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E X E C U T I V E O F F I C E O F T H E P R E S I D E

18-Dec-1995 01:32pm

TO: (See Below)

FROM: Lester D. Cash
Office of Mgmt and Budget, HRD

SUBJECT: Notes on GOP; Child Nutrition note added

NOTES ON GOP 12/15 OFFER

CHILD NUTRITION:
The offer adds back 1.7 billion to child nutrition. This makes their offer roughly equal to the Administration proposal.

EITC:
The current EITC includes a higher credit for two+-child families than for one-child families. The GOP counter-offer would add a separate tier for three+ child families to reduce the number of families with net tax increases under the combination of EITC, child tax credit, and standard deduction changes. However, the number of families with children hurt by the tax policies in total would continue to exceed 2.5 million.

Three-child families would get the EITC increases scheduled under current law unless their income exceeds $24,000. (Under the Conference bill, their EITC would be reduced at $14,000 for one-parent families, and $17,000 for two-parent families.) $2 billion.

Child Care:
Funding would be increased by $1 billion, for a total increase above baseline of $1.8 billion. It is not clear what years this funding would be available, nor what effect it would have on 2002.

Performance bonus:
There would be a $500 million performance bonus. It structure and timing is not clear.

Contingency funding:
The contingency fund would be restored to its Senate level. CBO would not score any out lay effect for this change. HOWEVER; it is not clear whether the offer would include the Reconciliation language under which funding continues in the

baseline after 2000, or the stand-alone welfare bill language that alters the normal baseline construction rules to reduce 2002 by about $0.4 billion (plus another $0.4 billion reduction in the population growth provisions).

Transition provisions

Allows States to stay in AFDC through the end of 1996. Given CBO's revised baseline, this probably modestly cheaper than the current bill.

SSBG

Adopts the Administration/Coalition proposal to reduce it

10%, rather than 20%.

Child Protection

Offers to block grant the programs at CBO baseline. Funding would not respond to caseload increases.

SSI

Give States $1 billion for services and equipment for disabled children.

Distribution:

TO:	Kenneth S. Apfel
TO:	Barry White
CC:	Keith J. Fontenot
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KEY ITEMS
WELFARE REFORM
12.18.95

**Medicaid: Restore coverage

**SSI: Restore Senate structure (and add $)

*Child welfare: Strike foster care block grant

Food stamps: *Eliminate cap
Restore House EBT option

Immigrants: Over 75 or *disabled exemption ($)

Work: **Contingency trigger
80% MOE
**More child care $ (Title XX $)
*Perf. bonus
20% hardship
Part-time exemption

Title XX: Addback (or put into child care)

NEGOTIATING STEPS: WELFARE REFORM

1. Coalition bill: conditional entitlement. Uncapped matched reimbursement to states for spending on temporary employment assistance benefits and administration. Work First block grant to be used for work, diversion and emergency assistance funded at a level equal to JOBS funding plus the 95 level for EA. Any savings from baseline put into the child care block grant.

2. Modified block grant. Self-sufficiency block grant to be used for the management of state designed self-sufficiency programs, included work, diversion and emergency assistance programs and the management of both self-sufficiency programs and temporary cash assistance. State cost-sharing at FMAP. States can transfer funds into child care. Cash benefits funded through federal state matching structure, with eligibility rules defined by state. Savings from capping the self-sufficiency block grant put into the child care block grant.

3. State option cash benefit block grant. As above, but states have an option to receive cash benefit funds as a block grant. States could switch back to a matching structure on a quarter's notice. States could transfer funds from the benefit block grant to other blocks only if they certify that they are providing benefits in an equitable manner to all those who meet the state defined eligibility rules. No contingency fund or population adjusters for states who choose the block grant.

4. Two block grants with state option for matching benefits. Two block grants: the self-sufficiency bock as above plus a cash assistance block grant set at the 95 benefit level. Small contingency fund to repond to national economic downturns. No population adjusters. States have the option to receive cash benefit funding under a matching structure, with conditions as above.

5. Two block grants as above with no op-out option. Population adjusters and contingency funds apply to the benefit block only.

6. One block grant combining self-sufficiency funds and cash benefits, with population adjusters and contingency funding applying to the whole block.

MEMBER	COALITION BUDGET*	HJ RES 122**	VOTED FOR BOTH***
ANDREWS	YES	YES	YES
BAESLER	YES	YES	YES
BALDACCI	YES	NO	NO
BARCIA	YES	NO	NO
BARRETT	YES	NO	NO
BEILENSON	YES	NO	NO
BENTSEN	YES	NO	NO
BEVILL	NO	YES	NO
BISHOP	YES	YES	YES
BREWSTER	YES	YES	YES
BROWDER	YES	YES	YES
BROWN	YES	NO	NO
CARDIN	YES	NO	NO
CHAPMAN	YES	NO	NO
CLAYTON	YES	NO	NO
CLEMENT	NO	YES	NO
CONDIT	YES	YES	YES
COSTELLO	NO	YES	NO
CRAMER	YES	YES	YES
DANNER	NO	YES	NO
DEFAZIO	NO	YES	NO
DE LA GARZA	YES	NO	NO
DICKS	YES	NO	NO
DINGELL	YES	NO	NO
DOOLEY	YES	YES	YES
ESHOO	YES	NO	NO
FAZIO	YES	NO	NO
FLAKE	YES	NO	NO
FURSE	YES	NO	NO
GEREN	YES	YES	YES

GORDON	NO	YES		NO
HALL, R.	YES	YES		YES
HALL, T.	YES	NO		NO
HAMILTON	YES	YES		YES
HARMAN	YES	YES		YES
HAYES	YES	NO		NO
HOYER	YES	YES		YES
JACOBS	NO	YES		NO
KLECZKA	NO	YES		NO
LINCOLN	YES	YES		YES
LIPINSKI	NO	YES		NO
LUTHER	YES	YES		YES
MARTINEZ	YES	NO		NO
MATSUI	YES	NO		NO
MCCARTHY	YES	YES		YES
MCHALE	YES	YES		YES
MCNULTY	NO	YES		NO
MEEHAN	YES	YES		YES
MINGE	YES	YES		YES
MONTGOMERY	YES	YES		YES
MORAN	YES	YES		YES
MURTHA	YES	NO		NO
ORTIZ	YES	NO		NO
ORTON	YES	YES		YES
PAYNE	YES	YES		YES
PETERSON, C.	YES	YES		YES
PETERSON, P.	YES	NO		NO
PICKETT	NO	YES		NO
POMEROY	YES	NO		NO
POSHARD	YES	YES		YES
RICHARDSON	YES	NO		NO
ROEMER	YES	YES		YES

SABO	YES	NO		NO
SAWYER	YES	NO		NO
SCHROEDER	YES	NO		NO
SCOTT	YES	YES		YES
SISISKY	NO	YES		NO
SKAGGS	YES	NO		NO
SKELTON	YES	YES		YES
SPRATT	YES	YES		YES
STENHOLM	YES	YES		YES
TANNER	YES	YES		YES
TAYLOR	YES	YES		YES
THORNTON	YES	NO		NO
TORRES	YES	NO		NO
TRAFICANT	NO	YES		NO
VENTO	YES	NO		NO
VISCLOSKY	YES	YES		YES
VOLKMER	YES	NO		NO
WARD	YES	NO		NO
WILSON	YES	NO		NO
WYNN	NO	YES		NO

* 68 Democrats voted for the Coalition reconcilation alternative (H.R. 2491) on October 26.

** 47 Democrats voted for the continuing resolution (H.J. Res. 122) on November 16.

*** 33 Democrats voted for both bills.

KEY ISSUES

1. No cuts in overburdened child protection system.
2. Maintain entitlement for all aspects of foster care and adoption assistance program.
3. Maintain protections for individual children in the system.
4. Maintain flexible funds for research/innovation.

TIER A -- SUPPORT THE SENATE:

Maintain current law.

Issues:

Consistent with the Senate position. As Director Rivlin wrote in the October 18 Statement of Administration Position on the welfare reform conference, "The Administration strongly opposes the child protection block grant and program cuts in the House bill, and supports the bi-partisan Senate decision to keep those programs intact." Further Administration position was laid out in the President's veto message concerning reconciliation. When listing the reasons for his veto, he wrote: "The costs of excessive program cuts in human terms -- ...[to] abused and neglected children -- ... would be grave."

Agreeing to cuts in child protection programs undermines the Administration position that the conference bill is not real welfare reform.

TIER B -- INCREASED FLEXIBILITY:

Expand the number of child welfare demonstrations beyond 10;

Promote consolidation of state plan requirements (IV-B, IV-E, and CAPTA);

Provide some limited method of transferring funds from Title IV-E to IV-B, based on performance;

Options to provide that eligibility for foster care is not contingent on current AFDC eligibility.

Issues:

Consistent with the Administration position of promoting flexibility, positive changes could be made that would improve and simplify the child protection system. These changes would have the goals of accountability for outcomes, partnerships with states, and promotion of administrative simplicity.

These changes would not in any way infringe or experiment with the child protection safety net.

TIER C -- NO SAVINGS GROWTH CAP:

Per capita child placement/administration growth cap, at a level that would not necessarily produce budget savings.

Issues:

Including a per-capita child placement/administration cap would be consistent with the Administration's approach for Medicaid. However, the cap could disadvantage states that have not yet made large investments in child placement/administration activities.

This option could be considered in combination with the Tier B package. This would create a flexibility/fiscal reform package.

TIER D -- REVENUE GENERATING CAPS ON CHILD PLACEMENT AND ADMINISTRATION COSTS:

Least harmful way to cap growth:

- -- state-by-state per capita growth cap on child placement/admin
- -- state-by-state 10 percent growth cap on child placement/admin
- -- lower match rate for child placement/admin

Issues:

This option is entirely inconsistent with the Administration position on real welfare reform. The President and other senior officials have said repeatedly that real welfare reform is not about cutting services for abused and neglected children. Child placement/administrative funds are used for critical protection activities such as recruiting and training foster and adoptive parents, training child protection workers, and assessing the need for children to be placed in foster care.

However, this option is far superior to a block grant, which could devastate the essential protections for the treatment children in the child protection system, and which would seriously undermine the current structure for protecting abused and neglecting children.

REPUBLICAN WELFARE BILL CHILD SAFETY AND ADOPTION TALKING POINTS

- **Real welfare reform is not about cutting help for abused and neglected children, or making it harder for children to find a loving adoptive home.** While Republicans claim that they have maintained the current foster care and adoption assistance programs, the conference bill slashes resources sharply and undermines the ability of states to protect children's safety, prevent child abuse and neglect, and recruit safe and loving foster and adoptive homes.

- **The conference bill block grants and cuts funding for child protection programs by $4.6 billion over seven years, or 21 percent.** At a time of major changes in the safety net for families, it is doubly dangerous to cut back resources that protect the safety of abused and neglected children. In 1993, nearly 3 million children were reported as alleged victims of child abuse and neglect, and reports involving over 1 million children were substantiated.

- **These cuts would come at a time when the demands on the child protection system are great.** Placements in foster care have been rising rapidly: between 1983 and 1993, the number of children in foster care increased by about two-thirds. Preliminary findings from the National Incidence Study of Child Abuse and Neglect show that between 1986 and 1993, the number of abused and neglected children doubled.

- **The conference bill makes it harder for states to promote adoption and to find loving and safe foster and adoptive homes for children who cannot be safe in their own homes.** Currently, states are guaranteed partial reimbursement of their expenses for recruiting and training foster and adoptive families. The conference bill ends this guarantee and caps and cuts state funding, making it harder for states to find foster homes and adoptive homes for hard-to-place children with special needs.

- **The conference bill would further weaken state child welfare systems that are already strained to the limit, by cutting funding that now supports critical community-based services and local caseworkers who work directly with children.** Courts in 22 states have found that state child welfare systems are unable to provide children with basic protection. As was highlighted in the wake of the death of Elisa Izquierdo, there is an urgent need for resources to provide adequate training to child protection workers, and to ensure that workers can provide attention to children most in need. The $4.6 billion cut would strain exactly those needs.

- **The conference bill could jeopardize the ability of states to protect the safety of children in case of unpredictable increases in abuse and neglect, such as those produced by the crack epidemic.** While the conference bill would guarantee resources to the States to pay for the foster care placements themselves, it fails to ensure the resources required to make the placement happen: recruitment and training of qualified staff to work with the children, families, and the courts; case managers to plan services for children's safety; training and recruitment and training of foster parents.

- **The conference bill repeals targeted funding to prevent abuse and neglect by strengthening families and supporting communities.** The bill repeals critically-needed funding for community-based approaches to prevent child abuse and neglect, strengthen families, and prevent unnecessary placements in foster care.

- **The conference bill repeals funding to help teenagers in foster care gain the skills live on their own.** Without this program, many of these young people risk homelessness and unemployment.

Options for Limiting Growth in IV-E Child Placement and Administrative Expenditures

In general, there are three types of growth that could increase costs for states over the next several years. They are:

Increased Activities	This involves states spending more on child placement per child. One would expect states that currently have low child placement/admin. claims compared to the size of their caseload to fall into this category, because they may make investments in this area. **(What states are just starting to make investments?)** would be a good example.
Increased Caseload	While we are not seeing as rapid increases in the caseload as we were a few years ago, the number of children in foster care continues to rise at about 5 percent per year. A few states are seeing much more rapid caseload increases. Since January, Connecticut's caseload has increased by about 20 percent. In addition, Illinois has routinely seen its caseload increase by between 10 and 20 percent, which is well above the national trend.
Increased Fixed Costs	Certain fixed costs for states are likely to increase rapidly. A good example of this is states that in FY 1995, made large investments in developing and installing computer systems. In FY 1996, these states will have large new operating costs to run their new computer systems. Connecticut, Delaware, Iowa, Kentucky, Montana, Oklahoma, and Texas are in this situation.

The effects of any sort of limit of the growth of IV-E child placement & administrative expenditures must be considered in the context of these three types of costs. Following are three options for limiting the growth in Title IV-E child placement and administration. Each of these options is assessed as compared to the types of growth described above.

Option 1: Capping Growth of Total Payments at 10 Percent for Each State

Description

Senate OBRA language includes this option. Total payments to each state for each fiscal year would be limited to no more than 10 percent of the state's previous year payment for child placement and administration, including the operating costs of SACWIS (and excluding the SACWIS development costs and training). For example, a state that claimed $10 million in FY 95 would be allowed to claim up to $11 million in FY 96 and $12.1 million in FY 97.

Estimated Seven Year Savings

CBO estimates that this will save $960 million over 5 years and $1.5 billion over seven years. They have reached this estimate by examining past state growth in the program, projecting though annual growth rates onto baseline nation projections, and counting as savings any amounts over 10 percent annual growth in any state.

Impact on potential types of growth:

Increased activities:
States that invest funds in child placement services would be limited by this cap. The cap does not differentiate between those states that have high spending in FY 1995 due to previous investments, and states that have not yet begun to make these investments.

Increased caseload:
States are given no protection against increased caseloads under this proposal. If caseloads increase because of outside events, states would not be able to access additional Federal resources for child placement and administration.

Increased fixed costs:
No allowance is made for states with increased fixed costs. It could take several years before a state's spending no longer exceeded the cap if the state in FY 1996 or FY 1997 has a significant increase in its fixed costs.

Other issues:

The strengths of this proposal are that it sounds reasonable, it does not discourage investment for those states that are below their cap, and for states below the cap, it makes no change in the structure of the program.

The main disadvantage is that it is not sensitive to any of the potential types of growth described above.

Option 2: Cap *Per Capita* Growth of Payments at x Percent for Each State

Description

Under this option, growth in IV-E child placement and administrative expenditures would be limited to a *per capita* increase over the previous year's expenditures. That is, states could not increase their *per IV-E foster child* placement and administrative claims more than x percent each year over their claims in the previous year. For example, at a 5 percent cap level, if a state was now claiming $3000 per year per foster child in IV-E child placement and administrative costs, it would be limited to claiming $3150 in the following year. This option limits the amount of child placement and administrative claims states can make, but it cushions states against large unforeseen growth in the caseload.

Estimated Seven Year Savings:

Using a methodology similar to what CBO used to assess the effects of the 10 percent fixed cap, it is estimated that a cap set at 5% per capita increase over the previous year's expenditures (before application of the prior-year cap) would save almost $500 million over five years.

Impact on potential types of growth:

Increased activities:
States that would invest funds in child placement services would by limited by this cap for only one year. However, in future years, this investment would be included under the state's cap.

Increased caseload:
State caps rise automatically as a function of increases in the caseload.

Increased fixed costs:
States that increase fixed costs would be limited by this cap for only one year. However, in future years, this investment would be included under the state's cap.

Other issues:

As compared to an inflexible cap, this proposal protects states that experience unforeseen and uncontrollable growth in their foster care caseloads, and makes some allowance for the relative pace of states in investing in their systems.

The main disadvantage to this option is that if a state's caseload decreases, its child placement and administration cap would also decrease.

Option 3: Reduction in IV-E Match Rate

Description

IV-E child placement & administrative costs are now matched at 50 percent. Reducing the match rate would provide savings while maintaining the ability of states to increase claims as needed due to growth in the foster care system or changes in child placement and administrative costs.

Estimated Seven Year Savings

If the match rate were reduced to 44.1 percent, this option would save $1.6 billion over seven years. This is about the same level of savings as the cap proposal included in the Senate Reconciliation bill. By adjusting the match rate, other savings levels could be achieved.

Impact on potential types of growth:

Increased activities:
States that invest funds in child placement services would continue to receive Federal match for their investment. However, lowering the match rate requires states to use more of their own funds for these investments.

Increased caseload:
This mechanism would provide additional Federal resources for child placement and administration to states with caseload expansions, although at a rate less than current law.

Increased fixed costs:
This mechanism automatically provides more funding to states with increased fixed costs, although at a rate less than current law.

Other Issues:

The main advantage of this option is that it maintains an uncapped entitlement to the states and protects them as foster care caseloads change and child placement and administrative costs increase.

The main disadvantage is that it immediately takes money from all states, rather than just limiting the high-growth states. States will be forced to replace the IV-E child placement and administrative dollars with dollars from elsewhere in the system--not an easy task as Federal funding is cut across many programs. In addition, it opens up the possibility of taking further reductions to the match rate.

CHILD CARE ISSUES

The conference agreement significantly increases the need for child care while reducing resources for child care services and jeopardizing the safety of children in care.

RESOURCES TO MEET WORK REQUIREMENT:

Several key elements of the conference agreement substantially increase child care costs over the Senate bill, which also needed additional resources to enable states to adequately meet the work requirements. These provisions need to be reversed and additional resources are essential if states are going to be able to meet the work requirements and continue providing child care for the working poor.

1. Part-time work. Families with young children need to be allowed to work part time in order to make the transition from welfare to work. This also eases the need for child care resources as states try to meet work requirements. The conference agreement eliminated the provision giving states the option to allow mothers with children under six to fulfill the work requirement through part-time work. It is essential to reinstate this state option.

2. Counting leavers. The conference agreement eliminates people who leave the welfare rolls due to employment from the calculation of work participation. This has the effect of requiring even more families on welfare to participate in work for states to meet the participation requirements, significantly increasing the need for child care. It is essential to give credit in the work participation rate for people who leave the welfare rolls due to employment.

3. Addressing the shortfall in child care funds. In addition to reinstating a state option for part-time work and revising the work participation rate to include individuals leaving the welfare rolls for work, additional resources for child care are essential if states are even adequately to meet the work requirements and continue to serve the working poor, an increasing portion of whom will be those making the transition from welfare to work.

HEALTH AND SAFETY:

The Conference agreement, unlike the Senate bill, endangers the safety and well-being of children in care by eliminating the child health and safety protections contained in current law and maintained in the Senate bill. Developed with broad bi-partisan support and approved by President Bush in 1990, these vital protections impose no federal standards but require states to set

their own standards in three areas critical to the health and safety of children in care. The three areas are: 1) building and premises safety; 2) prevention of infectious diseases; and 3) minimum health and safety training for providers.

As more and more children will use care outside of their own homes as their parent(s) participate in training or work, transition into the workforce or strive to maintain their participation in the labor force, the pressure on child care settings and resources will be intense. It is essential to ensure that states set their own standards in the areas outlined above to protect the health and safety of children in care.

QUALITY: The conference agreement also reduces the funds available to states to improve the quality of child care. These quality improvement funds help states train child care providers, conduct criminal background checks on providers, help providers meet health and safety requirements, and conduct other activities which address the quality of care for children. Increasing the funds available to states for quality improvement activities is high priority.

fernet

RECONCILIATION CONFERENCE BILL ENDANGERS CHILD CARE SERVICES

o **The conference agreement significantly increases the need for child care while reducing resources for child care services and jeopardizing the safety of children in care.**

o **According to an HHS preliminary analysis, the conference agreement provides $14 billion less for child care services over the next seven years than is required for states to meet the bill's work requirements.**

o **At the same time, the conference agreement cuts by $1.2 billion over five years the child care funds provided under the Senate bill to help states meet the work requirements.** Further, the conference agreement would set a seven year cap on funds authorized under the Senate bill for child care services for low income working families.

o **Despite reduced child care funds, the conference agreement eliminates the flexibility that the Senate bill would provide to states to help parents with young children meet the work requirements.** It would eliminate the state option to exempt parents with children under one from working, and would not allow parents with children under six to work part-time.

o **The conference agreement endangers the safety and well-being of children in care by eliminating the child health and safety protections contained in current law and maintained in the Senate bill.** These vital protections were developed with broad bipartisan support and approved by President Bush in 1990. They are not federal standards, but basic protections set by the states to provide for the prevention and control of infectious diseases (including immunization), building and physical premises safety, and minimum health and safety training for child care providers.

o **The conference agreement significantly reduces the funds available to the states to improve the quality of child care.** Despite numerous reports raising concerns about the quality and safety of child care services, the conference report undermines current state efforts to improve child care services by drastically reducing the funds available for this purpose.

o **Further, the conference agreement eliminates the assurance that parents will be provided with basic information about the health and safety of child care facilities, or about complaint procedures.**

o **The bill reduces the amount of funds available to more than 500 federally recognized Tribes which currently provide critical child care services to children as their parents struggle to move towards economic self-sufficiency.**

(11/17/95 - 5 PM)

December 7, 1995

MEMORANDUM

TO : Bruce Reed

FROM : Mary Bourdette

SUBJECT: Child Care

Rich asked me to provide you with an explanation of the child care funding and health and safety provisions given the new Republican line on this.

Hopefully this is both clear and complete, but please give me a call if you want anything. Thanks for all your work.

I. Compared to the Senate bill, the conference agreement significantly increases the child care costs required to meet the work requirements, while reducing resources for child care services during the first five years.

A. The child care costs of meeting the work requirements are greatly increased over the Senate bill by:

1) eliminating the Senate provision giving states the option to allow mothers with children under six to fulfill the work requirement through part-time (20 hours) work. By striking this provision, the conference agreement increases child care costs in FY 2000 and beyond -- years in which welfare recipients are required to work more than 20 hours. In FY 2000, the elimination of this provision alone increases child care costs by more than $1 billion over the Senate bill: from FY 2000 to FY 2002, it increases child care costs over the Senate bill by approximately $4 billion.

2) narrowing the Senate definition of "work participant" so that states would not be allowed to count leavers as work participants. Thus states would have to increase the size of their work program and provide child care to more participants in order to meet the new (and otherwise lower) participation rates in the conference agreement. This and other changes that narrow the Senate's definition of "work participant" increase child care costs over the Senate bill by an estimated $5.4 billion over five years, and by approximately $8.3 billion over seven years.

B. The child care funds provided in the Senate bill are cut by $1.2 billion over the first five years (Chart 1) by:

1) stretching over a seven year period the $3 billion that the Senate added for child care services over five years. While the Senate bill provides states with $12.900 billion in FY 1996 through FY 2000, the conference agreement provides states with $11.630 billion over this period. The conference amount also is a slight cut from the HHS current law baseline for this period.

(Note: It is true that the conference agreement provides slightly more funds for child care than the Senate bill over seven years ($17 billion v. $16.9 billion). Both amounts also are a slight cut from the HHS current law baseline for this period.)

C. As a result of the changes outlined above, the conference agreement provides $14.6 billion less for child care services over the next seven years than HHS calculates is required for states to meet the bill's work requirements (Chart 2). This child care funding shortfall ($14.6 billion) is more than double the shortfall ($6.9 billion) in the Senate bill.

II. The conference agreement endangers the safety and well-being of children in care by eliminating the child health and safety protections contained in current law and maintained in the Senate bill.

A. Basic health and safety protections for children in federally subsidized child care -- designed by the states -- were developed with broad bipartisan support (including then Governor Clinton) and approved by President Bush in 1990. These are not federal standards, but a requirement that states set their own standards in three areas:

1. building and premises safety -- like fire prevention and safe water.

2. preventing infectious diseases -- immunizations

3. minimum health and safety training for providers -- like first aid.

While the Senate bill maintained these important provisions of current law, the conference agreement repeals the requirement that states set basic health and safety standards for children in federally subsidized care. The conference agreement does require states to certify that they have child care licensing requirements. Yet the conference agreement specifically allows states to exempt various types of providers from licensing requirements, while also specifically prohibiting them from differentiating between subsidized and unsubsidized providers. Thus under the conference agreement, federal funds may be used to place children in some types of federally subsidized care (such as family day care) that is exempt from all **state** health and safety standards. (Note: Most states now exempt some non-federally subsidized family day care providers from all licensing or regulations.)

B. Another provision of the bipartisan legislation enacted in 1990 set aside funds for the states for various quality improvement activities. These funds allow states to train providers, help them meet safety requirements, conduct criminal background checks, etc. The conference agreement cuts the amount set aside in the Senate bill for these activities.

FEDERAL CHILD CARE PROGRAM LEVEL
HOUSE AND SENATE WELFARE BILLS, CONFERENCE REPORT
(dollars in millions)

	1996	1997	1998	1999	2000	2001	2002	5 Year Total	7 Year Total
HHS BASELINES (1)	$2,230	$2,326	$2,415	$2,500	$2,588	$2,671	$2,758	$12,069	$17,488
AFDC/JOBS *(entitlement)*	$734	$784	$829	$869	$911	$945	$978	$4,127	$6,050
TCC *(entitlement)*	$220	$234	$248	$260	$272	$293	$314	$1,234	$1,841
At-Risk *(capped entitlement)*	$300	$300	$300	$300	$300	$300	$300	$1,500	$2,100
Child Care and Development Block Gran *(discretionary)*	$982	$993	$1,023	$1,055	$1,088	$1,116	$1,149	$5,121	$7,386
Child Development Associate Scholarship *(discretionary)*	$1	$1	$1	$2	$2	$2	$2	$7	$11
Dependent Care Planning and Development Grant *(discretionary)*	$13	$14	$14	$14	$15	$15	$15	$70	$100
HOUSE Welfare Bill									
Child Care Block Grant (2) *(discretionary)*	$2,093	$2,093	$2,093	$2,093	$2,093	$2,093	$2,093	$10,465	$14,651
Child Care Program Level Relative to Baseline	($137)	($233)	($322)	($407)	($495)	($578)	($665)	($1,594)	($2,837)
PERCENT CHANGE IN PROGRAM LEVEL	-6%	-10%	-13%	-16%	-19%	-22%	-24%	-13%	-16%
SENATE Welfare Bill									
Total Federal Child Care Program Level (3)	$2,580	$2,580	$2,580	$2,580	$2,580	$1,980	$1,980	$12,900	$16,660
Title 1 - Set-Aside *(capped entitlement)*	$980	$980	$980	$980	$980	$980	$980	$4,900	$6,860
Title 1 - Additional Funding *(capped entitlement)*	$600	$600	$600	$600	$600	$0	$0	$3,000	$3,000
Title 6 - Child Care and Dev. Block Grant *(discretionary)*	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$5,000	$7,000
Child Care Program Level Relative to Baseline	$350	$254	$165	$80	($8)	($691)	($778)	$841	($528)
PERCENT CHANGE IN PROGRAM LEVEL	16%	11%	7%	3%	-0%	-26%	-28%	7%	-4%
CONFERENCE Report									
Child Care Block Grant	$2,170	$2,240	$2,320	$2,400	$2,500	$2,625	$2,745	$11,630	$17,000
Sec. 658B *(discretionary)*	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$5,000	$7,000
Sec. 418 *(capped entitlement)*	$1,170	$1,240	$1,320	$1,400	$1,500	$1,625	$1,745	$6,630	$10,000
Child Care Program Level Relative to Baseline	($60)	($86)	($95)	($100)	($88)	($46)	($13)	($429)	($488)
PERCENT CHANGE IN PROGRAM LEVEL	-3%	-4%	-4%	-4%	-3%	-2%	-0%	-4%	-3%

Notes:

1. FY 1996 current services budget.
2. The House welfare bill (Title III) establishes a Child Care Block Grant as a discretionary program subject to annual appropriations.
3. The Senate welfare bill provides states with $7.9 billion in child care funding over five years as a capped entitlement (Title I), and authorizes $5 billion for the states ($1 billion/year) under the Child Care and Development Block Grant as discretionary funding subject to annual appropriations (Title VI). The capped entitlement funding includes a $4.9 billion five-year child care set-aside (allocated at $980 million/year), plus an additional $3 billion for the five year period FY1996 - FY2000. Subject to further clarification, this table allocates the $3 billion evenly ($600 million/year) over the five year period.

COSTS OF WORK AND RELATED CHILD CARE ABOVE FEDERAL FUNDS PROVIDED

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	5 Year Total	7 Year Total
Senate Bill									
Block Grant Funding for Work 1/	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$4.3	$6.1
Block Grant Funding for Child Care	$1.6	$1.6	$1.6	$1.6	$1.6	$1.0	$1.0	$7.9	$9.9
Work Costs Above Funding	$0.6	$0.6	$0.7	$1.2	$2.6	$2.6	$2.3	$5.8	$10.6
Related Child Care Costs Above Funding	($0.3)	($0.2)	$0.1	$0.6	$1.9	$2.6	$2.3	$2.0	$6.9
Combined Work & Child Care Costs Above Funding	$0.3	$0.4	$0.8	$1.8	$4.5	$5.3	$4.6	$7.7	$17.6
House Bill									
Block Grant Funding for Work 1/	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$4.3	$6.1
Block Grant Funding for Child Care 3/	$1.2	$1.2	$1.2	$1.2	$1.2	$1.2	$1.2	$6.0	$8.4
Work Costs Above Funding	$0.6	$0.6	$0.6	$1.2	$1.7	$1.7	$2.7	$4.7	$9.1
Related Child Care Costs Above Funding	$0.1	$0.1	$0.5	$1.1	$2.8	$2.7	$3.7	$4.6	$11.0
Combined Work & Child Care Costs Above Funding	$0.7	$0.8	$1.2	$2.3	$4.5	$4.4	$6.3	$9.3	$20.1
Conference Report									
Block Grant Funding for Work 2/	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$4.6	$6.5
Block Grant Funding for Child Care 4/	$1.2	$1.2	$1.3	$1.4	$1.5	$1.6	$1.7	$6.6	$10.0
Work Costs Above Funding	$0.5	$0.6	$1.1	$1.7	$2.5	$3.2	$3.9	$6.4	$13.5
Related Child Care Costs Above Funding	$0.1	$0.3	$0.7	$1.2	$3.3	$4.2	$4.8	$5.6	$14.6
Combined Work & Child Care Costs Above Funding	$0.6	$0.9	$1.9	$2.8	$5.8	$7.3	$8.7	$12.0	$28.1

Note:

1. Block Grant Funding for Work under the Senate and House Bills means block grant funds which reflect FY1994 state-reported federal expenditures on JOBS ($865 million/year).

2. Block Grant Funding for Work under the Conference Report equals $926 million/year. This amount represents block grant funds for the work program, given that states receive a total cash assistance block grant amount equal to the greatest of FY1994, FY1995 or the average of FY1992-FY1994 state-reported federal expenditures on programs included in the block grant.

3. House Block Grant Funding for AFDC Work-Related Child Care excludes the portion reflecting FY 1994 budget authority Child Care and Development Block Grant spending (approximately $893 million/year). This analysis assumes that states continue to spend this amount of money on child care assistance for low-income working families.

4. Conference Report Block Grant Funding for AFDC Work-Related Child Care excludes the $1 billion/year discretionary funding in the Child Care Block Grant. This analysis assumes that states spend this money on child care assistance for low-income working families now served under the Child Care and Development Block Grant Program.

Implications of Provision in Welfare Bill De-Coupling Medicaid from AFDC Eligibility

Description of provision. The draft conference agreement on welfare reform (free-standing bill) includes a provision (section 114) that would sever the link between current-law AFDC eligibility and Medicaid eligibility. The provision states that:

- States are not required to provide Medicaid to persons who would have received welfare assistance under the AFDC eligibility rules in effect prior to welfare reform; and

- States may not have more generous Medicaid eligibility criteria for any given group than they did as of the date of enactment of the welfare reform bill; nor can their criteria result in Federal Medicaid spending that exceeds what such spending would have been had welfare reform not passed.

Implications

- *The provision effectively repeals the Medicaid entitlement for AFDC-related groups.* As a result, persons who would be eligible for Medicaid solely on the basis of current-law AFDC eligibility would lose their Medicaid entitlement unless legislation were enacted to specifically protect their eligibility. Persons who are AFDC-eligible but who are also eligible for Medicaid under other rubrics (e.g., poverty-level children and pregnant women) would not lose their Medicaid eligibility.

- *Leaves Medicaid eligibility for persons receiving welfare assistance under reform up to States.* Medicaid eligibility for those receiving welfare assistance under the new system would be a matter of State discretion.

- *Even if the offending language in the free-standing welfare bill were struck, changes to Title XIX language would still be needed to preserve Medicaid eligibility for the AFDC population.* Since the Medicaid link is to current-law AFDC eligibility, if welfare reform were enacted, Title XIX would also need to be amended to establish that Medicaid eligibility is categorically linked to the AFDC-related eligibility criteria in effect prior to enactment of welfare reform.

POSSIBLE LEGISLATIVE SCENARIOS

I. Free-standing welfare reform bill passes; no reconciliation bill.

Under this scenario, under which Title XIX is not amended, the Medicaid entitlement is nonetheless effectively destroyed for persons who would have received welfare assistance under current law. *This is the same unacceptable result that has caused the President to promise veto of any reconciliation bill that included a Medicaid block grant.*

To ensure that current-law mandatory and optional eligibility categories are preserved, Title XIX would have to be amended so that Medicaid eligibility is categorically linked to AFDC eligibility

(or eligibility criteria) in effect prior to enactment of the welfare reform bill.

II. Free-standing welfare reform bill passes; Medicaid block grant passes.

Under this scenario, States would have broad flexibility on Medicaid eligibility. However, the block grant legislation requires that they cover children under age 13 and pregnant women under the poverty level. Therefore, although many poor women and children would lose their AFDC-related eligibility for Medicaid, they would be "picked up" again under Medicaid by the block grant requirements for coverage.

Public Ass. people only get health if meet other categories.

III. Free-standing welfare reform bill passes; Medicaid per capita caps pass.

No entitlement (right to sue). Only State plan requirement to cover groups.

Under this scenario, as in Scenario I, Title XIX (on which the President's per capita cap bill builds) language that establishes categorical Medicaid eligibility based on AFDC eligibility would have to be changed to refer to the AFDC eligibility (or eligibility criteria) in effect prior to enactment of the welfare reform bill.

Who Would Lose Coverage Under Welfare Reform

Those who are eligible for Medicaid solely because they receive AFDC would be without coverage. Some poor women and children would retain Medicaid due to poverty and pregnancy related eligibility rules.

Those who lose Medicaid coverage are:

- Kids between 14 and 21 who are eligible for AFDC (this group will shrink each year as kids under age 19 below 100% of poverty become a mandatory coverage group)
- Non-pregnant adults who are eligible for AFDC
- Foster kids over age 13
- Kids living with caretaker relatives over 100% of poverty

Those who maintain Medicaid coverage:

- Kids under age 13 and below 100% of poverty (this group will expand each year until all kids under age 19 are covered in 2002)
- Pregnant women under 133% of poverty

Reconciliation
Admin policy is acceptable

No Recon, freestanding bill
Get language out

Preliminary Estimate of AFDC Kids Who Lose Medicaid Coverage	
Category	AFDC Kids
Total Eligible AFDC Kids	24.3 million
Total Recipients AFDC Kids	19.8 million
Eligible Kids < age 14 who **keep** coverage	10.3 million
Recipient Kids < age 14 who **keep** coverage	8.5 million
Eligible Kids > 14 who **lose** coverage	14 million
Recipient Kids > 14 who **lose** coverage	11.3 million

*The group of kids who will receive Medicaid expands each year until 2002, when all kids under age 19 have become a mandatory group.

Preliminary Estimate of AFDC Adults Who Lose Medicaid Coverage	
Category	AFDC Adults
Total Eligible AFDC Adults	5.8 million
Total Recipients AFDC Adults	4.6 million
Pregnant Women who **keep** coverage during pregnancy <185% FPL	1 million
Pregnant Women who **keep** coverage during pregnancy <133% FPL	400 thousand
Eligible Adults who **lose** coverage	5.4 million
Recipient Adults who **lose** coverage	4.2 million

Revised.

WELFARE TALKING POINTS 12/21/95

THE WELFARE CONFERENCE AGREEMENT:
IT SURE ISN'T WELFARE REFORM

The President has been clear about what a real welfare reform bill must include: provisions to encourage work, demand responsibility, and protect children. Despite their latest effort to make their bill look reasonable, the Republican conference report still hurts children and weakens the incentive to move people from welfare to work. The Republican leadership may have produced a back room budget deal, but it sure isn't welfare reform.

Here's why:

Welfare reform should move people from welfare to work, not make more work for the Salvation Army. While some of the rough edges of previous bills have been smoothed, Republicans are still using the words "welfare reform" as a cover to push extremist budget cuts that are too tough on children. Cutting aid to disabled children is not welfare reform. Cutting programs that serve abandoned, abused and neglected children is not welfare reform. Cutting programs that feed hungry children is not welfare reform. Welfare reform is about being tough on work and responsibility, and investing in the child care single mothers need to go to work.

The Republican measure plays politics with welfare reform. Instead of building on the bipartisan progress made in the Senate, Republican leaders drafted the conference report in secret, without the participation of a single congressional Democrat. This isn't welfare reform -- it's a back-door way for Republicans to sneak through budget cuts President Clinton has already vetoed, and an affront to those in both parties who genuinely want real reform. If Republicans want to reduce spending, they ought to come back to the budget talks and start negotiating in good faith. And if they want to reform welfare, they ought to join Democrats in supporting proposals that are tough on work and on parents who refuse to pay child support -- not tough on children. After all, their agreement with the President was to balance the budget in a way that reflects our priorities -- on of which is welfare reform.

It eliminates the guarantee of health care for millions of women and children. As currently drafted, the welfare reform conference agreement would eliminate the guarantee of health insurance for single parents on welfare -- unless they're pregnant -- and for their children who are older than 13. It also eliminates the guarantee of a transitional year of health coverage when parents are leaving welfare for work. These provisions are fundamentally counterproductive, since many poor women now choose welfare over work simply because they or their children need health care. And they retreat on our commitment to health coverage for vulnerable Americans.

It reduces assistance to disabled children. Rather than designing a policy to ensure that benefits will only go to truly disabled children, the conference report is designed solely to reduce spending. Overall, the proposal would reduce or deny assistance to hundreds of thousands disabled children each year when fully implemented. And some of these children may lose both their health insurance and the cash assistance that helps them with needs Medicaid doesn't cover.

It reverses course on day care. Even with the funds that have been added, the conference agreement still falls short on the child care that single parents must have to move from welfare to work. By eliminating the Senate provision allowing mothers of young children to work part-time, the conference agreement increases states' costs, makes it harder for women to go to work, and makes it more difficult for states to meet work requirements. And by repealing important health and safety protections, it endangers all children in day care settings.

It puts abused and neglected kids at increased risk. A time of dramatic change in the welfare system is not the time for radical experiments with our child protection system. The conference report would put vulnerable children at risk by reducing and capping funds for foster care, adoption assistance, and child abuse prevention programs. While the Senate decided on a bipartisan basis to keep those programs intact, the conference agreement would limit the funds available for activities like recruiting foster parents and investigating child abuse.

It shreds the nutrition safety net. When the American people talk about welfare reform, they mean fixing what's broken -- not tampering with successful programs like school lunch that have nothing to do with moving people from welfare to work. The nutrition provisions in the conference agreement would weaken the national nutrition safety net, jeopardizing the health of millions of children, senior citizens, and working families. Slashing the school lunch program and Food Stamps isn't welfare reform -- it's budget cutting, pure and simple.

It can't work. The latest welfare bill is particularly objectionable given Republicans' plans to raise taxes on working people by severely reducing the Earned Income Tax Credit. The Republican leadership will never be serious about welfare reform while they're decimating the primary work incentive for low-income parents. Along with child care and health coverage, the EITC is vital to make people move from welfare to work.

DRAFT

Mr. _____ moves to recommit the conference report on the bill HR 4 to the committee of conference with the following instructions to the managers on the part of the House:

(1) Recede from Title VIII (relating to child protection) in the conference substitute recommended by the committee of conference and agree to Title XI of the Senate amendment relating to child abuse prevention and treatment.

(2) Recede from that portion of section 301 of the House bill that amends subparagraph (E) of section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990 and agree to the portion of section 602 of the Senate amendment that amends such paragraph.

(3) Agree to that portion of section 602 of the Senate amendment that amends subparagraph (C) of section 658(c)(3) of the Child Care and Development Block Grant Act of 1990.

(4) Recede from that portion of section 301 of the House bill that amends subparagraphs (F) and (G) of section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990.

(5) Recede from that portion of section 301 of the House bill that amends paragraphs (5) and (6) of section 658K(a) of the Child Care and Development Block Grant Act of 1990 and agree to that portion of section 602 of the Senate amendment that amends such paragraphs.

(6) Agree to that portion of section 101(b) of the Senate amendment which establishes a new section 403 of the Social Security Act and relates to State maintenance of effort in lieu of that section of the conference substitute (relating to State maintenance of effort) recommended by the committee of conference.

(7) Recede from section 404(b)(1) of the House bill (relating to mandatory work requirements) and agree to that portion of section 101(b) of the Senate amendment which establishes a new section 404 (a) of the Social Security Act relating to mandatory work requirements.

(8) Recede from section 404(a)(1) of the House bill (relating to calculation of participation requirements) and agree to that portion of section 101(b) of the Senate amendment which establishes a new section 404(b) of the Social Security Act relating to calculation of participation requirements.

(9) Recede from section 602 (a) and (b) of the House bill (relating to SSI disabled children) and agree to section 211 of the Senate amendment.

(10) Recede from sections 542, 554, and 561 of the House bill and that part of section 552 of the House bill that restricts the excess shelter deduction and disagree with section 303 of the Senate amendment; recede from section 556(b) of the House bill and disagree with section 343 of the Senate amendment; disagree with section 1062 of the conference substitute.

(11) Recede from subtitle B of title III of the House bill (relating to family-based and school-based nutrition block grants) and agree to title IV of the Senate amendment (relating to child nutrition programs) insofar as such amendment does not contain such nutrition block grants.

(12) Insist on section 104 of the Senate amendment pertaining to continued application of current standards under the Medicaid program in lieu of that section of the conference substitute (relating to Medicaid) recommended by the committee of conference.

(13) Insist on sections 402(b) and (c) and 403(b) of the House bill (pertaining to certain elderly immigrants) and recede to section 701 of the Senate amendment (pertaining to battered women).

CENTER ON BUDGET AND POLICY PRIORITIES

Copy Keith Bruce Rahm -LA

Preliminary *November 14, 1995*

Welfare "Compromise" Produces A Package Far More Severe Than Senate Bill

As details emerge about the welfare provisions being negotiated between the House and Senate, it is becoming clear that the package will be much harsher than the Senate welfare bill and in some areas, more severe than either the House or the Senate provisions.

The House welfare bill included $92 billion in cuts in means-tested programs over seven years (excluding Medicaid savings). The Senate bill, while still exacting deep reductions in key low-income programs, included cuts of $65 billion. It now appears the conference committee will produce a bill that goes nearly two-thirds of the way toward the House spending reductions, with cuts totaling roughly $82 billion. Coupled with reductions in the Earned Income Tax Credit, non-health means-tested entitlements will be cut a total of $114 billion over seven years under the conference agreement.

The $17 billion in additional cuts compared to the Senate welfare bill are likely to come from such areas as deeper cuts in the SSI program for disabled children, deeper Food Stamp benefit cuts, and deeper cuts in benefits for legal immigrants.

The Administration recently released an analysis of the likely effects of the House and Senate welfare bills on the extent and depth of child poverty. The analysis found that the Senate welfare bill would push 1.2 million children into poverty while the House welfare bill was projected to push 2.1 million children into poverty. Both bills also would push already-poor children deeper into poverty. The Senate bill would widen the poverty gap — the amount of money needed to lift all poor families with children exactly to the poverty line — by more than 25 percent. The House bill would widen the poverty gap by more than 50 percent. This means the welfare bills would increase the severity of child poverty by one-quarter to one-half. As the welfare package crafted by the conference committee moves farther toward the House package, the impact on child poverty will move in the direction of the House bill — moving more children into poverty and driving already-poor children still deeper into poverty.

While final details are not available, the following is a summary of some of the key areas in which the conference committee welfare package will be more severe than the Senate-passed provisions.

777 North Capitol Street, NE, Suite 705, Washington, DC 20002 Tel: 202-408-1080 Fax: 202-408-1056

While final details are not available, the following is a summary of some of the key areas in which the conference committee welfare package will be more severe than the Senate-passed provisions.

Supplemental Security Income Benefits for Disabled Children

The conference agreement sharply reduces federal Supplemental Security Income benefits for large groups of disabled low-income children. The depth of cuts in the conference agreement are reportedly close to those in the House bill. The House bill cut SSI benefits for disabled children by $14 billion over seven years. Under the agreement:

- By 2002, only a small fraction of low-income disabled children who would qualify for SSI under current law — probably no more than 20 percent — would continue to qualify for full benefits. The other 80 percent would either have their benefits cut 25 percent or receive no benefits at all.

- By 2002, more than 300,000 low-income children who otherwise would qualify for SSI would be denied benefits completely. (This is a CBO estimate.) The bill would achieve this result by narrowing the types of disabilities that would enable a child to qualify for SSI. In some instances, the same disability that would qualify an adult for SSI would be insufficient to qualify a child for benefits.

- In addition, SSI benefit levels would be reduced by 25 percent for the large majority of the children who would not be completely removed from the program. Roughly 750,000 children would be subject to these reductions by fiscal year 2002; these are children with disabilities such as cerebral palsy, Down syndrome, muscular dystrophy, cystic fibrosis, or AIDS. The current federal SSI benefit level is $458 per month, about 74 percent of the federal poverty line for one person. The legislation would reduce benefits to these children by $1,374 per year; these benefits would equal 55 percent of the one-person poverty line.

Food Stamps

The conference agreement severely weakens the food stamp program, the nation's primary nutritional safety net for low-income individuals and families. Although CBO's official cost estimate has not been released, it appears that the conference package reduces food stamp benefits by approximately $37 billion over the next seven years.[1]

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[1]Approximately $2 billion of these savings would be used for purchases of agricultural commodities for distribution to hungry individuals and families and for the administrative costs of distributing those commodities. The $300 million per year

(continued...)

The House welfare bill would have reduced food stamps $38 billion over seven years; the Senate welfare bill would have cut $28.5 billion over the same period.

When fully implemented, these cuts would reduce food stamp assistance by approximately one-fifth. This would be the equivalent of reducing the average food stamp benefit from the current level of 78 cents per person per meal to about 62 cents per meal. The great majority of these cuts would come from across-the-board reductions in benefits that would affect all recipients, including families with children, the working poor, the elderly, and the disabled. Less than two percent would come from reining in fraud and abuse, tougher penalties on recipients who violate program requirements, or reductions in administrative costs.

The House bill eliminated or sharply reduced six features of the formula used to calculate food stamp eligibility and benefits that adjust for inflation; the Senate bill incorporated only two of these freezes. The conference agreement adopted five of the six House proposals. In addition, the conference agreement imposes a rigid cap on the value of benefits that could be paid. If it appeared that expenditures were likely to exceed this cap, further across-the-board benefit reductions *in addition to* those in this legislation would be required. Although the cap could be adjusted for increases in caseload, it would not be adjusted for food price inflation. This could make any other inflation adjustments in the food stamp program irrelevant: if a drought or flood caused food prices to increase sharply, this cap would effectively prevent food stamp benefit levels from responding.

The legislation also severely weakens the food stamp program's ability to serve as a safety net for people who become unemployed due to recessions, plant-closings, etc. It would cut off benefits after four months to unemployed people between the ages of 18 and 50 who are willing to work but unable to find jobs unless they were disabled or taking care of a child. If these people were unable to find employment, they would remain ineligible for the next eight months. The House bill would have terminated benefits to this population after three months; the Senate bill had a six-month limit.

The conference agreement would seriously weaken a feature of current law that is designed to prevent poor families with children from having to choose between paying rent or utility bills and buying food for their families. This provision was the centerpiece of bipartisan anti-hunger legislation sponsored by, among others, Senate Budget Committee Chairman Pete Domenici and Rep. Bill Emerson, the second-ranking member of the House Agriculture Committee. It ensures that money a household needs to pay high shelter costs is not counted as if it were available to purchase food when calculating

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[1](...continued)
spent on these commodity programs will represent an increase of 375 percent over the levels Congress appropriated this summer for these programs. These amounts, however, will still meet only a minute fraction of the increased need created by the reductions in food assistance and other safety net programs in the conference agreement.

the household's food stamp benefits. Under the conference agreement, families burdened with high shelter costs could face a "heating or eating" dilemma.

Child Nutrition

The conference agreement apparently would weaken the major child nutrition programs by offering states the option to convert them into block grants. States could be attracted to take a block grant during good economic times. Funding would be insufficient to meet increased need when an economic downturn hit and the number of low-income children needing free or reduced-price meals increased. It is unclear whether these block grants would require states to provide free meals to poor children or to meet current nutritional standards, which require school lunches to supply one-third of children's daily nutritional needs.

Child Care and Cash Assistance for Families with Children

- ***Weakened State Requirement to Contribute State Funds for Cash Assistance, Work, and Child Care.*** The conference report weakens an already-weak "maintenance-of-effort" provision in the Senate bill. Under that bill, states would have been required to maintain at least 80 percent of their 1994 expenditure level for programs folded into the welfare block grant. The conference agreement scales this back to 75 percent. Over the next five years, states would be able to reduce state funding for these programs at least $17 billion below the 1994 level without losing a dollar in federal block grant funds.

- ***20 Hour Work Requirement Option for Mothers with Young Children Eliminated.*** Under the Senate bill, states were given the option of requiring mothers with children under six to participate in work programs for 20 hours a week rather than 35 hours a week. The conference agreement appears to eliminate this state option. Eventually, mothers with very young children would be required to participate in work programs for 35 hours each week. (The option to limit the work requirement to 20 hours for these mothers was included in the Senate bill to reduce the child care burdens that states would face when trying to meet the stiff work requirements in the bill. Without this option, it will be even more difficult for states to meet the work requirements.)

- ***Fixed Child Care Resources Stretched Out Over Additional Years.*** The Senate welfare bill included $3 billion in child care funding in addition to the funds included in the block grant. Under the Senate bill, states had to draw down the $3 billion over five years. The conference agreement now would allow states to draw these resources down over seven years. While making the child care funding "permanent" as the Administration had called for, no additional child care resources were added. The same dollars were simply spread over additional years.

Legal Immigrants

In some respects, the conference agreement would reduce benefits for *legal* immigrants in a more severe manner than either the House or the Senate bills. For example, under both the House and Senate bills, poor legal immigrants aged 75 and over who have been in the country at least five years could continue to qualify for food stamps. (The House bill allowed an exemption from all of its immigrant restrictions for legal residents aged 75 or above who have been in the United States for at least five years.) The conference agreement drops the exemption for those aged 75 and over and makes them ineligible for food stamps regardless of how poor they are or whether they have any other means of support. Such individuals would lose eligibility for SSI as well.

The conference also rejected a Senate provision exempting school lunch, other child nutrition programs and WIC from the restrictions on immigrants. The Supreme Court has held that even *illegal* immigrant children cannot constitutionally be excluded from the public schools. Under the conference agreement, many legal and illegal immigrant children attending school would be denied school lunches. If these children are hungry, they are likely to have difficulty concentrating and could become disruptive in class. Their education, and those of other children in their classrooms, could suffer as a result.

The conference also denied WIC benefits to poor pregnant immigrant women. This could increase costs over the long-term. An extensive body of research demonstrates that WIC's prenatal nutrition assistance is effective in lowering the incidence of low birthweight and, thus, reducing Medicaid costs after birth. Once these women give birth, Medicaid or other government programs could end up paying substantial sums for services the children would need if they are born at a low birthweight. (The children will be U.S. citizens because they have been born on U.S. soil.)

Recognizing these problems, both the Senate welfare bill and the immigration bill approved by the House Judiciary Committee last month exempted school lunch, WIC, and other child nutrition programs from immigrant benefit restrictions. The conference rejected the provisions of the Senate welfare bill and the House Judiciary Committee's immigration bill on this matter.

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and middle-income people. It is supported primarily by foundation grants.

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TOP 10 -- WELFARE REFORM INTERIM CONFERENCE AGREEMENT

Children Problems:

1. More money for SSI kids
2. Smaller cuts in child nutrition
3. Smaller cuts in child welfare
4. Over 75 exception for immigrants
5. Tighten food stamp state option and soften overall food stamp cuts

Work Problems:

1. More child care money
2. More contingency fund money; softer trigger
3. Performance bonus that rewards states with money, not just lower MOE
4. 20% hardship
5. Personal Responsibility agreements

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.

November 14, 1995
10:00 a.m.

Conference Agreement on H.R. 4 -- Welfare Reform

Title I: Block Grants for Temporary Assistance for Needy Families

Provision	Status or Offer
1. Objectives	**AGREED** Combine House and Senate language as follows: "To restore the American family, enhance support and work opportunities for families with children, reduce out-of-wedlock pregnancies, reduce welfare dependence, and control welfare spending"
2. Short Title	**AGREED** Combine House and Senate titles as follows: Personal Responsibility and Work Opportunity Act of 1995
3. Sense of Congress on Family	**AGREED** House recede; provision to appear in section 100, as in House bill
4. Grants to States A. Purpose	**AGREED** Follow House and Senate language to read as follows: "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families"

B. Eligible State/State Plan (1) State plan	**AGREED** House recede with modification that State plan will be filed every two years.
a. Provide cash	**AGREED** Replace with new paragraph based on language from both the House bill and Senate amendment as follows: "a. conduct a program that provides assistance to needy families with children (or pregnant) and provides parents with job preparation, work and support services to enable them to leave the program and become self-sufficient;"
b. Statewide program	**AGREED** House recede
c. Work by parents	**AGREED** House recede
d. Work rules	**AGREED** Senate recede
e. Interstate	**AGREED** House recede with a modification so that the provision will read as follows: "treat families moving into the state from another state, if such families are to be treated differently than other families"
f. Privacy	**AGREED** Senate recede
g. Illegitimacy	**AGREED** House recede
h. Teen moms	**AGREED** House recede
i. Community service	**AGREED** Senate recede
j. New provision on noncitizens	**AGREED** Add new provision that requires states to explain whether they will provide welfare to noncitizens and, if so, to provide an overview of the benefits
(1B) Strategic plan	**AGREED** Senate recede
(2) Certify child support program	**AGREED** House recede
(3) Certify child protection program	**AGREED** House recede
(4) Certify IEVS	**AGREED** Senate recede
(5) Certify lead state agency	**AGREED** House recede with modification that public and local agencies have 60 days to submit comments.

(6)	Certify that State will submit reports	**AGREED** Senate recede
(7)	State spending estimate	**AGREED** Senate recede
(8)	Indians	**AGREED** House recede
(9)	State plan available to public	**AGREED** House recede
(10)	Secretary determine plan	**AGREED** House recede

C. Payments to States

(1) Entitlements

a.	Block grant	**AGREED** Follow House and Senate; House recede to Senate on statement of no entitlement
b.	Illegitimacy	**AGREED** Senate recede on incentive payments, House recede on calculation of ratio.
c.	Population Growth Fund	**AGREED** See package offer at(4)(C)(2)(a) below
d.	Emergency Assistance Fund	**AGREED** See package offer at(4)(C)(2)(a) below
e.	Job placement bonus	**AGREED** Senate recede--see f. below
f.	Performance bonus	**AGREED** House recede with modification that a States' maintenance of effort is reduced if the State has one of the most successful work programs or has shown significant improvement over the previous year.
g.	High performance bonus	**AGREED** Senate recede--see f. above
h.	Outlying areas	
	--Cash	**AGREED** House recede
	--Medicaid	**AGREED** Identical provisions
	--JOBS	**AGREED** House recede
I.	Indians	
	--Cash	**AGREED** House recede with modification that eligible tribes may receive direct funding beginning FY 1997.
	--JOBS	**AGREED** House recede

(2) Definitions

a. State grant		**AGREED** House recede with the following modifications: (1) States would receive the greater of the average of FY92-94, FY94 or FY95 expenditures on AFDC benefits and administration, emergency assistance, and JOBS; (2) Population growth fund listed under (4)(C)(1)(c) is capped at $800 million and will apply only to fiscal year 1997 through 2000; (3) Eliminate emergency asst. fund under (4)(C)(1)(d); (4) Cap Contingency fund listed under (4)(C)(8) at $800 million over 5 years; (5) Establish all child care funding into a single block grant that includes $7 billion in discretionary money for working poor and $10 billion in mandatory money for TANF recipients (allocated based on what the State received in FY94 and the current "at-risk" child care formula). Allows 30% transferability among the two child care funds.
b.	Grant amount	**AGREED** See package offer at (4)(C)(2)(a) above
c.	Illegitimacy ratio	**AGREED** House recede
d.	Definition of State	**AGREED** House recede so only 50 states eligible for population funds
e.	Indian	**AGREED** House recede
(3) Use of Grant		
a.	In general	**AGREED** House recede with modification that information technology and computerization needed for tracking and monitoring recipients is not counted in the 15% administrative cap.
b.	Set-asides	**AGREED** Senate recede on set aside for child care and performance bonus; House recede on Indians
c.	Interstate	**AGREED** Senate recede

d. Transfer funds	**AGREED** Senate recede with modification that money can not be transferred into or out of child care block grant.
e. State reserves	**AGREED** House recede
f. EBT	**AGREED** Senate recede
g. Job Placement	**AGREED** House recede
(4) State Maintenance of Effort (cost sharing)	**AGREED** House recede with modification to change the maintenance of effort from 80% to 75%.
(5) Timing of Payments	**AGREED** Senate recede
(6) Penalties	
-- General rules	**AGREED** House recede
a. Misspending	**AGREED** House recede
b. Failing to report	**AGREED** Follow House and Senate language but use 4% fine
c. Not using IEVS	**AGREED** Follow House and Senate but use 2% fine
d. Not cooperate on child support	**AGREED** House recede
e. Family planning	**AGREED** Identical provisions
f. Limit federal authority	**AGREED** House recede
g. Late paying loan	**AGREED** House recede
h. Corrective compliance	**AGREED** House recede with modification to delete redundant provision.
(7) Federal loan fund	**AGREED** House recede
(8) Contingency fund	**AGREED** See package offer at (4)(C)(2)(a) above
(9) Added child care funds	**AGREED** (See package offer at (4)(C)(2)(a) above
D. Personal contracts	
(1) Terms	**AGREED** Senate recede
(2) Penalties	**AGREED** Senate recede
E. Work Requirements	
(1) Work Activities	**AGREED** Combine House and Senate work activities; Senate recede that vocational training will be limited from 25% to 20% of a State's caseload.
(2) Participation requirements	
a. Rates	**AGREED** Senate recede with the following modifications: 1996-15%, 1997-20%, 1998-25%, 1999-30%, 2000-35%, 2001-40%, 2002 and thereafter-50%
b. Rate reduction	**AGREED** House recede

	c. Exemptions for families with children under age 1 and battered individuals	**AGREED** Senate recede on battered individuals and House recede on exempting families with children under age 1 from the work requirement.
	d. Calculations:	
	--Fiscal year rate	**AGREED** Identical provisions
	--Monthly rate	**AGREED** House recede, except Senate recede on counting people who have worked their way off the rolls in the previous 6 months and including sanctioned individuals in the numerator.
	--Engaged in work	**AGREED** Senate recede
	e. Child care guarantee	**AGREED** House recede
(3)	2-parent families	
	a. Rates	**AGREED** Adopt the following work participation rates: 1996 = 50%; 1997 = 75%; 1998 = 75%; 1999 and thereafter 90%.
	b. Creditable activities	**AGREED** Combine House and Senate work activities; Senate recede that vocational training will be limited from 25% to 20% of a State's caseload.
(4)	Penalties	
	a. On individuals "Pay-for-Performance"	**AGREED** House recede with modification that the burden of proof to demonstrate an inability to find needed child care for a single parent with a child under age 6 rests with the parent.
	b. On 2-parent families	**AGREED** House recede
	c. Limit federal authority	**AGREED** House recede with a modification to substitute "no officer or employee of the federal government" for "neither the DHHS Secretary nor the Treasury Secretary".
	d. Failing work requirement	**AGREED** Senate recede; House recede to corrective action provisions
(5)	Education & training	**AGREED** Senate recede
(6)	Research	**AGREED** Combine House and Senate
(7)	Evaluate new approaches on work	**AGREED** House recede

(8) Annual ranking of states on work	**AGREED** Senate recede
(9) Annual ranking of states on illegitimacy	**AGREED** House recede
(10) Work for parents with older children	**AGREED** Combine House and Senate
(11) Work/school for noncustodial parents	**AGREED** Senate recede
(12) Delivery of work activities	**AGREED** Senate recede
(13) Displacement of workers	**AGREED** House recede
F. Prohibitions	
(1) No minor child	**AGREED** Combine House and Senate
(2) Aliens	**AGREED** House recede
(3) Teen moms	
(a) No cash aid	**AGREED** House recede
(b) Second chance homes	**AGREED** House recede with modification that money is authorized but not appropriated
School required	**AGREED** House recede
(4) Family cap	**AGREED** Senate recede with modification that States can opt-out
(5) 5-year limit	**AGREED** House recede with modification of a 15% hardship exemption and clarify that a battered individual may qualify for hardship.
(6) Not cooperating on child support	**AGREED** House recede with clarification that a parent's share of the welfare benefit must be denied for noncooperation (States may deny the entire family).
(7) Not assigning support rights	**AGREED** Senate recede
(8) If paternity not established	**AGREED** Senate recede with modification that it is a State option
(9) Fraudulent receipt of welfare	**AGREED** House recede
(10) Fugitive felons, probation violators	**AGREED** Senate recede
(11) Absent children	**AGREED** Senate recede
G. Income/resource limits	
(1) Resource limits	**AGREED** Identical provisions
(2) Income limits	**AGREED** Identical provisions
(3) Earnings	**AGREED** Identical provisions

(4)	EITC	**AGREED** Identical provisions
(5)	Child support	**AGREED** House recede.
(6)	Other cash aid	**AGREED** Senate recede.
H.	Procedure & policy rules	
(1)	Statewide administration	**AGREED** House recede.
(2)	Single state agency	**AGREED** House recede with modification that public and local agencies have 60 days to submit comments.
(3)	State cost sharing	**AGREED** House recede with modification from 80% to 75%.
(4)	Aid to all eligibles	**AGREED** Identical -- no provision
(5)	Hearing	**AGREED** Identical --no provision
(6)	Administrative methods	**AGREED** Identical --no provision
(7)	No benefit below $10, rounding	**AGREED** Identical --no provision
(8)	Preeligibility fraud detection	**AGREED** Identical --no provision
(9)	Correct erroneous payments	**AGREED** House recede
(10)	State appeal process	**AGREED** House recede
I.	Quality control/audits	**AGREED** Senate recede with modification that money runs directly from Treasury).
J.	Data	
(1)	Reporting requirements	**AGREED** Combine House and Senate data reporting requirements.
(2)	Estimates	**AGREED** Follow House and Senate provisions; add language clarifying that Secretary may, in the case of states that use sampling methods, challenge the sampling plan as scientifically invalid.
(3)	Other reporting requirements	
a.	Administrative funds	**AGREED** Senate recede
b.	State spending	**AGREED** Senate recede
c.	Noncustodial parent	**AGREED** Senate recede
d.	Child support	**AGREED** Senate recede
e.	Child care	**AGREED** House recede
f.	Transition services	**AGREED** House recede
K.	Reports required by HHS:	
(1)	Data processing	**AGREED** Senate recede
(2)	Poverty	**AGREED** House recede
(3)	Alternatives	**AGREED** House recede

(4) Grandparents	**AGREED** Senate recede
(5) State progress	**AGREED** House recede
L. Research & national studies	**AGREED** House recede with modification that $15 million be appropriated a year.
M. Waivers	**AGREED** House recede
N. Census studies	
(1) SIPP	**AGREED** Senate recede
(2) Grandparents	**AGREED** House recede
O. Private/religious charities	**OPEN** House recede with modification that state constitutions are not overridden and other technicals.
5. Transfers	
A. Child support penalties	**AGREED** Senate recede
B. Assistant Secretary for Family Support	**AGREED** Senate recede
6. Conforming Amendments the Social Security Act	**AGREED** Drafting issue
7. Conforming amendments to other laws	**AGREED** Drafting issues
8. Continued application of current Medicaid standards	**AGREED** No longer applicable due to revisions in Medicaid law.
9. Effective dates	**AGREED** House recede
10. Miscellaneous	
A. County authority for demonstration projects	**AGREED** Senate recede
B. Collection of overpayments from federal tax refunds	**AGREED** House recede
C. Tamper-proof Social Security card	**AGREED** House recede with modification to eliminate Title II funding.
D. Disclosure of receipt of federal funds	**AGREED** House recede
E. Job opportunities for low-income individuals	**AGREED** House recede
F. Demonstration projects to expand school use	**AGREED** Senate recede
G. Secretary submit legislative proposal for technical and conforming amendments	**AGREED** House recede

Title II: Supplemental Security Income

1. Denial of SSI to drug addicts and alcoholics	
A. In General	**AGREED** Identical provisions
B. Representative Payee Requirements	**AGREED** House recede, but add provision to minimize administrative cost to the Federal government
C. Referral of individuals with a secondary substance abuse condition to state substance abuse agency for treatment	**AGREED** House recede, but add provisions to minimize administrative cost to the Federal government and clarify that States are not required to provide treatment
D. Effective date	**AGREED** (1) House recede on effective date for new applicants (date of enactment) (2) House recede on effective date for current beneficiaries (1/1/97)
E. Funding for treatment	**AGREED** House recede
F. Reapplication (this provision is linked to "D" above)	**AGREED** House recede, but modify Senate provision so that recipients disqualified under the new provision who reapply within 120 days of SSA's notification would receive redetermination decision by January 1, 1997
2. SSI benefits for disabled children	
A. Restriction on eligibility for benefits	
(1) Comparable severity repealed	**AGREED** House recede

(2) Disability definition	**AGREED** House recede, but add provision providing for any final rule affecting jurisdiction to be submitted to committees of jurisdiction 45 days in advance of their effective date
(3a) Annual Report on medical listings	**AGREED** House recede (but see E., below)
(3b) Discontinue IFA	**AGREED** House recede
(4) Limit maladaptive behavior	**AGREED** House recede
(5) Eligibility for cash SSI benefits	**AGREED** New provision: children meeting a definition of personal assistance would receive 100 percent of benefit; all other children 75 percent. Children receiving benefits as of the effective date of this new provision would continue to receive 100 percent of cash benefit.
(6) Effective date	**AGREED** (1) House recede on effective date for new applicants (date of enactment) (2) House recede on effective date for current beneficiaries and redeterminations (1/1/97)
(7) Notice	**AGREED** House recede
B. Block grants to States for children's disabilities	**AGREED** House recede
C. Provisions on SSI cash and service benefits	
(1) Disability reviews	
a. CDRs for children	**AGREED** House recede; add provision requiring evidence of needed treatment for continued representative payee status

b. Reviews for children turning 18	**AGREED** House recede
c. Reviews for low-birth weight babies at 12 months	**AGREED** House recede; modify Senate provision to require evidence of needed treatment for continued representative payee status.
d. Effective date	**AGREED** House recede on effective date for CDRs
(2) Assets and trusts of children	
a. Disposal of assets	**AGREED** Senate recede with technical modifications
b. Dedicated savings account	**AGREED** House recede with technical modifications
D. Conforming amendments	**AGREED**
E. Improving child disability evaluations	**AGREED** Senate recede
F. Temporary eligibility for cash benefits for children in some ("209(b)") states	**AGREED** House recede
G. Reduction of cash payable to institutionalized children with private insurance	**AGREED** Senate recede
H. Added accountability requirements for parents	**AGREED** Senate recede
I. Regulations	**AGREED** Senate recede
3. Examination of mental listings	**AGREED** House recede
4. Payments to outlying areas	**AGREED** Refer to Title I

5. Repeal maintenance of effort for state supplemental programs	**AGREED** House recede, but Senate recede on effective date (date of enactment)
6. Denial for 10 years for fraudulent receipt of benefits	**AGREED** Refer to Title I
7. Denial for fugitive felons and probation and parole violators	**AGREED** Refer to Title I
8. Limited eligibility of noncitizens for SSI	**AGREED** Refer to Title IV
9. Annual Report on SSI	**AGREED** House recede
10. Study of disability determination process	**AGREED** House recede
11. GAO study	**AGREED** House recede
12. National Commission on the Future of Disability	**AGREED** House recede, but funding will be subject to appropriation and no automatic effective date; other technical modifications
13. Eligibility for SSI benefits based on Social Security retirement age	**AGREED** House recede

Title III: Child Support Enforcement

Subtitle A: Eligibility for Services; Distribution of Payments

1. References	**AGREED** Identical provision
2. State Obligation	**AGREED** Modify House language to confine mandatory services to children receiving foster care payments
3. Distribution	
A. Distribution Rules	
-- General rule	**AGREED** Senate recede with effective date change to May 1, 1996
-- Post-welfare arrearages	**AGREED** Senate recede
-- Pre-welfare arrearages	**AGREED** Senate recede with modifications on implementation date.
-- Indians	**AGREED** Senate recede
B. Continuation of Services	**AGREED** Identical provision
C. Effective date	**AGREED** Senate recede with modification
4. Privacy Safeguards	**AGREED** Identical provision
5. Right to Notification	**AGREED** House recede on requirement that parties to child support case must be notified of hearings; Senate recede on requirement for hearing

Subtitle B: Locate and Case Tracking

6. Case Registry	
A. Contents	**AGREED** Identical provision
B. Linking of Local	**AGREED** Identical provision
C. Standard data elements	**AGREED** Identical provision
D. Payment records	**AGREED** Identical provision

E. Updating and monitoring	**AGREED** Identical provision
F. Information comparisons	**AGREED** Identical provision
7. Collection & Disbursement	
A. State Disbursement Unit	**AGREED** Senate recede
B. Operation	**AGREED** Identical provision
C. Linking local units	**AGREED** House recede
D. Required procedures	**AGREED** Identical provision
E. Timing of disbursements	**AGREED** House recede
F. Use of automated system	**AGREED** Identical provision
G. Effective date	**AGREED** Identical provision
8. Directory of New Hires	
A. State plan	**AGREED** Senate recede
B. Establishment	**AGREED** Senate recede with modification that states with New Hire reporting laws as of date of enactment can continue their programs and all states must conform to federal requirements by October 1, 1996
C. Employer information	**AGREED** House recede
D. Timing of report	**AGREED** House recede with modification that States have the option of establishing a time earlier than 20 days but no state may exceed the 20 day limit after October 1, 1996. House recede on allowing businesses that report electronically to report by every 15 days.
E. Reporting format	**AGREED** Senate recede with clarification that the use of an equivalent form is at the option of the employer
F. Civil penalties	
-- Fine	**AGREED** House recede
-- Anti-fraud	**AGREED** House recede
G. Entry of New Hire Information	**AGREED** House recede
H. Information comparisons	**AGREED** Senate recede with modified effective date of May 1 1998

I. Transmission of information	**AGREED** House recede with modification that states report to Federal directory within 3 days
J. Other uses of information	**AGREED** House recede
9. Income Withholding	**AGREED** House recede
10. Locator Information	**AGREED** Senate recede
11. Expansion of Federal Parent Locator Service	
A. Expanded authority	**AGREED** House recede with modification that non-resident parents would not have direct access to FPLS information (requests must go through the child support agency or the courts to ensure protection of custodial parent)
B. Reimbursements	**AGREED** Identical provision
C. New Components of FPLS	
(1) Federal case registry	**AGREED** Senate recede
(2) National directory	**AGREED** House recede
D. Information comparisons	**AGREED** Senate recede
E. Fees	**AGREED** Senate recede
F. Restriction on use	**AGREED** Senate recede
G. Information integrity	**AGREED** Senate recede
H. Quarterly wage reports	**AGREED** House recede
I. Conforming amendments	**AGREED** House recede
J. Authorized person for information regarding visitation rights	**AGREED** Senate recede with modification that noncustodial parent request must be treated with the same priority as requests from noncustodial parents and State must ensure that no information may be given to an individual suspected of abuse.
12. Social Security Numbers	**AGREED** House recede

Subtitle C: Streamlining and Uniformity of Procedures

13. Uniform state laws	**AGREED** Senate recede with modification of compromise language

14. Full faith & credit	**AGREED** Identical provision
15. Administrative enforcement in interstate cases	**AGREED** Identical provision
16. Forms in interstate cases	**AGREED** House recede with modification to replace advisory committee with requirement that Secretary consult with state IV-D directors
17. Expedited procedures	
A. Administrative action	**AGREED** House recede
B. Substantive rules	**AGREED** Identical provision
C. Automation	**AGREED** Identical provision

Subtitle D: Paternity Establishment

18. State Laws on paternity	
A. Establishment until 18	**AGREED** Senate recede
B. Genetic testing	**AGREED** House recede
C. Voluntary paternity	
(1) Simple civil process	**AGREED** House recede
(2) Hospital program	House recede with modification to give states the option of establishing "good cause" exceptions
(3) Paternity services	**AGREED** Senate recede
(4) Affidavit	**AGREED** House recede
D. Status of signed acknowledgment	
(1) Legal finding	**AGREED** House recede
(2) Contest	**AGREED** Senate recede
(3) Rescission	**AGREED** House recede
E. Bar on court proceedings	**AGREED** Senate recede
F. Admissibility of testing	**AGREED** Senate recede
G. Presumption of paternity	**AGREED** Senate recede
H. Default orders	**AGREED** Senate recede
I. Right to trial	**AGREED** Senate recede
J. Temporary support	**AGREED** Senate recede
K. Proof of costs	**AGREED** Senate recede
L. Standing of fathers	**AGREED** Senate recede
M. Filing in state	**AGREED** Senate recede
N. National affidavit	**AGREED** Follow House and Senate bills but clarify that Secretary, after consulting with states, list common elements that states must include in their form
19. Outreach for Voluntary	**AGREED** Identical provision

Establishment	
20. Cooperation by welfare applicants	**AGREED** House recede
Subtitle B: Program Administration and Funding	
21. Federal Matching Payments	**AGREED** House recede
22. Performance-based Incentives	
A. Incentive adjustments	**AGREED** Modify House and Senate language as follows: 1) retain 66% Federal match and current incentive system; 2) require Secretary, in consultation with state IV-D directors to develop new incentive system that provides additional payments to states (i.e., payments in addition to 66% match) based on performance, and report details of new system to Ways and Means and Finance Committees by June 1, 1996; new system must be revenue neutral
B. Conforming amendments	**AGREED** Senate recede
C. Calculation of paternity establishment percentage	**AGREED** Follow House and Senate but add state option on using all births in state in denominator and marital births plus number of paternities established in numerator
D. Effective date	**AGREED** Senate recede
23. Federal Reviews & Audits	
A. State agency activities	**AGREED** House recede
B. Federal activities	**AGREED** Identical provision
C. Effective date	**AGREED** Identical provision
24. Required Reporting	**AGREED** House recede
25. Automated Data Processing	
A. In general	**AGREED** Identical provision
B. Program management	**AGREED** Identical provision
C. Performance indicators	**AGREED** Identical provision
D. Information integrity	**AGREED** Identical provision
E. Regulations	**AGREED** Identical provision

F. Implementation time	**AGREED** House recede
G. Federal Matching rate	**AGREED** House recede
H. Temporary limits	**AGREED** Follow the House and Senate but increase the funding from $260 million to $400 million
26. Technical Assistance	**AGREED** Identical provision
27. Reports by Secretary	**AGREED** House recede

Subtitle F: Establishment and Modifications of Support Orders

28. National Guidelines Commission	**AGREED** Senate recede
29. Simplified Process	**AGREED** House recede with modification that states must send custodial parents notice at least once every 3 years informing them of their right to a review
30. Consumer Reports	**AGREED** House recede
31. Nonliability for Depository Institutions	**AGREED** House recede

Subtitle G: Enforcement of Support Orders

32. Federal Income Tax Refund	
A. Changed Order of Refund to Pay Federal Debts	**AGREED** House recede
B. Elimination of disparities in assigned and unassigned arrearages	**AGREED** Senate recede
33. IRS Fees	**AGREED** House recede
34. Collection from Federal Employees	
A. Consolidation & streamlining	
(1) Federal employees	**AGREED** Identical provision
(2) Federal agencies	**AGREED** Identical provision
(3) Designation of agent	**AGREED** Identical provision
(4) Priority of claims	**AGREED** Identical provision
(5) Pay cycles	**AGREED** Identical provision
(6) Relief from liability	**AGREED** Identical provision
(7) Regulations	**AGREED** Identical provision

(8) Money subject process	**AGREED** Identical provision
(9) Definitions	**AGREED** Identical provision
B. Conforming amendments	**AGREED** Identical provision
C. Military pay	**AGREED** Identical provision
D. Effective date	**AGREED** Identical provision
35. Child Support & Armed Forces	
A. Locator information	**AGREED** Identical provision
B. Granting leave	**AGREED** Identical provision
C. Retired pay	**AGREED** Identical provision
36. Voiding Fraudulent Transfers	**AGREED** Senate recede
37. Sense of Congress on Drivers' Licenses	**AGREED** House recede
38. Work Requirement	**AGREED** Senate recede
39. Definition of Support Order	**AGREED** House recede
40. Reporting Arrearage to Credit Bureaus	**AGREED** House recede
41. Liens	**AGREED** Identical provision
42. Suspension of Licenses	**AGREED** Senate recede
43. Denial of Passports	**AGREED** House recede
44. International Enforcement modification	**AGREED** House recede with to conform with language provided by the National Child Support Enforcement Association.
45. Denial of Federal Means-Tested Benefits	**AGREED** Senate recede
46. Indian Tribes	**AGREED** Senate recede
47. Financial Institution Data	**AGREED** House recede
48. Paternal Grandparents	**AGREED** House recede with modification to make state option.
Subtitle H: Medical Support	
49. Technical Correction to ERISA	**AGREED** Identical provision
50. Enforcement of Health Care	**AGREED** House recede

Subtitle I: Enhancing Responsibility and Opportunity for Non-Residential Parents

51. Access and Visitation

A.	In general	**AGREED** Identical provision
B.	Amount of grant	**AGREED** Identical provision
C.	Allotment to states	**AGREED** Identical provision
D.	State administration	**AGREED** Identical provision

Subtitle J: Effect of Enactment

52. Effective Dates **AGREED** Identical provision

Title IV: Noncitizens

1. Statements of national policy	**AGREED** Senate recede

Subtitle A -- Eligibility for Federal Benefits Programs

2. Illegals ineligible for federal benefits	**AGREED** House recede with modification that illegals may continue to receive: short-term disaster relief, emergency medical, immunizations and testing/treatment for communicable diseases.
3. Nonimmigrants, asylees, parolees ineligible for federal benefits	
A. In general	**AGREED** House recede with modification that noncitizens that work illegally in the United States are not eligible to receive Social Security benefits.
B. Excepted programs	**AGREED** House recede
C. Aliens paroled into U.S.	**AGREED** House recede
4. Eligibility of lawfully present noncitizens	
A. In general	**AGREED** House recede with modifications: (1) current resident noncitizens (and those arriving after enactment) may not receive SSI and food stamps until attaining citizenship or working long enough to qualify for Social Security; (2) States have the option of providing benefits in the TANF, Medicaid, or Title XX programs and noncitizens have no entitlement to benefits; (3)new entrants are denied from all federally means-tested benefits for five years after arrival into the US except for programs outlined in above.
B. Excepted programs	**AGREED** House recede
C. Excepted classes	
(1) Refugees	**AGREED** Identical provisions
(2) Over 75	**AGREED** House recede with modification that recipients can receive benefits after qualifying for Social Security benefits

(3) Veterans	**AGREED** Senate recede
(4) For 1st year	**AGREED** House recede so that aliens excepted only until January 1, 1997)
(5) Disabled	**AGREED** House recede
(6) Asylees	**AGREED** House recede
(7) If worked 10 years	**AGREED** House recede
(8) If battered	**AGREED** Senate recede
D. Effective date	**AGREED** House recede
E. Reapplication	**AGREED** House recede
5. Notification	**AGREED** Senate recede
6. Verification and Information Sharing	**AGREED** House recede

Subtitle B -- Eligibility for State and Local Benefits Programs

7. Ineligibility of illegals for state and local benefits	**AGREED** House recede with modification that provides States the option of denying benefits to illegal noncitizens.
8. Ineligibility of nonimmigrants for state and local benefits	**AGREED** House recede with modification that provides States the option of denying benefits to nonimmigrants.
9. State authority to limit eligibility of immigrants for state and local benefits	**AGREED** House recede with modification that provides States the option of denying benefits to noncitizens.

Subtitle C -- Attribution of Income and Affidavits of Support

10. Requirements for affidavits of support	
A. When required and enforceability	
(1) Executed as contract	**AGREED** House recede
(2) Affected programs	**AGREED** House recede with added exemptions for education loans
(3) Qualification of sponsor	**AGREED** Identical provisions
(4) Time limit on reimbursement	**AGREED** Identical provisions
(5) Length of sponsorship period	**AGREED** Senate recede
B. Forms	**AGREED** Senate recede

C. Statutory Construction	**AGREED** House recede
D. Notification of change of address	**AGREED** House recede
E. Reimbursement procedures	**AGREED** Senate recede
F. Jurisdiction	**AGREED** House recede
G. Definitions	
(1) Sponsor	**AGREED** House recede but Senate recede on 200% income requirement.
(2) Means-tested public benefits program	**AGREED** Senate recede
(3) Federal poverty line	**AGREED** House recede-see #1 above
(4) Qualifying quarter	**AGREED** House recede
H. Clerical amendment	**AGREED** Senate recede
I. Effective date	**AGREED** Senate recede

11. Attribution of sponsor's income and resources to sponsored immigrants

A. Federal benefits	**AGREED** House recede with modification that post-secondary education is included in exempted programs retrospectively only; Senate recede on battered individuals.
B. Amount of income deemed	**AGREED** Senate recede
C. Length of deeming period	**AGREED** Senate recede
D. State and local benefits	**AGREED** House recede

Subtitle D -- General Provisions

12. Definitions

A. In general	**AGREED** Senate recede
B. Lawful presence	**AGREED** House recede with modification that eligibility is determined by specific classes of noncitizens not whether they are "lawfully present."
C. State	**AGREED** Senate recede
D. Public benefits programs	
(1) Means-tested program	**AGREED** Senate recede
(2) Federal benefit	**AGREED** House recede

(3) Federal means-tested public benefits program	**AGREED** Senate recede
(4) State means-tested public benefits program	**AGREED** Senate recede
13. Construction	**AGREED** Senate recede with clarification that the bill is silent on elementary and secondary education benefits.

Subtitle E -- Conforming Amendments

14. Conforming amendments to assisted housing	**AGREED** Technical and conforming amendments that depend on underlying policy

Title V: Reduction in Federal Government Positions

1. Reductions	House recede with a modification that reductions will take place over two years
2. Reductions in Federal Bureaucracy	House recede
3. Reducing Personnel in Washington DC area	House recede

Title VI: Housing

1. Ceiling Rents	House recede
2. Definition of adjusted income for public housing	House recede
3. Failure to comply with other welfare and public assistance programs	House recede
4. Applicability to Indian housing	House recede
5. Implementation	House recede
6. Demonstration Project for Elimination of Take-One-Take-All Requirement	House recede
7. Fraud under means-tested welfare and public assistance programs	House recede
8. Effective Date	House recede

Title XII: Miscellaneous

1.	Spending federal funds according to laws for spending state funds	**AGREED** House recede
2.	Eliminate housing assistance for fugitive felons and probation and parole violators	**AGREED** House recede
3.	Sense of Senate on enterprise zones	**AGREED** House recede
4.	Sense of Senate on inability of non-custodial parent to pay child support	**AGREED** House recede
5.	Food stamp eligibility	**AGREED** House recede
6.	Sense of Senate on unfunded mandates in welfare reform	**AGREED** Senate recede
7.	Sense of Senate on competitive bidding for infant formula	**AGREED** Senate recede
8.	Establishing national goals to prevent teen pregnancies	
	A. Goals	**AGREED** House recede with a modification to eliminate an "additional 2%"
	B. Prevention programs	**AGREED** House recede
9.	Sense of Senate on statutory rape	**AGREED** House recede
10.	Sanctioning for testing positive for controlled substances	**AGREED** House recede

11.	Abstinence education	House recede
12.	Scoring	**AGREED** House recede
13.	Provisions to encourage electronic benefit transfer	**AGREED** Senate recede with technical modifications.

Mr. President

Pursuant to Section 904(c) of the Budget Act, I move to waive the Budget Act for the consideration of the following provisions and for the language of the provisions if included in the conference report:

MOTION

By DOMENICI

Bill/Res. No. S.1357

TO WAIVE BUDGET ACT

5 pages

83—20247-1pp GPO

EXTRANEOUS PROVISIONS, RECONCILIATION 1995

Title VII
Committee Finance, Medicaid and Welfare

Subtitle and Section	Subject	Budget Act Violation	Explanation
			rape or incest or if the woman's life is in danger.
2123 (h)	Treatment of Assisted Suicide	313 (b)(1)(A)	Extraneous; no budgetary impact. No payments made to pay for or assist in the purchase in whole or in part of health benefit coverage that includes payment for any drug, biological product or service which was furnished for the purpose of causing, or assisting in causing, the death, suicide, euthanasia, or mercy killing of a person.
2174	Individual Entitlement	313(b)(1)(A)	Extraneous; no budgetary impact. This title shall not be construed as providing for an entitlement.
Subtitle C Welfare			
403(a)(3)	Supplemental Grant for Population Increases in Certain States	313 (b)(1)(B)	Extraneous; costs. Provides additional grants to states with higher population growth and average spending less than the national average.
403(b)(2)	Treat Interstate Immigrants Under Rules of Former State	313 (b)(1)(A)	Extraneous; no budgetary impact. A State may apply to a family some or all of the rules, including benefit amounts, or the program operated by the family's former state if the family has resided in the current state less than 12 months.
405(b)(1)	No assistance for More Than Five Years	313(b)(1)(A)	Extraneous; does not score. States may not provide assistance for more than 5 years on a cumulative

EXTRANEOUS PROVISIONS, RECONCILIATION 1995

Title VII
Committee Finance, Medicaid and Welfare

Subtitle and Section	Subject	Budget Act Violation	Explanation
			basis; can opt to provide it for less than 5 years.
406(b)	State option to Deny Assistance For Out-of-Wedlock Births to Minors	313(b)(1)(A)	Extraneous; does not score. States may deny assistance for a child born out-of-wedlock to an individual who has not attained 18 years of age, or for the individual.
406(c)	State option to Deny Assistance For Children Born to Families Receiving Assistance	313(b)(1)(A)	Extraneous; does not score. States may deny assistance for a minor child who is born to a recipient of assistance .
406(f)	Grant Increased to Reward States That Reduce Out-of-Wedlock births	313(b)(1)(B)	Extraneous; costs. Provides additional funds to states that reduce out-of-wedlock births by at least 1 percent below 1995 levels, and whose rates of abortion do not increase. Secretary can deny the funds if the State changes methods of reporting data.
418	Performance Bonus and High Performance Bonus	313(b)(1)(B)	Extraneous; costs. 5 States with highest percentage performance improvement receive a bonus. Note: this is paid for with previous year's penalties so some might claim it is deficit neutral. However, it is a separate and discrete section.
7202	Services Provided by Charitable, Religious, or Private Organizations	313(b)(1)(A)	Extraneous; no cost impact. Allows states to provide services through contracts with charitable, religious, or private organizations.

EXTRANEOUS PROVISIONS, RECONCILIATION 1995

Title VII
Committee Finance, Medicaid and Welfare

Subtitle and Section	Subject	Budget Act Violation	Explanation
7207	Disclosure of Receipt of Fed Funds	313(b)(1)(A)	Extraneous; no cost impact.
Subtitle D SSI Chapter 5 7291	Repeal of Maintenance of Effort Requirements Applicable to Optional State Programs for Supplementation of SSI	313(b)(1)(A)	Extraneous; no cost impact. Savings accrues to the state
Chapter 6 7295	Eligibility for SSI Benefits Based on Soc. Sec. Retirement Age	313(b)(1)(A)	Extraneous; no cost impact within the 7-year budget window.
Subtitle G Other welfare Chapter 1 7412	Reductions in Federal Bureaucracy	313(b)(1)(A)	Extraneous; no direct spending impact. Reduction is on the discretionary side of the budget.
7445	Abstinence Education in Welfare Reform Legislation	313(b)(1)(A)	Extraneous; no direct spending impact. Authorization of appropriations.

EXTRANEOUS PROVISIONS, RECONCILIATION 1995

Title VII
Committee Finance, Medicaid and Welfare

Subtitle and Section	Subject	Budget Act Violation	Explanation
Subtitle J COLAs			
7481	SoS Regarding Corrections of Cost of Living Adjustments	313(b)(1)(A)	Extraneous; no direct spending impact. Finds that the CPI overstates the cost of living in the US, and that the overstatement undermines the equitable administration of Federal benefits. Expresses the Sense of the Senate that Federal law should be corrected to accurately reflect future changes in the cost of living.

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LEADER: I UNDERSTAND THE CHAIR IS PREPARED TO APPOINT CONFEREE'S ON BEHALF OF THE SENATE FOR H.R. 4, THE WELFARE REFORM BILL.

CHAIR: THE CLERK WILL REPORT THE CONFEREE'S

CLERK: ROTH
DOLE
CHAFEE
GRASSLEY
HATCH
~~MOYNIHAN~~
BRADLEY
PRYOR
BAUCUS
FROM THE COMMITTEE ON LABOR, FOR THE CONSIDERATION OF TITLE VI AND ANY ADDITIONAL ITEMS WITHIN THEIR JURISDICTION, INCLUDING THE CHILD ABUSE AND PROTECTION ACT TITLE

KASSEBAUM
JEFFORDS
COATS
GREGG
KENNEDY
DODD
MIKULSKI

FROM THE COMMITTEE ON AGRICULTURE, FOR THE CONSIDERATION OF ITEMS UNDER THEIR JURISDICTION;

LUGAR
DOLE
HELMS
LEAHY
PRYOR

690-7380

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

OCT 26 1995

The Honorable Richard A. Gephardt
House Democratic Leader
United States House of Representatives
Washington, D.C. 20515-2503

Dear Mr. Leader:

We take this opportunity to advise you of the views of the Department of Health and Human Services (HHS) on H.R. 4, a bill "To restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence."

The Administration believes strongly in the need for bipartisan welfare reform legislation that promotes work and protects children. We continue to have major concerns with specific provisions in both the Senate and House bills. The Administration's views on the final legislation adopted by the Congress will ultimately depend on whether it promotes the key goals of work, family, and responsibility, and whether it continues to provide fundamental protections for children. The American people want a welfare reform bill that promotes opportunity and demands responsibility; that gives young parents the tools they need to enter the workforce; and that maintains a national safety net for our most vulnerable citizens: our children. While we are committed to passage of a bipartisan welfare reform bill, any legislation must be based on these common values. This letter discusses our concerns in these critical areas.

I. Promoting Work

Real welfare reform is first and foremost about work. The system must provide the incentives and resources for states to get the job done. Real work requirements must be backed up with real resources for job placement, education, and training to help people get jobs and keep them. The link between child care and work is especially critical. A reformed system must provide work-based incentives for states, caseworkers, and welfare recipients themselves. States should be rewarded for moving people from welfare to work -- not for cutting them from the rolls.

(A) Child Care

Ensuring that resources for child care are available is a crucial underpinning of any program that is to be successful in moving parents from welfare to work and ending welfare as we know it. Therefore, the Administration strongly supports the child care provisions in titles I and VI of the Senate Bill, which include $8 billion in separate, earmarked funds for child care services over five years in addition to the funds authorized in the Child Care and Development Block Grant (CCDBG). These provisions, which also have bipartisan support from the nation's Governors, recognize the critical importance of child care to parents' success in finding and keeping work, as well as the need for

parents to know that their children are cared for in a safe, nurturing environment while they work. As benefits become time-limited and work requirements are strengthened, it is absolutely essential that additional child care is made available so that more parents can work.

To this end, the Administration strongly supports the state entitlement to child care funds approved by the Senate (the new section 419(a) of the Social Security Act (SSA)). We firmly oppose the House bill provision that cuts child care funds below the level states need to maintain their current child care commitments. We also strongly prefer the Senate bill provisions that require states to maintain 1994 levels of Title IV-A child care spending in order to access their allotment of the additional $3 billion appropriation (the new section 419(b)(3) of the SSA), and that designate federal matching funds at the Federal Medical Assistance Percentage (FMAP) for state expenditures in excess of 1994 levels. The Administration is concerned, however, that the Senate language requires the additional $3 billion made available for child care to be subject to reauthorization and pay-as-you-go funding rules (section 419(b)(4) of the SSA) after FY 2000. We believe that to assist states appropriately in meeting child care needs, these funds should be included in the baseline.

The Administration strongly supports the work provisions in the Senate bill that (1) prohibit states from penalizing parents who refuse work when child care for a child under age 6 is not available (modification to section 404(d)(2) of the SSA); (2) provide states the option of not requiring a single parent with a child under age 6 to participate in work for more than an average of 20 hours per week during a month (modification to section 419(c)(1) of the SSA); and (3) provide states the option of not requiring an individual who is the parent or caretaker relative of a child under 12 months of age to engage in work (section 404(b)(5) of the SSA). These provisions recognize the important links between child care and a parent's success in working. Moreover, because of the demanding level of the work requirements, these provisions would lower child care costs and thereby reduce the cost shift to states that would otherwise occur if states were to meet the work participation rates.

Additionally, the Administration supports the provisions in the Senate bill that maintain funding for services to working poor families, many of whom are able to stay in the workforce only because of their child care subsidies (title VI). We strongly support the Senate provision (section 658T of the CCDBG Act) that assists states in operating uniform programs and helps protect children. Further, the Administration strongly prefers the Senate provisions (section 602) that retain the essential current state efforts to ensure quality child care and continue the requirement that states set health and safety standards for child care. We oppose the modification of section 658T of the CCDBG Act under title III of the House bill that allows states to transfer up to 20% out of the CCDBG to support other programs.

In addition, we recommend that steps be taken to ensure that the full amount authorized for CCDBG is appropriated.

(B) Maintenance of Effort

States should be required to maintain their stake in moving people from welfare to work rather than be given an incentive simply to cut people off. The Administration strongly supports the intent of the Senate bill to give states an incentive to continue their commitment to provide the resources necessary to support work and to help needy families with children.

Without a requirement to contribute to programs for poor families, several factors will give states an incentive to significantly reduce their funding. States will have an incentive to reduce benefits and/or create harsh time limits to discourage in-migration from other states, thereby encouraging a "race to the bottom." In addition, because of the interaction between AFDC and Food Stamps, states will have an incentive to lower cash benefits. Because Food Stamps are funded completely by federal dollars and increase when AFDC benefits fall, decreasing benefits would result in more federal money being brought to the state. Finally, state funds for cash assistance, work, and child care programs for poor families with children are likely to be squeezed out by more politically popular programs as states face broad reductions in federal funds for a variety of public services. Given that the effort to put recipients to work will require an investment of resources beyond what is available through the block grant, the maintenance of effort provision is a necessary tool for the success of welfare reform.

While the Administration strongly supports the intent of the maintenance of effort (MOE) provisions in the Senate bill (modifications to section 403(a)(5) of the SSA), we believe the language needs to be strengthened to ensure that the intent of the Senate is carried out. The Administration recommends dropping the proposed section 403(a)(5)(C)(i)(V), which permits the use of any state expenditures that meet the overall purpose of the temporary assistance program to count towards the maintenance of effort requirement. This provision would allow expenditures in a broad number of areas and for a broad range of state residents to count towards the MOE requirement. It would be difficult to enforce and thus would weaken the effectiveness of the provision significantly.

The provisions in the Senate bill that prohibit states from using funds "supplanted by transfers from existing state and local programs" is difficult to interpret and would also be difficult to enforce. Because there are fiscal implications for states (in terms of potential disallowances and access to additional funds), it is important that procedures be in place to ensure compliance by states with the statutory requirements in this area.

The bill language with respect to transfer from other programs is difficult to interpret (section 403(a)(5)(C)(ii)). It is not clear that this or other language in the bill would exclude state and local expenditures on general governmental activities that serve different or broader population groups than those historically served by the AFDC and JOBS programs. The Administration recommends that states be allowed to include only those expenditures for cash assistance, child care assistance, education, job training, work, administrative costs, and other use of funds allowable under section 403(b)(1) that were also allowable expenditures under parts A and F of title IV as in effect in fiscal year 1994, with the exception that all state funds spent on work activities should be allowable if they targeted only welfare recipients (i.e. not activities available to residents of the state generally).

Finally, in considering what is an allowable expenditure under title IV-A for MOE purposes, the Administration recommends that assistance and services under the Emergency Assistance (EA) program be excluded. In recent years, a number of states have used the EA program to claim title IV-A funds for expenditures on questionable and tangential activities. Only activities directed at meeting the basic living, employment, and child care needs of low-income families should be included.

(C) Contingency Grant Fund and Allocation Formula

The Administration strongly believes that real reform means providing resources that allow states to cope with changes in economic and demographic conditions -- not merely shifting increased costs to states and taxpayers. States should be rewarded for moving people from welfare to work and protected in the event of high population growth, economic downswings, or other unpredictable emergencies.

The Administration prefers the Senate's contingency fund provisions (the new section 403(I) of the SSA), which allow eligible states to draw down additional federal funds based on their Federal Medical Assistance Percentage, once they have exceeded one hundred percent of their FY 1994 state expenditures for AFDC-related programs. The House provision would allow eligible states to receive only federal loans, which must be repaid with interest within three years.

The Senate provision is preferable because the contingency grant fund would provide direct aid to states, without the repayment stipulation. Since states would require aid during downswings in their economies, there is no assurance that states would be able to repay a federal loan within three years as required by the House bill. The possibility of defaulting on the obligation would force states to choose between taking a loan in order to serve those in need or cutting benefits and restricting eligibility to conserve available funding. This is an unfair choice to impose on states, particularly when they experience dramatic increases in need.

In order for any state to qualify for additional funding provided via the contingency fund, the dynamic growth formula or the loan fund, the Administration recommends that the state be required maintain its fiscal year 1994 level of state spending on the welfare programs contained in the block grant. This will ensure that no state would receive additional funding unless they first fulfill their obligation to the poor children and families in their state.

To further improve the Senate's contingency fund, the Administration recommends four specific changes:

(1) *The base funding level should be increased.* The $1 billion included in the Senate's contingency fund would not provide an adequate cushion to states that experience population increases, economic downturns, or other emergencies. To illustrate this problem, between 1990 and 1992, a period which encompassed the most recent national economic downturn, federal AFDC spending grew by about $6 billion -- much more than the $1 billion provided by the Senate over 7 years. As one way to address this disparity, the funds already set aside in the bill to cover additional Emergency Assistance (EA) expenditures by states should be dedicated to expanding the contingency fund. EA is a small component of welfare spending, and many states have claimed EA funds for activities that are not directly related to supporting needy families with children. A better use for these resources is to move them into the contingency fund to help ensure that states are capable of providing assistance to deprived children when need increases. Since the $800 million in the EA funds have already been scored by CBO, shifting them to the contingency fund would create no new costs while substantially improving their effectiveness.

(2) *A trigger based on the number of children receiving Food Stamps should be added to the contingency fund.* The contingency fund in the Senate bill includes only a trigger based on state unemployment. Unemployment rates, however, lag substantially behind periods of economic difficulty for the poor. Those with low skills and low-wage jobs are at the bottom of the economic ladder and tend to be the first ones to experience hardship when the economy slows. Their need for assistance increases significantly before there is a large change in overall unemployment rates. As a result, AFDC and Food Stamps caseloads are better indicators of economic need among the poor. For this reason, the Administration supports an additional contingency fund trigger which more directly measures child well-being and child poverty.

The trigger would employ the number of children on Food Stamps as a proxy for child poverty, and would be indexed to the number of children receiving Food Stamps in FY 1994. For each year of the block grant, a state would be eligible to draw down contingency fund monies if the number of children receiving Food Stamps within the state was at least a specified percentage higher than the number of children receiving Food Stamps in FY 1994. The threshold percentage should be set in such a way -- with regard to current economic conditions and caseload forecasts -- that the cost will not exceed $1.8 billion (the combined amount of the current contingency fund and funds now set-aside for EA expenditures). In any one year, states qualifying via either the unemployment or the child Food Stamps trigger could draw down federal funds which equal up to 150 percent of the increase in children receiving food stamps. For example, if an eligible state experiences a five percent increase in the number of children receiving Food Stamps, relative to FY 1994, then they could draw down up to an additional 7.5 percent of their current fiscal year block grant. The maximum funding that any state could receive from the contingency fund would be 20 percent of their current fiscal year block grant, regardless of the increase in child Food Stamp recipiency. Some states can receive monies under the dynamic growth allocation and can use this money to meet increased need. These additional grants should be subtracted prior to determining the amount of money available from the contingency fund. Tying eligibility for contingency funds to the number of children on Food Stamps would make assistance to states more directly responsive to increases in poverty associated with economic downturns, population growth, or natural disasters and is strongly urged by the Administration.

(3) *If the national economy were severely troubled and the contingency fund were depleted, additional funds should be made available to states in need.* Under the current Senate contingency fund, states can only draw down resources from the fund if the fund has not been fully obligated. States that experience economic slowdowns later than other states could be precluded from contingency fund resources if other states have already claimed the full amount of the fund -- even if the conditions in the state are the consequences of a national downturn or recession. For this reason, the Administration recommends a provision that would allow additional funds to flow to eligible states when the national unemployment rate equals or exceeds 6.5 percent. With this provision, any state that qualified under the individual state unemployment or Food Stamps triggers would be able to draw down up to 20 percent of their block grant allocation, regardless of the number of states that qualify and seek assistance and regardless of the amount remaining in the contingency fund. Because the national unemployment rate is not projected to rise above 6 percent in the next seven years, this provision would create no new scorable costs to the bill.

Such a provision would ensure that states have access to contingency funds when child poverty increases during national recessions and would to some extent remove the penalty against states that experience downturns later rather that sooner. In addition, to alleviate the burden on states likely to be strapped for revenues during national recessions, the Administration recommends that state loans, or portions of state loans, from the rainy-day loan fund be forgiven and repaid by the Secretary of the Treasury when national unemployment exceeds 6.5 percent. Together, these provisions would ensure that states have an adequate pool of federal resources from which to draw when economic slowdowns occur. (As another option, the base amount of the contingency fund could be replenished by a certain amount for each tenth of a percentage point the unemployment rate exceeds 6.5 percent.)

(4) *Additional funding should be made available to states that experience extremely severe conditions even if national unemployment does not exceed 6.5 percent.* Under circumstances in which the base level of the contingency fund is fully obligated by states and contingency funds are no longer available, states that experience extremely severe conditions and hit a higher set of triggers should also be able to draw down up to 20 percent of their block grant allocation even if the national unemployment rate remained below 6.5 percent. This modification would take into account states that suffer extreme regional downturns when the national economy has not experienced major difficulty. To qualify; (1) state unemployment would have to exceed an average of nine percent over a three-month period and 120 percent of the unemployment rate for the same period in either of the preceding two years; or (2) the average monthly number of children on Food Stamps over a 12-month period would have to exceed 110 percent of the comparable average for the immediately preceding 12-month period. The exact percentages are illustrative, but we believe change should be made in a way that provides important crisis "insurance" without increasing estimated costs.

These changes would create a new contingency fund that is much more likely to be able to respond to growth in child poverty rates and to provide additional assistance to states when it is needed most.

(D) Reducing Cost Shift to States

The Administration believes that strong work requirements -- moving welfare recipients off the rolls and into jobs -- must be a central focus of welfare reform. However, the Administration also recognizes that it will take substantial resources for states to meet the participation rates when they reach higher levels -- particularly given that under both bills individuals must participate 30 hours per week in FY 2000 (and more in later years) in order to be counted toward the rate.

Given the demanding efforts and high costs of meeting the work participation rates, the Administration prefers the method for calculating the participation rate contained in the Senate bill (modifications to section 404(b) of the SSA). The Senate provisions that allow other activities such as leaving welfare for work or being sanctioned to count toward the rate reduce the probability that the cost of the work program would be shifted to the states. The Senate provisions give states "credit" for achieving desired results -- beyond the requirement that individuals participate in work activities. Including those who leave welfare for work in the numerator of the rate will give states an incentive to move recipients into work as quickly as possible.

The Administration also supports the Senate bill's allowance of vocational training to count as a work activity (section 404(c)(3)). Research shows that programs that include this type of activity have been effective in increasing the employment levels and earnings of welfare recipients and reducing welfare dependency.

The Administration is opposed to the provision in the House bill that allows states to use caseload reductions that result from state-initiated changes in eligibility criteria -- such as setting a two-year time limit -- to reduce their required work participation rates (section 404(a)(1)(B)). Because terminating benefits is less expensive than operating a work program, the House provisions would create a strong
incentive for states to meet their participation rates by throwing people off the rolls. This policy would cause more hardships and would not result in a real work requirement. In order for work requirements to be meaningful, states must be given both the incentives and the resources to get the job done.

Finally, based on the recommendation made by the National Commission on Childhood Disabilities, the Administration supports a policy that at least one parent of a disabled child receiving Supplemental
Security Income (SSI) payments be exempt from the work requirements. Given that disabled children have special needs that may require a great deal of attention, it is appropriate that these parents have the option to care for the child themselves.

(E) Performance Bonuses

Real reform is first and foremost about work -- and the system must provide work-based incentives for states, caseworkers, and welfare recipients themselves. States should be given an incentive to put people to work -- rather than simply cutting them from the rolls. The Administration strongly supports the provisions in the Senate bill that provide bonus payments to states for performance on job placement and other employment-related measures (the new sections 403(f) and 418 of the SSA).

We do recommend, however, that technical changes be made to clarify the operation of the performance bonus system. If possible, the Administration also recommends that the performance bonus not be taken directly from the block grant.

(F) Personal Responsibility Contracts

Personal responsibility contracts will ensure that recipients are moving toward work and self-sufficiency from the very first day. The Administration strongly supports the provisions on personal responsibility contracts contained in the Senate bill (modification to section 405(a) of the SSA). These agreements between the state and each family receiving cash assistance would ensure that welfare becomes a reciprocal obligation between the state and the recipient. By signing it, the recipient agrees to take the necessary steps to become self-sufficient within a time-limited period and the state agrees to provide the services the recipient needs to achieve this goal. The Administration recommends that states be given flexibility to design these contracts in ways that best meet their needs.

II. Protecting Children

Given the magnitude of changes being considered to programs serving poor families, the Administration believes it is imperative to maintain a national safety net for children, especially the national nutrition safety net. Assistance to abused, neglected, and disabled children should not be slashed under the guise of "welfare reform." True welfare reform should make it easier for poor children to grow into productive adults -- not harder. Needy children should be assured basic protections wherever they live. In addition, the Food Stamp, child nutrition, and WIC programs, among others, have successfully narrowed the gap between the diets of low-income and other families and have had profound impacts on the nutrition, health, and well-being of millions of children, working families, and elderly. The Administration strongly opposes the Child Nutrition and WIC block grants in the House bill.

(A) Child Protection

The Administration strongly supports the Senate position maintaining current child protection and adoption policy and strongly opposes the Child Protection Block Grant created in the House bill (title II). Reported child maltreatment and out-of-home placements both have been increasing sharply. Courts in 22 states have found child protection systems that are failing to investigate allegations of child abuse and neglect; failing to make adequate efforts to avoid unnecessary placements; and failing to take the actions needed to achieve permanency for a substantial number of foster children. We must not walk away from our commitment to abused and neglected children and those at risk of maltreatment.

Unfortunately, the House bill addresses these increasingly serious problems through block grants that eliminate basic protections and cut funding by 12 percent below baseline over the next five years. This could lead to more uninvestigated maltreatment reports and children left in unsafe homes, setting back states' efforts to improve their child abuse prevention and child protection systems. The House bill also eliminates key incentives and subsidies for families who adopt children with special needs, jeopardizing important efforts to find permanent homes for thousands of vulnerable children.

The Administration supports the Senate approach because it sustains the recent improvements to the child protection system, including increased flexibility for states to experiment and a new focus on prevention, and it reauthorizes and strengthens the Child Abuse Prevention and Treatment Act (title XI) in order to ensure streamlined and simplified administration of child welfare programs..

(B) SSI Children

The Social Security Administration will be presenting the Administration's views in a separate letter. However, because SSI changes have an impact on the Medicaid program, we have included our views on these proposed changes here as well.

While both the House and Senate bills go too far in the changes they would make to the SSI childhood disability program, we generally favor the Senate SSI provisions (sections 211-213). Under the Senate's provisions, cash benefits and, as a result, categorical Medicaid eligibility would be preserved for all poor children with disabilities who have a medically determined physical or mental

impairment that results in marked and severe functional limitations. We strongly urge Congress to reduce hardship to disabled children now on SSI by exempting them from these new, stricter eligibility rules.

The Administration opposes the House provision prohibiting states from disregarding SSI payments in determining the amount of cash assistance for a family under title I. As a result of this measure, a child's SSI payment could prevent a family from qualifying for assistance or reduce the benefit it receives, forcing the family to use the SSI payment to meet the basic needs of other family members. Such a policy would contradict the purpose of the SSI program, which is to assist the aged, blind or disabled recipient. We favor affording states the flexibility to disregard all or part of a child's SSI benefit in determining the family's eligibility for cash assistance under title I.

(C) Time Limits

The Administration has consistently recognized that time-limited benefits that are followed by work and that protect children are key elements of transforming the welfare system. Currently 20 states are testing varying approaches to time limits under waivers granted by the Clinton Administration, and each ensures that families are protected when work is not available. The Administration strongly supports time limits that assure appropriate exceptions and extensions for those who, despite best efforts and through no fault of their own, cannot find work. We also recommend that children who are denied assistance due to a time limit continue to receive Medicaid and nutritional assistance. It is critical that both federal and state policies that establish time limits also ensure that children are protected.

The Administration strongly prefers the Senate provision that permits states to exempt up to 20 percent of the caseload from the time limit (the new section 405(b)(3) of SSA). Parents affected by a five-year time limit are precisely those least likely to find a private sector job. Only one-third of those parents who would reach a five-year time limit under the current system have a high school degree; a recent study found that three-quarters of the jobs available in low-income areas require a high school diploma.

The Administration urges that, in addition, states be given the flexibility to exempt parents of disabled children receiving SSI payments from the time limit, in recognition of the extraordinary demands placed upon them, and that these exemptions not be counted against the 20 percent limit. The National Commission on Childhood Disabilities similarly recommends exempting parents of children on SSI from the time limit on cash assistance.

The Administration also strongly supports the provisions in the House bill that allow states to provide non-cash assistance to children who lose their benefits due to the time limit (section 405(a)(6) of the SSA). Some families cut off by the time limit are likely to turn to homeless shelters and food pantries, at substantial cost to state and local governments and already overburdened religious and non-profit institutions. The House provision would allow, but not require, states to provide assistance to these children in the form of vouchers (usable only for particular goods and services) or direct payments to providers of such goods or services. (The provisions in the House bill also apply to those whose benefits have been affected by the family cap and minor parent provisions.)

III. Promoting Parental Responsibility

Government programs should reflect the values of work, responsibility, and opportunity. But in order to end welfare as we know it, we must have real, fundamental change that helps move people from welfare to work, encourages responsible behavior, and sends a strong message to the next generation that people should not have children until they are ready to care for them. Welfare reform means requiring parental responsibility, not punishing children for their parents' mistakes. We must take strong action to address the problem of teen pregnancy, but we should not give up on teenage parents and their children.

(A) Minor Mothers

True reform should make it easier for poor children to grow into productive adults -- not harder. Teenage parents should not be denied assistance -- instead, help should be conditioned on their staying in school, living at home, and moving towards self-sufficiency. The Administration strongly supports requiring young parents to act responsibly and providing them with guidance to become better parents. To this end, the Administration supports the minor parent provisions in the Senate bill (the new section 406(d) of the SSA). These provisions would require teen parents to live in adult supervised settings, while ensuring that they are protected from remaining in abusive situations, and also funds "Second Chance" homes for those who have no other option. Conversely, the Administration strongly opposes the House provision that requires states to deny cash assistance to teen mothers (the new section 405(a)(5) of the SSA). There is no evidence that such a provision would have a significant deterrent effect on out-of-wedlock childbearing among teens and certainly the denial of aid to teen mothers would do nothing to encourage them to stay in school and prepare for work. Moreover, at a time when we are seeking to provide states with greater flexibility to tailor their own welfare programs, the federal government should not mandate who may or may not receive assistance in each state.

(B) Family Cap

The Administration opposes placing policy mandates on states such as the mandatory family cap of the House bill. It supports the provisions in the Senate bill (modifications to section 406(c) of the SSA) that give states more flexibility, not less, on this issue. Family cap provisions are currently being tested under waiver authority in several states. Preliminary results from the evaluation of the New Jersey family cap policy are not promising: the small differences found were not statistically significant. This research finds that during the first 12 month period of implementation, 6.9 percent of AFDC mothers subject to the family cap gave birth to an additional child, whereas 6.7 percent of AFDC mothers not subject to the family cap gave birth to an additional child. The Administration does not believe that these results and the mixed evidence from earlier research warrant the mandatory implementation of such a policy. However, as these results are preliminary and there is much more to learn about this policy's impact, the Administration supports allowing states to decide for themselves whether to implement a family cap policy.

(C) Child Support Enforcement

The Administration is supportive of provisions in both the Senate and House bills that incorporate all of the major proposals for tougher child support enforcement that the Administration demanded. These include streamlined paternity establishment, new hire reporting, license revocation, uniform interstate child support laws, and computerized state collections.

The differences between the bills are, for the most part, technical in nature. In general, the Administration prefers the Senate version, which is somewhat more comprehensive and corrects some of the technical drafting errors that were in the House bill. Among the major issues of concern to the Administration are:

- The House bill contains a provision that would subject 3.2 million children to reduced benefits because paternity has not been established, even if the mother has cooperated fully in paternity establishment efforts and the state was at fault for not establishing paternity. The Administration opposes that House provision.

- The Administration opposes the provision in both bills to eliminate the $50 pass-through for child support and is concerned that the House language prohibits states from passing-through and disregarding any child support payments.

- The Administration strongly supports the House provision that adopts a "children first" priority for all child support arrangements paid to the family after they have left welfare. This provision increases the economic security of families that have left welfare and helps prevent them from returning to welfare. The Senate bill does not adopt a "children first" priority in all cases. It allows the state to have first priority for child support payments owed for the period before the family went on welfare.

The Administration supports the House provision requiring states to meet the level of performance assumed in our proposed 1994 Welfare Reform Act to be eligible for the level of incentive payments assumed when that bill was transmitted. The Secretary should have greater flexibility to develop this incentive formula than either bill provides, to ensure payments reflect program performance and cost-effective operations. The Secretary would seek states' input in developing this formula.

(D) Abstinence Education

Welfare reform must 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 Administration supports efforts to combat teen pregnancy through an appropriate expansion of abstinence education, targeting sexual predators, setting national goals for reductions in teen pregnancy, and enabling states to provide second-chance homes for young mothers and children. 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.

IV. Ensure Protections for Legal Immigrants

Both the House and Senate bills go too far in cutting benefits for legal immigrants, and shifting costs to states with high numbers of immigrants. Deeming has been shown as an effective way of holding sponsors responsible and we support strengthening that responsibility as reflected by the extended deeming provision in the Administration's welfare reform bill last year. The Administration strongly opposes the Senate provision that would discriminate against U.S. citizens by denying benefits to legal immigrants even after they became naturalized citizens. We also object to the basic principle behind the Senate provision that would establish a class system for legal immigration by requiring sponsors' income to exceed 200 percent of poverty.

The legislation would be much more acceptable to the Administration if the following features were present. Immigrants who become disabled after entering the country and the aged over 75 should be eligible for benefits. Benefit restrictions should not apply to discretionary programs and such mandatory programs as Social Services Block Grant; the administrative burdens on these programs of verifying everyone's citizenship is considerable, and the budget savings are negligible. Refugees and others who come to the U.S. to avoid persecution should be given adequate time to naturalize before being subject to benefit restrictions. Finally, the Administration has serious reservations about the bill's application of these provisions to the Medicaid program.

(A) Immigrant Ineligibility

The Administration opposes proposals to make noncitizens indefinitely ineligible for assistance from a wide range of means-tested programs, leaving them with virtually no access to the social safety net until they become citizens. As will be discussed below, necessary curbs on immigrant use of means-tested programs can be accomplished by revising sponsor deeming provisions and making sponsor affidavits of support legally binding. This will ensure that more legal immigrants who are in need of support receive that support from their sponsors (rather than from government programs), but will also provide the most vulnerable with access to basic subsistence programs.

The House bill makes most immigrants ineligible -- until citizenship -- for the five major needs-based programs: Medicaid, food stamps, SSI, the AFDC block grant and the Social Services block grant (section 403). The House bill applies to both current and future immigrants.

The Senate bill makes most noncitizens entering the United States after the date of enactment ineligible for their first five years in the country for most needs-based programs that are wholly or partially federally funded (section 505). Under the Senate bill, each state may determine whether noncitizens will be eligible for federally funded means-tested assistance after the five-year ineligibility period ends (section 501). We defer to the Justice Department on the constitutionality of allowing states the latitude to determine whether or not to make classifications based on alienage.

If a blanket ineligibility rule is adopted, it should be time-limited. At the very least, any such broad ineligibility rule should contain exceptions for certain classes of persons (most notably refugees, asylees, Cuban/Haitian entrants or other victims of persecution, aged persons over 75 years of age, and persons with disabilities) and exceptions for certain services (most notably emergency medical care, WIC, child nutrition, foster care and adoption assistance, disaster relief, soup kitchens, immunizations and Head Start). All of these proposed exceptions appear in one or both of the current bills (other than Cuban/Haitian entrants which we believe must be an oversight). We understand that

the Secretaries of the Departments of Education and Housing and Urban Development (HUD) will submit letters that further explain problems this provision creates. Finally, a broad ineligibility rule, if adopted, should not apply to legal immigrants who are currently receiving benefits.

(B) Deeming and Affidavits of Support

The Administration believes that changes in the deeming rules are appropriate, but both the House and Senate proposals would unduly broaden both the scope and the duration of deeming requirements.

The Administration favors a policy in which deeming would be employed only in those programs that currently deem: AFDC, SSI and food stamps. The House bill would require sponsor deeming in each of the few federal and state needs-based programs for which the House plan does not make immigrants totally ineligible (section 421). Under the Senate bill, each state may determine whether noncitizens will be eligible for federally funded means-tested assistance after the Senate's five-year ineligibility period for future immigrants ends. If a state allows alien eligibility, in the Senate plan, deeming would be allowed in all such programs (section 502). Alternatively, a state could choose to ban noncitizens beyond the five years, making deeming an irrelevant concept. As already mentioned, allowing states the latitude to make classifications based on alienage may be subject to constitutional challenge; we defer to the Justice Department on this issue.

Broadening the scope of deeming could endanger public health and safety and would greatly complicate the administration of programs that do not currently deem. The Administration is particularly concerned about both the bills' application of deeming provisions to Medicaid. If deeming is expanded beyond the current programs that employ it, at the very least, as in the Senate bill, emergency medical services, short-term emergency disaster relief, the school lunch programs, child nutrition programs, immunization programs, Head Start, HUD housing assistance, WIC, and other programs that are not means-tested and that are determined by the Attorney General to be necessary for the protection of life, safety or public health should not be required to deem.

With respect to the time period for deeming, the Administration believes that extending the current deeming periods (three years for AFDC and food stamps and five years for SSI) is appropriate, but that the extensions proposed in the House and Senate bills are problematic. In this area, the Senate bill is more objectionable than the House because it provides that a future immigrant would be subject to deeming--even after attaining citizenship--until working for 40 qualifying quarters (sections 502(c) and 503(a)(2)). Deeming beyond citizenship would create two classes of U.S. citizens. We believe such a policy probably would be vulnerable to constitutional challenge. Deeming should not extend beyond citizenship. Further, the Administration believes that the new deeming rules should be applied only to persons who first apply for benefits after the effective date of the legislation.

The Administration strongly urges that the current exemption from deeming for persons who become disabled after entry into the United States be retained. Both bills would eliminate this exemption. The Administration strongly supports making legally binding the affidavit of support signed by a sponsor, and believes the affidavit should be binding for the same period as deeming. We object to the provision in the Senate bill, which would make the affidavit binding until the immigrant has worked in the United States for 40 Social Security qualifying quarters, even after the immigrant had become a citizen, for the same reason that we object to deeming beyond citizenship.

The Administration also believes that the current deeming formulas, which deem a portion of the sponsor's income to the immigrant, should be retained. The provisions in both the House (section 421(a)) and Senate (section 502(b)) bills, that call for deeming 100 percent of a sponsor's income to the immigrant, could endanger the ability of sponsors to support themselves, their families and their sponsored immigrants.

(C) SSI Eligibility

The Department defers to the Social Security Administration to analyze the issues surrounding eligibility of noncitizens for SSI. Receipt of SSI benefits, however, conveys access to Medicaid, and we are troubled by the provisions in both the House and Senate bills that would make most elderly and disabled legal immigrants, including those currently receiving SSI benefits, ineligible for both SSI and Medicaid. As discussed more fully above, we believe that the appropriate approach is a revision of deeming policy, not eligibility policy, and that the new policy should not apply to Medicaid and be applied only prospectively to new SSI applicants.

If there are to be broad eligibility exclusions from SSI, there should be exceptions for certain categories of persons (most notably refugees, asylees, Cuban/Haitian entrants or other victims of persecution, persons over age 75, persons with disabilities, veterans and active duty U.S. military personnel, and persons eligible for title II social security benefits). These exceptions appear in one or both of the bills. Further, any broad eligibility exclusions should not apply to current recipients.

(D) 200 Percent Limitation on Sponsors

The Senate bill (section 503 (f)(1)(D)) would impose a new restriction that would allow only sponsors who earn more than 200 percent of poverty to sponsor their relatives to come to this country. The House welfare bill does not have a similar provision. The Administration strongly opposes the Senate provision and prefers the current policy. If enacted, the Senate bill provisions would prohibit a large number of Americans from reuniting with their family members. More than a third of all Americans have incomes below 200 percent of poverty.

(E) Verification of Legal Status

The Administration opposes the Senate provision that imposes verification of legal status requirements on programs that do not currently verify such status (section 507(e)). The four major assistance programs (AFDC, Medicaid, SSI and food stamps) currently verify status, and the Administration strongly believes persons who do not lawfully reside in the United States should not receive such taxpayer-funded benefits. However, if additional programs are given the obligation of verification, the additional administrative costs to local service deliverers would be significant; funds would have to be diverted to administrative costs from provision of services. There is no evidence that such procedures would be cost-effective or conducive to public health and safety. The proposal in the Senate bill to require verification even by those programs for which illegal immigrants will remain eligible (e.g., emergency medical care, disaster assistance, child nutrition, WIC, school lunches) seems to be particularly wasteful of scarce resources.

In addition, section 507(c)(2) defines persons "lawfully present" for purposes of benefit eligibility. We support the goal of establishing a uniform definition of alien eligibility in affected programs. We encourage Congress to examine and adopt the definition of eligible alien the Administration proposed

in its welfare reform bill introduced last year, the "Work and Responsibility Act of 1994." We also urge that this definition apply only to the four primary needs-based programs -- AFDC, SSI, Medicaid, Food Stamps -- allowing for state and local cash and medical general assistance programs also to use this definition.

(F) State Option to Deny Benefits to Legal Immigrants

Both the House (section 413) and Senate (section 501) bills would allow states to determine whether to make legal immigrants eligible for state benefit programs. States are understandably concerned about picking up the burden of care for immigrants. Nonetheless, states should not be allowed to prohibit access to the types of programs (e.g., emergency medial care, disaster assistance, child nutrition, school lunches) that the federal government has determined should be available to noncitizens. In addition, states should not be allowed to bar certain noncitizens (most notably refugees, asylees, Cuban/Haitian entrants or other victims of persecution, persons over age 75, and persons with disabilities) from state benefit programs.

(G) Reporting Illegal Immigrants

The Administration has deep reservations about the provision in the Senate bill that requires the states, the Commissioner of Social Security and the Secretary of Housing and Urban Development to report to the INS, at least four times a year, identifying information their programs have obtained about illegal immigrants (section 506). This would be a major and, we believe, very unwise change from current law, which generally prohibits health and welfare workers from reporting illegal immigrants to law enforcement agencies. Many immigrant families are of mixed status--consisting of citizens and immigrants, both legal and illegal. If the mission of health and welfare agencies is revised to require reporting of suspected illegal immigrants, many such families would refrain from seeking services, even for their citizen members, including children, who are fully entitled to benefits. This "chilling effect" would be harmful to the overall health and welfare of the affected families and their communities. The requirement would undermine the mission of human service agencies by placing greater administrative burdens on them and, more fundamentally, by destroying the basic sense of trust between recipient and provider that is central to such services.

V. Effective Operations

(A) Evaluation Funding

The Administration strongly supports provisions for research and evaluation on welfare programs (modifications to section 410 of the SSA). The House bill contains provisions which require and encourage evaluations, but it provides no funding for these activities. We prefer that the evaluation funds be appropriated in the normal manner, however, it is imperative that adequate resources for evaluation be provided.

These resources are essential if we are to conduct research that will help states identify effective approaches to reducing welfare dependency and to examine the effects of the welfare reforms on children and families. Because of the significant changes made to the welfare system, it will be critical to learn from the innovative approaches undertaken by the states and understand the effects, benefits, and cost-effectiveness of different strategies. In addition, to encourage the continuation of

section 1115 waiver evaluations and ensure a reasonable return on the state and federal investment made in these projects, the federal government should be in a position to increase its contribution to these projects. The results of these important studies of state innovation will provide timely information on the outcomes and cost-effectiveness of programs emphasizing time limits and work-focused employment strategies. Finally, evaluation will provide important resources for identifying and disseminating "best practices" from state welfare programs.

The Administration supports the provision contained in both the House and Senate bill which provides $10 million to enhance data collection on welfare recipients and other low-income populations.

(B) Federal Staffing

Regarding federal staffing, the Administration strongly supports the House bill which contains no specific mandates in this area. The Secretary of HHS already has the authority and responsibility to adjust federal staffing as necessary to ensure accountability and effective implementation of provisions in these bills.

(C) Secretary's Responsibility and States' Fiscal Accountability

Both bills envision great flexibility for the states and contain general prohibitions on the Secretary's authority to regulate the conduct of states. Presumably, the Administrative Procedure Act and underlying audit legislation continue to require that reasonable standards be established and published concerning the procedures and guidelines that will be applied in implementing those requirements of the law that impose responsibilities upon the Secretary, e.g., computation of bonuses, supplemental grants, and penalties. The Administration is concerned that, while states will have maximum discretion to operate their programs, fiscal accountability for use of federal block grants must be preserved. The Administration strongly supports the provision for a program-specific audit of spending in the Senate bill (modifications to section 408 of the SSA). To improve states' accountability, however, HHS also should retain authority to ensure states' compliance with work participation and other programmatic requirements.

(D) Data Collection

The Administration supports the provisions in the Senate bill (modifications to section 409 of the SSA) that require data on the assistance provided and the families served to be collected on a disaggregated basis (where a set of characteristics is collected for each case). In contrast to the aggregated data required by the House bill, this method of collecting data allows for a comprehensive understanding of the interactions between the characteristics of the caseload and the assistance received. For example, both the number and characteristics of individuals becoming employed could be examined if data were collected using the Senate method, while only an overall number of employed individuals would be available if the House method were used. While aggregated data allows basic statistics to be computed, it does not allow interested parties to gain an in-depth understanding of program operations or to learn about ways in which the program could be improved.

(E) Additional Emergency Assistance Funds

Under the Senate bill, the family assistance grants, after reductions for tribal set-asides and performance bonuses, would be increased for states that amended their EA state plans during FY 1994 (modifications to section 403(a)(2)(A) of the SSA). The state allocation of up to $800 million over five years to cover additional EA expenditures would take into account each state's proportion of total EA payments made to the eligible states for FY 1995. The Administration opposes this EA bonus for selected states. A better use of these funds would be to augment the contingency fund for states that have greater assistance expenditures due to economic downturns.

States have in recent years dramatically expanded claims under EA, producing a concurrent expansion in federal expenditures. Much of this expansion is attributed to states' shifting program costs from a broader and broader range of state expenditures. Recently, for example, some states have begun claiming federal EA funds for benefits and services provided at state or county-operated correctional facilities or group homes. Establishing state allocations under the block grant based upon FY 1994 expenditures for programs under the block grant is based upon relative federal expenditures at a particular point in time. Letting states that amended their EA plans receive an additional bonus, however, rewards them for recent cost-shifting and arbitrarily advantages states that happened to have amended their EA plans during FY 1994. This provision also allows these states to attempt to enlarge their proportion of the EA bonus pool and, thus, their individual state allocation by claiming additional FY 1995 expenditures retroactively. (States have two additional years to claim reimbursement for expenditures in a particular year.) Under the Senate provision, these EA bonuses would be paid out for five years. Shifting the EA bonus funding to the contingency fund would ensure that this additional funding is made available to states where the economies have worsened and where there really is more net spending on assistance for needy families.

(F) County Demonstration Projects

The Administration has serious reservations about the provision in the Senate bill (modifications to section 413 of the SSA) that allows counties that meet specified criteria to operate a temporary assistance block grant program. If implemented, this provision would create large administrative complexities. Many cities would be operating their own welfare programs and, in some cases, a single city, such as New York, could be operating several different programs, one in each of its boroughs. Each operating entity could establish its own rules regarding benefit levels, services provided, duration of time limits, definitions of eligible family, etc.

VI. Other Issues

(A) Eligibility for Elderly in the SSI Program

Changes in eligibility affect the SSI program administered by SSA as well as Medicaid. The Administration opposes the Senate provision (section 251) that would permanently link the eligibility age for SSI to the eligibility age for Social Security retirement benefits. Not only would this change raise the age for cash benefits from 65 to 67 gradually from 2003 through 2025 under current law, but any future changes in Social Security automatically would affect SSI. The Administration is

concerned about the resulting effect on the Medicaid eligibility age. The Administration is opposed to making such a fundamental change in the eligibility criteria of the SSI program, especially considering the potentially more far-reaching effects on eligibility to other programs, without consideration and debate.

(B) Drug Addicts and Alcoholics

The Department defers to the Social Security Administration on the provisions prohibiting eligibility for SSI benefits for drug addiction and alcoholism. While the Administration favors the House's substance abuse treatment funding levels, it would be preferable to put the funds into the Substance Abuse Prevention and Treatment Block Grant (as is done in the Senate bill), rather than into the Capacity Expansion Program and medications development research as is done by the House bill. In both bills the treatment money is directly appropriated by this legislation.

(C) Waiver Policy

The Administration supports the language in the Senate bill permitting a state with a waiver, granted under section 1115 of the SSA or otherwise affecting its AFDC program, either to continue operating its family assistance program under the waiver or to terminate the waiver (modifications to section 412 of the SSA). This provision would give states the flexibility to continue some waivers that were granted as part of a demonstration project, while terminating others. As discussed above, the Administration also supports inclusion of the Senate language encouraging states to continue operating under waivers and to evaluate the impact of such waivers. The Administration recommends, however, that the waiver provisions in the Senate bill be amended by dropping the provision to hold states harmless for cost overruns due to terminated waivers.

(D) Displacement Provisions

The Administration strongly supports the provisions in the Senate bill intended to prevent work program participants from directly displacing other workers (the new section 404(e) of the SSA). These displacement protections should be modified to cover contracted workers and should ensure that work programs do not preclude the employment of individuals not participating in work activities. The President's welfare reform plan, the Work and Responsibility Act of 1994 (WRA), included language (section 484(a) of the SSA as amended by the WRA) that addressed this issue. In addition, the Administration strongly recommends the inclusion of language calling for states to establish an impartial and expeditious procedure for resolving displacement complaints.

Welfare recipients may be available to employers at a lower cost, because their wages are subsidized or they are working in exchange for their grants. Anti-displacement provisions are needed to protect employees, regular or contracted, from being unfairly replaced by welfare recipients.

(E) Accountability for Governmental and Nongovernmental Agencies

Under the block grant structure established by the House and Senate bills, a broad range of nongovernment organizations could be engaged in providing significant amounts of taxpayer-funded public assistance to the poor. The Administration is concerned that there be safeguards to ensure

program integrity and accountability for federal funds. We would support stronger measures to guard against possible program abuses, including regular audits of nongovernmental organizations, provisions to safeguard confidentiality, and provisions for competitive bidding.

(F) Consulting with Local Government and Private Sector Organizations

The Administration strongly recommends adoption of the provision in the Senate bill requiring the state to consult with local governments and private sector organizations in designing its Family Assistance program (modifications to section 402(a)(7) of the SSA). Such consultation would be critical to developing a Family Assistance program that is responsive to the particular needs and circumstances of different local areas and that helps recipients in each of these areas to move from welfare into private sector employment.

(G) Disclosure of Receipt of Federal Funds

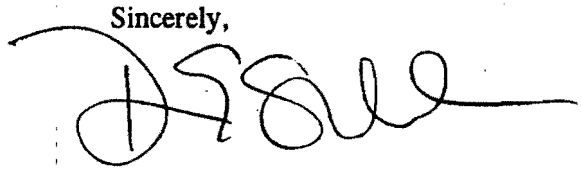
The Administration opposes the provision in the Senate bill requiring an organization that receives federal funds under the bill to disclose that fact in any advertising intended to promote public support for or opposition to any policy of a federal, state, or local government (section 110). This requirement, which does not apply to recipients of federal funds under other programs, nor to federal contractors, represents an arbitrary and inappropriate mandate on these organizations.

VII. Summary

Together we have made progress in this welfare reform debate. Now Congress has an historic chance to reach a bipartisan agreement to end the current welfare system and replace it with one that is tough on work, tough on responsibility, and fair to children. A bill that honors those values will be acceptable; a bill that is weak on work and tough on children will not be. The Administration calls on the conferees to put politics aside and help give the American people a government that honors their values by making welfare a second chance and responsibility a way of life.

The Office of Management and Budget has advised that there is no objection to the transmittal of this report from the standpoint of the Administration's program.

Sincerely,



Donna E. Shalala

IDENTICAL LETTERS SENT TO:

The Honorable Bob Dole
The Honorable Thomas A. Daschle
The Honorable Newt Gingrich

cc: House and Senate Conferees on H.R. 4, Welfare Reform

WELFARE REFORM TELEPHONE CONTACTS

SENATE

Senator Daschle	Ron Klain	224-3232	
	Grace Reef	224-5556	
Senator Breaux	Cynthia Rice	224-4623	
Senator Mikulski	Kevin Kelly	224-4654	224-8678
Senator Dodd	Diana Huffman	224-2823	
Senator Rockefeller	Barbara Pryor	224-6472	224-2578
Senator Lieberman	Laird Burnett	224-4041	

HOUSE

Rep. Gephardt	Andie King	225-2671	
Rep. Levin	Bob Crane	225-4961	226-1033
Rep. Kennelly	Nick Gwyn	225-2265	
Rep. Fazio	Monica Maples	225-5716	
Rep. Miller	John Lawrence	225-2095	
Rep. Stenholm	Karissa Willhite	225-6605	
Rep. Lambert Lincoln	Bruce Harris	225-4076	

maybe Breaux's reason to go back (w/ BDs) could be "I can bring other Senate D's w/ me!"

Cynthia

703 299 9231

PHOTOCOPY PRESERVATION

Janet
59189

C. REFORMING WELFARE

America's welfare system differs vastly from the program begun over sixty years ago. The average face of a welfare recipient in the fledgling AFDC program, which assisted only a half million people in 1936, may have belonged to a middle-aged widow raising her children alone on a Texas family farm. Today's faces often are those of young children who have borne children, and of parents who have never married.

For too long, the welfare system has undermined the values of work and family instead of strengthening them.

Over time, AFDC swelled to 13 million recipients, some 70% of them children. ~~Welfare programs are increasingly unpopular in the public eye because they are seen to pose a series of roadblocks for those who want to get off welfare. Instead of encouraging self sufficiency, the programs under-emphasize training and education programs and seem to encourage greater dependence.~~

~~While recognizing the crucial role of the social safety net in protecting the Nation's most vulnerable groups,~~ The Administration has made steady progress ~~on changing flawed aspects of~~ in reforming welfare. In 1993, the President's economic plan succeeded in giving tax cuts to 15 million working families through the Earned Income Tax Credit (EITC), which rewards work over welfare. A record $10 billion in child support was collected in 1994. The Administration has granted some three dozen States freedom to experiment with welfare initiatives to move people from welfare to work and protect children. ~~Welfare rolls seem to have responded favorably to these changes, shrinking by about one million recipients from September, 1994 to September, 1995.~~

$11?

~~But this~~ The Administration ~~asks the Congress for even more comprehensive change. I urge Congress to pass my tough welfare reform bill, one that requires self sufficiency and provides the resources to move recipients to work, while protecting their children. While saving $41 billion over seven years, it targets support to the neediest, keeps the national nutrition safety net, and protects the poor.~~ is determined to keep working with Congress to ~~produce~~ enact a bipartisan welfare reform bill that will move people from welfare to work and does right by children. This balanced budget plan repeals the existing welfare system and replaces it with a system that requires work and provides child care so people can leave welfare for work. It saves $41 billion over 7 years while promoting sweeping work-based reform and protecting children.

Temporary Employment Assistance, and ~~Related Items~~ Child Protection

The Administration proposal repeals Aid to Families with Dependent Children (AFDC) and creates a new time-limited, conditional entitlement for cash assistance called Temporary Employment Assistance, or TEA. ~~In~~ Within two years, parents must ~~work or move toward job readiness or face sanctions~~ go to work or lose their benefits, and after five years, TEA benefits end. States will enjoy new flexibility to tailor their welfare systems to local conditions. ~~Just as importantly~~ At the same time, the plan ~~keeps protections for children with~~ provides vouchers ~~and services should a TEA cutoff occur, and there is a flexible financial structure that responds to the vagaries of the economy and welfare caseloads.~~ for children whose parents reach the time limit, and protects States in the event of economic downturn or population growth

The Administration's plan provides about $3.6 billion above current law for child care for those recipients required to work or transitioning off welfare to work, and for the working poor. It has tough new child support enforcement measures and a new Work First program to make welfare a transitional work-based system. And it ~~keeps the~~ preserves the national commitment to foster care and adoption assistance, ~~programs open-ended,~~ preserving States' ability to respond to growing caseloads.

It also includes $ — million performance bonus fund to reward states that succeed in moving people from welfare to work.

Supplemental Security Income (SSI) For Disabled Children and Others

The proposal tightens eligibility standards for childhood disability benefits; retains full cash benefits for all eligible children; applies tightened eligibility requirements to children now on the rolls, so that children found ineligible would start to lose benefits in January 1998; trims the cash benefits of children in families with relatively higher incomes; eliminates eligibility for SSI on the basis of drug addiction or alcoholism; adds resources for more continuing disability reviews; and provides tools for the collection of SSI overpayments.

Food Stamps

The proposal ~~keeps the fundamental structure of the Food Stamp program~~ maintains the national nutritional safety net for Food Stamps + school lunch, allowing ~~it~~ them to respond to the changing circumstances of the families ~~it~~ they serve~~s~~ and children there.

More specifically, the Food Stamp program is indexed to inflation; all energy assistance counts as income; a work requirement makes adults 18-50 with no dependents ineligible for Food Stamps after six months of each year unless they work 20 hours a week or participate in workfare or training. (Eligibility~~, however~~, continues if a State fails to supply a training or workfare slot.) New integrity measures will crack down on fraudulent Food Stamp trafficking and reduce program waste.

Child Nutrition

The proposal better targets food subsidies for Family Day Care Homes, ~~it~~ rounds down meal reimbursement rates to the nearest cent, and makes other minor changes.

[Title XX--this section may be removed.

The President's plan cuts the Social Services Block Grant by 10 percent, beginning in fiscal 1996.]

Benefits for Legal Immigrants

The proposal tightens sponsorship and eligibility rules for SSI, Food Stamps and AFDC for non-citizens, forcing sponsors to bear greater responsibility for those they encourage to come to the U.S. by deeming sponsors' income until citizenship.

It also preserves eligibility for Medicaid; maintains the exemption for the disabled and the very elderly from deeming; and establishes a uniform definition of eligibility across the AFDC, Food Stamps, SSI and Medicaid programs.

The Earned Income Tax Credit (EITC)

The President's plan continues the scheduled expansion of the EITC for the working poor; improves error and fraud control; and protects working families near minimum wage who have no other income.

this dramatically,

In total, these provisions imply that states could, by law, reduce their spending substantially under the MOE and transfer provisions while federal spending on AFDC and child care programs would continue. ~~Many~~ Most states would not reduce spending, but there is no reason why states should be allowed to reduce spending while federal support continues at roughly current levels.

One ~~sta~~ analysis presented ~~before~~ to the W&M Comm by the CBP last week argued that states could hypothetically reduce spending by more than $50 billion over the next 7 years if they ~~took maximum advantage~~ reduced spending to 75% of their current effort and transferred ~~#~~ 30% of ~~the~~ cash block grant funds to other activities.

TO: Carol

FROM: Bruce

RE: AFDC-UP and the Byrd Rule

DATE: May 21, 1993

HHS's screw-up in delaying the two-parent AFDC-UP program just gets worse. Now I'm hearing from sources on the Hill that Republicans in the Senate plan to strip that change from the bill because it violates the Byrd rule. Naturally, they also plan to embarrass the Administration in the process, and claim that they're stopping us from trying to postpone welfare reform.

I asked Wendell Primus if this was true. He hadn't heard about it, but he admitted that the change HHS proposed probably does violate the Byrd rule, because it has no net revenue impact.

I asked him to come up with a strategy to avoid embarrassment. I see two options:

1) Persuade CBO that these changes do have a revenue impact, so they don't violate the Byrd rule. Of course, if we try that, we either have to claim it costs money (and find more revenue) or claim it saves money (and assume the states will make up the difference).

2) Encourage Moynihan to strip out the provision, with our blessing, before the Republicans have a chance to. Despite Wendell's insistence that Paul Offner thinks the HHS changes were sound policy, Mandy Grunwald (who is Moynihan's political consultant) told me that Moynihan sent her a copy of the Times article about the changes with a note that said, "Treason!"

Any advice?

JOHN BREAUX
LOUISIANA

MINORITY
CHIEF DEPUTY WHIP

COMMITTEES:

COMMERCE, SCIENCE, AND TRANSPORTATION

FINANCE

SPECIAL COMMITTEE ON AGING

WASHINGTON OFFICE:
(202) 224-4623
TDD (202) 224-1986

DRAFT

United States Senate

WASHINGTON, DC 20510-1803

STATE OFFICES:

ONE AMERICAN PLACE, SUITE 2030
BATON ROUGE, LA 70825
(504) 382-2050

THE FEDERAL BUILDING
705 JEFFERSON STREET, ROOM 103
LAFAYETTE, LA 70501
(318) 262-6871

WASHINGTON SQUARE ANNEX BUILDING
211 NORTH 3RD STREET, ROOM 102A
MONROE, LA 71201
(318) 325-3320

HALE BOGGS FEDERAL BUILDING
501 MAGAZINE STREET, SUITE 1005
NEW ORLEANS, LA 70130
(504) 589-2531

CENTRAL LOUISIANA:
(318) 487-8445

July 16, 1996

Dear Colleague:

I believe we can enact bipartisan welfare reform this year. We have come a long way since last year. Now, with the changes made in the Finance Committee last month, we are within striking distance of real welfare reform -- reform which is tough on work and good for kids. A few key issues remain, and I intend to offer and support amendments to address these concerns during Senate consideration of the bill.

First, let me say that I believe the best alternative is the Work First welfare reform bill which I will co-sponsor with the Democratic leader Tom Daschle. Under Work First, assistance is conditional and limited to five years (shorter at state option). But child care and health care are guaranteed, and families who follow the rules will be guaranteed assistance.

While the Work First bill is my first choice, I believe the GOP bill has been much improved. In the bill reported out of the Finance Committee, states will decide how much to spend reforming welfare, but improved maintenance of effort and transferability provisions will ensure that federal funds aren't used simply to replace current state and local spending. The Finance Committee bill will encourage states to be fair to families, treating families of similar needs and circumstances similarly. And, importantly, the bill preserves current law protections for abused and neglected children, the most vulnerable of all children.

During Senate consideration of the welfare bill, I will offer an amendment to ensure that needy children receive at least some assistance for five years. I am also a strong supporter of time limits as welfare cannot be forever! But I want to make sure innocent children are protected. Thus, I will offer on the floor an amendment which failed on a tied vote in the Finance Committee. Under this provision, which was part of the bipartisan Centrist Coalition budget proposal, time limits shorter than five years would apply to the parents only. States with time limits shorter than five years would do their own assessment of the needs of children whose parents reach the time limit and would provide non-cash, in-kind assistance for those children to help meet their basic needs. Let me stress that states would have complete flexibility in determining the amount and type of such in-kind assistance. I believe this is a very reasonable, centrist proposal that will allow states to design their own welfare reform plans while protecting innocent children who didn't ask to be born.

I also plan to support some additional reforms. First, welfare reform should not change Medicaid eligibility. There is now a bipartisan consensus to set aside Medicaid reform and address welfare reform alone. We should therefore ensure that the welfare bill does not eliminate health care coverage for anyone now eligible. The bill which passed the Senate last September with 87 votes preserved this Medicaid coverage, and I believe this bill should as well. Second, we should sustain our national nutrition safety net by ensuring the food stamp program remains responsive to economic conditions, instead of allowing non-responsive block grants. Third, we should retain the current federal guidelines for child care health and safety standards. Fourth, we should ensure that proposals to tighten legal immigrants' eligibility for benefits do not provide an unfunded mandate by shifting costs to state and local governments or denying assistance for those who become disabled after entering the United States.

I hope my colleagues will join me in a bipartisan effort to reform our nation's welfare system. If you have any questions or would like more information, please don't hesitate to call me or Cynthia Rice of my staff (224-9741).

Sincerely,

JOHN BREAUX
United States Senator

JB/cr

DATE: 7-17-96

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-7627 FAX: (202) 690-7380

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
ROOM 416-G HUMPHREY BUILDING

TO : John Hilley; Susan Brophy; Janet Murguia; Ken Apfel; Bruce Reed; Rahm Emanuel

OFFICE :

PHONE NO :

FAX NO :

TOTAL PAGES (INCLUDING COVER): 12

FROM:

[x] RICHARD J. TARPLIN

[ ] HELEN MATHIS

[ ] KEVIN BURKE

[ ] SANDI EUBANKS BROWN

[ ] ROSE CLEMENT LUSI

[ ] STEPHANIE WILSON

[ ] HAZEL FARMER

REMARKS:

Please find attached the changes being made in the Rules Committee to the House Republican Welfare Bill. Also included are a set of five changes that the leadership has agreed to give Castle and the moderate Republicans.

— The Rules Committee will meet later this afternoon.

Attachments

List of Changes Made with Legislative Counsel
in Welfare Reform Bill Since Markup
Ways and Means and Opportunities Committees
July 1996

1. p. 11. Dropped new language in subparagraph (v); compromise with Opportunities

2. p. 22. Performance bonus. On line 32, change $200,000 to $100,000; on line 35, change $1,000,000,000 to $500,000,000; on p. 23, line 14, change $1,000,000,000 to $500,000,000.

3. p. 23. Added Castle/Tanner authorization of $3 billion for work program; compromise with Opportunities

4. p. 31. Participation standards. Insert the participation standards from the Opportunities Committee:

1997	25%
1998	30%
1999	35%
2000	40%
2001	45%
2002	50%

5. p. 34. Modified hours of work to 30 in 2000 and after; compromise with Opportunities

6. p. 34. Modified jobs search to 8 weeks in a year, no more than 4 of which can be consecutive; compromise with Opportunities

7. p. 36. Changed language on teens who can count toward work participation so that just recipients count and age is not taken into account; compromise with Opportunities

8. p. 36. Change age from 6 to 11 under which a single parent cannot be punished for failure to find child care if the parent proves child care is not available

9. p. 48, line 13. Medicaid transition:

--change provision to provide 4 months of transition coverage if family left cash welfare because of increased income from child support (conforms to current law);

--insert the word "cash" on line 19 to clarify that transition benefits are confined to families that received cash assistance under the block grant

10. p. 48. Medicaid: transition required only if family was on cash assistance. Insert the word "cash" before "assistance" on line 19.

11. p. 48. Medicaid: transition. Clarify that families receive 1 year of transition medicaid if the family left welfare because of increased earnings and 4 months if the family left welfare because of increased child support; cross-reference the Title XIX section that contains these provisions.

12. p. 49. Medicaid while on IV-A. This section will need to be rewritten along the lines of the policy in H.R. 4. Specifically, any family that would qualify for state IV-A benefits on the date of passage of this legislation would continue to qualify for medicaid in the future, even if the state changes its IV-A qualifications after the date of enactment. States should be allowed to inflate their income qualifications annually by an amount equal to the rise, if any, in the consumer price index.

13. p. 49, lines 7-8. Medicaid. Remove the parenthetical reference to Title XV (no longer needed because Title XV will not be included in the welfare bill)

14. p. 50. Give Secretary the authority to reduce the penalty for missing the work participation standard if the state is having a recession; compromise with Opportunities

15. p. 50. Add language to establish an optional individual responsibility plan; compromise with Opportunities

16. p. 120. SSI technical; alter language to make clear that new Medical Improvement Review Standards apply to disabled children who are already receiving SSI based on a listing-level award; request from Administration.

17. p. 121. SSI technical; substitute "finally adjudicated" for pending claims, and include statutory definition of "final adjudication" to assure that new disability standard would apply at all levels of adjudication, including courts; request from Administration

18. p. 162, line 9. Child support. Add: "except that in cases described in subsection (a)(1)(B), the State disbursement unit shall only be required to keep records of payments made to and distributed by the unit after the effective date of this section."; requested by states because they often do not have records from the past.

19. Typos in child support section:
   --p. 172, line 14; "subsection" misspelled
   --p. 172, line 16; "regardless" misspelled

20. p. 196, lines 22-29. Good cause on paternity establishment. States want us to drop the good cause exemptions on paternity establishment so that they will be able to try to get everyone to acknowledge paternity.

21. p. 215, line 32. Child support. Current policy is that states must review AFDC

orders every 3 years and, for non-AFDC cases, every 3 years if either parent requests a review. The language in 466(a)(10) seems to require that once a parent has requested a review, the state must continue reviewing every 3 years. States want to drop all automatic reviews. In non-AFDC cases, they would review only if either parent requests the review. In AFDC cases, they would review only if either parent requests a review or the state elects to conduct the review.

22. p. 215. Child support delinquency penalty. At the end of Chapter 5 on "Program Administration and Funding", insert a new Section 4347 that establishes a 10% penalty against delinquent fathers. At the end of each year that a noncustodial parent is delinquent, states must impose a 10% penalty on the amount of delinquency. When the family has been repaid all delinquent child support, and when the state has been repaid for the amount of public assistance, if any, given to the family, the noncustodial parent must then pay the delinquency penalties to the state. These penalties are to be evenly split between the federal government and the state.

23. p. 250. Noncitizens. Drop lines 21-15 and replace with: "(C) Public health assistance for immunizations with respect to immunizable diseases and for testing and treatment of symptoms of communicable diseases whether or not such symptoms are actually caused by a communicable disease."; to make consistent with immigration bill.

24. p. 259. Add Head Start & JTPA to exemptions for noncitizens; compromise with Opportunities

25. p. 271, drop lines 19-31. Noncitizens. Ends the requirement that noncitizens applying for student loans have a cosignatory; requested by Opportunities

26. Restore the title on personnel reduction that was included in H.R. 4 as Title V

27. p. 288, line 30. Child protection. Insert language clarifying that no money from Part B can be spent on foster care or adoption maintenance payments.

28. pp. 304 & 305. Medicaid: foster care and adoption. We may not need any change here. The policy stays the same: children receiving foster care or adoption maintenance payments under Title IV-E are categorically eligible for medicaid. We will need to eliminate the references to "Title XV" on p. 304, line 20 & p. 305, line 32.

29. p. 351. Add "the Abandoned Infants Assistance Act of 1988," to child protection title; requested by Opportunities

30. Child protection. Drop guardian ad litem provision; agreement with Opportunities Committee (this provision was never in our bill so no change in the Ways and Means

bill is necessary)

31. Subtitle G (foster care): add interethnic adoption section from H.R. 4

32. p. 356. Require day care match at 1994 or 1995, whichever is higher; compromise with Opportunities

33. p. 362. Increase child care quality set-aside from 3% to 4%; compromise with Opportunities

34. p. 369. Drop Section 4904 on denial of EIC based on disqualified income.

35. p. 371. Drop Section 4905 on modification of AGI as used in computing the EIC

36. p. 372. Drop Section 4906 on modification of EIC phaseout

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Additional Changes to the Welfare Reform Bill Since Committee Markup
July 1996

1. p. 54, line 2. Add "and may reduce the penalty if the state experiences an economic downturn leading to significantly higher unemployment"

2. p. 126. Drop the $300 million appropriation for SSI CDRs

3. p. 221. Fix typo "amount"

4. p. 260. Add Medicaid (to SSI and food stamps) as a program for which noncitizens will become ineligible; current recipients are grandfathered for up to one year; remove Medicaid as a program over which States have the option to restrict eligibility

5. p. 363. Change reference to 402(i) on line 33 to 403(n)

6. p. 367. Change "subparagraph (g)" to "subparagraphs (f) and (g)"

7. p. 368. Change 2(f) on line 32 to 2(h)

8. p. 379. Change date for report in Personnel title from July 1, 1996 to July 1, 1997

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Modification to H.R. 3829 (Castle Agreement)
July 17, 1996

1. Review of Implementation of State Work Programs. Three years after enactment, the Committee on Ways and Means and the Committee on Finance shall conduct hearings and other appropriate activities to review how the states are implementing the work participation standards, the hours of work requirements, and other details of the work program. Based on this review, the Committees may introduce legislation as appropriate to remedy any problems with the state work programs.

2. Limitation on Amount Transferable to Title XX Programs. States may transfer up to 30% of their annual share of the block grant under Title IV-A into other block grants; however, not more than 1/3rd of this amount may be transferred into the Title XX block grant and all funds so transferred must be spent on programs and services for children or their families.

3. State Spending Beyond 5-Year Limit. Nothing in the federal legislation restricts a state from providing assistance using state funds to families that have exceeded the 5-year limit on federal benefits under the IV-A program.

4. Maintenance of Effort. The maintenance of effort requirement is 80% but the requirement is reduced to 75% for each year a given state meets the work participation requirements of Section 407 of the bill.

5. Medicaid Contingent on Satisfying Work Requirement. If IV-A recipients fail to meet any of the work requirements of the bill, states may terminate their medicaid health insurance.

welfare\jerry

Self-Executing Amendments to New Text Made in Order for H.R. 3437

At the end of section 407 of the Social Security Act, as proposed to be added by section 4103(a)(1), add the following:

1 "(i) REVIEW OF IMPLEMENTATION OF STATE WORK
2 PROGRAMS.—During fiscal year 1999, the Committee on
3 Ways and Means of the House of Representatives and the
4 Committee on Finance of the Senate shall hold hearings
5 and engage in other appropriate activities to review the
6 implementation of this section by the States, and shall in-
7 vite the Governors of the States to testify before them re-
8 garding such implementation. Based on such hearings,
9 such Committees may introduce such legislation as may
10 be appropriate to remedy any problems with the State pro-
11 grams operated pursuant to this section.

In section 404(d) of the Social Security Act, as proposed to be added by section 4103(a)(1), strike paragraph (2) and insert the following:

12 "(2) LIMITATION ON AMOUNT TRANSFERABLE
13 TO TITLE XX PROGRAMS.—Notwithstanding para-
14 graph (1), not more than ⅓ of the total amount

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1 paid to a State under this part for a fiscal year that
2 is used to carry out State programs pursuant to pro-
3 visions of law specified in paragraph (1) may be
4 used to carry out State programs pursuant to title
5 XX.

6 "(3) APPLICABLE RULES.—

7 "(A) IN GENERAL.—Except as provided in
8 subparagraph (B) of this paragraph, any
9 amount paid to a State under this part that is
10 used to carry out a State program pursuant to
11 a provision of law specified in paragraph (1)
12 shall not be subject to the requirements of this
13 part, but shall be subject to the requirements
14 that apply to Federal funds provided directly
15 under the provision of law to carry out the pro-
16 gram.

17 "(B) EXCEPTION RELATING TO TITLE XX
18 PROGRAMS.—All amounts paid to a State under
19 this part that are used to carry out State pro-
20 grams pursuant to title XX shall be used only
21 for programs and services to children or their
22 families.

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At the end of section 408(a)(8) of the Social Security Act, as proposed to be added by section 4103(a)(2), add the following:

1 "(E) RULE OF INTERPRETATION.—This
2 part shall not be interpreted to prohibit any
3 State from expending State funds not originat-
4 ing with the Federal Government on benefits
5 for children or families that have become meli-
6 gible for assistance under the State program
7 funded under this part by reason of subpara-
8 graph (A).

In section 409(a)(7)(B) of the Social Security Act, as proposed to be added by section 4103(a)(1), strike clause (ii) and insert the following:

9 "(ii) APPLICABLE PERCENTAGE.—The
10 term 'applicable percentage' means for fis-
11 cal years 1997 through 2001, 80 percent
12 (or, if the State meets the requirements of
13 section 407(a) for the fiscal year, 75 per-
14 cent) reduced (if appropriate) in accord-
15 ance with subparagraph (C)(ii).

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In section 1931(a) of the Social Security Act, as proposed to be inserted by section 4115(a)(2)

(1) in paragraph (1), strike "through (4)" and insert "through (5)",

(2) in paragraph (3), strike "and" at the end,

(3) in paragraph (4), strike the period at the end and insert "; and", and

(4) insert after paragraph (4) the following:

1 "(5) a State may terminate medical assistance
2 under this title for an individual because the individ-
3 ual fails to meet any requirement imposed pursuant
4 to section 407 if the individual was eligible for the
5 medical assistance—

6 "(A) on the basis of receipt of assistance
7 under a State program funded under part A of
8 title IV, or

9 "(B) pursuant to paragraph (1), on the
10 basis that the individual meets the requirements
11 for receipt of aid or assistance under the State
12 plan under part A of title IV (as in effect on
13 July 16, 1996).

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