici-  
23 pants;

24 (cc) instruction in personal finan-  
25 cial management;

1 (dd) where appropriate, classes  
2 designed to assist participants attain  
3 certificates of high school equivalency;  
4 and

5 (ee) job placement assistance, in-  
6 cluding assistance provided by a coun-  
7 selor who matches participants with  
8 unsubsidized job opportunities based  
9 upon the skills of the participant.

10 (II) The service provider shall, to the  
11 extent practicable, provide 40 hours per  
12 week of assistance to a participant under  
13 subclause (I) and shall provide com-  
14 pensation to such participant in an amount  
15 equal to \$4.00 per hour for each such hour  
16 that such participant participates in inten-  
17 sive placement under subclause (I).

18 (III) The service provider shall pro-  
19 vide assistance to a participant under  
20 subclause (I) until such participant is  
21 placed in unsubsidized employment, or 180  
22 days after the date on which the partici-  
23 pant begins receiving assistance under  
24 such subclause, whichever occurs first.

1 (iii) WORK/STUDY ASSISTANCE.—(I)

2 The service provider shall provide work/  
3 study assistance to participants for the  
4 purpose of preparing such participants for  
5 unsubsidized employment. Such assistance  
6 shall include—

7 (aa) placement in part-time  
8 unsubsidized jobs, or if such jobs are  
9 not available, placement in part-time  
10 subsidized jobs; and

11 (bb) educational assistance relat-  
12 ed to such jobs and to the full-time  
13 unsubsidized jobs that such partici-  
14 pants obtain after receiving assistance  
15 under this subparagraph, including  
16 technical training or placement in ap-  
17 prenticeship programs.

18 (II) The service provider shall, to the  
19 extent practicable, provide 40 hours per  
20 week of assistance to a participant under  
21 subclause (I) and shall provide com-  
22 pensation to such participant in an amount  
23 equal to \$4.00 per hour for each such hour  
24 that such participant receives such assist-  
25 ance, except that such compensation shall

1 not include amounts received from place-  
2 ment in a part-time subsidized job.

3 (III) The service provider shall pro-  
4 vide assistance to a participant under  
5 subclause (I) until such participant is  
6 placed in full-time unsubsidized employ-  
7 ment, or 4 years after the date on which  
8 the participant begins receiving assistance  
9 under such subclause, whichever occurs  
10 first.

11 (iv) SUPPORT SERVICES.—The service  
12 provider shall provide support services to  
13 participants receiving assistance under  
14 clauses (ii) and (iii). Such services shall  
15 include—

16 (I) case management and coun-  
17 seling services provided by a case  
18 manager, including referrals to appro-  
19 priate social service agencies and iden-  
20 tification of barriers to successful job  
21 performance, such as mental illness,  
22 learning disabilities, and substance  
23 abuse; and

24 (II) legal services to assist par-  
25 ticipants in eliminating barriers to,

1 placement in, and retention of  
2 unsubsidized employment.

3 (C) PLACEMENT IN PUBLIC SERVICE  
4 JOBS.—(i) The Federal government shall en-  
5 sure that each participant who is unable to ob-  
6 tain unsubsidized employment after receiving  
7 assistance under subparagraph (B) is placed in  
8 a public sector job until such time as the par-  
9 ticipant obtains such unsubsidized employment.

10 (ii) An individual who receives a public sec-  
11 tor job under clause (i) shall be paid \$4.00 per  
12 hour.

13 (iii) An individual who receives a public  
14 sector job under clause (i) shall be provided on-  
15 going support services in accordance with sub-  
16 paragraph (B)(iv) to ensure that such individ-  
17 ual obtains unsubsidized employment.

18 (D) CONTINUING SUPPORT SERVICES DUR-  
19 ING UNSUBSIDIZED EMPLOYMENT.—The Fed-  
20 eral government shall ensure that each partici-  
21 pant who obtains unsubsidized employment  
22 after receiving assistance under subparagraph  
23 (B) continues to receive the support services de-  
24 scribed in subparagraph (B)(iv) for up to 1

1           year after the date on which the participant re-  
2           ceives such employment.

3           (6) TARGETED JOB TRAINING TAX CREDIT.—

4           The requirements of this paragraph are that employ-  
5           ers be provided with a nonrefundable credit against  
6           Federal income tax for some portion of the expenses  
7           paid by the employer in providing job training.

8           (7) ENHANCED EARNED INCOME TAX CRED-  
9           IT.—The requirements of this paragraph are that—

10           (A) the earned income credit under section  
11           32 of the Internal Revenue Code of 1986 be re-  
12           structured such that—

13           (i) for households in which an adult  
14           participates in the National Service Work  
15           Program, the amount of such credit will,  
16           when added to the taxpayer's earned in-  
17           come, equal 75 percent of the poverty level  
18           for such household,

19           (ii) for households in which no adult  
20           participates in the National Service Work  
21           Program and in which there is an adult  
22           full-time worker (or the equivalent), the  
23           amount of such credit will be the greater  
24           of—

1 (I) the amount determined under  
2 such section 32 without regard to this  
3 paragraph, or

4 (II) the amount which, when  
5 added to the taxpayer's earned in-  
6 come, will equal 100 percent of the  
7 poverty level for such household, and

8 (iii) for households in which no adult  
9 participates in the National Service Work  
10 Program and to which subparagraph (B)  
11 does not apply, the amount of such credit  
12 will be the amount determined under such  
13 section 32 without regard to this para-  
14 graph, and

15 (B) the earned income credit under such  
16 section 32 be paid on a periodic basis during  
17 the taxable year other than as provided in sec-  
18 tion 3507 of such Code.

19 (b) CHILD CARE REFORM.—

20 (1) IN GENERAL.—The Commission shall de-  
21 sign a program that consolidates existing child care  
22 programs under Federal law into a single program  
23 under which a household is to be eligible for child  
24 care services under the program if the total income

1 of the members of the household is less than 200  
2 percent of the poverty line.

3 (2) OTHER REQUIREMENTS.—The single pro-  
4 gram described in paragraph (1)—

5 (A) shall include a sliding fee scale that  
6 provides for cost sharing by households that re-  
7 ceive child care services under the program; and

8 (B) shall, to the extent practicable, be co-  
9 ordinated with appropriate State and local pro-  
10 grams providing child care services.

11 (3) POVERTY LINE DEFINED.—As used in this  
12 subsection, the term “poverty line” means, with re-  
13 spect to a household the income official poverty line  
14 (as defined by the Office of Management and Budg-  
15 et, and revised annually in accordance with section  
16 673(2) of the Omnibus Budget Reconciliation Act of  
17 1981) applicable to a family of the same size as the  
18 household involved.

19 **SEC. 4. MEMBERSHIP.**

20 (a) NUMBER; APPOINTMENT.—The Commission shall  
21 be composed of 23 members, as follows:

22 (1) The Secretary of Labor.

23 (2) The Secretary of Health and Human Serv-  
24 ices.

1           (3) The Secretary of Housing and Urban Devel-  
2           opment.

3           (4) The Secretary of Education.

4           (5) The Secretary of Agriculture.

5           (6) The Secretary of the Treasury.

6           (7) The Secretary of Veterans Affairs.

7           (8) 4 Members of the House of Representatives,  
8           2 appointed by the majority leader of the House of  
9           Representatives, and 2 appointed by the minority  
10          leader of the House of Representatives.

11          (9) 4 Members of the Senate, 2 appointed by  
12          the majority leader of the Senate, and 2 appointed  
13          by the minority leader of the Senate.

14          (10) 6 officials of State and local governments  
15          with expertise in welfare, education, or training is-  
16          sues, appointed by the President.

17          (11) 2 individuals with expertise in job place-  
18          ment for persons receiving cash assistance from the  
19          Federal Government or a State government, ap-  
20          pointed by the President.

21          (b) TERM OF OFFICE.—Each member of the Com-  
22          mission shall be appointed for the life of the Commission.

23          (c) APPOINTMENT DEADLINE.—All appointments to  
24          the Commission shall be made not more than 60 days  
25          after the date of the enactment of this Act.

1 (d) VACANCIES.—A vacancy on the Commission shall  
2 be filled in the manner in which the original appointment  
3 was made.

4 (e) CHAIRPERSON.—The Secretary of Labor shall  
5 serve as the chairperson of the Commission (in this Act  
6 referred to as the “Chairperson”).

7 (f) COMPENSATION.—

8 (1) GENERALLY NONE.—Except as provided in  
9 paragraph (2), the members of the Commission may  
10 not receive pay, allowances, or benefits by reason of  
11 their service on the Commission.

12 (2) TRAVEL EXPENSES ALLOWED.—Each Com-  
13 mission member shall receive travel expenses, includ-  
14 ing per diem in lieu of subsistence, in accordance  
15 with sections 5702 and 5703 of title 5, United  
16 States Code.

17 **SEC. 5. STAFF; EXPERTS AND CONSULTANTS.**

18 (a) STAFF OF FEDERAL AGENCIES.—Upon request  
19 of the Chairperson, the head of any Federal agency may  
20 detail, on a reimbursable basis, any of the personnel of  
21 that agency to the Commission to assist the Commission  
22 in carrying out its duties under this Act.

23 (b) EXPERTS AND CONSULTANTS.—The Commission  
24 may procure temporary or intermittent services under sec-  
25 tion 3109(b) of title 5, United States Code.

1 **SEC. 6. PROCEDURE OF COMMISSION.**

2 (a) **MEETINGS.**—The Commission shall meet at the  
3 call of the Chairperson or a majority of the members of  
4 the Commission.

5 (b) **QUORUM.**—A majority of the members of the  
6 Commission shall constitute a quorum but a lesser number  
7 may hold hearings.

8 (c) **ACTION.**—The Commission may act only by a vote  
9 of a majority of the members of the Commission.

10 **SEC. 7. POWERS OF COMMISSION.**

11 (a) **HEARINGS AND SESSIONS.**—The Commission  
12 may hold the hearings, sit and act at the times and places,  
13 take the testimony, and receive the evidence the Commis-  
14 sion considers appropriate to carry out this Act.

15 (b) **POWERS OF MEMBERS AND AGENTS.**—Any mem-  
16 ber or agent of the Commission may, if authorized by the  
17 Commission, take any action that the Commission is au-  
18 thorized to take by this section.

19 (c) **OBTAINING OFFICIAL DATA.**—On request of the  
20 Chairperson of the Commission, the head of a Federal de-  
21 partment or agency shall furnish to the Commission such  
22 information as the Chairperson may request to enable the  
23 Commission to carry out this Act, unless the release of  
24 the information is prohibited by law.

25 (d) **GIFTS.**—The Commission may accept, use, and  
26 dispose of gifts of services or property, both real and per-

1 sonal, for the purpose of aiding the work of the Commis-  
2 sion, except that gifts of money and proceeds from sales  
3 of property received as gifts shall be deposited in the  
4 Treasury of the United States and credited as mis-  
5 cellaneous receipts.

6 (e) **MAILS.**—The Commission may use the United  
7 States mails in the same manner and under the same con-  
8 ditions as other Federal agencies.

9 (f) **SUPPORT SERVICES.**—On request of the Commis-  
10 sion, the head of a Federal department or agency may  
11 make available to the Commission any facility or service  
12 of the agency to assist the Commission in carrying out  
13 the duties of the Commission under this Act.

14 **SEC. 8. REPORT.**

15 Within 6 months after the date a majority of the  
16 members of the Commission have been appointed, the  
17 Commission shall submit to the Congress a report that  
18 describes in detail the programs, modifications, and tax  
19 credits designed under section 3(a), and contains rec-  
20 ommendations for legislation to enact such programs,  
21 modifications, and tax credits.

22 **SEC. 9. TERMINATION OF COMMISSION.**

23 The Commission shall terminate upon the adjourn-  
24 ment sine die of the Congress during which the report re-  
25 quired by section 8 is submitted.

WR-Legis.

**WELFARE REFORM**

**THE  
WELFARE ELIMINATION ACT OF 1993**

**National Service Work Program**

The Welfare Elimination Act of 1993  
(WEA)

Summary

The many proposals that today go by the term "welfare reform" suggest that the flaws in our welfare programs lie in how they are operated. The President proposes to "end welfare as we know it" through limits on eligibility, and states throughout the country are heralding welfare experiments that aim to modify behavior, restrict benefits or expand training. But none of these reforms challenge welfare's guiding principles.

Today, we support more than five million families through programs based largely on cash assistance. But some sixty years ago, Franklin Roosevelt experimented with cash assistance relief and rejected it as "a narcotic and a subtle destroyer of spirit." Until we take his lead and develop assistance programs based on work, we will never solve welfare's myriad problems.

The Welfare Elimination Act of 1993 (WEA) does not tinker with current welfare system; it abolishes it. WEA asserts that to truly end welfare as we know it, we must replace the patchwork of overlapping public assistance and job training programs with a simple framework and a simple mission. It:

- 1) Abolishes AFDC, JOBS, Food Stamps, the JTPA and many other federally funded job training programs.
- 2) Provides income benefits to families in temporary crisis. The majority of current welfare recipients have suffered a temporary setback and leave the rolls soon after their emergency passes.
- 3) Provides intensive job-readiness and placement assistance with the goal of securing a job in the private sector.
- 4) Provides, as a last resort, a community service job.

WEA differs from the current welfare system in many ways. It:

**Eliminates indefinite cash assistance.** No individual will collect assistance for more than six months without full-time participation in an intensive job placement program; no individual will collect assistance for more than a year without working for it.

**Respects people; promotes initiative.** WEA rejects one size fits all support and relies on individual initiative. The help a person receives comes as a result of choices s/he has made.

**Encourages private sector employment.** Participants will clearly be financially better off by finding and keeping a job in the private sector as opposed to receiving government assistance.

**Cuts out bureaucracy and administrative costs.** By making cash assistance available only in temporary, emergency situations, during voluntary job training, or for public sector work, government eliminates the need to spend resources acting as cop or watchdog over long term recipients.

#### MISSION

To eliminate welfare, support employment opportunities, enable people to become employed, and support people in existing jobs.

This mission statement is supported by several principles that guided the development of the Welfare Elimination Act.

- 1) Full time workers should be able to support their families.
- 2) All program components should help participants find employment in unsubsidized jobs.
- 3) Families and individuals experiencing a temporary financial crisis should receive short term emergency benefits. All other cash assistance shall be linked to participation in job training, placement programs, or public service work.
- 4) Individuals unable to find work should first be offered job placement assistance or education and training.
- 5) The public sector should be the employer of last resort.

### GENERAL PROGRAM DESCRIPTION

Individuals seeking assistance at the local office will have several options.

- \* Temporary Emergency Assistance (TEA). If a family has a temporary crisis, TEA provides limited cash assistance for up to six months. This program is intended for families that are going to be able to reenter the work force without further assistance from the government. The needs of such families are often strictly financial.
- \* National Service Work Program (NSWP). The majority of those seeking assistance will choose the NSWP. This program offers two job placement tracks for persons with different needs.

*Intensive Placement Assistance (IPA)*. This is a six month program of intensive job readiness and placement assistance. During this time, participants shall participate in job readiness training, skills enhancement/update training, receive budgeting and family management instruction, interviewing and resume assistance to supplement the intensive placement assistance. Trained counselors will provide case management and job counseling. The counselors will focus heavily on linking the participant and potential employers. The goal is to find the participant an unsubsidized job before the end of the six month program.

*Work/Study*. This is a program for those participants whose assessment indicate that additional education will enhance the chances of full time employment in an unsubsidized job. Participants will be required to work part-time to participate in this program.

*Public Service Job*. For those who have completed the six month IPA program and have been unable to find an unsubsidized job, a public service job will be available. The job will be full time, but will provide less income than full-time unsubsidized jobs. Ongoing job placement assistance will be provided by a case manager.

All of the program components assist participants and their families to become self-sufficient through unsubsidized employment.

## PROGRAM COMPONENTS

### Temporary Emergency Assistance (TEA)

A large percentage of welfare recipients have only a short term need for financial assistance; they leave the welfare rolls on their own initiative as soon as the emergency passes. These households only have a financial need; they do not need other support services, training, education and/or job placement. Such households will receive TEA for no more than six months.

- \* For up to six months, all households with income below 50% of the poverty level shall be eligible for emergency cash assistance to assist them through a temporary crisis. The benefit level shall be 50% of the poverty level, adjusted for the household size.
- \* The benefit level can "fill the gap" between household income and 50% of the poverty level.
- \* During this period, individuals can volunteer for assessment and/or part-time public work placement (PTPS) to partially work off the cash assistance, provide an attachment to the work place, a work experience for reference purposes, etc.
- \* TEA will be available only for a total of six months in any 24 month period.
- \* There will be no requirements conditioning receipt of TEA; as a result, the administrative burden of monitoring for "compliance" will be eliminated. Since many families enter the welfare system after a temporary crisis, government will be able to conserve its limited resources to assist those who have more complex needs.

#### Next steps:

If the household is still in need after receiving TEA for six months, the individual may enter the National Service Work Program, either the work/study or the Intensive Placement Assistance program. The worker must first be assessed to determine education and work options.

## **National Service Work Program**

The program will include an initial assessment to determine education and work options, followed by Intensive Placement Assistance or work/study. The Intensive Placement Assistance program will last for up to six months and will provide all possible support to individuals for placement in an unsubsidized job. A second option will be a work/study program. Individuals who are not placed in an unsubsidized job at the end of the six month IPA, will be offered a public service job.

### **Assessment**

Prior to entering the IPA or the work/study program, applicants will be assessed to determine level of "job readiness". This assessment will also determine level of educational achievement attained and achievable. In order to adequately provide placement assistance and educational counseling, the assessment is a critical component of the NSWP.

### **Next steps:**

After assessment, and in consultation with a trained counselor, the individual must choose either the work/study or the IPA program.

### **Intensive Placement Assistance**

Work in an unsubsidized job is the goal for all participants. Because we value such work, an intensive job placement program shall be the first step for all participants (except those who choose the work study/option). Participants shall remain in this program until they are placed in a full time job, or six months have passed, whichever comes first.

During this time, participants shall participate in job readiness training, skills enhancement/update training, receive budgeting and family management instruction, interviewing and resume assistance to supplement the intensive placement assistance. Where appropriate, and as time permits, some participants may choose to attend classes to obtain a GED, or otherwise further their education and enhance skills. The case manager will be the broker between the participant and potential employers.

During the IPA component, the participants will be paid \$4.00 per hour for 40 hours of job readiness/public service work/class. They will be entitled to an Earned Income Tax Credit (EITC) that will raise the household income to 75% of the poverty level.

**Next steps:**

Participants who are unable to find a job by the end of the six month period of IPA will be offered a public service job. An assigned case manager/counselor will continue to assist the worker with unsubsidized job placement. Participants may also choose to enter work/study at the end of the six month period.

**Work/Study**

Participants may choose a work/study option, designed to enhance their employability options, based upon the assessment indications. Options include educational, technical training, or apprenticeship programs. Each participant will be encouraged to look for a part-time unsubsidized job. S/he may work part-time in a public service job if she cannot obtain an unsubsidized part-time job.

The work/study program also will be available to persons in unsubsidized jobs whose household income is below 75% of the poverty level. The participant may be compensated at \$4.00 per hour for up to 20 hours of class per week. The EITC for the part-time unsubsidized worker in this program will be limited to the amount earned by a subsidized worker with the same household size.

Part-time public service workers will be paid for 40 hours per week at \$4.00 per hour for work/study. Work/study participants must fulfill the minimum work/study requirement of 40 hours per week in class or work. This payment level ensures that unsubsidized jobs, outside the National Service Work Program, are preferable to the National Service Work Program public service job, even if the outside job is only paying minimum wage (\$4.25).

The individual can continue in the work/study program for up to four years. S/he must be actively working toward educational or training goals to remain in the work/study program.

**Next steps:**

After completing the educational or training goals, or at the end of four years, whichever comes first, the individual must enter the IPA program or begin work in an unsubsidized job.

**Public Service Placement:**

After six months in the IPA program, National Service Work Program jobs will be available to anyone who applies, without regard to household income or circumstances, or previous receipt of TEA.

The wage scale for these jobs will be \$4.00 per hour, and EITC will be limited to bring the household to only 75% of the poverty level. This will remove any incentive to stay in the National Service Work Program jobs for all of those who can be employed in unsubsidized jobs.

Ongoing case management will provide continuing efforts to place individuals in jobs outside the National Service Work Program.

**Exemptions:**

(A) Households that may continue to receive the TEA for longer than six months:

\*High school students up to age 20; children below the age of 18 will be ineligible for the National Service Work Program to encourage them to stay in school full time. Teenage parents under age 18 will be required to live in an adult supervised living arrangement.

\*Single parents and guardians of children under 3 months of age, and single parents and guardians of dependent disabled children.

For those households that remain financially eligible and meet the exception criteria listed above, the TEA payment will continue to be available. Individuals in these households (except children under age 18) may still volunteer for the National Service Work Program.

**Next steps:**

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\*Single parents and guardians of children under 3 months of age, and single parents and guardians of dependent disabled children.

For those households that remain financially eligible and meet the exception criteria listed above, the TEA payment will continue to be available. Individuals in these households (except children under age 18) may still volunteer for the National Service Work Program.

(B) Households with an exemption from full time participation in the National Service Work Program:

\*Two parent households will be required to have the equivalent of one full time worker. They may achieve this goal by any combination of work and study hours, as described above. However, all parents are permitted to participate on a full time basis. They must volunteer for the full time IPA before obtaining a full time public sector placement.

\*Participants in a substance abuse treatment program will be required to participate in work and/or study and treatment for a combined total of 40 hours per week. The combination of earned income and the EITC will be 65% of the poverty level for the individual's household size.

\*Part-time workers in unsubsidized jobs with household earnings (combined with EITC) below 75% of the poverty level, who are unable to obtain a full-time unsubsidized job or an unsubsidized job that pays more than the full time National Service Work Program job, may participate on a part-time basis.

#### DELIVERY SYSTEM

The IPA services shall be delivered in community based settings, like the old settlement house approach or the new family resource center approach. The services shall be delivered by entities which shall compete for the right to deliver the services through a competitive bidding process. Existing agencies, including those currently offering JOBS, JTPA and placement for unemployment compensation recipients, may apply, as well as non-profit and for profit corporations.

Funding shall not be limited to one entity per jurisdiction. Some service providers may be best equipped to work with a specialized population. It will also be advantageous to have different service providers in the same jurisdiction competing against one another. Subsequent contracts can only be awarded based upon a successful outcome-based performance review.

However, these goals must be balanced against the need for reduced overhead and streamlined administration. Also, clients must be able to easily understand where to go for services. In any case, one stop shopping for placement services for all persons in need shall be the goal.

### FUNDING

The federal government should agree to cover the full cost of this program, in exchange for adequate state/local funding of an education and training program that will be accessible to everyone who wants additional education. A maintenance of effort provision should be included to require states to invest their current level of welfare funding in education and training programs. States will be required to target educational opportunities to non-traditional students.

Most federally funded training programs should be eliminated. Only programs created to assist those workers whose job loss is caused by a federal policy decision, like defense conversion programs, should be retained.

This plan supports the Reinventing Government proposal for streamlining of job training and one-stop shopping opportunities for displaced workers. The existing fragmented system acts as a barrier to participants because 1) duplication of services adds unnecessary costs, and 2) lack of information leads to confusion about how to access services.

Eliminating these programs could result in a \$16 billion dollar savings in the federal budget. Some of the savings shall be applied to a targeted training tax credit to businesses that create on the job training opportunities.

The federal government will no longer fund Food Stamps. The value of Food Stamps will be "cashed out" through the EITC for all households that would be eligible for Food Stamps under the existing program guidelines. Other programs that will be eliminated include AFDC and JOBS.

A block grant approach to funding shall be utilized. The amount of the grant shall be based upon a formula developed at the federal level using census poverty data, unemployment rates, job development rates, and an approximate cost per person for the new program. A grant shall be made to each jurisdiction on an annual basis for allotment to successful bidders for provision of services. A contingency fund shall be available for additional resources if the jurisdiction can show that the initial allocation was inadequate based upon the number of participants.

#### SUPPORT SERVICES

*These services are generally available, through the IPA program, when needed to prevent barriers to employment, upon request by any participant, including those working outside the National Service Work Program system as a transition benefit for up to one year.*

Case management/Counseling: Ongoing job development, job contact, job placement services and job readiness training for anyone in PTPS, education/training, National Service Work Program participants, and as a transition benefit. The case manager will be the broker between the worker and the job market. The case manager will also make referrals to other appropriate services. Case managers will be trained to identify barriers to appropriate job performance such as mental illness, learning disabilities, substance abuse etc.

Legal Services: Legal services shall be provided to all PTPS volunteers, education/training participants, National Service Work Program participants and as a transition benefit. These services shall be limited to those situations requiring legal intervention that are a barrier to employment.

Targeted Training Tax Credit: A targeted training tax credit will be created for employers that provide on the job training.

## EXISTING INITIATIVES FOR JOB SUPPORT

*The following support services exist or have been proposed and are being currently considered. They are important components of any work program. The success of the NSWP depends on their continuing existence and/or enactment. In some cases, existing programs may need to be expanded.*

Tax assistance: EITC will be expanded for all working persons. It will be adjusted for family size, will be refundable and can be refunded in the paycheck. EITC will be enhanced to compensate households for the "cashing out" of Food Stamps. Most households participating in the National Service Work Program will receive tax credits bringing their income up to a maximum of 75% of the poverty level. Those persons in a full-time job outside the National Service Work Program system will receive tax credits bringing their household income up to the poverty level.

Health Care: The administration's proposal should eliminate the need for a health care program that is tied to receipt of benefits. Adequate health care will include substance abuse treatment and mental health services.

Child Day Care: Child care shall be provided to all parents and other official caretakers in education/training, substance abuse treatment programs, part-time public service (PTPS) volunteers, National Service Work Program participants, and as a transition benefit. In addition, child care shall be universally available to all households with income below 200% of the poverty level, on a sliding fee scale basis.

Child Support Enforcement: Various options to improve collection are being investigated. The Administration is currently reviewing the system to enhance collection. A federalized system of enforcement and changes in the state programs are currently under consideration. Non-paying child support obligors could be ordered by the court to participate in NSWP. Such an option provides the non-custodial parent with a source of income for payment of the child support obligation, and "under the table" workers would be flushed out by the 40 hour per week work requirement of the NSWP.

Margy Draft #20  
October 13, 1993  
NOT FINAL

**Poverty Level/Payment Levels For a Family of Three**

	Annual	Monthly	
50% =	\$5945	\$495	TEA benefit level
65% =	\$7729	\$644	Some part-time NSWV households
75% =	\$8918	\$743	Full time NSWV households
100% =	\$11,890	\$991	Full time worker in unsubsidized job

Almost all households will be better off under this proposal than in the current AFDC/Food Stamp program in the states.

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## ELIGIBILITY

**Temporary Emergency Assistance:** Any household in need with an income below 50% of the poverty level.

There will be no asset limits, to encourage savings for education, a home, a business - microenterprise.

**National Service Work Program:** Any individual who volunteers.

There shall be disciplinary action for inappropriate behavior on the job that cannot be resolved by working with the case manager. When necessary, permanent or temporary ineligibility for the National Service Work Program shall be imposed as a job action.

**Disability Assistance:** SSI recipients will not be eligible for TEA or National Service Work Program, but the existing SSI program will be expanded to include all persons incapable of working, and their dependents.

The SSI program was originally intended to federalize the state's programs of assistance to the aged, blind and disabled. Changes in the program's application process have resulted in a 70% denial rate; two-thirds of these applicants ultimately prevail in the appeal process. The SSI program should include a presumptive eligibility component to reduce the need for state assistance to applicants.

Also, the state programs of General Assistance and Disability Assistance should be reviewed to determine the need for new categories of eligibility for SSI. This will ensure that the SSI program fulfills its original goal of federalizing assistance to people who cannot support themselves and their families by working.

Currently, single persons receive a monthly SSI payment of \$434, while the poverty level for single persons is \$6,810 annually and \$567 monthly. Households dependent upon a disabled person will receive a benefit payment adjusted for family size.

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File: WR-Legislation  
I

103D CONGRESS  
1ST SESSION

# H. R. 741

To amend title IV of the Social Security Act to provide welfare families with the education, training, job search, and work experience needed to prepare them to leave welfare within 2 years, to authorize States to conduct demonstration projects to test the effectiveness of policies designed to help people leave welfare and increase their financial security, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1993

Mr. SHAW (for himself, Mrs. JOHNSON of Connecticut, Mr. GRANDY, Mr. SANTORUM, Mr. MICHEL, and Mr. GINGRICH) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Agriculture, Education and Labor, Energy and Commerce, Banking, Finance and Urban Affairs, and the Judiciary

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## A BILL

To amend title IV of the Social Security Act to provide welfare families with the education, training, job search, and work experience needed to prepare them to leave welfare within 2 years, to authorize States to conduct demonstration projects to test the effectiveness of policies designed to help people leave welfare and increase their financial security, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

*File  
WR-Legislation*

**LEGISLATION**

**H.R. 30 GRANDY (R-IA):**

Universal Health Benefits Empowerment and Partnership Act of 1993.

**H.R. 176 EMERSON (R-MO):**

Food Stamp Employment and Flexibility Amendments.

**H.R. 252 NEAL, STEPHEN (D-NC):**

Cabinet-Level Interagency Task Force and Welfare Reform Act of 1993.

**H.R. 454 FRANK, BARNEY:**

Amends the Federal judicial code to declare that State authorities shall enforce any child support order according to its terms and shall not modify it, except in certain circumstances.

State may modify if: (1) it has jurisdiction to make such an order; (2) the court of the other state no longer has continuing, exclusive jurisdiction.

**H.R. 456 HALL, TONY (D-OH):**

Amends IRS code to allow a deduction for contribution made to an individual development account (IDA), limited to \$2000 per year. Defined qualified expenses include: (1) postsecondary educational expenses; (2) first-home purchase; (3) retirement.

Provides for establishment of demonstration projects for asset-based welfare. Participation eligibility: (1) income test of not more than 200 percent of poverty threshold; (2) net worth test not more than \$20,000.

**H.R. 741 SHAW (R-FL):**

Provide welfare families with education, training, job search, and work experience to prepare to leave welfare within 2 years; to authorize States to conduct demonstration projects.

Amends Food Stamp Act of 1977 to allow States to elect to subsidize jobs for work supplementation out of funds that would otherwise be payable as food stamp benefits.

**H.R. 1636 STEARNS (R-FL):**

Workfare

**H.R. 1918 WISE (D-WV):**

A bill to reform AFDC

**H.R. 1961 KENNELLY (D-CT):**

To improve interstate enforcement of child support and parentage.

**H.R. 2127 WELDON (R-PA):**

Comprehensive Child Welfare Service Reform Act of 1993.

**S. 102 MACK (R-FL):**

*Tim -  
Call  
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W. Reform  
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Workfare: require adults receiving AFDC to enter workforce within 2 years of receiving aid.

**S. 239 BOREN (D-OK):**

Establish community work progress programs.

**S. 586 GRASSLEY (R-IA):**

Raised the asset limit for AFDC recipients engaged in microenterprise business, and for other purposes.

**S. 596 ROCKEFELLER (D-WV):**

Family Preservation and Child Protection Reform Act.

**S. 689 BRADLEY (D-NJ):**

Improve interstate enforcement of child support.

THE WHITE HOUSE

WASHINGTON

March 9, 1993

File  
WR - Legis

MEMORANDUM FOR CAROL RASCO

FROM: HOWARD G. PASTER *HP*  
LEGISLATIVE AFFAIRS

SUBJECT: WELFARE REFORM

Enclosed please find a copy of the letter that was sent to the President from Representative Wayne Gilchrest (R-MD). I would appreciate your office reviewing Representative Gilchrest's proposal as you formulate our Nation's welfare reform program.

Thank you very much for your assistance with this matter. If you have any questions, please feel free to call LeeAnn at 456-7500.

Enclosure

004570

WAYNE T. GILCREST  
1ST DISTRICT, MARYLAND



COMMITTEE ON PUBLIC WORKS  
AND TRANSPORTATION  
WATER RESOURCES AND ENVIRONMENT  
AVIATION  
INVESTIGATION AND OVERSIGHT  
COMMITTEE ON MERCHANT MARINE  
AND FISHERIES  
COAST GUARD AND NAVIGATION  
ENVIRONMENT AND NATURAL RESOURCES  
SELECT COMMITTEE ON AGING  
SELECT COMMITTEE ON HUNGER

412 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-2001  
TELEPHONE: (202) 225-5311  
FAX: (202) 225-0254

# Congress of the United States House of Representatives

February 24, 1993

The Honorable William J. Clinton  
The President  
The White House  
1600 Pennsylvania Ave  
Washington, D.C.

Dear Mr. President,

I am pleased that welfare reform remains a high priority for your Administration, and am writing to share with you a proposal that would provide manufacturing jobs, housing, and child care for welfare recipients.

I share your commitment to reforming welfare so that recipients obtain skills, become productive workers and end cycle of welfare dependency.

I hope this material will be of assistance, and I look forward to working with you.

Sincerely,  
*Wayne T. Gilcrest*

Wayne T. Gilcrest  
Member of Congress

WTG:mak

Enclosure

# ***The Welfare Work-Out Program***

January 25, 1993

**A Proposal by CityWorks -Work-Out, Inc.**

**(A not for profit corporation)**

*in Association with*

**The Living Classrooms Foundation**

*and*

**The Otis Warren Company**

The following proposal is based on an idea proposed by Douglas L. Becker to the City of Baltimore Development Corporation. The original concept has been further developed by CityWorks into a comprehensive program aimed at permanently breaking the welfare cycle by a holistic approach to the problems of employment, employee business ownership, early childhood care and education, home ownership, and family stability.

We believe the following proposal is extremely practical, relatively low in cost and has the real promise of reducing the need for welfare for only those who truly cannot work. We believe that this program can put thousands of people back to work in real, lasting for profit jobs in employee owned manufacturing.

We also believe this program will have the effect of bringing jobs back to the United States that currently appear lost to third world countries.

The program will require the cooperation and assistance of the Federal, State and Local governments for certain targeted changes to welfare rules. Some capital financial assistance will also be needed from governmental, corporate and foundation sources.

## **Basic Hypotheses**

1. Current law provides that welfare recipients may not work and retain all of their benefits except in certain very narrowly defined circumstances (no more than nine months, public sector jobs or jobs that did not previously exist, etc.)
2. Relatively small modifications to these rules by the federal, state and local governments will make this program feasible.
3. The original idea was to create a manufacturing facility, where with day care provided, welfare recipients could work to produce goods currently manufactured overseas. The workers would be paid some modest wage (say \$1.00 to \$2.00 per hour) in addition to their full welfare benefits (It was assumed that waivers could be gotten from the governments involved)
4. This original premise is incomplete, since it requires that people stay on welfare indefinitely, or that after some period of time the workers would be thrust out into the conventional job market where manufacturing jobs are disappearing at a depressing rate. Over the last twenty years Baltimore lost 75,300 manufacturing jobs - St. Louis lost 67,079, Cleveland lost 150,584, Chicago lost 378,900 and New York lost 725,00. This original concept has the potential to attract the very serious criticism that it is simply a manufacturing scheme that exploits the poor.
5. What is needed is a concept that, while it begins in a similar way, creates a method to create permanent, full wage jobs allowing those who choose to, a way to get out of the welfare system completely with an income and living arrangements that permit a stable and decent life. The ideal candidate for this program would be a single woman with children who is currently living in public housing and who wants a way out - but can't find it.

## **The Welfare Work Out Proposal**

The goal for the program is to create the following condition:

Initially, workers would be paid, say \$2.00 per hour in addition to all public assistance benefits.

During the first two years, their children would be cared for at a day care center at the factory at no cost to the parent. However, the program would not be simply a passive facility, but rather would be designed as an intense educational enrichment program paid for by foundation and corporate gifts.

At the end of two years of successful work, each worker would be paid, say, \$8.00 per hour. They would also automatically own a share in the manufacturing business which would be run as a for profit cooperative. In addition they would be eligible to own a single family home. In this case they would have to have put aside, say, \$1.00 per hour, or \$3840 over the two years to use for the down payment. (Settlement costs can be handled as a second mortgage either through the City's or the State program)

Given a standard of 28% of gross income for housing costs, at \$8.00 per hour, or \$15,360 per year, the employee could afford \$358.00 per month in housing costs. At a 6% interest rate this means that a house costing about \$45,000 is possible. If land is provided by the local jurisdiction or by state or federal programs, a 1200 square foot, three bedroom, single family house can be built for this cost or less.

By looking at housing and wages together, it is possible to achieve both social objectives and allow for profit for the employee owned cooperative. This is the old company town concept turned on its head. Here the employees would own the 'company town'.

The point is that from a business point of view, the cooperative must keep wages as low as possible to remain competitive and from a social point of view, home ownership is the most sought after aspect of the American Dream, and is one of the changes most likely to engender stability and responsibility in the family.

The current average hourly earnings in Maryland for manufacturing jobs is \$12.67 per hour. Non durable goods manufacturing averages \$11.94 per hour and durable goods averages \$13.53 per hour. These rates translate roughly to \$23,000 to \$24,000 per year.

To actually compete in the world market, wages in the Work Out factories must be kept low, buildings and equipment and the educational resources must at least be initially funded by government and charitable sources. However we believe it is possible to create a situation where such public help will not be needed after the initial start up phase.

### **How To Make it Work**

The secret to low cost manufacturing is a long term vendor contract with a national mass distributor. A major retailer such as Wal-Mart, K Mart, Sears or Montgomery Wards buys thousands of products from overseas in hundreds of thousands or millions of units.

In particular, Wal-mart's aggressive Buy American campaign and their willingness to enter into innovative arrangements with vendors makes them likely candidates for this venture. (see attached articles)

Wal-Mart's penchant for contract pricing and net/net deals are appropriate for the Work Out concept, with one exception. If the original workers are paid, say, \$2.00 per hour, all medical and day care costs are subsidized, and all capital costs are debt free, then competing against some selected overseas products is relatively simple. However to build for the future, the initial vendor contracts must include, say the equivalent of \$1.00 per hour which will go into working capital for the development of new products that can eventually be produced profitably as the work force expands to more and more workers making full wages.

Whereas Wal-Mart negotiates to buy at the absolute cost of production of that particular item, with R&D, promotion, marketing etc. paid for by someone else, in the case of the Work Out program the buyer must agree - and products must be produced - at a cost that allows for the future of the Cooperative.

The initial products must be chosen very carefully. To avoid even the appearance of competition with existing American businesses, the chosen products must not only truly replace a product made offshore but the general public must believe that this is in fact the case.

The products must also be stable - that is the buyer must agree to buy many units over a significant period of time so that reliable production forecasts and consequent investment strategies will work. Logical products are those that have significant overseas transportation costs and tariffs or other costs directly related to their overseas manufacture.

Products should be labor intensive rather than capital intensive. Assembly may be the best first step. Obviously, products must either be assembled or manufactured by entry level workers with presumably low skill levels.

The buyer must agree to buy exclusively from CityWorks for that product. Once a price has been set and production runs agreed to, the buyer cannot simply shop around for an overseas or domestic supplier who can produce the product at a slightly lower price. Private label products may make the most sense. In any case, a kind of partnership with the buyer, will be needed to make this work.

It may also be desirable to work with an existing manufacturer who sells to the buyer. (See story on Texas Instruments) This approach would be the most efficient in that the manufacturer would already have the required management and production expertise. However, the program should not be totally devoted to a partnership with any one manufacturer for a number of reasons.

The cooperative needs its independence to develop new products that may be totally inappropriate for any given manufacturer. A total partnership would also give the appearance that the manufacturer was simply using the Work Out program to its own profit. The public perception of the Work Out program must remain on the cooperative itself - not on an intermediary manufacturer.

In terms of new products - not now manufactured in the U.S. or overseas - the cooperative might look first to the utilization of waste products from other industries as raw materials for new uses. The recycling aspect of this is a strong play with Wal-Mart, government and the general public. The whole Work Out program will be strengthened if it can meet as many national goals as possible. The program will attract wider support if simultaneously addresses ending welfare, American competitiveness and the production of recycled products.

These new products must eventually be able to be manufactured at a real labor cost of say, \$8.00 per hour plus benefits. Fortunately, under this plan, there will be a period of years where labor rates will be very low with costs only rising slowly as workers 'graduate' from welfare to full wage status. This period of time will be devoted to developing products for manufacture in a 'full wage' scenario. To the extent there are significant profits, they should be divided between capital reserves for replacement, R&D of new products and dividends to the Cooperatives owners.

### **Roles of the Players**

CityWorks proposes the following arrangement, which we believe is the most likely to succeed in implementing this concept.

1. An Advisory Council be set up immediately. The Council would consist of Douglas L. Becker, the originator of the idea and owner of Sylvan Learning Systems, the President of the City of Baltimore Development Corporation, the Secretary of Economic and Employment Development of the State of Maryland, other appropriate State officials representing housing and social services, the City Director of the Office of Employment Development, Commissioner of Housing and Community Development, Director of Social Services, the President of the Abell Foundation and other foundation leaders, and selected business and community leaders. An Executive Committee of three to no more than five people should be responsible for the day to day activities of the Council.

The Council would serve as the liaison with all appropriate government programs and agencies that will be involved. The Council would work in partnership with CityWorks and its associates on every aspect of the program.

2. CityWorks and its associates would put together the team to actually develop the first factories - one in Baltimore City as its urban prototype and one in Dorchester County (Cambridge, Md.) as a rural prototype. Suitable buildings have been identified in both jurisdictions which would be evaluated in the feasibility study.

3. CityWorks would initially own the structures and equipment but would set up the legal mechanism whereby the Cooperative would take ownership as soon as a certain number of workers graduated to full wage status, certain pro forma tests were met, etc. In other words, CityWorks would disappear from an ownership or directorial role when certain empirical tests were met. This arrangement would be made legally binding in the beginning, so that all those involved knew that they would get control as soon as the business was viable. (a condominium association essentially works this way.)

4. Through the Council, CityWorks would undertake to construct the housing component using the proven low income housing experience of Otis Warren. CityWorks, using the resources of the Living Classrooms Foundation, would also raise the money, design the educational component, and run the day care/educational facilities. After ownership is given over to the Cooperative, the day care and housing components will still be provided by CityWorks if needed for some period of time.

5. In addition, CityWorks will also provide counseling to the workers in terms of basic financial management, home ownership responsibilities, and similar services to help make the transition from a welfare orientation to a fully employed, self sufficient culture. A food cooperative as well as transportation and insurance issues may also have to be addressed.

We believe that the combination of an entrepreneurial, publicly motivated but legally separate non profit entity such as CityWorks Work Out, Inc., and its associates, working in partnership with the economic development entities of government, is the most practical method to actually accomplish this program.

Any program of such radical dimensions will attract critics from all segments of society. Stakeholders in any part of the current system will resist change no matter what the virtue of the proposal and unfortunately many of these critics may come from within government where some may have the ability to delay or otherwise diminish the effectiveness of the program. It is therefore important that an outside entity, free to move quickly and decisively, unburdened by direct government control, be the actual implementing party. On the other hand, the program can only work if there is a real partnership with each level of government. Committed political leadership at the top will be necessary to push through the inevitable resistance to change.

## Next Steps - Implementation

CityWorks proposes to carry out a full feasibility-proof of concept study to test the viability of the project. Over a period of 150 days from funding, the study team will:

1. Obtain options on two suitable buildings -- one in Baltimore City and one in Cambridge Md. The buildings will be evaluated by our physical development consultants - Whitney, Bailey, Cox and Magnani - Engineers, Marks Thomas and Associates - Architects, LDR International - Planners, and a building contractor (to be selected). Buildings will be evaluated for suitability for general manufacturing, basic systems, structural integrity, preliminary costing for required improvements, and value for the intended purpose.

2. CityWorks will retain specialist consultants in manufacturing system design and costing, legal counsel experienced in negotiating vendor contracts, and a specialist consultant in social program regulations, and a professional, full time project coordinator.

3. CityWorks, working with the Council, will contact Wal-Mart (and/or other mass retail distributors) at the highest level to explore the concept and to identify a list of selected potential products. ( In 1988 Wal-Mart created a list of some 70 products that they purchased from overseas which they believed could be manufactured in the U.S. Wal-Mart took the list to 26 state economic development agencies looking for manufacturers to make the products. No information on how it came out. See attached article)

4. After a suitable list of products has been identified, the manufacturing strategies required will be evaluated for practicality, necessary capital equipment, required scale of production and labor force, suitability to an entry level work force, etc. Capital and start up costs required from government and/or charitable sources will be identified.

5. Simultaneously, the early childhood education program will be developed by the Living Classrooms Foundation in conjunction with suitable consultants and existing providers. Foundation support will be explored and suitable grant applications prepared.

6. During the same period, the housing plan will be developed based on existing local, state and federal programs. Suitable sites will be identified both in Baltimore and in Cambridge. Alternative lease purchase and other refinements to the program will be explored in an attempt to get workers out of public housing as soon as is practicable.

7. The final product will be a complete feasibility study and proposed business plan. Costs and potential sources, timetable for implementation, and required waivers for each social program will be identified. Assuming the study supports the viability of the concept, CityWorks and its associates would immediately move into a phase two study of sufficient detail to move towards implementation. It is not impossible to be in production within a year.

*Handwritten notes:*  
25000 @ 500  
30400 @ 42000  
10000 @ 15000  
5000

8. A preliminary budget forecast for phase one of the project is as follows:

a. CityWorks Principal	
\$110 per hr. x 8 hrs. per wk. x 21 wks.	\$18,480
b. CityWorks Staff Support	
\$60 per hr. x 8 hrs. per wk. x 21 wks.	\$10,000
c. Full Time Project Manager	
\$60,000 per year + 20% benefits for 21 wks	\$30,000
d. Design Team	
Lump Sum	\$40,000
e. Early Childhood Education Program Design	
Lump Sum	\$15,000
f. Housing Program Design	
Lump Sum	\$10,000
g. Legal, and Social Program Consultants	
Lump Sum	\$20,000
h. Manufacturing Consultants	
Lump Sum	\$25,000
i. Travel, duplication, teleph., misc.	\$10,000
j. Contingency @ 10%	\$18,000
	<b><u>Total</u></b>
	<b><u>\$196,480</u></b>

We believe that given the magnitude of the potential outcome of the program that this budget is more than reasonable. No profit has been built in for any of the participants. All funds would be accounted for and any unused funds returned or applied to the next phase.

We would be more than happy to discuss any matter covered in this proposal.

THE WHITE HOUSE

WASHINGTON

March 9, 1993

Dear Representative Gilchrest:

Thank you for your letter regarding the reform of our Nation's welfare system. I appreciate your alerting the President to your concerns.

As you are aware, welfare reform legislation remains high on the President's priority list. As he stated in his address to the Joint Session of Congress, "no one wants to change the welfare system as badly as those who are trapped in it." It is our hope that sometime this year we will be able to present to Congress a plan to reform the welfare system.

The President has been advised of your recommendations, and a copy of your letter has been forwarded to the Domestic Policy Office. Be assured your recommendations will be considered as they work to formulate an effective welfare reform program.

Best wishes.

Sincerely,



Howard G. Paster  
Assistant to the President  
for Legislative Affairs

The Honorable Wayne T. Gilchrest  
House of Representatives  
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

April 2, 1993

Bruce Reed-  
fyi

WR - legis  
(not complete)

MEMORANDUM FOR CAROL RASCO  
JIM MURR

FROM: HOWARD G. PASTER  
LEGISLATIVE AFFAIRS

SUBJECT: WELFARE REFORM

Enclosed please find a copy of the letter that was sent to the President from Representative Nancy Johnson (R-CT). I would appreciate your office reviewing Representative Johnson's proposal as you formulate our nation's welfare reform program.

Thank you very much for your assistance with this matter. If you have any questions, please feel free to call LeeAnn at 456-7500.

Enclosure

THE WHITE HOUSE

WASHINGTON

April 2, 1993

Dear Representative Johnson:

Thank you for your letter regarding the reform of our nation's welfare system. I appreciate your informing the President to your concerns.

As you are aware, welfare reform remains high on the President's priority list. As he stated in his address to the Joint Session of Congress, "no one wants to change the welfare system as badly as those who are trapped in it." It is our hope that sometime this year we will be able to present to Congress a plan to reform the welfare system.

The President has been advised of your recommendations, and a copy of your letter has been forwarded to the Domestic Policy Office. Be assured your recommendations will be considered as they work to formulate an effective welfare reform program.

Best wishes.

Sincerely,

  
Howard G. Paster  
Assistant to the President  
for Legislative Affairs

The Honorable Nancy L. Johnson  
House of Representatives  
Washington, D.C. 20515

NANCY L. JOHNSON  
6TH DISTRICT, CONNECTICUT

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEES:

HEALTH  
TRADE

COMMITTEE ON  
STANDARDS OF OFFICIAL CONDUCT

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EXPORT TASK FORCE

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ENFIELD, CT 06082  
TELEPHONE: (203) 746-6722

March 15, 1993

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

Dear Mr. President:

Thank you for spending so much time with Members of the Congressional Caucus for Women's Issues last Friday. I appreciated your breadth of knowledge and support for so many of the issues that concern us and the opportunity to bring forward unaddressed aspects of the economic crisis in the Northeast.

As you mentioned in your opening remarks, refinancing at lower interest rates will stimulate our economy, helping both business and homeowners. Unfortunately, there is one group of homeowners who will not be able to take advantage of refinancing, which is the only way they can save their homes. It is to help these people that are doubly hit by unemployment and the steady erosion of property values, that I urge you to issue an executive order.

It is my understanding that you or Secretary Bentsen could, on an emergency basis for a year, direct bank regulators to require healthy banks to refinance home mortgages to the purchase price of homes rather than their current market value. By reducing the size of their monthly payments, homeowners who would otherwise default on their mortgages due to loss of income, will be able to keep their home and protect the bank from absorbing the decline in property value as a loss. Within a few years, much of the value lost will be regained and banks and homeowners made whole.

Another issue which is at the top of both of our agendas is welfare reform. I was pleased with your reference to the Republican initiative that Reps. Shaw, Grandy, and I brought to your attention during your meeting with Republican leaders and have taken the liberty of enclosing a copy of our time-limited welfare reform bill. I look forward to working with you to "end welfare as we know it."

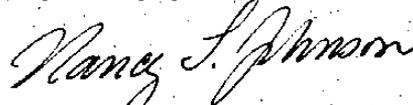
Finally, I was very pleased to get better acquainted with your ideas on defense conversion. Your extensive knowledge in this area and your openness to solutions developed by Members of Congress or local groups should enable us to use this period of difficult change to create new opportunities.

Letter to the President  
March 15, 1993  
Page two

Again, thank you for spending so much time with members of the Congressional  
Caucus for Women's Issues.

With best wishes,

Very truly yours,

A handwritten signature in cursive script that reads "Nancy L. Johnson". The signature is written in dark ink and is positioned above the printed name.

Nancy L. Johnson  
Member of Congress

NLJ:msb  
Enclosure

Overview of Shaw/Johnson/Grandy/Santorum  
Welfare Reform Bill  
January, 1993

H.R. 741

I. Overview of Bill

1. AFDC Transition Program--up to 2 years of education, training, job search, and work experience to prepare welfare recipients for taking a permanent job

2. AFDC Work Program--after 2 years, receipt of AFDC benefits is contingent on work

3. Other--the bill also contains a substantial expansion of state waiver authority in more than 70 means-tested social programs

4. Phase-in of Provisions

--States can begin participation in the AFDC Transition Program or the AFDC Work Program with all or part of their caseload at any time after passage of this legislation; enhanced federal matching of 85% will be paid to states that start the program early and agree to serve as laboratories for other states

--all new recipients must participate in the AFDC Transition Program after October 1, 1994; they will then be required to participate in the Work Program beginning on October 1, 1996 if they are still enrolled in AFDC; all AFDC recipients, regardless of their length of participation, are required to participate first in the Transition program and, after 2 years, the Work program, beginning on October 1, 1998

5. Financing--states will be provided with entitlement funding of \$2.6 billion over 5 years to run the AFDC Transition and Work programs (in addition to the current approximately \$1 billion per year of JOBS funding); the federal matching rate for the new money will modify the current JOBS matching rate of the Medicaid rate or 60% whichever is higher for a given state with a matching rate equal to Medicaid or 70% whichever is higher for a given state; states are expected to finance both their AFDC Transition and Work programs out of this new money plus the money already authorized under the JOBS program

II. AFDC Transition Program

1. Program outline. At the time of AFDC enrollment, families are referred to the AFDC Transition Program in which they are expected to work or prepare for work:

--at state option, participation in the AFDC Transition program can begin after 1 year for some or all recipient families defined as job ready by states

- the sanction for the second offense is similar to the first except that in addition to complying with the criteria, at least 3 months must elapse before the adult portion of the benefit is restored
- for the third offense, the family is dropped from AFDC altogether
- when families are dropped from AFDC, they retain Medicaid, Food Stamps, housing, and any other benefit for which they are otherwise eligible

3. Exemptions.

- working
- incapacitated, not including drug and alcohol offenders
- at state option, those enrolled in drug and alcohol abuse program (with a 12 month limitation)
- during a 6-month period in which a recipient gives birth to the first child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods)
- during a 4-month period in which a recipient gives birth to the second or subsequent child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods)
- during a 2-month period following the return home of a child who had been removed from the home
- providing full-time care of a disabled dependent

4. Participation requirements. States must include 30 percent of their nonexempt caseload in the AFDC Transition program by 1996; after 1996 the participation requirement increases by 10 percentage points each year until reaching 70 percent in 2000 (as outlined above, participation must be for at least 25% time)

III. AFDC Work Program. If parents have not found a job after two years, they must participate in a work program established by the state

1. Program Outline.

- states are now required to have a Community Work Experience Program (CWEP) in which parents work, usually in a public sector job, for the number of hours equal to their AFDC benefit divided by the minimum wage; the current CWEP hours requirement will be rewritten to mandate that recipients work for 35 hours per week;
- states can also require participation in the Work Supplementation program in which the AFDC benefit is used to subsidize a private sector job;
- reforms to the Work Supplementation program will include:
  - a) elimination of the requirement that all jobs must be new jobs;
  - b) creation of new financial incentives for states to use the program

3. Agency Approval. The Chairman, after considering the proposal and making any written comments she thinks appropriate, forwards the proposal to the agency or agencies with jurisdiction over the programs. Within 45 days the agency must provide the chairman with views on whether the proposal will move families toward independence of welfare and on several similar issues. If more than one federal agency is involved in the waiver request, the chairman must take steps to assure that all agencies are informed of the others' involvement. The chairman must reach a decision on the waiver request and notify the states within 120 days.

4. Programs Subject to Waiver Authority (see attached)

#### V. Miscellaneous Amendments

1. AFDC Recipients and Drug Addiction. AFDC applicants and recipients determined by states to be addicted to alcohol or drugs must participate in addiction treatment; failure to participate on a satisfactory basis as defined by the state will result in expulsion from AFDC for 2 years. States may waive work and training participation requirements for up to 1 year if AFDC recipients are participating in addiction treatment programs.

2. State Authority to Modify AFDC Disregard Rules. States may alter AFDC work disregard rules, including the standard deduction, the disregard percentage applied to earnings, and the time periods during which the various disregard rules apply; the only restriction on state changes in the federal disregard rules is that the changes cannot be more favorable to the recipient than a rule providing a permanent disregard of the first \$200 of earnings plus 1/3rd of the remainder.

THE WHITE HOUSE

WASHINGTON

April 2, 1993

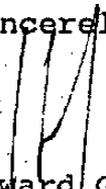
Dear Representative Swett:

Thank you for your letter regarding the proposed elimination of the Small Business Development Center. I appreciate your informing the President of your concerns.

The President has been advised of your recommendations, and you will receive a response from him in the near future. In the meantime, if I can be of further assistance, do not hesitate to contact my office.

Best wishes.

Sincerely,

  
Howard G. Paster  
Assistant to the President  
for Legislative Affairs

The Honorable Dick Swett  
House of Representatives  
Washington, D.C. 20515