

THE WHITE HOUSE

WASHINGTON

March 20, 1995

Dear Mr. Leader:

This week, the historic national debate we have begun on welfare reform will move to the floor of the House of Representatives. Welfare reform is a top priority for my Administration and for Americans without regard to party. I look forward to working with Republicans and Democrats in both houses of Congress to enact real reform that promotes work and responsibility and makes welfare what it was meant to be: a second chance, not a way of life.

In the last two years, we have put the country on the road to ending welfare as we know it. In 1993, when Congress passed our economic plan, we cut taxes for 15 million working Americans and rewarded work over welfare. We collected a record level of child support in 1993 -- \$9 billion -- and last month I signed an executive order to crack down on federal employees who owe child support. In two years, we have granted waivers from federal rules to 25 states, so that half the country is now carrying out significant welfare reform experiments that promote work and responsibility instead of undermining it.

I have always sought to make welfare reform a bipartisan issue. I still believe it can and must be. Unfortunately, the House Republican bill in its current form does not appear to offer the kind of real welfare reform that Americans in both parties expect. It is too weak on moving people from welfare to work, not as tough as it should be on deadbeat parents, and too tough on innocent children.

Last year, I sent Congress the most sweeping welfare reform plan any administration has ever presented. It did not pass, but I believe the principles and values at its core will be the basis of what ultimately does pass:

* First, the central goal of welfare reform must be moving people from welfare to work, where they will earn a paycheck, not a welfare check. I believe we should demand and reward work, not punish those who go to work. If people need child care or job skills in order to go to work, we should help them get it. But within two years, anyone who can work must go to work.

This is not a partisan issue: Last year, 162 of 175 House Republicans co-sponsored a bill, H.R. 3500, that promoted work in

much the same way as our plan. But the current House Republican bill you will consider this week fails to promote work, and would actually make it harder for many recipients to make it in the workplace. It cuts child care for people trying to leave welfare and for working people trying to stay off welfare, removes any real responsibility for states to provide job placement and skills, and gives states a perverse incentive to cut people off whether or not they have moved into a job. When people just get cut off without going to work, that's not welfare reform. I urge you to pass a welfare reform bill that ends welfare as we know it by moving people from welfare to work.

* Second, welfare reform must make responsibility a way of life. We should demand responsibility from parents who bring children into the world, not let them off the hook and expect taxpayers to pick up the tab for their neglect. Last year, my Administration proposed the toughest child support enforcement measures ever put forward. If we collected all the money that deadbeat parents should pay, we could move 800,000 women and children off welfare immediately.

I am grateful to members in both parties for already agreeing to include most of the tough child support measures from our welfare reform plan. This week, I hope you will go further, and require states to deny drivers and professional licenses to parents who refuse to pay child support. We have to send a clear signal: No parent in America has a right to walk away from the responsibility to raise their children.

* Third, welfare reform should discourage teen pregnancy and promote responsible parenting. We must discourage irresponsible behavior that lands people on welfare in the first place, with a national campaign against teen pregnancy that lets young people know it is wrong to have a child outside marriage. Nobody should get pregnant or father a child who isn't prepared to raise the child, love the child, and take responsibility for the child's future.

I know members of Congress in both parties care about this issue. But many aspects of the current House plan would do more harm than good. Instead of refusing to help teen mothers and their children, we should require them to turn their lives around -- to live at home with their parents, stay in school, and identify the child's father. We should demand responsible behavior from people on welfare, but it is wrong to make small children pay the price for their parents' mistakes.

* Finally, welfare reform should give states more flexibility in return for more accountability. I believe we must give states far more flexibility so they can do the things they want to today without seeking waivers. But in its current form,

the House Republican bill may impede rather than promote reform and flexibility. The proposal leaves states vulnerable to economic recession and demographic change, putting working families at risk. States will have less money for child care, training, and other efforts to move people from welfare to work. And there will not be any accountability at the federal level for reducing fraud or protecting children. We will not achieve real reform or state flexibility if Congress just gives the states more burdens and less money, and fails to make work and responsibility the law of the land.

While the current House plan is weak on work, it is very tough on children. Cutting school lunches and getting tough on disabled children and children in foster care is not my idea of welfare reform. We all have a national interest in promoting the well-being of our children and in putting government back in line with our national values.

I appreciate all the work that you have done on this issue, and I am pleased that the country is finally engaging in this important debate. In the end, I believe we can work it out together, as long as we remember the values this debate is really about. The dignity of work, the bond of family, and the virtue of responsibility are not Republican values or Democratic values. They are American values -- and no child in America should ever have to grow up without them.

Sincerely,



The Honorable Richard A. Gephardt
Democratic Leader
House of Representatives
Washington, D.C. 20515



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

March 21, 1995
(House)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 4 - Personal Responsibility Act of 1995 (Shaw (R) FL and 122 cosponsors)

The Administration strongly supports enactment of real and effective welfare reform that promotes the basic values of work and responsibility. Last year, the President proposed a sweeping welfare reform package that embodied these values. It would have: established tough work requirements while providing opportunities for education, job training, and child care to working people; imposed tough child support enforcement measures; required teen mothers to live at home, stay in school, and identify their child's father; increased State flexibility and accountability; and maintained protections for children.

In all its welfare reform efforts, the Administration has emphasized the basic values of work and responsibility. The President's economic plan expanded the earned income tax credit, which cut taxes for 15 million working families to reward work over welfare. Last month, the President issued an Executive Order to crack down on Federal employees and military personnel who owe delinquent child support. In the past two years, the Administration has granted waivers from Federal rules to 25 States to try innovative new ways to promote work and responsibility.

The Administration remains committed to working with the Congress in a bipartisan way to pass bold welfare reform legislation this year. In its current form, however, the Administration opposes H.R. 4 because it falls short of the basic goals and values that most Americans want welfare reform to promote.

WORK

Republicans and Democrats alike agree that the central goal of welfare reform must be work. Unlike the legislation proposed by the Administration last year, however, H.R. 4 would not end welfare as we know it by moving people from welfare to work. The bill provides neither the resources nor the requirements for States to prepare welfare recipients to become self-supporting. H.R. 4 would not ensure that adequate child care, education, and training are provided to make work pay and give welfare recipients the skills to hold a job.

In fact, H.R. 4 would give States a perverse incentive to cut people off welfare. It would allow States to count people as "working" if they were simply cut off the welfare rolls, whether or not they had moved into a job. It also would cut back on child care both for people trying to leave welfare and for working people who are trying to stay off welfare. Finally, it would repeal the Job Opportunities and Basic Skills program, removing any real responsibility for States to provide job search assistance, education, training, and job placement to move people off welfare and into work.

In addition, H.R. 4 would eliminate the child care guarantee for families moving from welfare to work and would cap overall funding for child care at a level that could force large numbers of working families to lose child care assistance. The bill also would eliminate child care quality, health, and safety protections that are critical to children's well-being.

RESPONSIBILITY

The Administration believes that welfare reform must promote individual responsibility and responsible parenting. The toughest possible child support enforcement is central to getting people off welfare and helping them stay off. Although the Administration appreciates that many of its proposals to increase child support collection have been included in H.R. 4, the bill must be strengthened to ensure that non-custodial parents uphold their responsibility to help support their children. The Administration supports requiring States to deny drivers' and other professional licenses to parents who refuse to pay child support. This approach has proven very successful in States that have already implemented such requirements.

Welfare reform must also send a strong message to young people that they should not get pregnant or father a child until they are ready to take responsibility for that child's future. The President has called for a national campaign against teen pregnancy that sends a clear message about abstinence and responsible parenting.

The Administration believes that minor mothers should receive benefits when they make a serious effort to be responsible and turn their lives around -- by living at home, staying in school, and identifying the child's father. In contrast, H.R. 4 would automatically punish innocent children by denying benefits to those born to unwed parents under age 18 -- regardless of whether the mother has made an effort to turn her life around and provide a stable environment for her child.

The Administration has serious concerns about other aspects of H.R. 4 that would:

- o Jeopardize the health and nutrition of children, families, and the elderly. H.R. 4 would cut the Food Stamp program dramatically and cap spending levels. The bill would further erode the nutritional safety net by cutting funding and creating block grants to replace existing child nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children. These programs have produced significant and measurable improvements in health outcomes among the many who participate in them. H.R. 4 would eliminate national nutrition standards and the funding mechanisms that permit these programs to expand to meet the increased needs that occur in times of economic downturn. These changes would leave working Americans vulnerable to shifts in the economy and to changes in nutrition standards that could be driven more by budgets than the health of children and mothers.
- o Punish innocent children. H.R. 4 would deny cash benefits to over 150,000 disabled children. The bill also would cut off children whose parents have received welfare for more than five years, whether the parent is able to work or not. Rather than letting States decide whether to deny benefits for additional children born to a mother on welfare, H.R. 4 would impose a one-size-fits-all Federal mandate. Benefits also would be reduced for 3.3 million children whose paternity is not established, even if the mother is cooperating fully and the State bureaucracy is at fault.

Many of these children could well be pushed into the child protection system. Rather than protecting these children, H.R. 4 would cut funding for foster care, adoption assistance, and child abuse prevention activities. It also would virtually eliminate Federal oversight of State child protective systems, many of which are acknowledged to be functioning very poorly. As a result, thousands of children will be at increased risk of harm. The Administration is strongly committed to providing protection to the millions of children who are abused or neglected each year and to promoting programs that prevent abuse or neglect.

- o Leave States with inadequate resources. H.R. 4 would replace existing programs with capped grants to States. In contrast to the funding mechanisms now in place, funding under H.R. 4 would not adjust for a recession. Without such an adjustment, States in recession would encounter reduced revenues and increased caseloads. In such times, it is the working poor who would most likely need, but not receive, temporary assistance. Thus, individuals needing a temporary lift could be left without cash assistance, food stamps,

child care, or even school lunches for their children. In addition, H.R. 4 would deny public assistance to legal immigrants -- who pay taxes and contribute to their communities -- thereby shifting substantial burdens to State and local taxpayers.

The Administration, therefore, opposes H.R. 4 in its current form because: it would fail to reform welfare by moving people from welfare to work; it would reduce Federal funding in ways that would impair the health and nutrition of children and families; and it is not tough enough on parents who owe child support, and is too tough on innocent children.

Pay-As-You-Go Scoring

H.R. 4 specifies that none of the changes in direct spending resulting from the bill shall be reflected in estimates under the Balanced Budget and Emergency Deficit Control Act of 1985. However, Members of Congress have publicly stated that the budget savings in H.R. 4 are to be included in a package of offsets designed to pay for upcoming tax legislation. Therefore, the budget savings in H.R. 4 would go neither toward real welfare reform nor toward deficit reduction, but primarily to finance tax cuts for the wealthy.

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DRAFT
Major Welfare Reform Conference Issues
July 1996

Provision	House	Senate	Possible Conference Agreement
1. Reduction in Title XX Block Grant	10 percent reduction	20 percent reduction	15%
2. Maintenance of effort	80 percent for States that fail to meet their work participation rates and 75 percent for those that succeed in meeting their rates	80 percent	
3. Job search	Allows job search to count as work for up to 8 weeks in a year, no more than 4 of which can be consecutive	Allows 4 weeks of job search, but allows 12 weeks for states that have above-average unemployment	
<i>Byrd</i> 4. Family cap	National policy with State opt-out	Similar policy deleted due to Byrd rule	
5. Increase in Secretary's authority	No provision	The Secretary of HHS is given new authority to impose penalties of up to 5% of the block grant amount for failure to comply substantially with any provision of Title IV-A	

Provision	House	Senate	Possible Conference Agreement
6. Federal standards	States must have objective criteria for benefits, eligibility, and fair and equitable treatment; States must also provide opportunities for recipients who have been adversely affected to be heard in State administrative or appeals process	States must determine, on an objective and equitable basis, the needs and amount of assistance to be provided to needy families; States must also treat family needs and circumstances similarly; families must be granted a fair hearing if assistance is denied, reduced, or terminated or not acted on with reasonable promptness	
7. Graduated work penalty	Only flat 5% penalty per year of failure	Imposes a graduated penalty on each consecutive failure by a State to meet the work participation standard (i.e., 5% in first year, 10% in second, etc.)	
8. Medicaid: Connection with IV-A	Requires States to cover all families that meet current law AFDC eligibility requirements; States may deny Medicaid coverage to any families that fail to meet the work requirements	Same as House (there are differences in wording); no denial of Medicaid to families that fail to meet work requirements	
9. Medicaid: Transition	Requires States to provide Medicaid coverage for families that lose eligibility for cash welfare due to increased income but who remain below the poverty	Similar to House but no termination for income above poverty line	

Provision	House	Senate	Possible Conference Agreement
	level; coverage lasts for up to 1 year if family left due to increased earnings from work and for up to 4 months if family left due to increased child support		
10. Medicaid: Noncitizens	Medicaid restricted for all noncitizens; current recipients made ineligible within 1 year	State option to restrict Medicaid for current resident noncitizens and for noncitizens arriving in the U.S. in the future after 5 years	
11. Child protection block grant	Creates block grants that consolidate 11 programs and streamline red tape for States	No provision	
12. Hours of work required	Hours of work rise only to 30 when fully phased in	Requires 35 hours of work per week when fully phased in	
13. Work participation rate pro rata reduction	Ways and Means wants to consider adding 1994 as an optional base year	Base year for determining reduction in caseload is 1995	
14. Work sanction exception for inability to obtain child care	No sanction on a single parent who proves she cannot find child care for a child under age 11	Same as the House but adds the requirement that States may not disregard such an adult in calculating work rates	

Provision	House	Senate	Possible Conference Agreement
15. Provisions related to education	House wants to confine definition of vocational education; allows for 20% of work participants to be in vocational education; allows such individuals to participate for up to 12 months	Expands definition of vocational education to include all education; allows for 30% of work participants to be in education; allows such individuals to participate for up to 24 months	
16. Money for Performance Bonus	Total of \$0.5 billion (\$100 million per year)	Total of \$1 billion (\$175 million 1999-2002; \$300 million in 2003)	
17. Biracial adoption	Includes provision ending delays in adoption to promote race matching	No provision	
18. Illegitimacy reduction bonus fund	Provides for 5% and 10% increases in block grant for 1% and 2% reductions in illegitimacy	Makes it easier for states to get an award (Abraham amendment)	
19. Individual responsibility plans	Mandatory assessment, optional plan	Mandatory plans	
20. School lunch benefits for illegal immigrants	Does not provide an exception allowing illegal immigrant children to receive school lunch assistance	Provides an exception allowing illegal immigrant children to receive school lunch assistance	
21. Child care repeals	Repeals the following: Child Development Associate (CDA) Scholarship Assistance; State Dependent Care Development	Repeals struck under the Byrd rule	

Provision	House	Senate	Possible Conference Agreement
	Grants; Programs of National Significance under Title X of ESEA (child care related to Cultural Partnership for At-Risk Children and Youth, and urban and Rural Education Assistance); and Native Hawaiian Family-Based Education Centers.		
22. Adoption Tax Credit	No provision	Provides a fully refundable tax credit for expenses and excludes from gross income employee and military adoption assistance benefits and withdrawals from IRAs for certain adoption expenses	
23. Earned Income Credit	Restrictions apply only to illegal workers and for math error	Includes House provision, but adds provisions on disqualified income, adjusted gross income, and inflation adjustments for childless workers	
24. Indian child care set-aside	1% of block grant amount	3% of block grant amount	

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 Minor Welfare Reform Conference Issues
 July 1996

Provision	House	Senate	Possible Conference Agreement
<u>Cash Block Grant</u>			
1. State plan requirements	No provision (although similar language included in the purposes section)	Adds requirement that State plan establish goals and take action to prevent and reduce illegitimacy	<i>House reads</i>
2. Certification: Medicaid for children in foster care	No added provision	Add certification that children receiving foster care and adoption aid are eligible for Medicaid	<i>House reads</i>
3. Certification of standards against fraud and abuse	No provision	States are required to certify that they have established standards against fraud and abuse	<i>House reads</i>
4. Population growth funds: Years available	FY 1997 through 2000	FY 1998 through 2001 (plus other calculations adjusted back 1 year)	<i>House reads</i>

Provision	House	Senate	Possible Conference Agreement
5. Transfers among block grants	Allows 30% transfer into child care, social services and child protection block grants; only 10% of cash block grant can be transferred into social services, and then only to aid children and families	Allows 30% transfer into child care block grant only	<i>Senate reads w/ lang. that no \$ goes into highways.</i>
6. Contingency fund: Years funds are available	FY 1997 through 2001	FY 1998 through 2001 <i>Did this to meet budget restriction</i>	<i>Senate reads</i>
7. Performance bonus fund: Emphasize work	No added provision	Formula for measuring State performance to emphasize success in moving families into work	<i>Senate reads</i>
8. Work: Added funds	Creates work program authorized at \$3 billion <i>(Blue Dogs)</i>	No provision	<i>House reads</i>
9. Work: Providing child care counted as work	No provision	Counts parents who provide child care for other welfare families towards work rates (Faircloth amendment)	<i>House reads</i>

Provision

House

Senate

Possible Conference Agreement

10. Work: Exception for single parent of a child under 1 in calculation of rates

State option to not require single parent of under-1 child to work; State may disregard parent in determining work rates

Same as House, except that parent may receive this exemption only for a total of 12 months (not necessarily consecutive)

House recedes

11. Work: Day care and work by spouses in 2-parent family

No provision

Both spouses in 2-parent family must work if day care is provided by State

House recedes with modification

12. Definition of work activities: Education for those under 20

Defined list of activities

Same as House, but limits "work-related education" and "secondary school attendance" to persons under age 20

Still looks at this provision

13. Definition of work activities: Definition of educational training

Limits vocational education creditable as work to 20 percent of caseload; individual countable as working if in education for only 12 months

Expands "vocational" education to include any education; allows 30% of caseload in education countable as work; individual countable as working if in education for 24 months (Exon amendment)

Provision	House	Senate	Possible Conference Agreement
14. Work: Community service requirement	No provision	State must detail that it will require community service for recipients not working within 2 months (D'Amato amendment)	
15. Work: Worker displacement	Narrower language than Senate	Broader language than House (e.g. adds grievance procedure)	
16. Work: Review of work programs	Ways and Means and Finance must review implementation of work program by States	No provision	
17. Prohibition: School attendance of parent and children	No provision	Adds provision that the State may require school attendance by parent (if she has not completed high school) and by children in family (Ashcroft amendment)	
18. Prohibition: 5-year limit	Single, separate prohibition	Adds to prohibition related to "no minor child" a new section on the 5-year limit	

Provision	House	Senate	Possible Conference Agreement
19. Prohibition: 5-year time limit and the use of State funds	Specifies that States may use own funds to provide assistance after 5 years	No explicit provision	
20. Prohibition: 5-year time limit exception for Indians in low-employment areas	No provision	Does not count months during which a recipient lived on a large reservation on which at least 50% of all adults are unemployed towards time limit (Daschle amendment)	<i>House records</i>
21. Prohibition: Family cap and vouchers for the excluded child	Allows block grant funds to be used to provide vouchers for the care of the excluded child.	No added provision	
22. Prohibition: Family cap and continuing current State waivers	If State has a family cap policy under a section 1115 waiver on the date of enactment, it may continue under those terms	Same as House, but State may also continue terms of family cap policy resulting from law passed within 2 years prior to enactment <i>If state has already taken action</i>	
23. Prohibition: Reduced benefit for not cooperating in paternity establishment	State sets level of penalty with no minimum required	Individuals who fail to cooperate must have grant reduced by at least 25%	<i>House records</i>
24. Individual development accounts	No provision	<i>Q</i> Adds provision (Coats) allow states to help with help set up savings accounts <i>Work it coming against budget</i>	<i>House records</i>

Provision	House	Senate	Possible Conference Agreement
25. Medicaid: Coverage assured only for recipients of cash (not non-cash) benefits	States required to cover only those who received cash benefits under the block grant; recipients of non-cash benefits provided using block grant funds are not assured Medicaid	No provision	
26. Disregard of income security payments	State option to disregard some federal payments in setting welfare benefits	No provision	<i>How best to do</i>
27. Nondiscrimination requirements	<i>If families had same other-year income, states decided to be</i> No provision	Any program that receives block grant funds must be subject to enforcement under age discrimination, rehabilitation, and civil rights laws	<i>House rejects (no ^{new} language of action)</i>
28. Penalty: Failure to meet work requirement during recession	Secretary can reduce penalty for missing work participation standard if State is in recession	No provision authorizing the Secretary to reduce penalties in the event of recession	<i>Senate recodes bill work out language to do a recess:</i>

Provision	House	Senate	Possible Conference Agreement
29. Penalty: State failure to comply with the 5-year time limit	No added provision	If the Secretary determines that a State is not in compliance, she is to reduce the State's block grant by ^{17.5%} 5% the next year	House 100% -
30. Penalty: State failure to provide transitional Medicaid	States lose 5% of their block grant for failure to provide transitional Medicaid to those with increased earnings	No provision <i>language added to protect against fraud</i>	Defered
31. Tribal grants: Years of funding	FY 1997 through 2000	FY 1997 through 2001	House 100%
32. Report on status of children affected by changes	Requires the Secretary to report to Congress on how children are affected by welfare policy changes	No provision	Senate 100%
33. Funding of studies and demonstrations	Available in FY 1996 through 2001	Available in FY 1998 through 2001 <i>available to be authorized</i>	Senate 100%
34. Census Bureau study: Availability of funds	Funds available FY 1996 through 2002	Funds available FY 1998 through 2002	Senate 100%

Provision

House

Senate

Possible Conference Agreement

35. Report on child poverty rates

No provision

Adds required report by States of child poverty rates; requires corrective action plan if rate increases by more than 5% (Kerry amendment)

~~USDA report on child poverty rates~~

36. Waivers

Waivers may continue if in effect under a State's plan as of 9-30-95, with other conditions for subsequent applications; Section 1115 retained

Waivers may continue if in effect under a State's plan as of 9-30-96, with other conditions for subsequent applications; Section 1115 retained

Did state FTE for 1115... is required... is required...

~~House would...~~
checking what states want to be affected

Family Support

37. Administration and Assistant Secretary for Family Support

No added provision (FTE provisions included in later title)

Adds provision reducing certain federal government positions by 75 percent.

Senate needs (in and kind)

38. Definition of "State"

No additional provision

Adds an option for States to contract to provide services, including with charitable and religious organizations

House needs

Provision	House	Senate	Possible Conference Agreement
39. Grants for territories	Provides funds for Puerto Rico, Virgin Islands, Guam, American Samoa	Similar to House, but at lower funding levels	
40. Services by charitable and religious organizations	Authorizes States to provide a broad range of assistance services through private organizations	Same as House, except limits contracting of services to only cash welfare and SSI programs	
41. Welfare commission	No provision	Establishes commission to review funding formulas in cash block grant	
42. Battered individuals	No provision	Adds provision requiring States to set standards and procedures (Wellstone & Murray amendment)	
43. Disclosure of receipt of federal funds	Exempts organizations receiving aid under titles IV, XVI, and XX of the Social Security Act	No exemption from required disclosure	
44. Medicaid conforming amendments	Makes several conforming amendments	Makes several conforming amendments	
45. Special provisions to prevent statutory rape	No added provision	Adds provisions regarding statutory rape (Lieberman amendment)	

Provision	House	Senate	Possible Conference Agreement
46. Denial of benefits for drug-related convictions	No provision	Denies all Federal means-tested public benefits (except for emergencies) for 5 years for drug-related misdemeanor conviction and for life for felony conviction (Gramm amendment)	
47. Community Steering Committee Demonstrations	No provision	Requires Secretary to establish up to 5 (Kerrey amendment)	
48. Work: Limit TANF benefits to 24 months for families not working or exempt	No explicit provision	(Ashcroft amendment)	
<u>Supplemental Security Income (SSI)</u>			
49. Benefits for prisoners	Adds various technical and clarifying changes	No changes	

Provision	House	Senate	Possible Conference Agreement
50. Children's benefits	Adds provisions (1) ensuring combined effects of physical and mental impairments taken into account; and (2) providing for evaluation of children who cannot be tested because they are too young	Does not add (1) and (2) as in House; requires request for comments through federal register; grandfather extends until July 1, 1997, not until date of redetermination as in House	
50. \$300 million for CDRs	No provision	Retains provision	
52. Added accountability requirements	Includes section on disposal of resources for less than fair market value	Drops provision; also uses "shall" instead of "may" regarding representative payees using funds for allowable expenses	
53. Added enforcement	Recovers SSI overpayment from Social Security benefit	No provision	
54. Annual report	No provision	Added provision to include data on prior enrollment by recipients in public benefits programs	
55. Study of disability determination process	Includes provision	No provision	

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Provision	House	Senate	Possible Conference Agreement
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56: National Commission on the Future of Disability

Includes provision

No provision

Child Support

57. Simplified process for 3 year review of orders

State reviews are optional unless requested by parents

Major differences in review; Senate retains most of current law as in introduced bills

58. Child support agreements between tribes and States

No provision

Added provision (McCain amendment)

59. Distribution

Distribution rules operate in similar fashion for all families

Same, except adds provision stipulating that in case of family receiving assistance from Indian tribe, state must distribute support in accord with any cooperative agreement between the state and tribe

Provision	House	Senate	Possible Conference Agreement
60. Disbursement unit	States must keep records on AFDC cases and cases in which "income is subject to withholding"	Same, except "wages" rather than "income" subject to withholding; Senate uses "wages" rather than "income" throughout this section	
61. Disbursement unit and record keeping	Relieves state of the requirement of providing records that predate passage	State not relieved of the requirement to provide records that predate passage	
62. Wage withholding notices	Withhold from "income"	Withhold from "wages"	
63. Sense of Congress on single disbursement unit	Camp amendment on disbursement unit	No sense of Congress	
64. Uses of new hire information	States allowed to share new hire information with agencies working under contract with the child support agency	States not allowed to share information with contracted agencies	
65. Income withholding (there are also some wording differences in this section)	Employers must withhold income and remit to state within 5 days	Employers must remit income within 7 days (Nickles amendment)	

Provision	House	Senate	Possible Conference Agreement
66. Federal parent locator service	Secretary must use information to conduct various data comparisons	No requirement that Secretary determine the accuracy of payments under the SSI program	
67. Collection and use of Social Security numbers	Procedures for recording Social Security numbers on applications and other documents	Differences in conforming amendments	
68. Use of forms in interstate enforcement	Secretary must issue forms to be used in various interstate enforcement activities	Minor differences in wording	
69. Voluntary paternity acknowledgment in hospital	States must have procedures by which unmarried parents can acknowledge paternity in hospital at time of birth	Includes good cause exceptions	
70. Cooperation by applicants in paternity (See also description of this provision under the cash block grant above)	Applicants must cooperate or state can reduce their benefits	States must impose a penalty on noncooperating parents of not less than 25% of benefit amount (here and elsewhere in the Senate bill, there are references to Title XV)	

Provision	House	Senate	Possible Conference Agreement
71. Calculation of IV-D paternity	States have two broad options in how they compute their paternity establishment rate	Minor wording differences in amendments to Section 452(g)(2)	
72. Automated data processing	Several provisions on previously enacted and new data processing requirements	Differences in effective dates	
73. Technical assistance	Secretary can use 1% of federal share of child support collections to provide technical assistance to states	Difference in effective date	
74. Reports and data collection by Secretary	New data reporting requirements on states; Secretary must submit report to Congress	Minor differences in wording in amendment to Section 452(a)(10)	
75. Grants to States for access and visitation	Annual appropriation of \$10 million for visitation grants	Delays enactment for 1 year	

Provision	House	Senate	Possible Conference Agreement
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Noncitizens

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| 76. Public health and immunizations | Changes (in several places) to conform with immigration bill | No changes to conform with immigration bill; result is to provide narrower exceptions for testing and treatment of communicable diseases for (1) illegals; (2) State deeming, if sought; and (3) sponsor payment | |
| 77. Additional programs available to noncitizens | Adds Head Start and JTPA to the list of programs for which noncitizens would retain eligibility (several places) | No provision | |
| 78. Exception to restrictions for education | Limited to Higher Education programs | Adds Public Health Service Act programs to list of excepted programs | |

Federal Government Positions

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| 79. Reductions in positions: Placement of provision | House includes separate subtitle providing for reduced positions | Senate merges provision into subtitle A (cash block grant) | |
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Provision	House	Senate	Possible Conference Agreement
80 Reports to Congress: Deadlines	See Senate	Changes deadlines for reports required; (this subtitle was deleted because of the Byrd rule)	
81. Adjustment in discretionary spending caps	No provision	Adjusts discretionary caps down for FY 1997 and 1998 by savings; (this subtitle was deleted because of the Byrd rule)	
<u>Housing</u>			
82. Failure to comply with other welfare programs	No provision	Restores original Senate provision allowing reduction in housing benefits for failure to comply with State law	
<u>Miscellaneous</u>			
83. Dedicate part of title XX to minors	No provision	1 percent of title XX block grants must be dedicated to help minors avoid out-of-wedlock pregnancy (Lieberman amendment)	

Provision	House	Senate	Possible Conference Agreement
84. End housing for fugitive felons and probation and parole violators	No provision	Adds provision	
85. Sense of the Senate regarding enterprise zones	No provision	Adds provision	
86. Sense of the Senate regarding the inability of noncustodial parent to pay child support	No provision	Adds provision	
87. Establishing national goals to prevent teenage pregnancies	No provision	Adds provision	
88. Sense of the Senate regarding enforcement of statutory rape laws	No provision	Adds provision	
89. Abstinence education	Commerce provisions include set-aside for abstinence education	Provision deleted because of the Byrd rule	
90. Provisions to encourage EBT	Provision included in Agriculture section	Adds provision in this section	

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DRAFT - 7/14/96 - 10:00 am

The Honorable Gerald B. H. Solomon
Chairman
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to transmit the Administration's views on the welfare provisions of H.R. 3734 the "Welfare and Medicaid reform Act of 1996." We understand that the Rules Committee plans to separate the welfare and Medicaid portions of the bill and consider only the welfare provisions on the House floor.

We are pleased that the Congress has decided to separate welfare reform from a proposal to repeal Medicaid's guarantee of health care for the elderly, poor, pregnant and disabled. We hope that removing this "poison pill" from welfare reform is a breakthrough that indicates that the Congressional leadership is serious about passing bipartisan welfare reform this year.

It is among the Administration's highest priorities to achieve bipartisan welfare reform reflecting the principles of work, family, and responsibility. For the past 3 ½ years, the President has demonstrated his commitment to enacting real welfare reform by working with Congress to create legislation that moves people from welfare to work, encourages responsibility, and protects children. The Administration sent to Congress a stand-alone welfare bill that requires welfare recipients to work, imposes strict time limits on welfare, toughens child support enforcement, is fair to children, and is consistent with the President's commitment to balance the budget.

The Administration is also pleased that the bill makes many of the important improvements to H.R. 4 that we recommended -- improvements that were also included in the bipartisan National Governors' Association and Castle-Tanner proposals. We urge the committee to build upon these improvements. At the same time, however, the Administration is deeply concerned that the bill does not adequately ensure accountability and the ability to move people from welfare to work. Nor does it fix the provisions of H.R. 4 that would adversely affect benefits for food stamp households and legal immigrants.

about some of the cuts

Improvements contained in H.R. 3437

We appreciate the Committees' efforts to strengthen provisions that are central to work-based reform, such as child care, and to provide some additional protections for children and families. In rejecting H.R. 4, the President singled out a number of provisions that were tough on children and did too little to move people from welfare to work. H.R. 3437 includes

important changes to these provisions that move the legislation closer to the President's vision of true welfare reform. We are particularly pleased with the following improvements:

- Child Care. As the President has insisted throughout the welfare reform debate, child care is essential to move people from welfare to work. The bill reflects a better understanding of the child care resources that States will need to implement welfare reform, adding \$4 billion for child care above the level in H.R. 4. The bill also recognizes that parents of school-age children need child care in order to work and protect the health and safety of children in care.

Food Stamps. The bill removes the annual spending cap on Food Stamps, preserving the program's ability to expand during periods of economic recession and help families when they are most in need.

- Child Nutrition. The bill no longer includes H.R. 4's provisions for a child nutrition block-grant demonstration, which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.
- Child Protection. We commend the Committee for preserving the open-ended nature of Title IV-E foster care and adoption assistance programs, current Medicaid coverage of eligible children, and the national child data collection initiative.
- Supplemental Security Income (SSI). The bill removes the proposed two-tiered benefit system for disabled children receiving SSI, and retains full cash benefits for all eligible children.

Bullets

The bill makes other improvements that will strengthen States' abilities to move people from welfare to work. It improves the performance bonus provisions by establishing a separate funding stream. It increases the cash block-grant contingency fund modestly and adds a more responsive trigger based on the Food Stamp caseload. In addition, it adopts more flexible exemptions from the time limit.

hardship

We remain pleased that Congress has decided to include central elements of the President's approach -- time limits, work requirements, the toughest possible child support enforcement, requiring minor mothers to live at home as a condition of assistance -- in this legislation.

Key Problems With H.R. 3437

Concerns

The Administration however remains deeply concerned that the bill still lacks other important provisions that have earned bipartisan endorsement.

- Size of the cuts. The welfare provisions incorporate ^{most} almost all of the cuts that were in the vetoed bill -- \$59 billion over 6 years [including the Earned Income Tax Credit (EITC) and related savings in Medicaid] over six years. These cuts far exceed those proposed by the NGA or the Administration. Cuts in Food Stamps and benefits to legal immigrants are particularly deep. In addition, unlike the Administration's bill, H.R. 3437 would allow States to substantially cut their own spending on programs serving low-income families. The President's budget demonstrates that cuts of this size are not necessary to achieve real welfare reform, nor are they needed to balance the budget.

Appand Senate on Nov

- Food Stamps. The bill makes deep cuts in the Food Stamp program, including a cut in benefits to households with high shelter costs that disproportionately affects families with children, and a four-month time limit on childless adults who are willing to work, but are not given a work slot. The Administration strongly opposes the inclusion of a Food Stamp block grant, ~~eliminating~~ the Federal nature of the program and jeopardizing the nutrition and health of millions of children, working families, and the elderly.

which has the potential to undermine

- Legal Immigrants. The bill retains the excessively harsh and uncompromising immigration provisions of last year's vetoed bill. The bill bans SSI and Food Stamps for virtually all legal immigrants, and imposes a five-year ban on all other Federal programs, including Medicaid, for new legal immigrants. These bans would even cover legal immigrants who become disabled after entering the country, families with children, or current recipients. While we support the strengthening of requirements on the sponsors of legal immigrants applying for SSI, Food Stamps, and AFDC, ~~legal immigrants who work, pay taxes, and contribute to society should not be denied access to basic safety net programs.~~ The proposal unfairly shifts costs to States with high numbers of legal immigrants. Finally, the bill requires virtually all Federal, State, and local benefits programs to verify recipients' citizenship or alien status. These mandates would create significant administrative burdens for citizens and for State, local, and non-profit service providers.

- Medical Assistance Guarantee. The bill does not maintain the guarantee for medical assistance for all those now eligible or who reach the five-year time limit.

follow NGA recommendation to provide Medicaid cash

In contrast to vetoed bill.

Although the contingency fund is twice the size of the bill, it still

• Protection in Economic Downturn. ~~The bill lacks adequate protection for States in the event of economic downturns. The contingency fund is too small and does not allow for further expansions during poor economic conditions and periods of increased need. We are also concerned about provisions that reduce the match rate on contingency funds for states that access the fund for periods of less than one year.~~

*Appals
Senate
action*

• Transfers to the Social Services Block-Grant (SSBG). We are deeply concerned that the bill provides the proposed cash assistance block grant with transfer authority to the SSBG. Transfers to SSBG could lead States to substitute Federal dollars for State dollars in an array of State social services activities, potentially ~~cutting or even eliminating~~ *reducing* the effective State maintenance of effort levels required for the cash block grant.

• Resources for Work. H.R. 3437 would not provide the resources States need to move recipients into work. CBO estimates about a \$9 billion shortfall over six years in resources for work under H.R. 3437 if States were to maintain their current level of cash assistance benefits to poor families and children. Moreover, the Education and Economic Opportunity Committee increased this shortfall and cut State flexibility by raising the weekly number of hours that States must place recipients in work activities and increasing the participation rates. As CBO has noted, most states would probably accept block grant penalties rather than meet the bill's participation rates and truly refocus the system on work.

• Vouchers. The bill actually reduces State flexibility by prohibiting States from using block grant funds to provide vouchers to children whose parents reach the time limit. H.R. 4 contained no such prohibition, and the NGA opposes it. We strongly urge the adoption of the voucher language in the Administration's bill, H.R. 3266, and Castle-Tanner.

• Worker Displacement. We are deeply concerned that the bill does not include adequate protections against worker displacement. Workers are not protected from partial displacement such as reduction in hours, wages, or benefits, and the bill does not establish any avenue for displaced employees to seek redress.

• EITC. Moreover, the Administration is concerned that H.R. 3437 increases the EITC phase-out rates for four million low-income working families, including seven million children. In addition, the budget resolution instructs the revenue committees to cut up to \$18.5 million more from the EITC. Thus, EITC cuts could total over \$20 billion, and

such large cuts are particularly ill-conceived when considered in the context of real welfare reform -- that is, encouraging work and making work pay."

We are also concerned that the bill repeals the Family Preservation and Support program, which may mean less State spending on abuse and neglect prevention activities.

The Administration strongly supports several provisions included in S. 1795, as reported by the Senate Finance Committee. These provisions include: allowing transfers only to the child care block grant, increasing the maintenance of effort requirement with a tightened definition of what counts toward this requirement, improving the fair and equitable treatment and enforcement language, prohibiting sanctions for families with children below 11 for failure to participate in work if due to lack of child care, and eliminating the child protection block grant. We urge the Congress to include these provisions in H.R. 3437.

MOVE
TO
P. 2

We strongly support the bipartisan welfare reform initiatives from moderate Republicans and Democrats in both Houses of Congress. The Castle-Tanner proposal addresses many of our concerns, and it would strengthen State accountability efforts, welfare to work measures, and protections for children. It provides a foundation on which this Committee should build in order to provide more State flexibility; incentives for AFDC recipients to move from welfare to work; more parental responsibility; and protections for children. It is a good strong bill that would end welfare reform as we know it. It provides the much needed opportunity for a real bipartisan compromise and should be the basis for a quick agreement between the parties.

The President stands ready to work with the Congress to address the outstanding concerns so that we can enact a strong bipartisan welfare reform bill to replace the current system with one that demands responsibility, strengthens families, protects children, and gives States broad flexibility and the needed resources to get the job done.

Sincerely,

Jacob J. Lew
Acting Director



DEPARTMENT OF HEALTH & HUMAN SERVICES

Principal Deputy
Assistant Secretary
for Legislation

Washington, D.C. 20201

To: John Hilley
Ken Apfel

Please review the attached draft response to the Gibbons letter. This is the third or fourth draft (after much internal wrangling), with fewer charts and more optimistic assumptions. Yours are the only two copies outside HHS.

Donna and Kevin Thurm understand that this type of response is now politically inappropriate — most others here do too. But Gibbons and staff are expecting a response like this.

Let's talk this A.M. if possible,
Rich



DRAFT

Kathi Way
302 633 2657

The Honorable Sam M. Gibbons
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-0348

Dear Mr. Gibbons:

Thank you for your letter requesting information concerning the welfare-related budget reconciliation recommendations reported by the Committee on Ways and Means on June 12. Each of the issues you raised is addressed below and the attached tables contain more detailed information.

PROTECTING CHILDREN

1. Health coverage -- How many children and parents will lose Medicaid coverage as a result of the Republican welfare reform bill? What are their demographic characteristics and which provisions of the bill are the cause of the eligibility loss? Conversely, how many children are guaranteed Medicaid protection?

All the welfare-related Medicaid provisions in H.R. 3507 must be viewed in an overall context under which any Medicaid "mandates" or "guarantees" do not carry the same meaning as under current law. The bill reported by the House Commerce Committee repeals Medicaid, and replaces it with a block grant that does not include an enforceable or a funded guarantee for Medicaid. Without the assurance of funding and enforcement, any "guarantees" cannot be real. Under a block grant structure, federal spending reductions could force states to reduce coverage of benefits for vulnerable populations of elderly, children, families, and individuals with disabilities.

There is currently an inconsistency between the House Commerce Committee and the House Ways and Means Committee bill provisions regarding Medicaid eligibility for people receiving assistance under title IV. Under H.R. 3507, as reported by the Committee on Ways and Means, recipients of any assistance funded by the "temporary assistance for needy families" block grant is a mandatory group for Medicaid coverage. However, under H.R. 3507, as reported by the House Commerce Committee, states have the choice of three options with respect to whether and how recipients of cash assistance under the block grant will be eligible for Medicaid:

- States could cover persons receiving cash assistance benefits automatically,
- States that currently have relatively high income and resource thresholds under Medicaid could lower these standards to the national average. In such cases, the income and

resource limits could be set lower than the limits for cash assistance recipients within a state and, in so doing, certain recipients of cash assistance would be denied Medicaid coverage, or

- States could extend Medicaid eligibility to individuals and members of families who meet AFDC eligibility criteria (as of May 1, 1996) related to income and resources.

The Commerce Committee bill also retains and extends transitional Medicaid coverage for cash assistance recipients who leave welfare for work.

The bill reported by the Commerce Committee does not change current law Medicaid coverage for poor children under age 14 (as of FY 1997) and poor, pregnant women. In FY 1997, children above 14 years of age are eligible for coverage at state option and the age for mandatory coverage phases in a year at a time as in current law. States must link Medicaid eligibility to the rules of its cash assistance plan under Part A or E in effect as of May 1, 1996.

According to our calculations shown on table 1, the number of adults and children who will be at risk of losing their Medicaid coverage each year under the Commerce Committee bill is 5.1 million. The states are permitted to cover all recipients of assistance, but states could redefine eligibility in such a way that some of these recipients lose coverage. If states were to withhold eligibility from as few as 5 percent of the at-risk group, 256,000 individuals would lose their Medicaid coverage. The HHS estimates are based upon projections of the AFDC caseload under current law and characteristics of recipients as of 1994. It should be noted that estimating the number of individuals who would lose or be denied Medicaid coverage under H.R. 3507 as reported is extremely difficult, because we do not know with certainty how the states will behave. It also should be noted that the inconsistency between the Ways and Means Committee and the Commerce Committee provisions on Medicaid eligibility for recipients of cash assistance under the block grant hinders the Department's ability to quantify the impact of the Medicaid provisions for adults and children. Overall, for reasons noted above, the nature and scope of Medicaid benefit coverage for all current cash assistance recipients can change.

Of the 5.1 million recipients at risk in FY 1997 under the Commerce Committee bill, 1.2 million are children aged 14 and over, and 3.9 million are adults. Together, they comprise about 40 percent of all the AFDC recipients; only poor children less than age 14 and poor, pregnant women would be certain of continued Medicaid eligibility. When the full impact of the federally mandated five-year time limit is felt in FY 2006, nearly one million adults would lose their guarantee of Medicaid coverage. However, if all states were to impose a shorter, two-year time limit, then by FY 2002 some 2.0 million adults could lose eligibility for cash assistance and Medicaid.

2. Child care -- How do the resources for child care in the Republican bill compare with present law? Are they adequate to meet the need that will be generated as a result of the increased work requirements? In making these estimates, what would you assume the average cost of child care to be?

Overall, H.R. 3507 as reported by the Committee on Ways and Means provides \$13.9 billion in mandatory child care funding over six years, \$4.2 billion more than present law trends. When these federal child care funds are combined with state matching funds, the bill provides enough to meet the child care needs associated with the bill's work requirements and to maintain the current level of funding for low-income working families as is now provided under the Transitional Child Care (TCC) and At-Risk Child Care programs. Including state matching funds, the bill provides a total of \$22.9 billion. Total child care costs equal \$22.1 billion--\$15.4 billion for child care to meet the bill's work requirements, and an additional \$6.7 billion to maintain the TCC and At-Risk Child Care programs. According to our estimates, the bill provides a small surplus of child care funds to states over the first four years. If they use up their surplus, particularly to meet working poor child care needs, then, beginning in FY 2001 and FY 2002, child care funds would fall short of costs.

In its AFDC child care estimates, HHS assumes average annual child care costs of \$3,400 per family in FY 1997, increasing to \$4,200 in FY 2002. These costs represent an average of the part-time costs of child care for all children up to 12 years of age, and include the costs of administration.

The House Economic and Educational Opportunities (EEO) Committee passed several amendments to H.R. 3507 which together would result in a \$.6 billion child care shortfall over six years. The Committee increased both the required participation rate and the required number of hours of work in FY 2000 through FY 2002; these changes would increase the costs of child care for AFDC recipients to \$17.8 billion over six years. Adding in TCC and At-Risk, child care costs would total \$24.6 billion. The Committee also increased required state child care funding by requiring states to maintain their FY 1995 level of child care funding (rather than their FY 1994 level) in order to draw down matching federal funds. This amendment increases federal and state child care funds in the bill to \$23.9 billion, leaving a deficit of \$.6 billion.

Discretionary Child Care Funding

H.R. 3507 reauthorizes the current law Child Care and Development Block Grant (CCDBG) funding at a flat \$1.0 billion a year. Current law CCDBG language allows Congress to authorize "such sums as may be necessary." Without this authorization flexibility, Congress would not be able to increase CCDBG funding even to keep up with inflation. The proposed flat authorization would result in a reduction in discretionary child care funding equal to \$800 million over six years, due to the effect of inflation.

3. Termination of cash assistance -- A variety of provisions in the Republican bill can result in parents and children losing cash assistance eligibility. How many children and parents will lose benefits? What are their demographic characteristics and which provisions cause this loss of eligibility? Conversely, are any children guaranteed cash assistance under the Republican bill?

The provisions with the most significant potential effect on children and parents are the time limits on benefits and the mandatory (opt out) family cap. The time-limit provision states that families may not receive benefits under the federal temporary assistance program for more than five years, and states may not exempt more than 20 percent of families from this provision. States may end benefits sooner and exempt fewer families. Of course, as shown in table 2, the impact of the time limit on families will depend on the length of the time limit, the size of exemption states choose, and how many parents find jobs. The impact will also depend on what, if any, behavioral changes the time-limit policy and the work programs have on welfare spell durations. We estimate that if all states implement a five-year time limit with a 20 percent exemption, some 1.0 to 1.1 million families and 2.4 to 2.6 million children would lose benefits when the time limit is fully implemented. (The range reflects varying assumptions about the behavioral effects of the time-limit policy and work programs on welfare spells.) If we assume that all states implement a two-year time limit with no exemptions, we estimate that 2.7 to 3.2 million families and 5.7 to 6.7 million children would lose benefits when the time limit is fully implemented.

The bill prohibits states from using temporary assistance block grant funds to provide any assistance including cash, work-related services, and non-cash vouchers, to families after five years. States who choose a time limit shorter than five years may use federal funds to provide vouchers to families for the remainder of the five-year period. Time-limited families would still be eligible for food stamps (unless a state chooses to implement a time limit under the optional food stamp block grant) and Medicaid under the circumstances described in our earlier response to question 1.

While 29 percent of all recipients first began receiving AFDC when they were in their teens, more than 43 percent of recipients who will reach the five-year time limit started receiving AFDC as teens. Fifty-eight percent of all AFDC recipients and 72 percent of long-term recipients were not married when they first began receiving their benefits. Forty-three percent of families that will reach the time limit are white, 34 percent are black and 23 percent are Hispanic. Of all first-time recipients, 56 percent are white, 28 percent are black and 16 percent are Hispanic.

Families losing benefits due to the time limit have less education and work experience than average AFDC families. According to a study by the Urban Institute, among parents receiving welfare more than five years, nearly 63 percent do not have a high school diploma, and 50 percent had no work experience in the year prior to starting their receipt. Within the total caseload, only 47 percent had no high school diploma and 39 percent had no work experience in

the year prior to starting receipt. Long-term welfare recipients also tend to have more children per family. Recent data indicate that the average number of children for families on AFDC five years or longer was 2.3, compared to 2.0 for the caseload in general.

Under the bill's family cap provision, States would have the option of denying cash assistance to additional children born to parents already on welfare or born to parents on welfare during the 10 months prior to the child's birth. Children born as the result of rape or incest would be exempt. An amendment adopted in the Committee on Ways and Means would require states to implement this provision, but states could opt out of this provision by passing a state law which exempts their program from the family cap. It is not known how many states would choose to opt out of the family cap provision. Our preliminary estimates indicate that approximately 2.3 million children would be denied assistance due to the family cap provision, if no states elect to opt out of the family cap. The estimate does not include affected families in states that have already adopted this policy under waivers. Obviously, our estimate would be lower if any states opt out. There is currently little information available on the demographics of families likely to be denied benefits under the family cap.

The findings discussed here do not include the other program benefits, i.e. Supplemental Security Income and Food Stamps, that families may lose due to other changes made by the bill.

4. Poverty effects -- Have you completed your analysis of the poverty effects of the Republican bill?

The response to this question was forwarded to you by letter from Office of Management and Budget Acting Director, Jack Lew on June 26.

WORK

1. Participation -- How many adults will be subject to the work requirement under the Republican bill? How does this compare to historical state experience? How many people do you estimate states will be able to engage in work activities, given the resources that are available? Based on state experience to date, can you make any assumptions about the kind of activities recipients will engage in?

This question is closely related to the following one, and our responses to both are combined below.

2. Resources -- Given the participation requirements in the Republican bill, and historical state experience, will states have sufficient resources to serve all those who are required?

For work requirements to be real, they must be backed up by the resources states will need to implement them. The problem with the work program in H.R. 3507 is that it would not provide the resources states need to move recipients into work. CBO estimates that H.R. 3507 as

reported by the Ways and Means Committee would fall \$8.7 billion short over six years in the resources states would need to meet the work requirements and maintain current levels of cash assistance benefits to poor families and children. Based on HHS estimates, this shortfall would be \$6.7 billion over six years for the bill reported by the Ways and Means Committee and \$9.9 billion over six years for the bill reported by the EEO committee (which increased both the participation rates and the required hours of work). These estimates draw the same conclusion -- states face large resource shortfalls if they are to meet the work requirements.

HHS estimated the difference between how many recipients states are required to move into work under H.R. 3507 (as reported by the Ways and Means Committee) and what they can actually accomplish given the resources provided. The first line of the table below shows that H.R. 3507 -- without taking resources into account -- would require significant numbers of welfare recipients to work. However, as the second line shows, the bill provides adequate funding for only a portion of the required work slots, assuming states maintain current levels of cash assistance benefits. In FY 2002, H.R. 3507 would require 1.3 million recipients to work, while providing enough funding for only 490,000 work slots. More work slots could be funded under H.R. 3507, but only if states were to reduce cash assistance benefits.

NUMBER OF FUNDED WORK SLOTS
(numbers in thousands)

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Number of Recipients Required to Work	506	643	779	917	1,046	1,331
Number of Funded Work Slots	494	532	503	499	492	490

The number of funded work positions in H.R. 3507 is roughly comparable to the number of recipients participating in the welfare-to-work program currently in effect (known as JOBS). In FY 1994, 593,000 welfare recipients participated in the JOBS programs in an average month--about 434,000 of them, for an average of 20 hours per week. Under current law, unlike H.R. 3507, recipients are able to participate in a range of activities to meet the JOBS participation requirements, including job training and GED preparation. Historically, states have not placed a large number of welfare recipients in work activities as defined by H.R. 3507. Although states have been increasing their emphasis on such activities, in FY 1994, only 4 percent of JOBS participants were involved in subsidized employment or work experience. Given the lack of

resources and the number of new work slots that must be created from scratch, states are likely to face considerable fiscal and administrative difficulties in meeting the work requirements in H.R. 3507.

STATE ACCOUNTABILITY

1. Maintenance of effort -- Under a best and a worst case scenario, by how much could a state reduce its current spending and still qualify for the welfare block grant in the Republican bill? Of the state funds that can be counted toward the maintenance of effort requirement, what portion are not now spent exclusively on AFDC children?

As shown below, current law state AFDC-related spending is estimated to be \$93 billion for fiscal years 1997-2002. Under the Temporary Family Assistance Block Grant, states would be required to maintain 75 percent of their FY 1994 level of AFDC-related spending each year through FY 2001; the bill has no maintenance of effort requirement in FY 2002. Assuming states maintain 75 percent of their FY 1994 spending through FY 2002, however, state spending would total \$64 billion over six years, a reduction of \$29 billion from current law.

H.R. 3507 as reported by the Committee on Ways and Means would also allow states to transfer 30 percent of federal block grant funds to child welfare and foster care services, the Social Services Block Grant, and the Child Care Block Grant. States now greatly outmatch federal spending on social service programs, particularly in the areas of child welfare and foster care. The transfer provision would allow states to supplant up to \$28 billion in state social services spending with federal funds from the cash assistance block grant.

Under a best-case scenario, states would maintain their current level of effort. The table above presents several scenarios based on various assumptions about state behavior. Under the worst-case scenario, states could reduce total state spending on AFDC-related programs by \$57 billion over six years and still qualify for the full amount of federal block grant funding. The attached table 3 shows on a state-by-state basis minimum levels of state spending on AFDC families that will be required to draw down the entire temporary assistance block grant. As the table shows, a few states would not have to spend any state funds to draw down their federal block grant allocation.

This analysis does not take into account the bill's reserve fund which would allow states to set aside federal block grant funds for use in later years. The analysis assumes that all states implement the block grant on July 1, 1997, and, thus, are subject to matching AFDC spending requirements for the first half of FY 1997 and to maintenance-of-effort and transferability provisions for the second half.

**State AFDC-Related Spending Under
Current Law and H.R. 3507, as reported by the Committee on Ways and Means
Worst/Best-Case Scenarios**

(in millions of dollars)	6 Year Total 1997-2002	Reduction from Current Law
<i>Current Law</i>		
State Spending (and Best-Case Scenario)	93,257	0
<i>H.R. 3507</i>		
Minimum Required State Spending:		
75% maintenance of effort through 2001 and transfer 30% of funds out of cash assistance block grant	26,290	66,967
Assume 75% maintenance of effort through 2002 and transfer 30% of funds out of cash assistance block grant	36,744	56,513
Assume states maintain spending at 80% through 2002 and transfer 30% of funds out of cash assistance block grant	40,578	52,680
Assume states maintain spending at 80% through 2002 and limit transfers to 15%.	54,338	38,919

Notes:

State spending under current law is calculated by applying match rates derived from HHS data to CBO estimates of federal spending under current law.

Welfare-related state spending reflects state spending in the 50 states and the District of Columbia.

2. Allocations -- What is the state-by-state allocation for the various sources of funds under the Republican bill?

A comparative analysis of how states will fare under current law versus under the bill's cash assistance block grants is illustrated in table 4. The table shows immediate short-run gains for all but 14 states. Over a six-year period, however, 26 states will be losers, and their losses will exceed the \$4.4 billion gain of benefiting states. Many of the 26 states will be hurt severely, losing more than 15 percent of their federal assistance. These current law allocations use CBO's projections of total current law expenditures as their baseline. The block grant projections used are consistent with those developed by the Congressional Research Service. Under these assumptions, states would receive greater funding in 1997 under the block grant system than under current law (see below). But after gaining \$278 million in 1997, total block grants

Projected Federal Income Assistance Outlays						
(in millions of dollars)	1997	1998	1999	2000	2001	2002
Current Law						
AFDC Benefits	11,596	11,824	12,083	12,394	12,713	13,041
AFDC Administration	1,866	1,922	1,978	2,036	2,096	2,159
Emergency Assistance	1,735	1,851	1,953	1,989	2,058	2,117
JOBS	949	959	970	970	970	980
Total Cash Assistance	16,146	16,556	16,984	17,389	17,837	18,297
<i>percent change</i>	<i>2.6%</i>	<i>2.5%</i>	<i>2.6%</i>	<i>2.4%</i>	<i>2.6%</i>	<i>2.6%</i>
Block Grant	16,423	16,508	16,591	16,637	16,340	16,340
Gain/Loss	278	-48	-393	-752	-1,497	-1,957
Cumulative Gain/Loss	278	229	-163	-915	-2,412	-4,369

Source: CBO March 1996 Baseline

to states fall \$48 million short of the current-law baseline in 1998 and from then on the shortfall steadily increases. In the year 2002, states are projected to receive nearly \$2.0 billion less under block grants than under current law. The cumulative loss through 2002 (despite the \$278 million gain in 1997) is nearly \$4.4 billion dollars, a reduction of 4.2 percent. These figures do not take into account any behavioral changes that might result from time-limit policies and work requirements.

I hope the enclosed information meets your needs. Please let us know if you need additional information.

Sincerely,

Donna E. Shalala

Enclosures

Table 1

AFDC Recipients who are Put at Risk of Medicaid Loss under HR 3507 as Amended by the Commerce Committee

(numbers in 1000s)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total AFDC Recipients	13,414	13,603	13,795	13,964	14,133	14,302	14,474	14,649	14,824	14,998
Total Recipients put at Risk	5,113	4,842	4,591	4,370	4,172	4,164	4,214	4,264	4,315	4,366
Adult Recipients	3,905	3,960	4,016	4,065	4,114	4,164	4,214	4,264	4,315	4,366
Child recipients > Waxman age(=14 in 1997)	1,208	882	575	305	58	0	0	0	0	0
Lose Guarantee due to 5 Year Time Limit	0	0	0	0	0	0	268	799	914	946
Adult Recipients	0	0	0	0	0	0	268	799	914	946
Child recipients > Waxman age(=14 in 1997)	0	0	0	0	0	0	0	0	0	0
Lose Guarantee due to 2 Year Time Limit 1/	0	0	0	869	1,836	2,030	2,094	2,127	2,154	2,180
Adult Recipients	0	0	0	803	1,809	2,030	2,094	2,127	2,154	2,180
Child recipients > Waxman age(=14 in 1997)	0	0	0	66	27	0	0	0	0	0

1/ States have the option of choosing a time limit shorter than 5 years.

Source: HHS staff estimates

Table 2

**Number of Families and Children Affected by
Time Limit and Family Cap, When Fully Implemented ,
Under HR 3507 as Reported by the Committee on Ways and Means**

(numbers in millions)

	Total 1/ Caseload	5 Year Time Limit 2/			
		No Exemption	10% Exemption	15% Exemption	20% Exemption
Number of Children	10.2	4.6 - 4.1	3.7 - 3.3	3.2 - 2.9	2.6 - 2.4
Number of Families	5.2	2.0 - 1.8	1.6 - 1.4	1.4 - 1.3	1.1 - 1.0
		2 Year Time Limit 2/			
		No Exemption	10% Exemption	15% Exemption	20% Exemption
Number of Children	10.2	6.7 - 5.7	6.2 - 5.3	5.8 - 4.9	5.5 - 4.6
Number of Families	5.2	3.2 - 2.7	2.9 - 2.5	2.8 - 2.4	2.6 - 2.2
		Family Cap 3/			
Number of Children	10.2	2.3			
Number of Families	5.2	***			

1/ This shows the total projected caseload before the effects of any provisions or behavioral changes.

2/ These estimates show the number of children and cases that would be affected by time limits under HR 3507 for different assumptions about the size of exemption and length of time limit states will implement. The estimates are based on spell durations under current law, and assumptions about program effects. The size of the time limit effect is given as a range. The high number represents the time limit impact if there are no behavioral effects. The low number represents time limit impacts assuming that Work programs reduce the caseload on over 2 years by 15% and the caseload on over 5 years by 10%.

3/ The estimates show the number of children losing benefits due to the family cap. There are no families shown losing benefits under the family cap, because it is rare that an entire family would be denied benefits under this provision.

Table 3

Potential Reductions In State Welfare Spending

H.R. 3507 as reported by the Committee on Ways and Means

(Millions of Dollars)

State	FY 1994 State Spending 1/	FY 1998 Federal Cash Block Grant 2/	FY 1998 Current Law State Spending 1/	Allowable Reductions In State Spending (CL'98 - 75%'94) 3/	Transferrable part of Federal Block Grant (30% of Block Grant) 4/	Combined Potential Reductions In State Spending	FY 1998 Required State Spending
Alabama	\$52.4	\$98.3	\$55.5	\$16.2	\$29.5	\$45.7	\$9.8
Alaska	65.4	66.9	67.7	18.6	20.1	38.7	28.9
Arizona	133.2	233.9	136.5	36.6	70.2	106.8	29.7
Arkansas	25.9	59.7	26.6	7.1	17.9	25.1	1.5
California	3,662.1	3,733.8	3,847.5	1,101.0	1,120.1	2,221.1	1,626.4
Colorado	111.2	142.1	137.0	53.6	42.6	96.2	40.8
Connecticut	244.2	258.4	281.6	98.5	77.5	176.0	105.6
Delaware	29.2	32.3	39.3	17.4	9.7	27.0	12.2
Dist of Columbia	94.3	92.6	84.0	13.3	27.8	41.1	42.9
Florida	493.1	587.5	499.5	129.6	176.3	305.9	193.8
Georgia	240.4	348.7	247.9	67.6	104.8	172.2	75.7
Hawaii	92.9	98.9	115.9	46.2	29.7	75.9	40.0
Idaho	17.7	33.5	21.6	8.6	10.1	18.6	3.2
Illinois	572.3	585.1	687.7	258.5	175.5	434.0	253.7
Indiana	150.4	206.8	132.7	19.9	62.0	82.0	50.8
Iowa	82.2	130.1	68.9	27.2	39.0	66.2	22.7
Kansas	82.9	101.9	73.5	11.4	30.6	42.0	31.6
Kentucky	87.5	181.3	80.1	14.5	54.4	68.9	11.3
Louisiana	65.1	172.2	60.4	11.5	51.7	63.2	0
Maine	48.0	78.1	46.0	10.0	23.4	33.4	12.6
Maryland	237.7	229.1	247.1	68.8	68.7	137.6	109.5
Massachusetts	478.3	451.8	458.8	100.1	135.6	235.7	223.1
Michigan	636.5	775.4	655.8	178.4	232.8	411.0	244.8
Minnesota	240.5	266.4	244.1	63.7	79.9	143.6	100.4
Mississippi	28.4	91.1	28.7	7.3	27.3	34.7	0
Missouri	159.8	211.6	162.8	42.9	63.5	106.4	56.4
Montana	20.8	47.8	26.7	11.1	14.3	25.4	1.3
Nebraska	37.6	58.0	51.6	23.4	17.4	40.8	10.8
Nevada	34.3	45.6	44.2	18.4	13.7	32.2	12.0
New Hampshire	41.7	38.3	42.4	11.1	11.5	22.6	19.6
New Jersey	406.4	395.0	436.3	131.6	118.5	250.0	186.3
New Mexico	52.1	132.6	63.6	24.6	39.8	64.3	0
New York	2,287.0	2,360.0	2,661.1	945.8	708.0	1,653.8	1,007.3
North Carolina	202.2	319.6	229.1	77.5	95.9	173.4	55.7
North Dakota	12.4	24.7	16.2	6.8	7.4	14.2	1.9
Ohio	512.3	717.9	459.2	75.0	215.4	290.3	168.8
Oklahoma	81.1	148.0	72.5	11.7	44.4	56.1	16.4
Oregon	123.6	167.9	140.5	47.9	50.4	98.2	42.3
Pennsylvania	548.2	719.5	665.9	254.7	215.8	470.6	195.3
Rhode Island	80.8	95.0	85.4	24.8	28.5	53.3	32.1
South Carolina	46.7	100.0	49.7	14.7	30.0	44.6	5.0
South Dakota	11.7	21.4	12.7	3.9	6.4	10.3	2.4
Tennessee	107.1	193.6	140.6	60.3	58.1	118.4	22.3
Texas	312.5	511.6	354.4	120.0	153.5	273.5	80.9
Utah	33.9	79.1	44.3	18.9	23.7	42.7	1.7
Vermont	34.5	47.4	33.7	7.8	14.2	22.0	11.7
Virginia	170.8	167.0	147.0	18.9	50.1	69.0	78.0
Washington	365.7	399.6	365.5	91.2	119.9	211.1	154.4
West Virginia	42.3	110.2	33.6	1.8	33.1	34.9	0
Wisconsin	227.7	318.2	176.4	5.6	95.5	101.1	75.3
Wyoming	13.8	21.8	13.4	3.0	6.5	9.5	3.8
Totals	\$13,939.1	\$16,507.6	\$14,893.4	\$4,439.1	\$4,952.3	\$9,391.4	\$5,512.9

1/ Includes the following programs: AFDC benefits, administration, FAMIS, Emergency Assistance JOBS, JOBS child care, At-Risk child care, & Transitional child care. Data for calculations were provided by the Administration for Children and Families.

2/ Block grant includes funding for AFDC benefits, administration, Emergency Assistance and JOBS but excludes childcare which is covered under another block grant. FY 1998 is the first full year of block grant funding.

3/ States allowed to reduce welfare-related spending by 25 percent of their FY 1994 level. Although the cash block grant does not include child care funding, the base of the maintenance of effort provision contains child care expenditures in FY 1994 as does the projected current law spending for 1998.

4/ States are allowed to transfer up to 30 percent of their Federal block grant to the following programs: Title XX Block Grant, Child Care funding, or Child Protection funding. These projections do not include the \$25 million bonus funds for reductions in out-of-wedlock child bearing.

Table 4
Projected Effects of Cash Assistance Block Grants
H.R. 3507 as reported by the Committee on Ways and Means

(Millions of Dollars)

State (* denotes states which qualify for supplemental funds)	FY 1997 Est. Current Law Expenditures 1/	FY 1997 Cash Assistance Block Grant 2/	Gain (Loss) FY 1997	Percentage Gain (Loss) FY 1997	Gain (Loss) FY97-02
Alabama *	\$87.3	\$95.7	\$8.4	9.6	\$17.9
Alaska *	62.8	65.3	2.5	4.0	-8.0
Arizona *	202.2	228.2	26.0	12.8	122.4
Arkansas *	48.7	58.2	9.5	19.6	45.2
California	3,691.8	3,733.8	42.0	1.1	-1,296.1
Colorado *	134.2	138.8	4.6	3.4	-33.3
Connecticut	271.1	258.4	-12.7	-4.7	-190.3
Delaware	35.6	32.3	-3.3	-9.2	-37.9
Dist of Columbia	78.5	92.6	14.1	18.0	73.8
Florida *	525.1	573.0	47.9	9.1	217.4
Georgia *	314.9	339.7	24.9	7.9	51.7
Hawaii	109.2	98.9	-10.3	-9.4	-127.0
Idaho *	35.7	32.7	-3.0	-8.3	-34.6
Illinois	626.5	585.1	-41.4	-6.6	-532.1
Indiana	166.5	206.8	40.3	24.2	201.3
Iowa	125.1	130.1	5.0	4.0	-0.7
Kansas	85.3	101.9	16.6	19.5	73.9
Kentucky	145.9	181.3	35.4	24.3	165.5
Louisiana *	129.6	168.1	38.5	29.7	211.4
Maine	68.8	78.1	9.4	13.6	35.8
Maryland	228.0	229.1	1.1	0.5	-69.5
Massachusetts	434.1	451.8	17.7	4.1	-63.5
Michigan	731.9	775.4	43.5	5.9	-31.3
Minnesota	252.8	266.4	13.6	5.4	-13.9
Mississippi *	77.4	88.9	11.5	14.8	49.7
Missouri	203.0	211.6	8.6	4.2	-3.2
Montana *	48.9	46.7	-2.2	-4.5	-33.7
Nebraska	63.6	58.0	-5.6	-8.8	-66.0
Nevada *	46.6	44.9	-1.8	-3.8	-32.9
New Hampshire	36.1	36.3	2.2	6.0	0.8
New Jersey	409.2	395.0	-14.2	-3.5	-298.0
New Mexico *	147.4	129.3	-18.0	-12.2	-184.1
New York	2,649.9	2,390.0	-259.9	-10.9	-2,977.2
North Carolina *	307.2	310.9	3.8	1.2	-41.0
North Dakota	26.6	24.7	-2.0	-7.4	-22.4
Ohio	588.4	717.9	129.5	22.0	606.8
Oklahoma	118.4	148.0	29.6	25.0	166.7
Oregon	170.7	167.9	-2.7	-1.6	-112.3
Pennsylvania	837.5	719.5	-118.0	-14.1	-1,067.7
Rhode Island	87.7	95.0	7.3	8.4	24.4
South Carolina	89.7	100.0	10.3	11.5	42.8
South Dakota	20.9	21.4	0.4	2.1	-6.3
Tennessee *	190.6	168.4	-2.2	-1.1	-79.8
Texas *	472.5	498.9	26.4	5.6	54.8
Utah *	71.2	77.0	5.9	8.3	7.5
Vermont	42.0	47.4	5.4	12.7	24.7
Virginia *	130.8	162.7	31.8	24.3	179.1
Washington	368.6	399.6	31.1	8.4	57.3
West Virginia	88.0	110.2	22.2	25.2	115.0
Wisconsin	243.5	318.2	74.7	30.7	434.3
Wyoming	18.0	21.8	3.8	21.0	14.1
U.S. Totals	\$16,145.9	\$16,423.8	\$277.9	1.7	-\$4,368.5

1/ Estimates of future spending are based on actual FY1995 expenditure data. Each state's share of funding for FY1996-2000 changes according to the state's projected growth in the number of its AFDC children and its projected change in spending per child. The amounts states receive is scaled CBO's projected total for federal spending. In FY 2001 & 2002 each state's funding grows at CBO's projected growth in the national total.

2/ Components of the cash assistance block grant are AFDC benefits, administration (including MIS expenditures), JOBS, & Emergency Assistance.

Baseline: CBO, April 12, 1996.



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

THE DIRECTOR

July 18, 1996

The Honorable Pete V. Domenici
Chairman, Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to transmit the Administration's views on S. 1956, the "Personal Responsibility, Work Opportunity, and Medicaid Restructuring Act of 1996."

We understand that the Senate Republican leadership plans to move to strike the Medicaid provisions of this reconciliation legislation -- leaving a welfare-only bill for Senate floor consideration.

We are pleased with this decision to separate welfare reform from provisions to repeal Medicaid's guarantee of health care for the elderly, the poor, pregnant women, and people with disabilities. We hope that removing this "poison pill" from welfare reform is a breakthrough that shows that the Republican leadership seriously wants to pass bipartisan welfare reform this year.

Enacting bipartisan welfare reform reflecting the principles of work, family, and responsibility is among the Administration's highest priorities. For the past three-and-a-half years, the President has demonstrated his commitment to enacting real welfare reform by working with Congress to enact legislation that moves people from welfare to work, encourages responsibility, and protects children. The Administration sent Congress a stand-alone welfare bill that requires welfare recipients to work, imposes strict time limits on welfare, toughens child support enforcement, is fair to children, and is consistent with the President's commitment to balance the budget.

The Administration is pleased that the bill makes many of the important improvements to H.R. 4 that we recommended -- improvements also included in the bipartisan National Governors' Association (NGA) and Breaux-Chafee proposals. The Senate bill improves upon the bill that the House is now considering. We urge the Senate to build on these improvements, and to continue the bipartisan spirit displayed in last year's debate on welfare reform. At the same time, however, the Administration is deeply concerned about certain provisions of S. 1956 that would adversely affect benefits for Food Stamp households and legal immigrants, as well as the need for strong State accountability and flexibility. And, the bill would still raise taxes on millions of workers by cutting the Earned Income Tax Credit (EITC).

Improvements Contained in S. 1956

We appreciate the Finance and Agriculture Committees' efforts to strengthen provisions central to work-based reform, such as child care, and to provide additional protections for children and families. In rejecting H.R. 4, the President singled out a number of provisions that were tough on children and did too little to move people from welfare to work. S. 1956 includes important changes to these provisions that move the legislation closer to the President's vision of true welfare reform. We are particularly pleased with the following improvements:

- Child Care. As the President has insisted throughout the welfare reform debate, child care is essential to move people from welfare to work. The bill reflects a better understanding of the child care resources that States will need to implement welfare reform, adding \$4 billion for child care above the level in H.R. 4. The bill also recognizes that parents of school-age children need child care in order to work.
- Food Stamps. The bill removes the annual spending cap on Food Stamps, preserving the program's ability to expand during periods of economic recession and help families when they are most in need. We are concerned, however, with other Food Stamp proposals, as discussed below.
- Maintenance of Effort. The Administration strongly supports the Finance Committee's changes to State maintenance of effort (MOE) and transfer provisions and believes these are critical elements of bipartisan welfare reform. The Committee removed the objectionable transfer authority to the Title XX Social Services Block Grant and other programs and would allow transfers to child care only. In addition, the Committee restored the 80 percent MOE level in last year's Senate bill and tightened the definition of what counts toward this requirement.
- Work Performance Bonus. We commend the Committee for giving States an incentive to move people from welfare to work by providing \$1 billion in work program performance bonuses by 2003. This provision was an important element of last year's Senate bill and the Administration's bill, and will help change the culture of the welfare office.
- Contingency Fund. The bill adopts the NGA recommendation to double the Contingency Fund to \$2 billion, and add a more responsive trigger based on the Food Stamp caseload. Below, the Administration recommends further steps that Congress should take to strengthen this provision.
- Equal Protections. The Committee includes provisions that would require States to establish objective criteria for delivery of benefits and to ensure equitable treatment. We are pleased that the Committee also incorporates appropriate State accountability measures.

- Hardship Exemption. We commend the Finance Committee for following the NGA recommendation and restoring last year's Senate provision allowing States to exempt up to 20 percent of hardship cases that reach the five-year time limit.
- Transitional Medicaid. We are pleased that the Finance Committee has taken steps to ensure the continuation of Medicaid coverage for some of those who are transitioning from welfare to work. We are concerned, however, that States could deny this transitional Medicaid to many who would lose cash benefits for various reasons. In addition, we still have concerns with Medicaid coverage for those on cash assistance, as noted below.
- Worker Displacement. We are pleased that the bill incorporates provisions against worker displacement, including protections from partial displacement as well as avenues for displaced employees to seek redress.
- Child Nutrition. The bill now includes many provisions proposed by the Administration, and no longer includes H.R. 4's provisions for a child nutrition block-grant demonstration. In addition, the bill exempts the child nutrition program from burdensome administrative provisions related to its alien provisions. We believe that the Senate could further improve the bill by including the Administration's proposed 8 percent commodity floor.
- Child Protection. We commend the Finance Committee for preserving the Title IV-E foster care and adoption assistance programs (including related Medicaid coverage), and other family support and child abuse prevention efforts.
- Supplemental Security Income (SSI). The bill removes the proposed two-tiered benefit system for disabled children receiving SSI, and retains full cash benefits for all eligible children.

We remain pleased that Congress has decided to include central elements of the President's approach -- time limits, work requirements, the toughest possible child support enforcement, and the requirement that minor mothers live at home as a condition of assistance -- in this legislation.

Key Concerns With S. 1956

The Administration, however, remains deeply concerned that S. 1956 still lacks other important provisions that have earned bipartisan endorsement.

- Size of the cuts. The welfare provisions incorporate most of the cuts in the vetoed bill -- about \$60 billion over six years (including the EITC and related savings in Medicaid). These cuts far exceed those proposed by the NGA or the Administration.

Cuts in Food Stamps and benefits to legal immigrants are particularly deep. The President's Budget demonstrates that cuts of this size are not necessary to achieve real welfare reform, nor are they needed to balance the budget.

- Food Stamps. The Administration strongly opposes the inclusion of a Food Stamp block grant option, which could seriously undermine the Federal nature of the program, jeopardizing the nutrition and health of millions of children, working families, and the elderly, and eliminating the program's ability to respond to economic changes. The Administration also is concerned that the bill makes deep cuts in the Food Stamp program, including a cut in benefits to households with high shelter costs that disproportionately affects families with children, and a four-month time limit on childless adults who are willing to work but are not offered a work slot.
- Legal Immigrants. The bill retains the excessively harsh and uncompromising immigration provisions of last year's vetoed bill. While we support the strengthening of requirements on the sponsors of legal immigrants applying for SSI, Food Stamps, and Aid to Families with Dependent Children (AFDC), the bill bans SSI and Food Stamps for virtually all legal immigrants, and imposes a five-year ban on most other Federal programs, including non-emergency Medicaid, for new legal immigrants. These bans would even cover legal immigrants who become disabled after entering the country, families with children, and current recipients. The bill would deny benefits to 300,000 immigrant children and would affect many more children whose parents are denied assistance. The proposal unfairly shifts costs to States with high numbers of legal immigrants. In addition, the bill requires most Federal, State, and local benefits programs to verify recipients' citizenship or alien status. These mandates would create extremely difficult and costly administrative burdens for State, local, and non-profit service providers, as well as barriers to participation for citizens. Also, the Administration urges the Senate not to go in the harsh direction that the House Rules Committee did yesterday in reporting a provision that would broaden the ban on current immigrants from receiving Medicaid coverage.
- Medical Assistance Guarantee. The Administration opposes provisions that do not guarantee continued Medicaid eligibility when States change AFDC rules. We are concerned that families who lose cash assistance for various reasons, such as reaching the five-year limit or having additional children while they are receiving assistance, could lose their Medicaid eligibility and be unable to receive the health care services that they need. In addition, State flexibility to change these AFDC rules could adversely affect Medicaid eligibility determinations, including eligibility for poverty-related pregnant women and children.
- Protection in Economic Downturn. Although the Contingency Fund is twice what it was in the vetoed bill, it still does not allow for further expansions during poor economic conditions and periods of increased need. We are also concerned about

provisions that reduce the match rate on contingency funds for States that access the fund for periods of under a year.

- Resources for Work. S. 1956 would not provide the resources States need to move recipients into work. The bill increases the work mandates on States above the levels in H.R. 4 while providing no additional resources for States to meet these more stringent rates. Based on CBO estimates, the Senate bill would provide \$12 billion less over six years than is required to meet the bill's work requirements and maintain the current level of cash assistance to poor families. CBO notes that "most States would be unlikely to satisfy this requirement." Moreover, the Senate bill would lead to a \$2.4 billion shortfall in child care resources (assuming States maintain their current level of cash assistance benefits, continue current law Transitional and At-Risk child care levels, and do not transfer amounts from the cash block grant to child care).
- Vouchers. The bill actually reduces State flexibility by prohibiting States from using block grant funds to provide vouchers to children whose parents reach the time limit. H.R. 4 contained no such prohibition, and the NGA opposes it. We strongly urge the adoption of voucher language, similar to that in the Administration's bill and Breaux-Chafee, that protects children.
- Child Care Health and Safety Protections. The bill repeals current child care health and safety protections and cuts set-aside funds to the States to improve the safety and quality of care. We strongly urge the Senate to restore these basic health and safety protections, which were enacted with strong bipartisan support in 1990 and maintained in last year's Senate bill and are essential to the safety and well-being of millions of young children.
- Family Caps. The Senate bill reverts back to the opt-out provision on family caps which would restrict State flexibility in this area. The Administration, as well as the NGA, seeks complete State flexibility to set family cap policy.
- EITC. The Administration opposes the provision in S. 1956 that raises taxes on over four million low-income adult workers by ending inflation adjustments for working households without dependent children, and thereby substantially cutting the real value of their tax credit over time. Raising taxes on these workers is wrong. In addition, the budget resolution instructs the revenue committees to cut up to \$18.5 billion more from the EITC. Thus, EITC cuts could total over \$20 billion. Such large tax increases on working families are particularly ill-conceived when considered in the context of real welfare reform -- that is, encouraging work and making work pay.

We strongly support the bipartisan welfare reform initiatives of moderate Republicans and Democrats in both the House and Senate. The Breaux-Chafee proposal addresses many of our concerns, and it would strengthen State accountability efforts, welfare to work

measures, and protections for children. It provides a foundation on which the Senate should build in order to provide more State flexibility; incentives for AFDC recipients to move from welfare to work; more parental responsibility; and protections for children. It is a good, strong proposal that would end welfare as we know it. Breau-Chafee provides the much needed opportunity for a real bipartisan compromise, and it should be the basis for a quick agreement between the parties.

The President stands ready to work with Congress to address the outstanding concerns so we can enact a strong, bipartisan welfare reform bill to replace the current system with one that demands responsibility, strengthens families, protects children, and gives States broad flexibility and the needed resources to get the job done.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a large initial "J" and "L".

Jacob J. Lew
Acting Director

IDENTICAL COPY SENT TO THE HONORABLE J. JAMES EXON

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget
Associate Director for Human Resources
260 Old Executive Office Building
Washington, DC 20503

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Phone #: 395-4844

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Ken Apfel
395-5730
Bob Greenstein
July 18, 1996
1

Comments:

to the Republican bill in the House

The last minute Medicaid change would permit states to terminate Medicaid for adults who fail to fully comply with any work requirement even though the state may impose the welfare penalty on a prorata basis. In other words, a mother could miss two hours of work because a public bus broke down or because she had a school conference and the state could terminate her Medicaid.

*To Bruce
 Palmer
 John
 FYI
 KA*

DRAFT -- July 18, 1996 (8:28am)

The Honorable Pete Domenici
Chairman
Committee on Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to transmit the Administration's views on S. 1956, the Personal Responsibility, Work Opportunity, and Medicaid Restructuring Act of 1996.

We understand that the Senate Republican leadership plans to move to strike the Medicaid provisions of this reconciliation legislation -- leaving a welfare-only bill for Senate floor consideration.

We are pleased with this decision to separate welfare reform from provisions to repeal Medicaid's guarantee of health care for the elderly, the poor, pregnant women, and people with disabilities. We hope that removing this "poison pill" from welfare reform is a breakthrough that shows that the Republican leadership seriously wants to pass bipartisan welfare reform this year.

Enacting bipartisan welfare reform reflecting the principles of work, family, and responsibility is among the Administration's highest priorities. For the past three-and-a-half years, the President has demonstrated his commitment to enacting real welfare reform by working with Congress to enact legislation that moves people from welfare to work, encourages responsibility, and protects children. The Administration sent Congress a stand-alone welfare bill that requires welfare recipients to work, imposes strict time limits on welfare, toughens child support enforcement, is fair to children, and is consistent with the President's commitment to balance the budget.

The Administration is pleased that the bill makes many of the important improvements to H.R. 4 that we recommended -- improvements also included in the bipartisan National Governors' Association (NGA) and Breaux-Chafee proposals. The Senate bill improves upon the bill that the House is now considering. We urge the Senate to build on these improvements, and to continue the bipartisan spirit displayed in last year's debate on welfare reform. At the same time, however, the Administration is deeply concerned about certain provisions of S. 1956 that would adversely affect benefits for Food Stamp households and legal immigrants, as well as the need for strong State accountability and flexibility. And, the bill would still raise taxes on millions of workers by cutting the Earned Income Tax Credit (EITC).

Improvements Contained in S. 1956

We appreciate the Finance and Agriculture Committees' efforts to strengthen provisions central to work-based reform, such as child care, and to provide additional protections for children and families. In rejecting H.R. 4, the President singled out a number of provisions that were tough on children and did too little to move people from welfare to work. S. 1956 includes important changes to these provisions that move the legislation closer to the President's vision of true welfare reform. We are particularly pleased with the following improvements:

- Child Care. As the President has insisted throughout the welfare reform debate, child care is essential to move people from welfare to work. The bill reflects a better understanding of the child care resources that States will need to implement welfare reform, adding \$4 billion for child care above the level in H.R. 4. The bill also recognizes that parents of school-age children need child care in order to work.
- Food Stamps. The bill removes the annual spending cap on Food Stamps, preserving the program's ability to expand during periods of economic recession and help families when they are most in need. We are concerned, however, with other Food Stamp proposals, as discussed below.
- Maintenance of Effort. The Administration strongly supports the Finance Committee's changes to State maintenance of effort (MOE) and transfer provisions and believes these are critical elements of bipartisan welfare reform. The Committee removed the objectionable transfer authority to the Title XX Social Services Block Grant and other programs and would allow transfers to child care only. In addition, the Committee restored the 80 percent MOE level in last year's Senate bill and tightened the definition of what counts toward this requirement.
- Work Performance Bonus. We commend the Committee for giving States an incentive to move people from welfare to work by providing \$1 billion in work program performance bonuses by 2003. This provision was an important element of last year's Senate bill and the Administration's bill, and will help change the culture of the welfare office.
- Contingency Fund. The bill adopts the NGA recommendation to double the Contingency Fund to \$2 billion, and add a more responsive trigger based on the Food Stamp caseload. Below, the Administration recommends further steps that Congress should take to strengthen this provision.
- Equal Protections. The Committee includes provisions that would require States to establish objective criteria for delivery of benefits and to ensure equitable treatment. We

are pleased that the Committee also incorporates appropriate State accountability measures.

- Hardship Exemption. We commend the Finance Committee for following the NGA recommendation and restoring last year's Senate provision allowing States to exempt up to 20 percent of hardship cases that reach the five-year time limit.
- Transitional Medicaid. We are pleased that the Finance Committee has taken steps to ensure the continuation of Medicaid coverage for some of those who are transitioning from welfare to work. We are concerned, however, that States could deny this transitional Medicaid to many who would lose cash benefits for various reasons. In addition, we still have concerns with Medicaid coverage for those on cash assistance, as noted below.
- Worker Displacement. We are pleased that the bill incorporates provisions against worker displacement, including protections from partial displacement as well as avenues for displaced employees to seek redress.
- Child Nutrition. The bill now includes many provisions proposed by the Administration, and no longer includes H.R.4's provisions for a child nutrition block-grant demonstration. In addition, the bill exempts the Child Nutrition program from burdensome administrative provisions related to its alien provisions. We believe that the Senate could further improve the bill by including the Administration's proposed eight percent commodity floor.
- Child Protection. We commend the Finance Committee for preserving the Title IV-E foster care and adoption assistance programs (including related Medicaid coverage), and other family support and child abuse prevention efforts.
- Supplemental Security Income (SSI). The bill removes the proposed two-tiered benefit system for disabled children receiving SSI, and retains full cash benefits for all eligible children.

We remain pleased that Congress has decided to include central elements of the President's approach -- time limits, work requirements, the toughest possible child support enforcement, and the requirement that minor mothers live at home as a condition of assistance -- in this legislation.

Key Concerns With S. 1956

The Administration, however, remains deeply concerned that the bill still lacks other important provisions that have earned bipartisan endorsement.

- Size of the cuts. The welfare provisions incorporate most of the cuts in the vetoed bill -- about \$60 billion over six years (including the EITC and related savings in Medicaid). These cuts far exceed those proposed by the NGA or the Administration. Cuts in Food Stamps and benefits to legal immigrants are particularly deep. The President's budget demonstrates that cuts of this size are not necessary to achieve real welfare reform, nor are they needed to balance the budget.
- Food Stamps. The Administration strongly opposes the inclusion of a Food Stamp block grant option, which could seriously undermine the Federal nature of the program, jeopardizing the nutrition and health of millions of children, working families, and the elderly, and eliminating the program's ability to respond to economic changes. The Administration also is concerned that the bill makes deep cuts in the Food Stamp program, including a cut in benefits to households with high shelter costs that disproportionately affects families with children, and a four-month time limit on childless adults who are willing to work but are not offered a work slot.
- Legal Immigrants. The bill retains the excessively harsh and uncompromising immigration provisions of last year's vetoed bill. While we support the strengthening of requirements on the sponsors of legal immigrants applying for SSI, Food Stamps, and AFDC, the bill bans SSI and Food Stamps for virtually all legal immigrants, and imposes a five-year ban on most other Federal programs, including non-emergency Medicaid, for new legal immigrants. These bans would even cover legal immigrants who become disabled after entering the country, families with children, and current recipients. The bill would deny benefits to 300,000 immigrant children and would affect many more children whose parents are denied assistance. The proposal unfairly shifts costs to States with high numbers of legal immigrants. In addition, the bill requires most Federal, State, and local benefits programs to verify recipients' citizenship or alien status. These mandates would create extremely difficult and costly administrative burdens for State, local, and non-profit service providers, as well as barriers to participation for citizens.
- Medical Assistance Guarantee. The Administration opposes provisions that do not guarantee continued Medicaid eligibility when States change AFDC rules. We are concerned that families who lose cash assistance for various reasons, such as reaching the five-year limit or having additional children while they are receiving assistance, could lose their Medicaid eligibility and be unable to receive the health care services that they need. In addition, State flexibility to change these AFDC rules could adversely

affect Medicaid eligibility determinations, including eligibility for poverty-related pregnant women and children.

- Protection in Economic Downturn. Although the contingency fund is twice what it was in the vetoed bill, it still does not allow for further expansions during poor economic conditions and periods of increased need. We are also concerned about provisions that reduce the match rate on contingency funds for States that access the fund for periods of under a year.
- Resources for Work. S. 1956 would not provide the resources States need to move recipients into work. The bill increases the work mandates on States above the levels in H.R. 4 while providing no additional resources for States to meet these more stringent rates. Based on CBO estimates, the Senate bill would provide \$12 billion less over six years than is required to meet the bill's work requirements and maintain the current level of cash assistance to poor families. CBO notes that "most States would be unlikely to satisfy this requirement." Moreover, the Senate bill would lead to a \$2.4 billion shortfall in child care resources (assuming States maintain their current level of cash assistance benefits, continue current-law Transitional and At-Risk child care levels, and do not transfer amounts from the cash block grant to child care).
- Vouchers. The bill actually reduces State flexibility by prohibiting States from using block grant funds to provide vouchers to children whose parents reach the time limit. H.R. 4 contained no such prohibition, and the NGA opposes it. We strongly urge the adoption of voucher language, similar to that in the Administration's bill and Breaux-Chafee, that protects children.
- Child Care Health and Safety Protections. The bill repeals current child care health and safety protections and cuts set-aside funds to the States to improve the safety and quality of care. We strongly urge the Senate to restore these basic health and safety protections, which were enacted with strong bipartisan support in 1990 and maintained in last year's Senate bill and are essential to the safety and well-being of millions of young children.
- Family Caps. The Senate bill reverts back to the opt-out provision on family caps which would restrict State flexibility in this area. The Administration, as well as NGA, seeks complete State flexibility to set family cap policy.
- EITC. The Administration strongly opposes the provision in S. 1956 that raises taxes on over four million low-income workers by ending inflation adjustments for childless

workers. Raising taxes on these workers is wrong. In addition, the budget resolution instructs the revenue committees to cut up to \$18.5 billion more from the EITC. Thus, EITC cuts could total over \$20 billion. Such large tax increases on working families are particularly ill-conceived when considered in the context of real welfare reform -- that is, encouraging work and making work pay.

We strongly support the bipartisan welfare reform initiatives of moderate Republicans and Democrats in both the House and Senate. The Breaux-Chafee proposal addresses many of our concerns, and it would strengthen State accountability efforts, welfare to work measures, and protections for children. It provides a foundation on which the Senate should build in order to provide more State flexibility; incentives for AFDC recipients to move from welfare to work; more parental responsibility; and protections for children. It is a good, strong proposal that would end welfare as we know it. Breaux-Chafee provides the much needed opportunity for a real bipartisan compromise, and it should be the basis for a quick agreement between the parties.

The President stands ready to work with Congress to address the outstanding concerns so we can enact a strong, bipartisan welfare reform bill to replace the current system with one that demands responsibility, strengthens families, protects children, and gives States broad flexibility and the needed resources to get the job done.

Sincerely,

Jacob J. Lew
Acting Director

IDENTICAL COPY SENT TO THE HONORABLE J. JAMES EXON

DRAFT - 7/16/96 -6:00 pm

The Honorable Gerald B. H. Solomon
Chairman
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to transmit the Administration's views on the welfare provisions of H.R. 3734, the "Welfare and Medicaid Reform Act of 1996." We understand that the Rules Committee plans to separate the welfare and Medicaid portions of the bill and consider only the welfare provisions on the House floor.

We are pleased that the Congress has decided to separate welfare reform from a proposal to repeal Medicaid's guarantee of health care for the elderly, poor, pregnant and people with disabilities. We hope that removing this "poison pill" from welfare reform is a breakthrough that indicates that the Congressional leadership is serious about passing bipartisan welfare reform this year.

It is among the Administration's highest priorities to achieve bipartisan welfare reform reflecting the principles of work, family, and responsibility. For the past 3 ½ years, the President has demonstrated his commitment to enacting real welfare reform by working with Congress to create legislation that moves people from welfare to work, encourages responsibility, and protects children. The Administration sent to Congress a stand-alone welfare bill that requires welfare recipients to work, imposes strict time limits on welfare, toughens child support enforcement, is fair to children, and is consistent with the President's commitment to balance the budget.

The Administration is also pleased that the bill makes many of the important improvements to H.R. 4 that we recommended -- improvements that were also included in the bipartisan National Governors' Association and Castle-Tanner proposals. We urge the committee to build upon these improvements. At the same time, however, the Administration is deeply concerned about certain provisions of H.R. 3734 that would adversely affect benefits for food stamp households and legal immigrants, as well as with the need for strong state accountability and flexibility. And, the bill would still raise taxes on millions of working families by cutting the Earned Income Tax Credit (EITC).

~~Improvements contained in H.R. 3734~~

We appreciate the Committees' efforts to strengthen provisions that are central to work-based reform, such as child care, and to provide some additional protections for children and families. In rejecting H.R. 4, the President singled out a number of provisions that were tough on children and did too little to move people from welfare to work. H.R. 3734 includes important changes to these provisions that move the legislation closer to the President's vision of true welfare reform. We are particularly pleased with the following improvements:

- Child Care. As the President has insisted throughout the welfare reform debate, child care is essential to move people from welfare to work. The bill reflects a better understanding of the child care resources that States will need to implement welfare reform, adding \$4 billion for child care above the level in H.R. 4. The bill also recognizes that parents of school-age children need child care in order to work and protect the health and safety of children in care.
- Food Stamps. The bill removes the annual spending cap on Food Stamps, preserving the program's ability to expand during periods of economic recession and help families when they are most in need.
- Child Nutrition. The bill no longer includes H.R. 4's provisions for a child nutrition block-grant demonstration, which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.
- Child Protection. We commend the Committee for preserving the open-ended nature of Title IV-E foster care and adoption assistance programs, current Medicaid coverage of eligible children, and the national child data collection initiative.
- Supplemental Security Income (SSI). The bill removes the proposed two-tiered benefit system for disabled children receiving SSI, and retains full cash benefits for all eligible children.
- Work Performance Bonus. We commend the Committee for giving states an incentive to move people from welfare to work by providing \$1 billion in work performance bonuses by 2003. This provision is an important element of the Administration's bill, and will help changes the culture of the welfare office.
- Contingency Fund. The bill adopts the National Governors Association (NGA) recommendation to double the size of the Contingency Fund to \$2 billion, and add a more responsive trigger based on the Food Stamp caseload changes. Further

steps the Congress should take to strengthen this provision are outlined below.

- Hardship Exemption. We commend the Committee for following the NGA recommendation and the Senate-passed welfare reform bill by allowing states to exempt up to 20% of hardship cases that reach the five-year time limit.

We remain pleased that Congress has decided to include central elements of the President's approach -- time limits, work requirements, the toughest possible child support enforcement, requiring minor mothers to live at home as a condition of assistance -- in this legislation.

The Administration strongly supports several provisions included in S. 1795, as reported by the Senate Finance Committee. These provisions include: allowing transfers only to the child care block grant, increasing the maintenance of effort requirement with a tightened definition of what counts toward this requirement, improving the fair and equitable treatment and enforcement language, and eliminating the child protection block grant. We urge the Congress to include these provisions in H.R. 3734.

Key Concerns With H.R. 3734

The Administration however remains deeply concerned that the bill still lacks other important provisions that have earned bipartisan endorsement.

- Size of the cuts. The welfare provisions incorporate most of the cuts that were in the vetoed bill -- \$59 billion over 6 years (including the EITC and related savings in Medicaid) over six years. These cuts far exceed those proposed by the NGA or the Administration. Cuts in Food Stamps and benefits to legal immigrants are particularly deep. The President's budget demonstrates that cuts of this size are not necessary to achieve real welfare reform, nor are they needed to balance the budget.
- Food Stamps. The Administration strongly opposes the inclusion of a Food Stamp block grant, which has the potential to seriously undermine the Federal nature of the program, jeopardizing the nutrition and health of millions of children, working families, and the elderly, and eliminating the program's ability to respond to economic changes. The Administration is also concerned that the bill makes deep cuts in the Food Stamp program, including a cut in benefits to households with high shelter costs that disproportionately affects families with children, and a four-month time limit on childless adults who are willing to work, but are not offered a work slot.

- Legal Immigrants. The bill retains the excessively harsh and uncompromising immigration provisions of last year's vetoed bill. While we support the strengthening of requirements on the sponsors of legal immigrants applying for SSI, Food Stamps, and AFDC, the bill bans SSI and Food Stamps for virtually all legal immigrants, and imposes a five-year ban on all other Federal programs, including non-emergency Medicaid, for new legal immigrants. These bans would even cover legal immigrants who become disabled after entering the country, families with children, and current recipients. The bill would deny benefits to 0.3 million immigrant children and would affect many more children whose parents are denied assistance. The proposal unfairly shifts costs to States with high numbers of legal immigrants. In addition, the bill requires virtually all Federal, State, and local benefits programs to verify recipients' citizenship or alien status. These mandates would create significant administrative burdens for State, local, and non-profit service providers, and barriers to participation for citizens.
- Medical Assistance Guarantee. Even after the proposed removal of the Medicaid reconciliation provisions from H.R. 3734, the Administration opposes provisions that do not guarantee continued Medicaid eligibility when States change AFDC rules. Specifically, we are concerned that families who reach the 5 year time limit, or additional children born to families that are already receiving assistance could lose their Medicaid eligibility and would be unable to receive the health care services that they need.
- Protection in Economic Downturn. Although the contingency fund is twice the size of that contained in the vetoed bill, it still does not allow for further expansions during poor economic conditions and periods of increased need. We are also concerned about provisions that reduce the match rate on contingency funds for states that access the fund for periods of less than one year.
- State Maintenance of Effort. Under H.R. 3437, States could reduce the resources they provide to poor children. We are deeply concerned that the bill provides the proposed cash assistance block grant with transfer authority to the Social Services Block Grant (SSBG). Transfers to SSBG could lead States to substitute Federal dollars for State dollars in an array of State social services activities, potentially cutting the effective State maintenance of effort levels required for the cash block grant.
- Resources for Work. Based on Congressional Budget Office (CBO) estimates, H.R. 3734 would leave states with a \$9 billion shortfall over six years in resources for work if

they maintained their current level of cash assistance. Moreover, the Economic and Educational Opportunity Committee increased this shortfall and cut State flexibility by raising the weekly number of hours that States must place recipients in work activities and increasing the participation rates. The Economic and Educational Opportunities amendments would also create a shortfall in child care funding. As CBO has noted, most states would probably accept block grant penalties rather than meet the bill's participation rates and truly refocus the system on work.

- Vouchers. The bill actually reduces State flexibility by prohibiting States from using block grant funds to provide vouchers to children whose parents reach the time limit. H.R. 4 contained no such prohibition, and the NGA opposes it. We strongly urge the adoption of the voucher language that protects children similar to that in the Administration's bill and Castle-Tanner.
- Worker Displacement. We are deeply concerned that the bill does not include adequate protections against worker displacement. Workers are not protected from partial displacement such as reduction in hours, wages, or benefits, and the bill does not establish any avenue for displaced employees to seek redress.
- Family Caps. The House bill reverts back to the opt-out provision on family caps which would restrict State flexibility in this area. The Administration, as well as NGA, seeks complete State flexibility to set family cap policy.
- EITC. The Administration opposes the provisions in H.R. 3734 that increase the EITC phase-out rates thereby raising taxes on more than four million low-income working families, with seven million children. In addition, the budget resolution instructs the revenue committees to cut up to \$18.5 billion more from the EITC. Thus, EITC cuts could total over \$20 billion, and such large increases on working families are particularly ill-conceived when considered in the context of real welfare reform -- that is, encouraging work and making work pay."

We are also concerned that the bill repeals the Family Preservation and Support program, which may mean less State spending on abuse and neglect prevention activities.

We strongly support the bipartisan welfare reform initiatives from moderate Republicans and Democrats in both Houses of Congress. The Castle-Tanner proposal addresses many of our concerns, and it would strengthen State accountability

efforts, welfare to work measures, and protections for children. It provides a foundation on which this Committee should build in order to provide more State flexibility; incentives for AFDC recipients to move from welfare to work; more parental responsibility; and protections for children. It is a good strong bill that would end welfare as we know it. Castle-Tanner provides the much needed opportunity for a real bipartisan compromise and should be the basis for a quick agreement between the parties.

The President stands ready to work with the Congress to address the outstanding concerns so that we can enact a strong bipartisan welfare reform bill to replace the current system with one that demands responsibility, strengthens families, protects children, and gives States broad flexibility and the needed resources to get the job done.

Sincerely,

Jacob J. Lew
Acting Director

IDENTICAL COPIES SENT TO THE HONORABLE JOHN J. MOAKLEY, THE HONORABLE JOHN R. KASICH, AND THE HONORABLE MARTIN O. SABO

WELFARE REFORM ISSUES FOR FUTURE IMPROVEMENT*Brull
John A
John H**We need
to talk
- Ken***Food Stamps**

- Shelter Deduction -- The conference bill would cap the excess shelter deduction at \$250 beginning in FY 1997, eventually rising to \$300 for FY 2001 and beyond. The excess shelter cap deduction would be eliminated under current law on January 1, 1997. Retaining current law would protect benefit levels for 7 million households with high shelter costs. Over 90% of the benefits would go to households with children.
- Work Requirements for Able-Bodied Adults -- The bill limits participation by able-bodied childless adults to 3 months in a 36 month period, with 3 additional months of participation for individuals that lose a job. The Senate proposed limiting participation to 4 months within a 12 month period, allowing 2 months for job search, a 20% hardship exemption and an opportunity for future participation after working 80 hours in a 30 day period. The Senate provisions increase States flexibility and provide greater protections for seasonal workers and individuals making job transitions that require more than three months.

Legal Immigrants

- Exemptions -- Conference failed to exempt children or those who become disabled after entering the U.S. Exemptions are a high priority to protect the 300,000 children and 150,000 disabled adults who would lose benefits.
- Effective Date and Naturalization Policy -- The SSI and Food Stamps bans would be effective for current recipients as they are subject to redeterminations. This means some immigrants will lose benefits shortly after enactment and all affected immigrants will lose benefits within a year. A six month delay in the effective date would provide a uniform policy for all immigrants and would give current recipients time to adjust and naturalize. In addition, immigrants who apply to naturalize should not be subject to the ban. It currently takes about a year for INS to process an application to naturalize, with significant variations across the country. Immigrants eligible to become citizens should not be denied benefits because of administrative factors beyond their control.

Cash Assistance Block Grant

- Contingency Fund -- The Conference provides \$2 billion for a contingency fund, but this may be insufficient in the event a recession. The Castle-Tanner proposal would have allowed the fund to expand beyond the \$2 billion cap when national unemployment rises above 7 percent. This would improve the fund and make it more responsive to economic downturns. In addition, the Conference provision reducing the match rate for States that use contingency funds for less than 12 months in a fiscal year should be removed.
- Child Vouchers -- The Conference allows States to provide child vouchers after the Federal 5-year time limit (through the Title XX Social Services Block Grant, but not through the cash block grant). Castle-Tanner and Breaux-Chafee required States to provide child vouchers through the cash block grant for State time limits set shorter than 5

years, and allowed them to do so after the 5-year Federal time limit. The Castle-Tanner provisions are stronger and provide more protection for children affected by time limits.

- Worker Displacement -- The Conference does not provide strong enough protections against worker displacement. Provisions are needed to protect against partial displacement such as a reduction in hours due to workfare positions, and provisions are needed to restore merit system protections for cash assistance workers. These changes would improve general labor issues.

STATEMENT BY THE PRESIDENT

July 18, 1996

Today's bipartisan progress in the House and Senate has moved us a step closer to national welfare reform. The Congress has already adopted several improvements I have long advocated, including increased funding for child care, greater incentives for states to move people from welfare to work, and fewer troubling cuts in child welfare, aid for disabled children, and school lunch. Today, the House made encouraging steps forward by protecting the health care guarantee, strengthening state maintenance-of-effort, and dropping plans to raise taxes on working families.

We have come a long way in this debate, but we still have more work to do. In the days to come, I urge Congress to go the extra mile and make further improvements to give the American people the best possible welfare reform bill. We must not let this historic opportunity slip through our fingers.

INTRODUCTION

There are now three main options being discussed within the Republican leadership concerning future action on welfare reform legislation: package welfare reform with Medicaid changes; include welfare reform in a targeted or omnibus FY1997 reconciliation measure; or take no action at all and use the presidential veto of earlier legislation to its best political advantage.

Given the Republicans' current thinking, it is important that we develop a strategy to help change the political calculus of Senator Dole and the Republican leadership, and increase the chances of Congress sending the President a signable welfare reform bill this year. If, in the end, Congress takes no action or we are "jammed" with an unacceptable package, this strategy will lay the firmest political foundation possible to defend the Administration's actions and record on welfare reform.

Our strategy should include a set of integrated activities in the following areas: **executive actions; congressional activity; and press/communications.** These activities would be based on the following three themes:

- * **The President was justified in vetoing extreme Republican welfare reform and will continue to reform the system one state at a time if the Republican Congress refuses to send him an acceptable bipartisan bill.** This message is essential if Dole and the leadership are to be convinced that the political/legislative status quo on welfare favors the President or at least is a wash. Eventually, Dole could be convinced that accomplishing a major legislative goal and sharing credit on the issue with the President is the better way to go.
- * **Dole is playing presidential politics with an issue that has broad bipartisan and public support and should be passed this year.** We can steer them toward a free-standing bill by raising the price Dole and the leadership would pay for doing nothing, passing an unacceptable welfare/Medicaid package, or playing with the reconciliation process to squeeze through the Senate a partisan welfare bill. Critical to this theme is the argument made by several national columnists that welfare reform is an issue that serves Dole better as an accomplishment, not as the victim of a presidential veto.
- * **Dole's refusal to act on a bipartisan welfare reform bill is another sign that he has abandoned long-standing policies and principles this year to pander to the extremist "Gingrich" wing of the Republican party.** The message here is that candidate Dole has abandoned the common ground of the bipartisan Senate-passed bill for the extreme conference report that the President was forced to veto. Dole also walked away from a 30 year moderate record on welfare and nutrition issues. He now has the opportunity to embrace bipartisan centrist reform based on legislation put forward in both Houses (Breau/Chafee and Castle/Tanner). Will he walk away from that too?

EXECUTIVE ACTIONS

We already have a good record of executive actions on welfare reform that contrast well with the inability of Congress to produce bipartisan legislation. We have approved 58 "welfare experiments" in 37 states, and are likely to act on several additional waivers for key states this year. We also can point to an overall decline in welfare caseloads and an increase in child support collections since the President took office.

We could take several new executive actions this year that would help to strengthen our political position on welfare reform, and illustrate to Dole and the Republican leadership that a strategy of sharing credit on welfare has more traction than running on past vetoes. Secretary Shalala's recent memo to the President proposed several executive actions concerning work and teen pregnancy that could be taken quickly. Bruce Reed has other promising ideas in the areas of work and time limits. Future executive actions should be in areas covered by pending legislation to avoid any appearance that we are trying to undermine congressional reform. These actions also should be focused on work, the issue Republicans are most interested in capturing for themselves this year.

The Administration also can undertake studies and research activities that strengthen our credentials on key welfare reform issues while weakening the underpinnings of the vetoed Republican legislation. For example, Bruce Reed has discussed a study that could detail the number of additional welfare recipients who would be involved in work as a result of the President's plan. This could be compared to a lower number involved in work under the vetoed conference bill because of inadequate child care resources.

CONGRESSIONAL ACTIVITY

Senate Democrats will play a key role this year in shaping political issues and framing messages in Dole's front yard. Using Senate rules, they also can force votes and action on major issues and legislation. Their role in the politics of welfare reform will be especially critical. Thirty-five Senate Democrats supported the Senate bill and can validate the notion that the President and many Democrats remain eager to support bipartisan reform. They also can carry the message that Dole has abandoned the Senate's bipartisan common ground and his own history on the issue.

Senate Democrats can conduct a range of legislative and press activities that reinforce our core themes. These include floor speeches during "Morning Business", press conferences, Dear Colleagues, and regional press outreach by senators from key states. Perhaps most important, we need to work with Senate Democrats on a joint

strategy for them to begin offering welfare reform amendments to priority Republican legislation if Dole refuses to act on bipartisan reform. Possible amendments include the original Senate-passed bill, Breaux/Chafee, child support enforcement only, etc.

Because they are more removed from Dole and less united on the issue, House Democrats will tend to be less helpful as a group on welfare reform. We should still work with the leadership to organize activities like "one minute" floor speeches, press conferences, Dear Colleagues, and regional press outreach by pro-reform Democrats from key states. House Democrats can be most helpful in tying the Republican (Dole) welfare strategy to Gingrich and the extremist House freshmen. They can also offer motions to recommit legislation with instructions to include bipartisan welfare reform.

Finally, moderate Democrats in Congress, particularly Senator Breaux and the House "Blue Dogs", will continue to be the main bridge to the Republicans on welfare reform. Through op-eds, Dear Colleague letters, and floor speeches (particularly with their moderate Republican allies), they can validate the notion that centrist, bipartisan reform is doable this year. This would reinforce our push for a bipartisan bill and weaken the Republican claim that the opportunity for reform has come and gone.

COMMUNICATIONS ACTIVITY

Columnists: We should reach out to national columnists and those in key electoral states to carry the message that Dole is playing politics with welfare reform and is better served politically by working towards a signable bill. Recent columns by Jerry Seib and Mickey Kaus are good examples. This press focus is critical if Dole is to see welfare as an issue for his "Majority Leader accomplishment" list and not the "Clinton obstacle" list.

Editorials: We should target some key markets in major electoral states and try to get editorials written to the effect that Dole should stop playing politics with welfare reform and move forward along the lines of the bipartisan centrist packages introduced in both Houses. Administration officials, Democratic Governors, and Senate Democrats all could be tapped to talk with editorial boards.

Direct Administration/Cabinet: We should think about key opportunities for the President and other Administration principals to carry the message that the President is eager to sign a bipartisan welfare bill, but, if necessary, will continue to reform welfare one state at a time.

We also should target a small handful of states (midwestern battleground states with Republican governors who are potential VP candidates) for more intense press outreach on the part of the Administration. This could include a combination of radio interviews, editorial boards, op-eds, speeches to organizations in the state, etc.

TALKING POINTS
WELFARE REFORM MEETING
June 6, 1996

1. Our message as Democrats should be: We support welfare reform, but we're not going to send America's children a Medicaid poison pill. We should focus the entire debate on the Republicans' cynical strategy to force a veto. We should attack them for taking health care away from poor children and the elderly -- and for holding welfare reform hostage.

2. We support the Castle-Tanner welfare reform bill. We can support a block grant as long as it provides health care and child care to move people from welfare to work. In an ideal world, we would prefer immigrant deeming. But Democrats should unite behind the Castle-Tanner bill as much as possible.

3. Your strategy in committee should be: 1) Attack the Republican Medicaid plan; and 2) Use Castle-Tanner as the basis of your substitute and amendments. We can put the Republicans on the defensive on this issue by showing our own eagerness for welfare reform:

* **Castle-Tanner as the basis of a substitute.** It has broad bipartisan support, including from some moderate Republicans like Nancy Johnson on Ways & Means. The closer your substitute mirrors Castle-Tanner, the clearer it will be that the real difference between Republicans and Democrats is over whether to gut Medicaid, not whether to support welfare reform.

* **Offer key elements of Castle-Tanner as amendments as well:**

Maintenance of Effort: Castle-Tanner is 85% (and higher for states that fail to meet work requirements); GOP bill is 75%.

Work Funding: Castle-Tanner provides \$3 billion for work programs.

Individual Responsibility Contracts: Castle-Tanner requires welfare recipients to sign personal responsibility contracts; GOP bill doesn't.

Contingency Fund: Castle-Tanner has a more responsive trigger in economic downturns.

CONGRESSIONAL MODERATES' POSITIONS ON WELFARE REFORM

Major Areas of Concern

- Immigrants -- Reducing the deep cuts and removing bans on assistance to legal immigrants.
- Medicaid-AFDC Linkage -- Retaining categorical Medicaid eligibility for AFDC recipients and addressing health coverage for those who lose cash assistance due to time limits or other eligibility changes.
- Post-Time Limit Vouchers -- Requiring States to provide voucher assistance to children in families that reach the 5-year Federal time limit.

Key Differences Between the Castle-Tanner and Chafee-Breaux Proposals

- Recessions. The Castle-Tanner bill allows for additional contingency fund expansion during recessions while the Chafee-Breaux proposal does not.
- Family Cap. The Chafee-Breaux proposal provides complete State opt-in flexibility while Castle-Tanner retains State law opt-out requirements.
- Food Stamp Time Limits/Work Requirements on 18-50s. The Castle-Tanner bill requires States to offer a work slot before terminating benefits while the Chafee-Breaux proposal does not.
- Food Stamp Waiver Authority. The Castle-Tanner proposal does not include any changes to the food stamp waiver authority, while the Chafee-Breaux proposal does include a significant expansion in waiver authority.

Congressional Moderates' Positions on Welfare Reform

	House Coalition	Senate Moderates
AFDC, WORK, & CHILD CARE		
State Funding/Maintenance of Effort (MOE) Issues		
<u>Overall MOE</u> -- Raise level to 80% or higher	+	+
<u>Transferability</u> -- Allow transfers to child care only; prohibit transfers to Title XX Social Services Block Grant	+	+
<u>Contingency Fund</u> -- Require 100% MOE to access funds	+	+
<u>Child Care</u> -- Include State match on additional child care funds	+	+
Contingency Fund		
<u>Base Fund</u> -- Increase to \$2 billion and make permanent	+	+
<u>Recessions</u> -- Allow further expansion of fund during recessions	?	?
Work Participation -- Greater State flexibility to meet work rates	+	+
Family Cap -- Provide complete State flexibility	-	+
Equal Protections -- Require States to establish fair and equitable treatment provisions and develop State accountability mechanisms	+	0
FOOD STAMPS		
Optional Block Grant -- Drop any version from bill	+	+
Annual Cap on Program Spending -- Drop from bill	+	+
Shelter Deduction -- Do not change current law	+	+
Time Limits/Work Requirements on 18-50s -- States must offer work slot before terminating benefits	+	-
IMMIGRANTS		
School Lunches -- Exempt from verification requirements	+	+
Bans -- Drop Food Stamps and SSI bans	-	0
Medicaid -- Drop Medicaid ban	-	-
OVERALL SAVINGS TARGET		
Administration, -\$40; House Coalition, -\$50; Senate Moderates, mid-\$40s		

(+) indicates position consistent with Administration; (-) indicates position inconsistent with Administration; (0) indicates partial support; (?) indicates unclear position.

Summary of Savings from Benefit to Immigrants Restrictions
(7 year totals, dollars in billions, CBO estimates unless indicated)

	Deeming until Citizenship	H.R. 4 Benefit Ban	Administration	House Coalition	Senate Moderates
SSI (no new exemptions)	6.6	<u>15.0</u>			
Current law disabled exemption	6.6	→ 10.7			
Exempt those over 75	4.4	11.6		11.6	
Exempt the disabled and over 75	4.4	7.3	4.4	7.3	7.3 ¹
Food Stamps (no new exemptions)	0.6	<u>4.1</u>	0.6		0.7
Exempt for households with children (OMB estimate)	NA	1.0		1.0	
Medicaid (no new exemptions)	2.0 to 2.2				
HR4 --5 year ban on new entrants, deem until C thereafter with a state option to ban permanently	NA	<u>4.1</u>		4.1	4.1
Child Nutrition (ban on illegals)		0.4			
Other (Uniform definition of eligibility and Medicaid interactions)	0.9	(included above)	0.9	(included above)	(included above)
Summary	9.5 to 10	23 to 23.6	5.9	12.4 16.7	12.1
	10 → 14				

¹ Senate moderates are considering exempting only those disabled and over 75 currently in the country. This would only slightly increase savings over the level shown. CBO estimates are from multiple bills. Program interactions and different enactment dates may complicate comparisons.

March 13, 1996

Welfare Conference Report Talking Points

- **Child Care.** The Conference report significantly underfunds child care necessary to make welfare reform a success. Based on CBO analyses, and taking into account both Federal and State funding, an additional \$5 to \$6 billion total would be necessary to provide child care to those in the Conference work program and to maintain current law funding for the working poor (not taking into account increased need among those leaving welfare for work). The work provisions in the Senate bill and the NGA proposal would give States much more flexibility than the Conference report to meet the work requirements, and would reduce the costs of child care substantially. The Administration strongly supports additional funding for child care.
- **Illegitimacy.** The Conference provides additional grants to States that reduce out-of-wedlock births. Secretary Shalala noted in her letter to conferees, however, that the Administration "does not support the so-called illegitimacy bonus in the House and Senate bills, which some believe could promote abortion and which is unworkable in its current form."
- **Child Protection.** Despite growing numbers of abused and neglected children needing protection services, the Conference legislation block grants a portion of the open-ended programs funding such services. While the Conference bill maintains direct payments to families that take in foster children, it caps and block-grants funding for placement services, case-worker training, and program administration. The Administration supports maintaining the current program structure which automatically adjusts to changes in need.
- **Food Stamps.** The Conference bill would cause irreparable damage to the food stamp program - the only national universal safety net. The program would lose its ability to respond during an economic recession under the proposed annual cap on food stamp spending and the optional food stamp block grant. While the Administration opposes many of the cuts in the Conference bill, two are particularly harsh on needy recipients. First, the bill would place a cap on the amount of shelter expenses that poor families can deduct from their income -- forcing families to choose between paying rent or buying food. This would reduce benefits to 2 million low income families with children. Second, the bill would force States to terminate benefits to individuals who are willing to comply with a work requirement but for whom the State will not provide a work or training opportunity. CBO/USDA estimate that about 700,000 otherwise eligible people would be denied assistance under this provision in a typical month.
- **School Lunch.** The Conference legislation would allow a School Lunch and Breakfast block grant to be established in one State in each of the seven USDA regions. These block grants would not require States to serve the same number of children they did before the block grant took effect, and would weaken the national standards ensuring that nutritious meals are available to all children. Under the block grant, schools would be allowed to increase the price of meals served to children between 130 and 185 percent of poverty, thereby increasing food costs for low-income families.

- **SSI Kids and Other SSI Provisions.** The Conference would tighten eligibility standards for childhood disability for current and new beneficiaries. More than three quarters of the children remaining in the program who become eligible in the future would have their benefit reduced by 25 percent. In addition, the age of eligibility of elderly SSI benefits would be linked to the normal retirement age for Social Security benefits. This would gradually increase age of eligibility for elderly SSI benefits to 67, eliminating benefits to as many as 100,000 of the poor elderly. Finally, the Conference would eliminate existing maintenance of effort requirements for state supplement payments. Several million SSI recipients depend upon State supplements for an average of \$100 per month in benefits.
- **Medicaid Eligibility.** Currently, AFDC recipients are categorically eligible for Medicaid. The Conference bill, however, would sever the link between eligibility for cash assistance and Medicaid benefits. Under the new cash block grant, recipients would not be automatically eligible for Medicaid. As a result, millions of poor children and pregnant women could lose access to health care coverage.

Welfare Reform Proposal

Maintenance of Effort

Require an 85% maintenance of effort through 2002, with an increase in the MOE to 90% for states that fail to meet the participation rates and a reduction to 80% for states that meet performance requirements.

Transferability

Restrict transfers from the TANF block grant to only the child care block grant and limit the transfer to 20% of the block grant.

Performance Bonus

Provide performance incentives through a combination of cash payments to high performance states (up to \$1 billion) and higher MOE for low-performance states.

Contingency Fund

Increase contingency fund to \$2 billion.

Allow states that qualify for contingency funds to draw funds even if the \$2 billion authorization has been exceeded if there is a downturn in the national economy not assumed in the CBO projections. (Contingent on CBO scoring)

Require a 100% maintenance of effort before a state can draw down funds from the contingency fund.

Work participation rules

Change work participation requirement to 25 hours a week.

Give states the option to reduce the work requirement to 20 hours for parents with children under age 6

Count individuals leaving welfare to accept private sector employment in meeting participation requirements for one year provided that they remain employed.

Child Care

Increase child care spending by \$4 billion above conference report.

Require states to match additional federal child care funds at current match rates (retain 100% maintenance of effort in the conference report for base level funds).

Work program funding

Provide \$3 billion additional funds for work funding that states can draw in addition to TANF funds beginning in 1999 if the state is spending 100% of 1994 levels on work programs and demonstrates that it needs additional funds in order to meet the work participation requirements. Require states to coordinate TANF work programs with one-stop shopping centers established by the CAREERS Act.

Individual Responsibility

Adopt the requirement in the Coalition bill and the Senate bill that welfare recipients sign an individual responsibility contract developed by the state upon becoming eligible for cash assistance.

Individual protection

Require states to have objective and equitable standards for determining eligibility and certify that the state has established a due process appeal for individuals who have been denied assistance.

State Accountability

Provide the Secretary with the authority to reduce or withhold payments to states if the state does not meet the requirements of the statute.

Family Cap

Provide states with complete flexibility on family cap.

opt out

Child Welfare

Eliminate optional child welfare block grant.

Food stamps

Set savings target of \$22 billion

Eliminate the optional block grant

Adopt the work requirements from the Coalition bill, which requires able-bodied individuals between age 18-50 without children to work or participate in a work program, but does not eliminate benefits if there is not a slot available in a food stamp work program.

Non-citizens

Exempt battered women from deeming requirements

~~Eliminate school nutrition and WIC from the ban~~

illegals

Exempt families with children from food stamp ban.

Exempt disabled kids from ban

Exempt individuals over 75 from the ban.

Exempt individuals who have paid FICA taxes for 60 months (20 quarters).

SUMMARY OF WELFARE PLAN

- **five year time limit** (Senate, NGA, conference)
- **80% maintenance of effort** for Title I block grant (Senate)
- **100% maintenance of effort** for additional child care and contingency funds (Senate)
- **FMAP match** for additional child care and contingency funds (Senate)
- **optional family cap** (Senate, NGA)
- **child welfare/foster care current law** (Senate)
- **repeal IFA for children's SSI**, new definition of childhood disability, 100% of benefit for those who remain eligible (Senate, NGA) delay effective date (NGA)
- **broad minimum health and safety requirements** for child care (Senate)
- **no block grants in child nutrition**; means testing of Child and Adult Care Feeding Program; children of illegal immigrants remain eligible for child nutrition assistance (Senate, NGA)
- **50% work participation rate by 2000** (Senate)
- **35 hours of work per week** required by 2002 (Senate)
- **state option to allow single parents with a child under 6 to work 20 hours a week and count toward the participation rate** (Senate, NGA)
- **five-year ban on most federal "needs-based" benefits for legal immigrants** (Senate)*
- **immediate ban on SSI for most legal immigrants** (Senate)*
- **deeming of legal immigrants until naturalization** (conference)*
- **allow legal immigrants access to public health programs***

* The NGA made no recommendations on immigration issues

OUTSTANDING MEMBER ISSUES**1. Child care funding**

- A. \$8 billion over five years (\$9.9 billion over seven years) in mandatory spending for AFDC-related child care (Senate)
- B. \$14.8 billion over seven years in mandatory spending for AFDC-related child care (NGA) (cost: \$4.9 billion)

2. Contingency fund

- A. \$1 billion over seven years for contingency fund (Senate, conference)
- B. \$2 billion over seven years for contingency fund (NGA) (cost: \$1 billion)

3. Performance bonus

- A. Provide cash bonuses of five percent annually to states that exceed specified employment-related performance target percentages. These bonuses would be funded with additional money, not out of the block grant base (NGA) (cost: up to \$4.1 billion, depending on performance target)
- B. Percentage of Title I block grant funds set aside to provide bonuses to states with high job placement rates (Senate)
- C. The five states with the highest performance in five areas (including job placement) could reduce their maintenance of effort by two percentage points (conference) (cost: none)

4. Immigrants

- A. SSI ban: add exception for disabled (cost \$4.3 billion) or for elderly over 75 (\$3.4 billion)
- B. Five-year ban: Add non-emergency Medicaid as exception to five-year ban on means-tested benefits (cost \$4.1 billion)
- C. Correct SSI "backsplash" (cost \$1.4 billion)

5. Food stamp block grant

- A. Allow states the option to convert food stamp program into block grant so long as 80 percent of the funds are spent on food. (Senate)
- B. Allow states to convert food stamp program into block grant if one of three conditions: 1) state implements statewide electronic benefits transfer system, 2) state has a payment error rate below six percent or, 3) state buys in to a block grant by paying the difference between its own error rate at six percent (conference, NGA) (cost: none)
- C. Eliminate optional food stamp block grant (cost: \$860 million)

6. Food stamp work requirement

- A. Terminate food stamps after six months of every year for able-bodied childless recipients age 18 to 50 who are not working, regardless of whether a job is available (Senate)
- B. Terminate food stamps after four months of every year for able-bodied childless recipients age 18 to 50 who are not working, regardless of whether a job is available (conference, NGA) (savings: \$1.9 billion)
- C. Terminate food stamps after six months of every year for able-bodied childless recipients age 18 to 50 who are not working even though they were offered a work slot (Administration) (cost: \$2.4 billion)
- D. Give states the option of terminating food stamps after six months of every year for able-bodied recipients age 18 to 50 who are not working, regardless of whether a job is available (cost: between \$0 and \$2.4 billion)

Welfare Reform Issues

AFDC, WORK, & CHILD CARE

State Funding/Maintenance of Effort (MOE) Issues

Overall MOE -- Raise level to 80% or higher

Transferability -- Allow transfers to child care only; prohibit transfers to Title XX

Social Services Block Grant

Contingency Fund -- Require 100% MOE to access funds

Child Care -- Include State match on additional child care funds

Contingency Fund

Base Fund -- Increase to \$2 billion and make permanent

Recessions -- Allow further expansion of fund during recessions

Child Care -- More money and quality standards

Work Participation -- Greater State flexibility to meet work rates

Performance Bonus -- Better incentives for States

Family Cap -- Provide complete State flexibility

Equal Protections -- Establish fair and equitable treatment provisions and vouchers; develop State accountability mechanisms

Medicaid -- Coverage for welfare families

Displacement -- Workfare not displacing jobs

FOOD STAMPS

Optional Block Grant -- Drop any version from bill

Annual Cap on Program Spending -- Drop from bill

Shelter Deduction -- Do not change current law

Time Limits/Work Requirements on 18-50s -- States must offer work slot before terminating benefits

IMMIGRANTS

School Lunches -- Exempt from verification requirements

Bans -- Drop Food Stamps and SSI bans

Medicaid -- Drop Medicaid ban

CHILD PROTECTION

No Block Grant

OVERALL SAVINGS TARGET

Administration, -\$40

THE CLINTON ADMINISTRATION'S ACTIONS TO REFORM WELFARE

Under the Clinton Administration, America's welfare system has changed profoundly. The evidence of President Clinton's leadership can be seen in both the evolving debate about national reform and in the positive changes that are now occurring under federally-approved state demonstrations. As the president has emphasized, welfare caseloads are down while work and training activities among recipients are up, the poverty rate is down, teen pregnancy rates are down, food stamps rolls are down, and child support collections have reached a record high.

State Welfare Demonstrations

Since taking office, the Clinton Administration has approved 58 welfare reform demonstrations in 37 states, ~~giving more than two-thirds of the states the opportunity to test new welfare approaches. The Administration has granted waivers to more states than all previous administrations combined.~~ In an average month, these welfare demonstrations cover more than 10 million people, representing approximately 75 percent of all AFDC recipients. States are ~~implementing projects with the following goals:~~ requiring work, time-limiting assistance, making work pay, improving child support enforcement, and encouraging parental responsibility.

Self-sufficiency

reforming welfare by

Due in part to both the Administration's emphasis on welfare reform and its policies to strengthen the economy, welfare caseloads are down by 5 percent since President Clinton took office in January 1993. This represents 700,000 fewer recipients who receive Aid to Families with Dependent Children (AFDC) each month. The number of adult recipients participating in work and training activities is up dramatically since the President took office. In the fiscal year before the President took office (FY 1993), a monthly average of 510,000 welfare recipients participated in the Job Opportunities and Basic Skills Training Program (JOBS). In the latest year for which data is available (FY 1994), a monthly average of 600,000 recipients participated in JOBS, an increase of nearly 18 percent.

Work and Responsibility Act of 1994 and Balanced Budget Plan of 1996

In 1994, the Clinton Administration ^{has proposed} introduced a sweeping welfare reform ^{plans} designed to promote work, encourage parental responsibility, and protect children. The plan included ^{these provisions: impose time limit (12 mths) +} time-limited assistance, tough work requirements, ^{child care} child care to help people move from welfare to work, requirements that teen parents live at home and stay in school as a condition of receiving assistance, and ^{Crack down on} comprehensive child support enforcement. The Clinton Administration also included these provisions in its FY 1997 budget. Congress and the National Governors' Association have ^{incorporated a number of} included many of the provisions President Clinton has called for in their own welfare reform proposals. ^{from the Clinton plan} into

Child Support Enforcement

The President has ^{increased} proposed annual expansions in child support enforcement, increasing resources by 32 percent since taking office. The President has ^{signed an} also taken executive action to make the federal government a model employer in child support collections, increase paternity establishment, and improve collection of child support from parents who move from state to state. ^{order} As a result of these efforts, the Clinton Administration increased child support collections by nearly 40 percent and increased paternity establishment by over 40 percent between 1992 and 1995. Under legislative proposals supported by the President, child support collections could increase by \$24 billion over the next 10 years. These measures include streamlined paternity establishment, employer reporting of new hires, uniform interstate child support laws, computerized statewide collections, and tough new penalties such as driver's license revocation. At the urging of the President, Congress and the NGA have included all of the Administration's provisions for child support enforcement in their welfare reform bills.

for those who refuse to pay.

employers pay the support the owe.

to record levels (how much?)

Record

week



DEPARTMENT OF HEALTH & HUMAN SERVICES

Melissa T. Skolfield

Assistant Secretary for Public Affairs

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To: Bruce Reed

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Date: 6/26 Total number of pages sent: _____

Comments:

Draft statement
on Social Finance
action
pls. call w/ any
comments.

Thanks
Amy

Draft

Statement by Donna E. Shalala

Secretary of Health and Human Services

I am disappointed that the Senate Finance Committee has chosen to continue to take a "poison pill" approach of combining meaningful welfare reform with a misguided attempt to block grant Medicaid. The President has made it clear that he stands ready to reform welfare so that we reward work and strengthen families. But he will not allow the Congress to take away the federal guarantee of health care coverage to 37 million vulnerable Americans including 18 million children, six million people with disabilities, and four million frail senior citizens. Our nation needs welfare reform and a rational reform of Medicaid. But we don't need legislation that leaves Americans more vulnerable and less prepared for the challenges ahead.

THE CLINTON ADMINISTRATION'S ACTIONS TO REFORM WELFARE

Under President Clinton's leadership, America's welfare system has changed profoundly. Three out of four AFDC recipients are now covered by reforms approved by the Clinton Administration. Welfare caseloads are down, the poverty rate is down, teen pregnancy rates are down, and Food Stamp rolls are down, while work and training activities among recipients are up, and child support collections have reached a record high. *"Bill Clinton can justifiably claim that he has indeed ended welfare as we know it."* Douglas J. Besharov, *American Enterprise Institute, Business Week, May 20, 1996*

Executive Action On May 4, 1996, President Clinton announced four measures to make responsibility the law of the land, by ensuring that teen mothers on welfare stay in school and live at home. These four executive actions include: requiring all states to submit plans for requiring teen mothers to stay in school and prepare for employment; cutting through red tape to allow states to pay cash bonuses to teen mothers who finish high school; requiring all states to have teen mothers who have dropped out of school return to school and sign personal responsibility plans; and challenging all states to require minor mothers to live at home or with a responsible adult. With these actions, we're focusing on one of the key components of welfare reform: parental responsibility. And we're putting young mothers on the right path, toward employment and self-sufficiency.

State Welfare Demonstrations Since taking office, the Clinton Administration has approved 61 welfare-to-work programs in 38 states -- more than all previous administrations combined. In an average month, these welfare demonstrations cover more than 10 million people -- approximately 75 percent of all AFDC recipients. With our support, states are reforming welfare by requiring work, time-limiting assistance, making work pay, improving child support enforcement, and encouraging parental responsibility. *"As senators dicker over welfare policy ... President Clinton has fostered what amounts to a quiet revolution ... While Republicans talk wholesale overhaul, the Clinton Administration lets states cut rolls."* *New York Times, 8/13/95.*

Self-sufficiency Due in part to the Administration's emphasis on welfare reform and its policies to strengthen the economy, welfare rolls have decreased by 1.3 million -- almost 10 percent -- since President Clinton took office. Participation in the Food Stamp program has dropped by over one million people -- with a savings of more than \$1.3 billion since August 1994. In addition, the number of adult recipients participating in work and training activities is up dramatically since the President took office. In 1992, about 510,000 welfare recipients participated in the Job Opportunities and Basic Skills Program (JOBS). According to preliminary data, about 650,000 welfare recipients participated in JOBS in 1995, an increase of 28 percent over 1992.

Work and Responsibility Act of 1994 (H.R. 4605 and S. 2224) and Balanced Budget Plan of 1996 In 1994 and again in 1996, the Clinton Administration proposed sweeping welfare reform plans designed to promote work, encourage parental responsibility, and protect children. These plans impose tough time limits and work requirements, provide more funding for child care, require teen parents to live at home and stay in school, and crack down on child support enforcement. Congress and the National Governors' Association have incorporated a number of provisions from the Clinton plan into their welfare reform proposals. *The President's 1994 proposal represents "the toughest work requirements ever attached to welfare, the first serious effort by any President, Democrat or Republican, to stop the disastrous generational cycle of America's dole society."* *New York Times, 7/31/94.*

Record Child Support Enforcement In 1995, the federal-state partnership collected a record \$11 billion from non-custodial parents, an increase of \$3 billion or nearly 40 percent since 1992. In addition, paternity establishments increased by over 40 percent from 1992 to 1995. President Clinton also signed an executive order to make sure federal employees pay the support they owe. Under the President's legislative proposals, child support collections could increase by an additional \$24 billion over the next 10 years. Congress and the NGA have included all of the Administration's provisions for child support enforcement in their welfare reform bills.

WELFARE REFORM AND DRUG TESTING

The Clinton Administration has already given several states welfare reform waivers to test innovative ways to combat drug abuse -- including drug testing, substance abuse screening, mandatory drug treatment, and tough sanctions. The President's welfare reform plan, the Work First and Personal Responsibility Act of 1996, would allow states to decide for themselves whether to implement drug testing for welfare recipients.

Welfare Reform Waivers to Allow Tough Drug Policies

The Clinton Administration is giving states the tools they need to get welfare recipients off drugs, and to get tough with those who refuse to cooperate. In the past three years, the Administration has granted a record 61 waivers to 38 states to reform their welfare systems. These waivers include:

- **South Carolina:** Earlier this month, the Administration approved a waiver to allow random testing of welfare recipients identified as having drug problems. Those who refuse to comply with treatment can lose all welfare benefits.
- **Texas:** Through a waiver approved in March 1996, applicants must sign a personal responsibility contract that makes drug abstinence a condition of eligibility for benefits. Recipients convicted of drug crimes after signing the statement are subject to increasing sanctions.
- **Ohio:** Approved in March 1996, this waiver requires pregnant women to participate in substance abuse screening as part of prenatal care, with sanctions for failing to comply.
- **Oregon:** Also approved in March 1996, the Oregon plan requires welfare recipients identified as having drug problems to get treatment. Failure to comply results in escalating sanctions that lead to a cutoff of all benefits.
- **Connecticut:** Under a waiver approved in August 1994, welfare recipients with identified drug problems must comply with drug treatment, with sanctions for failure to do so.

The President's Welfare Reform Plan Allows States to Implement Drug Testing

The President's welfare reform bill, the Work First and Personal Responsibility Act of 1996, already allows states to carry out drug testing of welfare recipients. Under the President's plan, all welfare recipients are required to sign personal responsibility contracts, which spell out the responsibilities they must meet in order to receive assistance. States would be able to decide for themselves whether to include drug testing and treatment under their personal responsibility contracts.

Under the President's plan and any other welfare reform plan, courts will subject any state's drug testing efforts to Constitutional scrutiny to make sure they are consistent with the "reasonable requirement" under the 4th Amendment.

PROVISION	ADMINISTRATION BILL	WISCONSIN WORKS	CONFERENCE BILL
Guarantees Child Care	YES	YES	NO
Guarantees Health Care	YES	YES	NO
Five Year Time Limit	YES	YES	YES
Minor Mother Provisions	YES	YES	YES
Cuts School Lunches	NO	NO	YES
Cuts Aid to Disabled Children	NO	NO	YES
Cuts Funding for Child Welfare Programs	NO	NO	YES

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WISCONSIN WELFARE REFORM

-The Wisconsin plan does the very thing the President advocated when he called for an end to welfare as we know it: replacing a system based on dependency with a system based on work. As the President has always proposed, the Wisconsin plan guarantees a job instead of a welfare check.

-The Wisconsin plan does two things that the President has always advocated and that the Dole-Gingrich welfare bill he vetoed failed to do: it guarantees health care and child care so people go to work and stay off welfare. The real story here is the difference between the Wisconsin plan and the Congressional Republican welfare bill on health care coverage and providing child care. The President has always insisted on these provisions -- and that is one of the major reasons he vetoed the extremist Republican plan.

-When the President called for an end to welfare as we know it, he said that anyone on welfare who can work should go to work and no one who can work should be able to stay on welfare forever. The Wisconsin plan includes a five-year lifetime limit that was included in every major welfare bill -- Republican and Democrat -- that Congress took up in the past year. The President has supported a 5-year limit; it's included in his FY97 budget proposal; and every member of Congress in both parties has voted for a bill that includes a lifetime limit.

-The President believes the current system is fundamentally flawed, and he will support any serious effort to move people off welfare into work and to restore basic American values of responsibility and family. We've approved more than 60 different welfare reform experiments in 38 states to do that. We're pushing Congress to pass comprehensive welfare reform that is serious about putting people to work -- which the bill the President vetoed was not.

-Furthermore, this is nothing new. We've already granted 3 waivers to Wisconsin. We're glad that Wisconsin and other states keep coming up with innovative proposals to require work, demand responsibility, and promote family. It's worth noting that the Clinton Administration has granted more welfare reform waivers in 3 years than the two previous Republican Administrations granted in 12 years. (61 for us vs. 11 under Bush & 13 in Reagan's 2nd term)

OTHER POINTS TO REITERATE:

1. Welfare rolls are down 1.3 million since January 1993
2. Food stamp rolls are down 1 million since 1993.
3. Child support collections are up 40% since January 1993, to a record \$11 billion in 1995.

-We find it interesting that this proposal wasn't in the Republicans' own welfare plans this year (and was not even offered as an amendment) -- and that Senator Dole plans to announce it in Wisconsin, which has the most revolutionary welfare reform proposal in the country but doesn't see fit to include this provision.

WISCONSIN WELFARE REFORM DEMONSTRATIONS APPROVED BY THE CLINTON ADMINISTRATION

Wisconsin's reform plan, "Work Not Welfare," requires that most AFDC recipients either work or look for jobs. The plan provides case management, employment activities and work experience to facilitate employment. Receipt of AFDC benefits will be limited to 24 months in a four-year period, except under certain conditions, such as an inability to find employment in the local area due to a lack of appropriate jobs. Upon exhaustion of benefits, recipients become ineligible for 36 months.

With exceptions, children born while a mother receives AFDC will not be counted in determining a family's AFDC grant. In addition, child support will be paid directly to the AFDC custodial parent in cases where the funds are collected by the state.

Wisconsin's request was received July 14, 1993, and granted Nov. 1, 1993.

In addition, under Wisconsin's AFDC Benefit CAP (ABC) Demonstration Project, no additional benefits will be provided to existing Aid to Families with Dependent Children cases due to the birth of a child, with exceptions, although additional children will remain eligible for Medicaid benefits and food stamps. All AFDC recipients will be offered family planning services and instructions on parenting skills. The new rule goes into effect ten months after the demonstration is implemented.

For this waiver, Wisconsin's application was received on Feb. 9, 1994, and approved on June 24, 1994.

Under Wisconsin's statewide "Pay for Performance" (PFP) project, AFDC applicants must meet with a financial planning resource specialist to explore alternatives to welfare. Failure to do so without good cause results in denial of eligibility for AFDC benefits for all members of the family.

Individuals who still want to apply for AFDC after meeting with the financial planning resource specialist must complete 60 hours of JOBS activities prior to approval for AFDC. At least 30 of the 60 hours must include contact with employers. Not completing this requirement without good cause will result in denial of AFDC benefits for all members of the family.

Recipients who do receive AFDC are required to participate in JOBS for up to 40 hours per week. For each hour of non-participation, the AFDC grant will be reduced by the Federal minimum wage. If the AFDC grant is fully exhausted, the remaining sanction will be taken against the Food Stamp allotment. If hours of participation fall below 25% of assigned hours without good cause, no AFDC grant will be awarded and the Food Stamp amount will be \$10.

Wisconsin's waiver was requested April 18, 1995 and approved August 14, 1995.

WISCONSIN

STATISTICS RELATED TO WELFARE REFORM

AFDC: The total number of AFDC recipients in Wisconsin has decreased 23.6 percent, from 241,098 in January 1993, to an estimated 184,209 in January 1996.

Teen Pregnancy: According to the CDC, the birth rate for teens aged 15-19 declined four percent from 1991 to 1993. The birth rate for teens 15-17 declined two percent from 1991 to 1992, and remained stable in 1993. Teen pregnancy rates, currently unavailable for 1993, declined from 1991 to 1992 in 30 of 41 states that reported data to CDC. In Wisconsin, teen pregnancy rates dropped by 6.3 percent.

Child Support Enforcement: In FY 1995, Wisconsin distributed \$427,487,251 in child support collections, up from \$293,459,750 in FY 1992 (a 45.7 percent increase). In addition, the number of cases in which families received child support services rose 39.3 percent, from 399,159 in FY 1992 to 411,085 in FY 1995. The state also increased paternity establishment by 45.4 percent, from 17,678 in FY 1992 to 20,994 in FY 1995.

WELFARE REFORM DEMONSTRATIONS APPROVED BY THE CLINTON ADMINISTRATION

Wisconsin's reform plan, "Work Not Welfare," will require that most AFDC recipients either work or look for jobs. The plan provides case management, employment activities and work experience to facilitate employment. Receipt of AFDC benefits will be limited to 24 months in a four-year period, except under certain conditions, such as an inability to find employment in the local area due to a lack of appropriate jobs. Upon exhaustion of benefits, recipients become ineligible for 36 months.

With exceptions, children born while a mother receives AFDC will not be counted in determining a family's AFDC grant. In addition, child support will now be paid directly to the AFDC custodial parent in cases where the funds are collected by the state.

Wisconsin's request was received July 14, 1993, and granted Nov. 1, 1993. WNW is a signature initiative of Governor Thompson. Although approved by the state legislature with some Democratic support, WNW has been criticized by advocates, labor, and minority leaders.

In addition, under Wisconsin's AFDC Benefit Cap (ABC) Demonstration Project, no additional benefits will be provided to existing Aid to Families with Dependent Children cases due to the birth of a child, with exceptions, although additional children will remain eligible for Medicaid benefits and food stamps. All AFDC recipients will be offered family planning services and instructions on parenting skills. The new rule goes into effect ten months after the demonstration is implemented.

For this waiver, Wisconsin's application was received on Feb. 9, 1994, and approved on June 24, 1994.

Under Wisconsin's statewide "Pay for Performance" (PFP) project, AFDC applicants must meet with a financial planning resource specialist to explore alternatives to welfare. Failure to do so without good cause results in denial of eligibility for AFDC benefits for all members of the family.

Individuals who still want to apply for AFDC after meeting with the financial planning resource specialist must complete 60 hours of JOBS activities prior to approval for AFDC. At least 30 of the 60 hours must include contact with employers. Not completing this requirement without good cause will result in denial of AFDC benefits for all members of the family.

Recipients who do receive AFDC will be required to participate in JOBS for up to 40 hours per week. For each hour of non-participation, the AFDC grant will be reduced by the Federal minimum wage. If the AFDC grant is fully exhausted, the remaining sanction will be taken against the Food Stamp allotment. If hours of participation fall below 25% of assigned hours without good cause, no AFDC grant will be awarded and the Food Stamp amount will be \$10.

Wisconsin's waiver was requested April 18, 1995 and approved August 14, 1995. Although passed by the Legislature with bipartisan support, the statewide family cap has been criticized by advocates and the Catholic Church.

Governor Thompson repeatedly has criticized the waiver process describing it as a process in which the governors have had to come to Washington to "kiss the ring" of the bureaucrats to obtain approval. In this Administration, we have approved all three of Wisconsin's waiver requests in a manner that demonstrates our resolve to provide state flexibility. All but one of these requests was approved within the 120 day target established by the President for reaching a decision, and the one exception was approved within 135 days.

Governor Thompson also has claimed repeatedly in various forums that the Federal Government only allowed Wisconsin to implement the Work Not Welfare (WNW) demonstration in two counties. In point of fact, the State never requested authority to implement the project in more than two counties nor did HHS ever indicate that we would restrict the scope of the demonstration.

Being the first state to propose time limits with very limited extensions, WNW also required careful attention in resolving a number of issues. This included a visit to the State by senior HHS officials to work out agreements around several issues. For example, the State originally asked for a strict time limit. After lengthy discussion we agreed to allow the State to impose a time limit as long as there was an exemption for persons who have

made all appropriate efforts to find work and are unable to find employment because local labor market conditions preclude a reasonable job opportunity. In addition, we agreed with the State's concern that the demonstration was not best suited to a random assignment evaluation. As a consequence, we allowed the State to employ a non-experimental evaluation design that we believe will also contribute to our knowledge concerning the application of non-experimental impact evaluation of welfare reform.

PENDING AND ANTICIPATED WAIVER REQUESTS

Wisconsin has passed legislation to implement a project called Wisconsin Works (W2) that would eliminate the AFDC program by January 1999. W2 would replace the AFDC cash and health care entitlements with work requirements in subsidized or unsubsidized jobs.

Wisconsin's waiver application appears to follow the provisions in the W2 legislation and proposes to amend two existing demonstrations: Pay For Performance, which is operating statewide; and Work Not Welfare, which is operating in a small number of counties. Provisions of W2, if approved, would apply in addition to those existing demonstrations statewide and/or in the respective counties.

Wisconsin proposes to guarantee placement in jobs; increase the value of assets and a car that recipients can own; change health coverage provisions; base payment amounts on type of employment rather than family size; and limit total lifetime participation in job placement to 24 months and in AFDC to 60 months. Clarifications are needed on several remaining issues and questions about how these provisions would be implemented.

HHS received Wisconsin's application on May 9, 1996. This waiver application is the state's first step in implementing W2 legislation. In the near future, we expect additional, larger applications.

ADDITIONAL BACKGROUND

The state legislature has recently passed Governor Thompson's welfare reform initiative, Wisconsin Works. Governor Thompson has stated publicly that he has completed welfare reform for the state and the Clinton Administration is the final hurdle. Labor, community advocates, and religious organizations have provided vigorous opposition to many issues in the Governor's proposal, particularly the lack of protections for beneficiaries reaching the time limit, payment of a sub-minimum wage to some beneficiaries, and displacement of organized state and local employees. Numerous Democratic state legislators have expressed support for the final welfare reform package.

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OFFICE OF CONG. SANDER M. LEVIN
12TH DISTRICT OF MICHIGAN

FAX MESSAGE

DATE: 6/4/96

TO: Bruce Beid

FAX: 202-456-5554 5557

FROM: Sander Levin

PAGES (INCLUDING COVER): 4

NOTES:

PLEASE DELIVER AS SOON AS POSSIBLE!

Democrats support broad flexibility as to how States shape welfare to work programs. This has been seen in the waivers issued by the Clinton Administration. States want to go beyond the waiver process to obtain easier and broader flexibility. Such flexibility should be achieved in ways that are combined with some national standards to assure State accountability for Federal dollars. There is a national interest in moving parents on welfare to work, breaking their cycles of dependency for their sake where they exist and clearly that facing their children. That national interest will not be carried out if Federal dollars are basically substituted for State dollars.

Most of the dollars saved in the bill being presented to the Ways and Means Committee by the Republicans come from two programs that go far beyond welfare reform: services for legal immigrants; and food stamps.

Democrats have favored and continue to favor reforms in those programs. We have supported reforms in the deeming of a sponsor's income to the legal immigrant to determine eligibility for social service programs and favor further efforts to strengthen these provisions. We also have led efforts to tighten the food stamp program and eliminate abuse in it. As members who have actively supported deficit reduction, we will continue to search for ways to cut the budget and reduce the deficit--the right way. If the Republican efforts in these two areas were to succeed, it would mean: not only the potential for block grants of food stamps but especially in times of recession in a state, lots of hungry families because of the reduction in food stamps for families with high housing costs and persons with periods of layoffs beyond four months; and as to legal immigrants, immense added financial pressures on local government through the banning of legal immigrants from a large number of programs.

We have said before and say again: Welfare reform is essential; it can only be achieved on a bi-partisan basis. Democrats remain ready and prepared for a bi-partisan approach. The major question continues to be: are the Republicans on this Subcommittee, in the full Ways and Means Committee; on the floor of the House and in the Senate?

***Still harsh on kids

The new bill

**does not assure that, as a parent moves from welfare to work, health care will be available as now provided under Medicaid, if not provided through employment.

**does not assure adequate child care where needed, because: 1) there is no assurance of health and safety standards; 2) there is a 20% cut in the Social Services Block Grant that is a major source of funding for child care in the States;

**prohibits States from using block grant funds to provide even non-cash assistance to children whose families are eliminated from assistance because of the five year time limit.

**has a contingency fund to help states in times of recession which provides increased assistance less than half of what would be needed based on the experiences in previous recessions, which would leave tens of thousands of kids and their parents in the cold despite best efforts to find work.

***Still weak on essential ingredients to help make work requirements work

The new bill:

**still provides no additional monies to the States to help with programs that will put people to work (unlike the Republican proposal of 1994, which provided \$10 billion in additional funding).

**shapes participation rates required of the States so that they can meet them mainly by a favorable economy or elimination of participants from the rolls through time limits, rather than through a successful program to move recipients from welfare to work.

**does not require all welfare participants to enter in individual responsibility contracts.

**Weak on State accountability and responsibility

The new bill has a State maintenance of effort provision that is set only at 75% and can be reduced still lower, allows broad discretion to the States as to what is defined as their match, and then allows the States to transfer up to 30% of the cash assistance block grant to a quite broad array of other programs.

The Democratic Party's commitment to welfare reform has been firm and its principles clear; strong on moving parents on welfare to work, for their own benefit and that of their children; protective of the children as the cycle of dependency is broken.

Democrats, led by the President, were compelled to reject the bills passed by Republicans in 1995 because they missed the mark on both key counts: they were weak, instead of strong, on welfare to work; they were harsh on, instead of protective of, children.

The new bill introduced by the Republicans moves toward the Democratic position in some instances:

- ** a significant increase in funding for child care;
- ** dropping of the proposed block grant for foster care and other child welfare programs;
- ** elimination of the punitive cut of 25% in payments to hundreds of thousands of low and very moderate income families with very seriously handicapped children.

They also have dropped the cap on food stamp expenditures which would have left innumerable families hungry especially in case of an economic downturn, as well as the optional block grant for school nutrition funding.

However, the Republican bill remains fatally flawed.

From the outset, the Republicans have failed, indeed refused, to sit down with Democrats and work toward a bi-partisan approach. Such an approach is feasible. Indeed there is a mainstream welfare reform approach, if only the Republicans will let that approach express itself on a bi-partisan basis rather than trying to satisfy the extreme positions active on this and so many other issues in the Republican Conference.

This ultra-partisan approach is reflected in the linkage of welfare reform with the block granting of Medicaid. If the Republican's main aim is to pass a bill that the President will surely veto, avoiding any situation where the President would receive some credit for passage of welfare reform, this linkage is a clear poison bill that will bring about a veto.

But the nation wants better than that, and it can be done.

This means addressing these serious flaws in the Republican Bill, which:

- ** is still harsh on kids
- ** is still weak on linking welfare with work
- ** fails to adequately combine flexibility for the States with State accountability.



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

May 23, 1996

MEMORANDUM FOR THE DIRECTOR

FROM: Ken Apfel

SUBJECT: First Cut at New Congressional Welfare Reform Bill

The House Ways and Means Committee introduced a new welfare reform bill yesterday that builds upon the National Governor's Association welfare proposal. This bill contains some real improvements to the vetoed welfare bill and the Administration should be pleased that the Republicans have taken a step in our direction. Specifically the bill addressed some of our concerns with regards to:

- drops the 25% benefit reduction in SSI for many newly eligible disabled children
- drops the School Lunch Demonstration and the Child Protection Block Grants
- increases child care funding by \$4 billion
- increases and improves somewhat the AFDC contingency funding trigger
- provides \$800 million for performance bonuses by 2002
- drops the Food Stamp annual spending cap.

Unfortunately, the bill still contains many of the unacceptable policies contained in the original Conference Bill. It still cuts as deeply as the vetoed bill. The Administration should caveat any kudos for the new bill with serious reservations on the following fronts:

- Immigrants The bill has not changed the vetoed welfare bill provisions to ban virtually all legal immigrants from SSI and Food Stamps permanently as well as future immigrants from all federal programs for a five year period.
- Food Stamps Other than dropping the annual spending cap, the new bill is exactly the same as the Conference bill. It retains the optional block grant, cuts to the shelter deduction, a four month time limit on childless workers and deep budget cuts.
- AFDC/WORK While the above listed improvements are significant, the revised bill retains many of the objectionable provisions from the vetoed bill. States are still allowed to dramatically reduce their own spending on welfare programs, it eliminates voucher or non-cash assistance to children after the 5-year time limit, State would be allowed to drop Medicaid coverage for those who lose AFDC under the new program, the contingency fund would not expand during a recession, and there are no provisions for the fair and equitable treatment of individuals.

We are drafting a more detailed analysis on the strengths and weaknesses of the bill that will be available later today.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Amy Busch

Special Assistant in Public Affairs

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To: Bruce Reed

Fax: 456-5557 Phone: _____

Date: 5/31 Total number of pages sent: 3

Comments:

2nd draft —
 Please let me
 know if you have
 any changes —
 Thanks again
 Amy

THE REPUBLICAN PLANS ARE TOUGH ON CHILDREN

WELFARE

Welfare reform should not contain any "poison pills." The President wants real welfare reform that's tough on work, not tough on children. The single greatest obstacle to achieving bipartisan welfare reform is the Republicans' insistence on linking it to a Medicaid bill that would eliminate guaranteed health care coverage for millions of poor children. Republicans are intent on forcing a veto, rather than making progress on real bipartisan welfare reform. As the President has repeatedly said, if Congress sends him a clean welfare reform bill that requires work, promotes parental responsibility, and protects children, he will sign it right away.

The Republican Conference bill was tough on children. The President vetoed the Conference bill for a good reason -- it did too little to move people from welfare to work and too little to protect children. The Conference bill lacked adequate child care to enable single parents to work, a performance bonus to reward success, and a contingency fund to protect states and families -- and it included deep cuts in help for abused, disabled, and hungry children. By making specific recommendations to improve the vetoed Conference bill, the nation's 50 governors and even Congressional Republicans have stated, in effect, that the President was right to veto this flawed legislation.

Bipartisan progress on welfare reform. There are bipartisan welfare reform plans sitting in the House and the Senate right now that do what the American people agree welfare reform must do: they require welfare recipients to work; they limit the time people can stay on welfare; they toughen child support enforcement and they protect our children. Both the Breaux/Chafee and the Castle/Tanner bills contain the elements for real welfare reform. As the President has said, if Congress sends him a bill that honors these fundamental principles, he'll sign it right away.

Welfare reform must move people into work and protect children In 1994 and again this year, President Clinton presented a sweeping welfare reform bill that would promote work, encourage parental responsibility, and protect children. We've also granted waivers to 38 states that are now reforming welfare for more than 10 million parents and their children -- 75 percent of all AFDC recipients.

A strong record of success for children. Since taking office, the Clinton Administration has increased child care resources by 36 percent -- serving about one-third more children than in 1992. We've increased both paternity establishments and child support collections by about 40 percent -- collecting a record \$11 billion in child support in 1995. Since the Administration has taken office, the welfare rolls have gone down, the poverty rate has gone down, the teen pregnancy rate has gone down, and child support collections have gone up -- all adding up to a stronger future for our children.

MEDICAID

Eliminates guaranteed health care for millions of poor children. Total Medicaid cuts could reach \$265 billion by 2002 if states spend only the minimum required to receive their full grant allocation. These cuts would put severe financial pressure on states to reduce the health benefits for many of the 18 million children who currently receive Medicaid. Under current law, mandatory Medicaid coverage of children ages 13-18 is being phased in, and by the year 2002 all poor children ages 13 to 18 will receive Medicaid. The Republican bill repeals this guaranteed extension of coverage, potentially affecting up to 2.5 million children.

Disabled children have the most to lose. Since States have the option to define disability under the Republican bill, some of the over 800,000 disabled children on Medicaid could lose coverage. Medicaid is the primary payment source for medical services for children with disabilities. Their conditions demand intensive health care services - usually the most expensive to provide. If states are forced to provide medical care under a block grant, coverage for some of the most expensive services, particularly services provided in a home setting, could be reduced.

Guarantee of meaningful benefits no longer secure. The Republican bill gives states complete flexibility to define the amount and frequency of medical services and the benefits children receive. The bill eliminates the current minimum standard of benefits as well as current treatment guarantees for conditions discovered during health exams -- such as drugs or inhalers for asthma. In addition, states can arbitrarily offer different benefits in different parts of the state, so that children in rural areas may lose vital services such as home visits from a nurse or clinical services from a doctor.

Ends transitional coverage for families moving to self-sufficiency. The Republican welfare reform bill also eliminates the transitional health care coverage families need to successfully move from welfare to work. A 1994 Census Bureau study found that over a 20-month period, only eight percent of people who left welfare were able to find a job with health insurance. Transitional health care coverage helps ensure that single parents will not have to choose welfare over work simply because they cannot afford health care for their families.

Repeals the Vaccines for Children program. Vaccines for children is a key part of the national strategy to reach the one million American children under two who are unvaccinated against one or more deadly diseases. VFC is working to break down one barrier to proper childhood immunization, by reducing the costs of vaccines for poor and uninsured children. The Republican bill would repeal the VFC program, threatening our ability to ensure that children are adequately protected against potentially life-threatening childhood disease.

Date: 12/5/95

To: Bruce Reed
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From: Chad Jenkins

Message: _____

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Proposed Changes in Welfare Reform Provisions

Child Care

Option 1: Adopt child care provisions from Coalition plan, which consolidate child care assistance in a single program while maintaining the guarantee of assistance to all individuals who need child care assistance to participate in a work program or to obtain and keep a job while on welfare and in the first year after leaving welfare.

Option 2: Increase mandatory child care funding under the block grant in the conference agreement by \$1.5 billion over seven years. The increase in funding in each year should be proportional to the work participation rate in the bill.

Funding for work program

Option 1: Adopt capped entitlement for work programs in the Coalition plan providing \$9 billion over seven years to states to meet work requirements.

Option 2: Increase funding for welfare block grant by an amount relative to increases in work participation rates.

Personal Responsibility Contract

Adopt provision in Coalition plan requiring all welfare beneficiaries sign an individual responsibility contract which requires them to take actions to move toward work and act in a responsible manner and provide sanctions for individuals who violated their contract.

Contingency fund

Increase contingency fund levels to \$1.4 billion over seven years for states with unemployment over 6.5% for three months.

Maintenance of effort

Require states to continue to spend at least 80% of 1995 spending levels on block grant for seven years, instead of the 75% maintenance of effort requirement for five years in the conference agreement.

Performance Bonus

Provide \$1 billion over seven years for high performance states instead of the reduction in maintenance of effort provisions in the conference agreement.

Child Nutrition

Restore half of child nutrition savings by eliminating all provisions except means-testing of child and adult day care food program.

Foster Care

Remove foster care administrative expenses from block grant.

Analysis of Welfare Reform Conference Agreement Compared to Principles in Coalition Alternative

Summary

In offering a welfare reform alternative, The Coalition outlined three essential elements that must be included in a tough, meaningful welfare reform bill: 1) strong work requirements with sufficient funding to allow states to meet these work requirements; 2) provisions to make work pay more than welfare; and 3) requiring personal responsibility by welfare recipients. The conference agreement falls short of the Coalition plan on all three elements.

As was the case with the welfare reform bills passed in the House and Senate, the conference agreement is fundamentally different from the Coalition plan because it block grants welfare programs. The Coalition alternative did not block grant welfare programs because of concerns about the effect that a block grant would have on states with high growth, economic downturns and other emergencies. The Senate bill contained several provisions that somewhat mitigated the concerns that Coalition members had with the block grant approach in the House, including a contingency fund for high growth states, maintenance of effort and higher funding levels for the block grant. However, in order to meet the budget targets the conferees were forced to eliminate or scale back many of these provisions added by the Senate. The block grants are funded at the lower House levels, which will make it much more difficult for states to meet the goals of the bill and will make it much more difficult for states to accommodate population growth and economic downturns. As a consequence, most of the problems with the House block grant approach remain largely unaddressed in the conference agreement.

The conference agreement cuts income support programs by \$82 billion over seven years (not including EITC savings), nearly twice the amount of savings in the Coalition budget alternative. When the EITC savings are included, the total savings in the conference agreement are nearly three times the amount in the Coalition alternative. In order to meet these higher savings goals, the conference agreement was not able to provide sufficient funding to meet the work requirements or to address the concerns of high growth states and made much deeper cuts in food stamps and child nutrition than the Coalition alternative.

Work Requirements

The Coalition alternative contained a capped entitlement of \$10 billion over the next seven years to fund the work program. CBO determined that the Coalition plan contained enough funding to allow states to meet the work requirements. The conference agreement does not include a capped entitlement for work programs. States would be required to fund work programs out of the basic block grant for welfare assistance. States are expected to provide significantly expanded work programs with less funding. The CBO reports on the House and Senate bills indicated that states would not be able to meet the work requirements under either bill, although the Senate bill would be somewhat better. By moving toward the House funding levels, the conference agreement will almost certainly not include enough funding for the states to meet the work requirements.

The Senate added a \$1 billion contingency fund for states with high growth and economic downturns. Although this was an improvement over the House bill, the level of funding fell far short of the what would be necessary to allow states deal with changes in caseload, as the Coalition plan did. The conference agreement reduced the funding for the contingency fund by \$200 million, moving it further away from the Coalition plan.

The Senate bill contained a maintenance of effort provision that required states to continue to spend at least 80% of what they spent in 1995 on welfare for the next five years. As with the contingency fund, this was an improvement over the House bill but still represented a significant step away from the Coalition plan. The conference agreement reduced the maintenance of effort to 75%. This represents a \$3 billion reduction in state spending, making it even less likely that the work requirements will be met.

The Senate bill included a performance bonus that provided additional funds to states that were successful in placing individuals in private sector jobs. Unlike the Coalition plan, which contained a separate pool of money for states that exceeded the work requirements, the Senate funded the performance bonus by reducing funds for low performance states. The conference agreement eliminated the performance bonus funding and instead replaced it with a provision reducing the maintenance of effort requirement for high performance states.

The Coalition plan guaranteed that any individual on welfare who needed child care assistance in order to move from welfare to work would receive assistance and included \$4.5 billion in additional child care funding in order to meet this guarantee and provide child care assistance to the working poor. Both the House and Senate eliminated the child care guarantee for individuals who need assistance to find private sector work. The Senate did provide \$3 billion in additional funds for child care assistance, but the conference agreement reduced the funding by \$1 billion. This reduction in child care assistance will reduce the ability of individuals on welfare to move to work.

Making Work Pay

The Coalition budget included several provisions to ensure that an individual would be better off by working than by remaining on welfare. This included the funding for child care assistance discussed above, extension of transitional Medicaid assistance for individuals who leave welfare, providing the states with additional flexibility and funding to utilize reforms that promote work and savings among welfare beneficiaries, subjecting welfare benefits to income taxes and preserving the earned income tax credit for the working poor. The conference agreement falls short of the Coalition plan on all of these points.

Although the block grant approach ostensibly gives states flexibility to engage in reforms, most of the innovations that have been implemented through state waivers to promote work have increased costs. The Coalition plan included nearly \$2 billion in funding to provide states with the option to implement reforms allowing welfare recipients to accumulate assets, waiving rules that penalized welfare recipients who got married and other reforms that have been successful at promoting work and responsibility. By reducing the money available in the block grant, it will be extremely difficult for states to implement these types of reforms.

The Coalition plan ensured that the tax code treated an individual who was working better than an individual on welfare by treating welfare benefits the same as earned income for tax purposes and by preserving the Earned Income Tax Credit. The conference agreement continues the preferential treatment for welfare income while increasing taxes on the working poor by reducing the EITC. The Coalition plan did contain provisions to build upon the efforts of the Treasury Department to reduce fraud in the program, but did not scale back eligibility for the program. The earned income tax credit reductions that are in the reconciliation bill (separate from the welfare agreement but obviously related), will mean that many individuals with low-paying jobs would be better off going on welfare.

Personal Responsibility

One of the cornerstones of The Coalition alternative was the requirement that all welfare benefits sign an individual responsibility contract which required them to take actions to move toward work and act in a responsible manner. Individuals who violated this contract would be subject to sanctions. The Senate added a similar personal responsibility contract to the bill, but the conference agreement dropped this provision.

Funding Issues

In order to achieve budget savings nearly twice as high as the Coalition plan, the conference agreement made much deeper cuts in the safety net than the Coalition plan did. In addition to the reductions in basic cash assistance in the block grant discussed above, the agreement contains much deeper cuts in food stamps and child nutrition than the Coalition alternative.

The conference agreement reduces food stamps by approximately \$36 billion, more than twice the savings included in the Coalition budget (which cut food stamps much deeper than the Coalition welfare substitute). This represent a reduction of approximately one-fifth in food stamp benefits. The conference agreement includes a cap on food stamp benefits that does not provide room for caseload growth and would require additional reductions on top of the reductions in the agreement. The conference agreement also includes provisions giving states the option of converting food stamps to a block grant with limited strings.

The conference agreement contains \$6 billion in savings from child nutrition programs by reducing eligibility for school nutrition programs and by giving states the option of converting child nutrition programs into a block grant.