

**WELFARE REFORM STEERING COMMITTEE**

Agenda: 5/11/93

- I. 9:30 Make Work Pay Presentation
- II. 9:50 Review One Page Charges/Next Steps
- Make Work Pay
  - Other Supports
  - AFDC Simplification
  - Education and Training
- III. Follow up from previous meetings
- 10:10 - Process for site visits
  - 10:15 - Hearings
- IV. 10:30 Issue Group Status -- see attached
- o FACA status of outsiders
  - o Schedule Changes
  - o Communications Meetings: 9:30 Fridays
  - o Modelling liaisons still needed: Child care/OS
  - o List of members still needed:
    - Make Work Pay
    - Post Transitional Work
    - Modelling
  - o Outside agency reps: lists distributed:  
Treasury, Labor, DOJ, and NEC
- V. 10:45 Topics for Working Paper Series
- VI. 10:55 Other

*Modelling*  
→ *Thurs aft. 1:30-5:30*  
*Rm 503*

**STATUS REPORT (5/11/93)**  
Welfare Reform Issue Groups

GROUP	Temp Leader	Deadlines/ Schedules
I. Making Work Pay	Prosser	o Issue Paper draft: 5/10 o Meeting #2: 5/13 9:30-11:00
II. Child Care and Other Supports	Ragan	o Reviews: CC - 5/11 (2:00); OS - done o One pager: OS - done o Deadline: OS - 5/11 o Meeting #2: CC&OS - 6/3 9:30
III. Child Support Enforcement and Insurance	Legler	o Meeting #2: 5/27 9:30 - 11:00
IV. Absent Parents	Fucello	o Initial Review: 5/12 2:00-3:30 o Meeting #2: 5/27 3:00-4:30
V. Transitional Assistance	Burek	o Deadline (Draft #2): distributed o Meeting #2: 5/24 9:30-11:00
VI. Education/ Training	Higgins	o Deadline: 5/14 o Meeting #2: 5/17 11:00-12:30
VII. Post-Transitional Plan Work		o Review: 5/13 11:00 o One pager: 5/14 o Deadline: 5/28 o Meeting #2: 6/1 11:00 (tent.)
VIII. Disability		o Group in formation o Initial meeting: 5/18 9:30 (tent.)
IX. Modelling		o Meeting: 5/13 1:30-5:30
X. AFDC Simplification	Dawson	o One pager: done o Deadline: 5/24 o Meeting #2: 5/28 2:00 - 3:30

DRAFT  
5/5/93

MAKING WORK PAY

Introduction

A key element, and the starting point, of the President's agenda for welfare restructuring is to make work pay for low income individuals. While the efforts to build into welfare a greater emphasis on education, employment and training are important and in the right direction, they cannot succeed without more fundamental change in the financial incentives of welfare and work. Although there is more to welfare reform than financial incentives, understanding the current incentives has to be the starting point in any restructuring.

In order to clarify the current incentives and future directions this paper explores a variety of comparisons between working at the minimum wage and not working. Necessarily, these examples are both simplified and not universal. However, they make it clear that for many individuals on welfare, work simply doesn't pay.

To standardize the comparisons, we use an example of a parent with two children, ages three and thirteen, on welfare. We examine their disposable income if they remain on welfare and the parent doesn't work compared to their disposable income one year after taking a minimum wage job at full-time or half-time. We

assume that if the parent works, she incurs child care costs for the three year old, but not for the thirteen year old. Because welfare benefits vary dramatically by state, we use examples of low, medium and high benefit states. Finally, we compare the family's disposable income to the current poverty guideline for a family of three (11,890). This is a useful guide, but is not strictly correct since the poverty guideline is intended to reflect gross cash income.

### Work Without Welfare

We begin by comparing a family that remains on welfare without working to a family that tries to get by with a minimum wage job and no means-tested support through the welfare system. This relieves the family of the hassle of having to deal with the welfare bureaucracy on an ongoing basis. We do assume, however, that the family does get the Earned Income Tax Credit (EITC), since that benefit is available through the tax system and is received by a very high proportion of eligible individuals.

Table 1 shows the results. With non-work the family receives between 5,339 and 9,203 in AFDC and Food Stamps (FS) and is categorically eligible for Medicaid. With full-time work the family is at a little more than 55 percent of poverty. Only the family in Alabama is better off working and its net increase on an hourly basis is about 67 cents per hour. In addition, almost

30 percent of the family's income would come from the EITC, which, although it is available on an advanced basis, is received by over 99 percent of recipients at the end of the tax year. Substantial expansion of the EITC has occurred over the past several years. (To illustrate current law, we have shown the fully expanded EITC which in reality won't become effective until 1994. The actual 1993 EITC would be \_\_\_\_\_; the 1988 EITC would be \_\_\_\_\_.)

At half-time work the family's income is \$3,403 annually, less than thirty percent of the poverty level. Unless the family had some other regular source of income, this level of work would simply not be sustainable.

#### Work With Welfare

Many families working at the minimum wage continue to be eligible for means-tested supports, and in this section we explore how participation in these programs can augment a working family's income. It is important to realize, however, that for a number of reasons participation rates in these programs is relatively low. Thus, only about 55 percent of working poor families receive Food Stamps and many of the medicaid options are utilized primarily by those with very high expenses. The reasons for these low rates are several. First, many are not individual entitlements. Second, knowledge of the existence of the programs

is low. And, finally, many individuals are motivated to go to work primarily to escape the complex and conflicting rules, the stigma, and the hassle of the welfare system.

Table 2 presents the results of full-time and half-time minimum wage work on the assumption that families continue to receive AFDC and FS benefits for which they are eligible. The family remains on FS in all states and eligible for AFDC in California. The income available to the family in Alabama and Pennsylvania is less than 80 percent of the poverty level, and in California it approaches the poverty line. The hourly return to work is almost two dollars per hour in Alabama ranging down to about \$1.10 in California.

Half-time, minimum wage work leaves all families substantially below poverty with income ranging from \$6,800 in Alabama to \$10,600 in California and still receiving AFDC and FS in Pennsylvania and California. The hourly return to work would be about \$1.50 in all states.

There are other benefits which the family may receive which would improve their financial situation. The biggest benefit is housing. In Pennsylvania or California, whether a family is working or not, counting the value of housing subsidies moves the family's disposable income well-above the poverty guideline. In addition, the youngest child would be eligible for medicaid, and

if the family were lucky, they might be assisted with child care expenses.

### Work With Welfare--Post Current Clinton Proposals

There are a number of elements that the President has already submitted which would substantially change the current situation. These items are:

- 1) universal health care coverage,
- 2) greatly expanded EITC,
- 3) improved FS benefits.

In this section we explore quantitatively the effects of the latter two changes. Clearly, eliminating the fear of loss of stable and ongoing health care coverage would also eliminate a major disincentive to leaving welfare.

The proposed EITC would have a very large impact, effectively converting a \$4.50 per hour job into a \$6.30 per hour job. However, although there are substantial improvements in income levels, only in California, where the family continues to be eligible for AFDC, does its disposable income exceed poverty. Furthermore the return to work ranges from about \$1.75 per hour

in California to about \$2.75 in Alabama. If the family were fortunate to have subsidized child care or housing, family income would exceed the poverty guideline in all states.

It is important to note, however, that these examples involve full year, full-time work, and we really need to address whether that's what we want to expect of single parents, especially those with young children. If we examine the work of wives, despite the increase of mothers in the work force, we see that the norm is not full-time, full year work.

Examining the half-time figures reveals a less rosy picture. Only in California does the family approach poverty level income, and in Alabama and Pennsylvania, it is well below that. Thus, if we are to have reasonable expectations for children in families where we cannot always expect full-time work, we need to be thinking about other sources of income. The most promising source is income from the other parent.

#### Work With Welfare and Child Support--Post Current Clinton Proposals

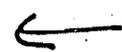
In this section we assume that the family receives \$250 every month in child support. Under current law when a family is on AFDC, except for the first \$50 per month in current support, child support payments reimburse the government for AFDC costs.

Child support received is currently counted fully against FS, but the Administration has proposed to disregard the first \$50 as in AFDC, and that is what we have assumed in the examples.

[I'm not sure what story to tell here, since, except for California, the family is still way below poverty. Furthermore, since the family remains eligible for AFDC in PA & CA, it only benefits to the tune of \$600/year. Even covering child care will leave the family at a bit less than 11K in Alabama and Pennsylvania.]

Comparison 1: Work Without Welfare vs. Non-work

<u>Income/Expenses</u>	<u>Full Time Work</u>	<u>Half Time Work</u>	<u>Non-work</u>		
			<u>Alabama</u>	<u>Pennsylvania</u>	<u>California</u>
Earnings	8,500	4,250	0	0	0
FICA	(650)	(325)	0	0	0
EITC	1,998	1,063	0	0	0
AFDC	0	0	1,968	4,836	7,488
FS	0	0	3,371	2,510	1,715
Work Expenses	(1,080)	(540)	0	0	0
Child Care	<u>(2,089)</u>	<u>(1,044)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net	6,678	3,403	5,339	7,346	9,203



Comparison 2: Work with Welfare vs. Non-work

Income/Expenses	Full Time Work			Non-Work		
	Alabama	Pennsylvania	California	Alabama	Pennsylvania	California
Earnings	8,500	8,500	8,500	0	0	0
FICA	(650)	(650)	(650)	0	0	0
EITC	1,998	1,998	1,998	0	0	0
AFDC	0	0	3,105	1,968	4,836	7,488
FS	2,548	2,548	1,616	3,371	2,510	1,715
Work Expenses	(1,080)	(1,080)	(1,080)	0	0	0
Child Care	(2,089)	(2,089)	(2,089)	0	0	0
Net	9,226	9,226	11,400	5,339 \$2/hr	7,346 \$1/hr	9,203 \$1/hr
Add Housing	<u>3264</u>	<u>5,736</u>	<u>7,145</u>	<u>4,834</u>	<u>6,445</u>	<u>7,990</u>
Total	12,490	14,962	18,544	10,172 <del>5,339</del>	13,792	17,192

Income/Expenses	Half Time Work			Non-Work		
	Alabama	Pennsylvania	California	Alabama	Pennsylvania	California
Earnings	4,250	4,250	4,250	0	0	0
FICA	(325)	(325)	(325)	0	0	0
EITC	1,063	1,063	1,063	0	0	0
AFDC	0	2,710	6,310	1,968	4,836	7,488
FS	3,255	2,441	1,520	3,371	2,510	1,715
Work Expenses	(540)	(540)	(540)	0	0	0
Child Care	(1,044)	(1,044)	(1,044)	0	0	0
Net	6,657	8,555	11,234	5,339	7,346	9,203
Add Housing	<u>4,462</u>	<u>6,121</u>	<u>7,381</u>	<u>4,834</u>	<u>6,445</u>	<u>7,990</u>
Total	11,120	14,676	18,615	10,172	13,792	17,192

25% of AFDC pop. receives housing assistance  
 → Work req. for housing?

Comparison 3: Work with Welfare vs. Non-work (President's Budget)

<u>Income/Expenses</u>	<u>Full Time Work</u>			<u>Non-Work</u>		
	<u>Alabama</u>	<u>Pennsylvania</u>	<u>California</u>	<u>Alabama</u>	<u>Pennsylvania</u>	<u>California</u>
Earnings	9,000	9,000	9,000	0	0	0
FICA	(689)	(689)	(689)	0	0	0
EITC	3,282	3,282	3,282	0	0	0
AFDC	0	0	2,605	1,968	4,836	7,488
FS	2,572	2,572	1,790	3,515	2,654	1,859
Work Expenses	(1,080)	(1,080)	(1,080)	0	0	0
Child Care	<u>(2,089)</u>	<u>(2,089)</u>	<u>(2,089)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net	10,997	10,997	12,820	5,483	7,490	9,347 ←
Add Housing	<u>3,114</u>	<u>5,586</u>	<u>7,145</u>	<u>5,136</u>	<u>6,445</u>	<u>7,990</u>
Total	14,111	16,583	19,965	10,619	13,936	17,336

<u>Income/Expenses</u>	<u>Half Time Work</u>			<u>Non-Work</u>		
	<u>Alabama</u>	<u>Pennsylvania</u>	<u>California</u>	<u>Alabama</u>	<u>Pennsylvania</u>	<u>California</u>
Earnings	4,250	4,250	4,250	0	0	0
FICA	(344)	(344)	(344)	0	0	0
EITC	1,785	1,785	1,785	0	0	0
AFDC	0	2,460	6,060	1,968	4,836	7,488
FS	3,339	2,600	1,520	3,515	2,654	1,859
Work Expenses	(540)	(540)	(540)	0	0	0
Child Care	<u>(1,044)</u>	<u>(1,044)</u>	<u>(1,044)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net	7,445	9,167	11,687	5,483	7,490	9,347
Add Housing	<u>2,496</u>	<u>4,956</u>	<u>7,381</u>	<u>5,136</u>	<u>6,445</u>	<u>7,990</u>
Total	9,940	14,123	19,068	10,619	13,936	17,336

Comparison 4: Work with Welfare vs. Non-work (President's Budget) and Including Child Support

Income/Expenses	Full Time Work			Non-Work		
	Alabama	Pennsylvania	California	Alabama	Pennsylvania	California
Earnings	9,000	9,000	9,000	0	0	0
FICA	(689)	(689)	(689)	0	0	0
EITC	3,282	3,282	3,282	0	0	0
AFDC	0	0	2,605	0	4,836	7,488
Child Support	3,000	3,000	600	3,000	600	600
FS	1,852	1,852	1,790	3,385	3,648	3,648
Work Expenses	(1,080)	(1,080)	(1,080)	0	0	0
Child Care	(2,089)	(2,089)	(2,089)	0	0	0
Net	13,277	13,277	13,420	6,385	9,084	11,736
Add Housing	<u>2,214</u>	<u>4,686</u>	<u>6,965</u>	<u>4,524</u>	<u>6,265</u>	<u>7,810</u>
Total	15,491	17,963	20,385	10,909	15,349	19,546



Income/Expenses	Half Time Work			Non-Work		
	Alabama	Pennsylvania	California	Alabama	Pennsylvania	California
Earnings	4,250	4,250	4,250	0	0	0
FICA	(344)	(344)	(344)	0	0	0
EITC	1,785	1,785	1,785	0	0	0
AFDC	0	2,460	6,060	0	4,836	7,488
Child Support	3,000	600	600	3,000	600	600
FS	2,619	2,600	1,520	3,385	3,648	3,648
Work Expenses	(540)	(540)	(540)	0	0	0
Child Care	(1,044)	(1,044)	(1,044)	0	0	0
Net	9,725	9,767	12,287	6,385	9,084	11,736
Add Housing	<u>3,487</u>	<u>5,941</u>	<u>7,201</u>	<u>4,524</u>	<u>6,265</u>	<u>7,810</u>
Total	13,212	15,708	19,488	10,909	15,349	19,546



Poverty - 11,900

Variables  
 Min Wage  
 Child Care  
 Housing

STATUS REPORT  
Welfare Reform Issue Groups

GROUP	Temp Leader	Deadlines/ Schedules
I. Making Work Pay	Prosser	<ul style="list-style-type: none"> <li>o Review: done</li> <li>o One pager: due ASAP</li> <li>o Deadline: 5/10</li> <li>o Meeting #2: 5/13</li> </ul>
II. Child Care and Other Supports	Ragan	<ul style="list-style-type: none"> <li>o Reviews: CC - 5/6; OS - done (4/27)</li> <li>o One pager: OS - due 4/28</li> <li>o Deadline: OS - 5/11</li> <li>o Meeting #2: OS - 5/14</li> </ul>
III. Child Support Enforcement and Insurance	Legler	<ul style="list-style-type: none"> <li>o Initial Review needed</li> </ul>
IV. Absent Parents	Fucello	<ul style="list-style-type: none"> <li>o Initial Review needed</li> </ul>
V. Prevention and Family Preservation		<ul style="list-style-type: none"> <li>o Work not yet started; no leader named</li> </ul>
VI. Transitional Assistance	Burek	<ul style="list-style-type: none"> <li>o Review: done (4/23)</li> <li>o One pager: done; <u>Review w/ SC</u></li> <li>o Deadline: 5/7</li> <li>o Meeting #2: 5/12</li> </ul>
VII. Education/ Training	Higgins	<ul style="list-style-type: none"> <li>o Review: done (4/26)</li> <li>o One pager: due 4/30</li> <li>o Deadline: 5/14</li> <li>o Meeting #2: 5/19</li> </ul>
VIII. Post-Transitional Plan Work		<ul style="list-style-type: none"> <li>o Review: 5/4</li> <li>o One pager: due 5/5</li> <li>o Deadline: 5/18</li> <li>o Meeting #2: 5/21</li> </ul>
IX. Disability		<ul style="list-style-type: none"> <li>o Work not started; leader not named</li> </ul>
X. Modelling		<ul style="list-style-type: none"> <li>o Review: Possibly 5/7</li> </ul> <p>-- the review would be to run through with each group leader what data is to be collected and analyzed and who is responsible for what work</p>
? AFDC Simplification [Separate group?]	Dawson	<ul style="list-style-type: none"> <li>o Review: 4/30</li> <li>o One pager: 5/3</li> <li>o Deadline: 5/17</li> <li>o Meeting #2: 5/20</li> </ul>

-Elders-

**WELFARE REFORM STEERING COMMITTEE**

Agenda: 4/29

- I. Make Work Pay presentation to Working Group
- II. Modelling Data Needs from Outside Consultants
- III. Hearing Structure
- IV. Other Process Items (see attachment)
- V. Other

**WELFARE REFORM TASK FORCE**  
Process Update

1. Work Plan/Schedule
  - o More detailed work plan (Jeremy) -- not done
2. Initial Feedback Sessions
  - o Most are scheduled -- see attached schedule
  - o Next step: comments and a meeting by 3rd week of May
  - o Half day review for entire group once other agencies designate participants
3. Next Steps for Issue Groups
  - o FOIA/FACA opinions from OGC (Paul)
  - o Outside analysis needs/TRIM: discuss at SC mtg 4/29
4. Working Group
  - o Finalize membership list (Kathi - Agriculture, Office of the Vice President; Mary Jo - Labor, Education; Ann - Treasury; add Ken Apfel)
  - o Need staff contacts at each agency to get issue group participants designated
5. Working Group Meetings
  - o Prepare draft of presentation on Make Work Pay for 4/29 (Howard/Canta)
  - o Schedule next meeting(s) (Kathi)
  - o Distribute meeting materials and assist in follow-up as necessary (Ann)
6. Communications Group
  - o Designate WH point contact (Kathi)
  - o Set up inter-agency group (JBA)
7. Announcement
  - o List of groups to be contacted being circulated and ranked (phone calls/letters)
  - o Draft letters (Ann)
  - o Review press strategy (Kathi/JBA)
  - o Prepare some options for press release (Jeremy)
8. Hearings
  - o On agenda for next meeting
9. Mail Developing intake/response process (Jeremy)

STATUS REPORT  
Welfare Reform Issue Groups

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I. Making Work Pay	Prosser	<ul style="list-style-type: none"> <li>o Review: done</li> <li>o One pager: due ASAP</li> <li>o Deadline: 5/10</li> <li>o Meeting #2: 5/13</li> </ul>
II. Child Care and Other Supports	Ragan	<ul style="list-style-type: none"> <li>o Reviews: CC - 5/6; OS - done (4/27)</li> <li>o One pager: OS - due 4/28</li> <li>o Deadline: OS - 5/11</li> <li>o Meeting #2: OS - 5/14</li> </ul>
III. Child Support Enforcement and Insurance	Legler	<ul style="list-style-type: none"> <li>o Initial Review needed</li> </ul>
IV. Absent Parents	Fucello	<ul style="list-style-type: none"> <li>o Initial Review needed</li> </ul>
V. Prevention and Family Preservation		<ul style="list-style-type: none"> <li>o Work not yet started; no leader named</li> </ul>
VI. Transitional Assistance	Burek	<ul style="list-style-type: none"> <li>o Review: done (4/23)</li> <li>o One pager: done; <u>Review w/ SC</u></li> <li>o Deadline: 5/7</li> <li>o Meeting #2: 5/12</li> </ul>
VII. Education/ Training	Higgins	<ul style="list-style-type: none"> <li>o Review: done (4/26)</li> <li>o One pager: due 4/30</li> <li>o Deadline: 5/14</li> <li>o Meeting #2: 5/19</li> </ul>
VIII. Post-Transitional Plan Work		<ul style="list-style-type: none"> <li>o Review: 5/4</li> <li>o One pager: due 5/5</li> <li>o Deadline: 5/18</li> <li>o Meeting #2: 5/21</li> </ul>
IX. Disability		<ul style="list-style-type: none"> <li>o Work not started; leader not named</li> </ul>
X. Modelling		<ul style="list-style-type: none"> <li>o Review: Possibly 5/7</li> <li>-- the review would be to run through with each group leader what data is to be collected and analyzed and who is responsible for what work</li> </ul>
?. AFDC Simplification [Separate group?]	Dawson	<ul style="list-style-type: none"> <li>o Review: 4/30</li> <li>o One pager: 5/3</li> <li>o Deadline: 5/17</li> <li>o Meeting #2: 5/20</li> </ul>

## Presentation

### General Assumptions

1. Assume a single-parent family with 2 children, ages 3 and 13.
2. "Current law" is fully-implemented current law, i.e., 1994 EITC, imposed on 1993 data.
3. "President's Budget" is fully - implemented President's Budget proposals, i.e., \$4.50 minimum wage and 1998 EITC, imposed on 1993 data, plus health care reform.
4. Assume child care costs for 3-year old, none for 13-year old.

NOTE: Numbers still need to be revised in California, but basic relationships should obtain.

### Comparison # 1

1. How a family will do if they try to move from AFDC to full time, minimum wage work with no means-tested support.
2. Only better off with cash/near cash in Alabama.

### Comparison #2

1. How family would fare working full-time, and continuing to collect means-tested support for which they are probably eligible.
2. Child care would be covered for one-year, and possibly thereafter (use what #'s are available).
3. Medicaid would be available for family for one year, but afterward would only be available for parent and 13 year old under limited circumstances. Three-year old would be covered.
4. Except in Alabama, unless they are lucky and get ongoing subsidized child care, the return to work will be less than \$1/hour, and all cases will have disposable income less than the poverty line.

### Comparison #3

1. Same comparison, but with higher minimum wage and bigger EITC.
2. Universal health care coverage through reform effort.
3. Clearly, there's a big improvement here, but only in California where AFDC benefits continue is family's income above the poverty line.
4. Note that advanced payment of EITC becomes very significant here.
5. Note also that we are talking about full-time work, 50 weeks a year.
6. Is that what we expect single parents to do, especially with young children? Make David's comparison to wives.

### Comparison #4

1. Look at what one-half time work does.
2. Return to work is minimal in Alabama (\$200/year); no continuing medicaid coverage for any except 3-year old. Income less than one-half of poverty.

3. Only in California is the family at the poverty line.

Alternatives

1. Minimum wage.
2. Child support assurance.
3. Child care.
4. Others.

Comparison # 1 - Work Without Welfare vs. Non-work

<u>Income</u>	<u>Work</u>	<u>Non-work</u>		
		<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	8,500	0	0	0
EITC	1,998	0	0	0
AFDC	0	1,788	4,836	8,328
FS	<u>0</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	10,498	5,195	7,328	9,773
 <u>Expenses</u>				
FICA	-650	0	0	0
General	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	6,873	5,195	7,328	9,773

Comparison # 2 - Work With Welfare vs. Non-work

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	8,500	8,500	8,500	0	0	0
EITC	1,998	1,998	1,998	0	0	0
AFDC	0	0	3,163	1,788	4,836	8,328
FS	<u>2,472</u>	<u>2,472</u>	<u>1,523</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	12,970	12,970	15,184	5,195	7,328	9,773
 <u>Expenses</u>						
FICA	-650	-650	-650	0	0	0
General	-1,080	-1,080	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>-1,895</u>	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	9,345	9,345	11,559	5,195	7,328	9,773

Comparison # 3 - Work With Welfare vs. Non-work (President's Budget)

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	9,000	9,000	9,000	0	0	0
EITC	3,371	3,371	3,371	0	0	0
AFDC	0	0	2,663	1,788	4,836	8,328
FS	<u>2,352</u>	<u>2,352</u>	<u>1,553</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	14,723	14,723	16,587	5,195	7,328	9,773

Expenses

FICA	-650	-650	-650	0	0	0
General	-1,080	-1,080	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>-1,895</u>	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	11,059	11,059	12,923	5,195	7,328	9,773

Comparison #4- Half-time Work with Welfare vs. Non-work  
(President's Budget

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	4,500	4,500	4,500	0	0	0
EITC	1,785	1,785	1,785	0	0	0
AFDC	0	2,724	6,216	1,788	4,836	9,773
FS	3,147	2,330	1,283	3,407	2,492	1,445
	<u>9,432</u>	<u>11,339</u>	<u>13,784</u>	<u>5,195</u>	<u>7,328</u>	<u>9,773</u>
 <u>Expenses</u>						
FICA	-344	-344	-344	0	0	0
General	-540	-540	-540	0	0	0
Child Care	-948	-948	-948	0	0	0
	<u>5,400</u>	<u>9,507</u>	<u>11,951</u>	<u>5,195</u>	<u>7,328</u>	<u>9,773</u>

## MODELING: QUESTIONS FOR THE STEERING GROUP

Attached is a preliminary discussion of current ASPE staff thinking about modeling--Make Work Pay (Bill Prosser), Child Support Assurance (Don Oellerich), and Transitional Welfare and Services (Reuben Snipper.) It has had little or no input from the ACF staff involved in modeling. This shortcoming will be corrected in future drafts.

Below are the most pressing questions on which staff need Steering Committee guidance.

- o No one on staff has the right combination of experience and time to lead the overall modeling effort and provide daily supervision. Should we try to (1) bring on staff a person to act as leader? (2) Fill the staff leadership gap with a small group of outside advisors? (3) Reassign someone on staff to spend full time guiding staff in their modeling efforts? (4) Rely on Urban Institute (U.I.)? (5) Rely on the DAS and ASPE to provide the day to day modeling leadership?
- o We need to have impact estimates from employment and training, JTPA, and other evaluations of 1980's demonstrations to develop program effectiveness estimates. While we may have to go to Abt, Westat, U.I., and MDRC among others; MDRC has maybe the most important data from SWIM and GAIN. We need to allocate funds to get the work done. Do we have funds and can we proceed to negotiate with these companies to provide the data needed?
- o More generally what funds are available for purchasing outside assistance? For example, we also may need outside assistance to develop welfare dynamics data, models, and analyses.
- o Furthermore, what in-house resources are going to be made available for modeling? Can we get some support/research assistant staff to help support the estimating and modeling efforts?
- o Do you feel comfortable with using a combination of TRIM and spreadsheet models to do estimating over the summer? Do you feel comfortable with a relatively crude labor supply module for TRIM to make estimates this summer? Where should we be headed in the intermediate term; that is having something more refined available early next year, for example?
- o Should we invest in developing a non-custodial parents module for TRIM? This will be expensive and take a good deal of time to develop; although U.I. has completed some preliminary work for CBO and us. Currently, we only estimate the amount of child support they pay.

Purpose

The purpose of this document is to present an overview of our modeling strategy. This version is preliminary in nature and meant to stimulate discussion and refinement. The document may eventually be rewritten as a plan.

Introduction

The three themes that drive the welfare reform proposal are good structures around which to organize the modeling activities:

- o Make work pay for families playing by the rules. (Make Work Pay)
- o Both parents should be financially responsible for their children. (Child Support Enforcement and Assurance)
- o Once the prior two reforms are in place, welfare can be made a time-limited program. (Transitional Welfare and Services)

Related to the third theme is the idea that welfare recipients who are truly unable to work will have an income support program which provides an appropriate level of benefits.

Three separate groups can focus on proposals for their individual theme, while at the same time accounting for interactions with proposals from the other themes. The output of the modeling effort will include estimates of (1) the costs to the Federal government of the proposals, including interaction effects, (2) the resulting caseloads of transfer programs, and (3) the distributional effects on various population groups indicating whether the proposals achieve their goals (i.e. who the winners and losers are).

The first modeling group can focus on the employment, minimum wage, income supplements, and other financial approaches to raise all families with full-time equivalent workers above the poverty line.<sup>1</sup> Currently, TRIM can handle steady-state, static effects

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1. Full-time worker equivalent (ftwe) would be equal to 1750 hours (50 weeks times 35 hours per week) for two-parent families. The ftwe for single parent families would be some fraction of 1750, probably two-thirds or maybe one-half. It would be less for one parent families because the single parent would not be expected to spend as much time in the labor market as two parents; that is, their child care and other homemaker responsibilities would serve as a partial work credit.

of policy options for this theme. We plan to do some "sensitivity" analyses to explore whether the second order labor and family effects are worth including or are relatively minor. If they appear significant, we will develop modules to connect to TRIM or to be part of spreadsheet models. (More about this point later.)

The second group focuses on child support enforcement and assurance and will estimate the effects of proposals on both custodial and non-custodial parents. In general, we expect to model the flow of income from the non-custodial to the custodial parent and the effect of this income, an implicit tax, on AFDC and other transfers, as well as, on labor force participation. The big issue here is whether to develop a module that estimates non-custodial parent behavior.

The final group will focus on proposals that provide services and other assistance to welfare populations to make welfare more transitional as well as proposals to provide public or private sector jobs to those who do not find employment on their own. The modeling effort will build in the results of studies of welfare dynamics, work-welfare programs (e.g., SWIM, Gain, and JTPA; including their use of support services), and employment generation efforts. These results can either be incorporated into TRIM or built into spreadsheet-type models to estimate the impacts on costs and caseloads and winners and losers.

The modeling also will have to consider how to model the number of recipients of child care, transportation, and other support services and the costs of these services. We are leaning toward recommending that we use spreadsheet models for this.

#### FYI--Current Activities:

TRIM: There are a number of TRIM refinement projects in progress; see discussion below. Priorities for UI staff assignments need to be made.

Labor Force Dynamics: U.I. is currently developing a design issue paper which will analyze several dynamic labor force modeling options and their respective costs. We expect a first draft this week. Making decisions about how to proceed with this modeling component may be a perfect opportunity to bring in some of the outside advisors that we discuss elsewhere in this piece.

Welfare Dynamics: We have a number of tables and graphs being produced which show the expected lengths of welfare participation by different sub-groups. Greg Duncan, U. Michigan, and Peter Gottschalk, Boston College and IRP Affiliate, are producing estimates using the PSID. They are mainly using the annual data; although Duncan has a file that he is constructing that will allow one to look at the monthly AFDC use since 1983. MPR staff are analyzing the 1990 SIPP monthly data; it has 24 months on

each recipient and will eventually have 32 months. They will compare their results with data from the 1987-88 SIPP published by the Census Bureau. For the most part, these are bivariate hazard/survival curve analyses. MPR also will look into the utility of producing multi-variate analyses. We expect to have much of the preliminary results by the end of April. We also may examine the NLSY data as well. After we review it and discuss it with the Steering Group, we will decide what additional analyses will be productive.

Employment and Training Participation and Effects: We have begun bringing together impact and other estimates from various employment and training efforts. As indicated in the overview section, we need approval to go to outside sources and to allocate funds to get the work done.

Child Support: The modeling effort for child support has been underway for the past two years. ASPE, working closely with CBO, has been developing two child support modules as part of the Urban Institute's TRIM model. The first module focuses on 'private child support' and the second module focuses on publicly funded child support benefits (assurance/insurance).

Further enhancements are still needed and await decisions regarding priorities and resource allocation. These enhancements include: child support guidelines, improved participation function, custodial parents' labor supply response, inclusion of variability in imputed award amounts, participation in IV-D, and inclusion of custodial fathers.

Non-custodial Parents: Currently the TRIM model does not incorporate data (either real or synthetic) on the non-custodial parents (fathers and mothers). Ideally, data would be available on the non-custodial parents' income, sources of income, labor supply, work history, and current family circumstances (remarried, new dependents).

Until recently the Urban Institute has been working on incorporating the updated Oellerich method for imputing non-custodial fathers' income based on the custodial mothers' characteristics and exploring the 1990 SIPP data for non-custodial fathers under a contract with CBO. This work is currently on hold and is awaiting decisions on methodological issues, priorities and resource allocation at CBO. We may have to consider picking up this work if CBO decides it can not continue and it is a priority

Minimum Wage: The current March CPS data on wage rates only has information on one-quarter of the sample. Wage rates for the full sample requires linking the March, April, May, and June surveys. U.I. is currently doing that and hopes to have TRIM updated with full wage rate data early in May.

Program Interaction and Cumulative Tax Rates: We are developing the capability to analyze and display how earned and unearned income, transfer programs, and taxes interact to give some people with some combinations of programs and tax benefits very high marginal tax (program benefit reduction) rates. The module we are working on will allow us to take various demographic groups and see what happens to their net income when their circumstances are changed by adding another dollar or other amount of income, changing their wage rates or hours worked, or changing (adding or subtracting) the number of individuals in the household unit. Income and taxes incorporated will include earned and unearned income, social insurance, means-tested welfare, in-kind transfers (Food Stamps, Housing subsidies, and Medicaid), income taxes (both Federal and state), and FICA. First preliminary results will be available early in May.

Child Care: TRIM currently has a module, which is part of the Federal Income Tax module, that estimates whether a working family pays for child care and, if so, how much it pays. It then uses that estimate to calculate that family's child care tax credit and income taxes. TRIM does not estimate any child care costs associated with AFDC and JOBS child care program subsidies.

Since some child care assistance will probably be delivered to individuals through appropriated grant programs like JOBS Child Care, we need the capability to estimate numbers of recipients and total costs. As we did in our analyses of JOBS implementation costs, this works well if it is done outside of TRIM in a spreadsheet model.

State Behavior: We have little direct evidence for developing parameters to model state behavior. Therefore, we will have to use "expert judgment" to model the effect of different match rates, phase-in patterns, performance standards, and quality control systems on state behavior.

Coordination with the CBO: Coordination with the Congressional Budget Office (CBO) has a long tradition and we propose to continue and even expand it. In the past, we have jointly developed assumptions, methods, and estimates, as well as financed improvements to models. Preliminary conversations with CBO have indicated their eagerness to continue this practice.

One option worth considering is to let CBO take the lead in preparing estimates in cooperation with the Department. HHS would provide background research on parameters, unit costs for services, a mechanism for bringing in outside experts, and other consulting and review support.

To: Issue Group Leaders  
[Burek, Dawson, Fucello, Higgins, Legler,  
Pian, Primus, Prosser, Ragan]

From: Jeremy Ben-Ami  
Ann McCormick

Subject: Steering Committee Update

Date: April 28, 1993

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Several items in advance of the steering committee meeting on Thursday at 9:00:

- 1) Please bring a list of the current members of your issue including phone numbers.
- 2) Please be prepared to designate a liaison from your issue group to the modelling group and discuss with the modelling group who their liaison is to you.
- 3) Attached is a status report on the work of the various issue groups. Under "Deadlines/Schedules," you will find the following notes: Review refers to the initial review sessions which are in progress now; One pager refers to the one page outline of next steps for the group; Deadline refers to the due date for the next issue paper from the group; and Meeting #2 refers to a possible date for a group review of that paper. At the Steering Committee meeting, we will discuss the review process for the next stage of the work.

On another topic, there has been some concern about the difficulty of coordinating all the meetings of the issue groups. To ensure that there are no overlapping meetings, please call Jeanette Davidson at ASPE at 690-5880 to let her know as soon as you schedule a meeting. She can also reserve the conference space at ASPE. This is a first-come-first-served system; i.e., whichever group calls Jeanette first gets the timeslot.

cc: Mary Jo Bane  
David Ellwood  
Howard Rolston  
Ann Segal



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

## MEMORANDUM FOR BRUCE REED

In response to your request for ideas to fund welfare reform, we would suggest the following:

Financing Welfare Reform in the Long Run

As we know, the budget that was transmitted to the Hill reserved no monies for welfare reform. If the President sought to do so at this late state, one option would be to ask the Ways and Means Committee and the Senate Finance Committee to meet not only their reconciliation instructions but to go beyond them. This is a nonstarter. The other difficulty, as you well understand, is that there are many competing interests for budgetary savings and the Administration rightfully needs to assist the committees in meeting their reconciliation instructions. Congress already decided the level of deficit reduction and going beyond it for policies that have not yet been formulated will not work.

The reconciliation bill will contain all revenue and entitlement savings plus it may set the level for the appropriation caps in the outyears. In addition, an extension to the Budget Enforcement Act (BEA) will be appended either to the reconciliation bill itself or possibly to the next extension of the public debt bill. The pay-as-you-go score card will be wiped clean and any subsequent legislation involving changes to entitlement programs will have to be deficit neutral. The politics of finding additional outlay reductions or revenue increases to finance welfare will be extremely difficult.

We think the best and perhaps only approach that might be able to reserve money for welfare reform is to negotiate a change when the budget rules are modified. The proposal would be that the pay-as-you-go scorecard will be credited with certain amounts that may be used only for a welfare reform bill that has Administration and Congressional approval. This credit could not be used for any other program. For example, the amounts could be \$1 billion in FY 1995, \$2 billion in FY 1996 and \$3 billion in subsequent years. These are obviously plugged amounts, and to the extent that welfare reform costs more than these amounts, the welfare reform legislation would have to have other offsetting financing components.

President Clinton could demonstrate his commitment to welfare reform by making this proposal. The extension of the budget enforcement rules will primarily please the deficit hawks. Having the crediting mechanism for welfare reform may be appealing to other elements of the Democratic party. Obviously this action would lower the amount of deficit reduction achieved

Page 2 - MEMORANDUM FOR BRUCE REED

in reconciliation, but only if a welfare reform plan is passed that meets both Congressional and Administration approval.

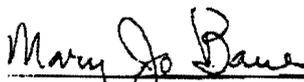
This plan is likely to create significant opposition among those who crafted the 1990 Budget Enforcement Act. It could set a precedent for other proposals. It would definitely need to be cleared at the highest levels of OMB.

Fiscal Year 1994 AFDC Proposals

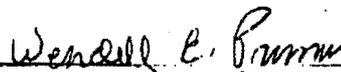
We are not proposing additional dollars for AFDC. The Administration's FY 1994 budget decisions have been made. However, if during negotiations with the Hill, the President wants to spend additional dollars on the welfare population, we would support several proposals. We believe the first priority would be to spend \$300 million in FY 1994 on JOBS by lowering the State match, but requiring a State maintenance of effort. Secondly, we would recommend that \$200 million be spent on the Boren-Ford compromise that was contained in H.R. 11 last year. Essentially, this is a demonstration of public service employment for non-custodial parents. Further information on that proposal is attached. We believe both of these proposals are preferable to that of the minority members of the Committee on Ways and Means to spend \$100 million on a micro-enterprise proposal.



David T. Ellwood  
Assistant Secretary for  
Planning and Evaluation--  
Designate



Mary Jo Bane  
Assistant Secretary for  
Children and Families--  
Designate



Wendell E. Primus  
Deputy Assistant Secretary  
for Human Services Policy

Attachment

### The Boren Amendment

One way to reach non-custodial parents is through Senator Boren's proposal to establish Community Works Progress (CWP) Demonstrations. This proposal, which was incorporated into H.R. 11, would have provided \$60 to \$70 million per year for grants to public or private nonprofit organizations for broad public purposes in fields such as health, social service, environmental protection, education, urban and rural development, welfare, recreation, public safety, and child care.

The projects provide employment-related services to non-custodial parents who are not employed and at least two months in arrears on their court-ordered child support, current AFDC recipients, and persons at risk of becoming recipients of AFDC. So that participants can look for regular employment, no participant would be allowed to work more than 32 hours a week. Assistance for the costs of transportation, child care, and uniforms or other work materials would be provided.

The CWP proposal has several advantages. First, on the delicate issue of participants' wages, a compromise was already reached in Congress. Issues such as the wage rates and maximum hours are often some of the most difficult to resolve work-welfare issues. Second, funding could be easily and quickly increased to \$300 million per year depending on the number of sites. Finally, the projects would provide valuable lessons for implementing welfare reform.

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forms to the definition of a "consumer reporting agency" under Federal law.

*Effective date.*—The Senate amendment is effective October 1, 1993. However, if the Secretary of HHS determines that a State is unable to comply with the amendment, the State would be exempt from compliance until the State establishes an approved automated data processing and information retrieval system, or until October 1, 1995, whichever is earlier.

#### CONFERENCE AGREEMENT

The conference agreement follows the Senate amendment.

#### *2. Additional use of Parent Locator Service information*

##### PRESENT LAW

The Department of Health and Human Services operates a Parent Locator Service to obtain and transmit information as to the whereabouts of any absent parent when such information is to be used to locate the parent for the purpose of enforcing support obligations owed by the parent.

##### HOUSE BILL

No provision.

##### SENATE AMENDMENT

The Senate amendment requires the Secretary of HHS to enter into an agreement with the Attorney General under which the services of the Parent Locator Service shall be made available to the Office of Juvenile Justice and Delinquency Prevention, upon its request, for the purpose of locating any parent or child in order to: (1) enforce any State or Federal law with respect to the unlawful taking or restraint of a child; or (2) make or enforce a child custody determination. The Parent Locator Service may charge no fee for these services.

*Effective date.*—October 1, 1992.

#### CONFERENCE AGREEMENT

The conference agreement follows the Senate amendment.

#### D. COMMUNITY WORKS PROGRESS DEMONSTRATIONS

#### *1. Community works progress demonstration projects*

##### PRESENT LAW

No provision.

##### HOUSE BILL

No provision.

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## SENATE AMENDMENT

The Senate amendment establishes a Community Works Progress demonstration program under Title XI of the Social Security Act. The Secretary of Health and Human Services (HHS), in consultation with the Secretary of Labor, would administer the program. The Secretary would have to award grants to three urban projects and two projects that are statewide. Demonstrations could last up to 4 years. Both public and private nonprofit organizations would be eligible to apply for grants.

The term "project" is defined to mean an activity that results in a specific, identifiable service or product that would not otherwise be done with existing funds.

Approvable projects include ones that the Secretary determines would serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and child care.

For each of fiscal years 1994, 1995, 1996, and 1997, each entity that has an application for a grant approved by the Secretary would be entitled to payments in an amount equal to its expenditures to carry out the demonstration. The amounts authorized are \$100 million in each of fiscal years 1994, 1995, 1996, and 1997. No more than 25 percent of funds could be used for capital costs.

In awarding grants, the Secretary is directed to consider the following factors: unemployment rate; proportion of population receiving public assistance; per capita income; degree of involvement and commitment demonstrated by public officials; the likelihood that the project will be successful; the contribution that the project is likely to make toward improving the life of residents in the community; geographic distribution; the extent to which the project will emphasize the development of projects encouraging team approaches to work on real, identifiable projects; the extent to which private and community agencies will be involved; and such other criteria as the Secretary may establish.

Eligible participants include individuals who are receiving, eligible to receive, or at risk of becoming eligible to receive, Aid to Families with Dependent Children (AFDC); individuals receiving, eligible to receive, or (while participating in a project) who have exhausted, unemployment compensation; and noncustodial parents of children who are receiving AFDC.

State agencies administering a JOBS program may assign JOBS participants to participate in a project if such participation does not conflict with the requirements of the JOBS program, and the individual is referred in accordance with JOBS procedures.

Participants who are receiving benefits under the unemployment compensation and AFDC programs would receive, in addition to those benefits, compensation in an amount equal to 10 percent of the average (as estimated by the organization conducting the project) of the amount of AFDC and unemployment compensation paid to recipients of these benefits in the area served by the project. Agencies administering AFDC or unemployment compensation benefits are allowed to transfer funds to the project to enable participants to receive compensation in the form of a single check

for wages rather than in the form of separate benefit checks. Individuals not receiving either unemployment compensation or AFDC would be compensated in an amount equal to the Federal minimum wage, or the applicable State minimum wage, whichever is greater.

Individuals receiving AFDC may not be required to work on a monthly basis more than the number of hours determined by dividing the family's monthly assistance amount by the greater of the Federal or applicable State minimum wage. If an individual chooses to work any additional hours, the individual must be paid for each additional hour an amount equal to the greater of the Federal or applicable State minimum wage.

Individuals receiving unemployment compensation who choose to participate in a project must agree to work on a weekly basis the number of hours determined by dividing the amount of the weekly unemployment compensation received by the individual by the greater of the Federal or State applicable minimum wage.

The Secretary could approve an application that provided for an alternative method of compensation so long as it did not reduce the amount received by a participant below the minimum wage and assured a bonus payment to AFDC and unemployment compensation beneficiaries who participate in the project.

In order to assure that each individual will have time to seek alternative employment or to participate in an alternative employability enhancement activity, no individual could participate for more than 32 hours a week.

Individuals participating in projects would be eligible for assistance to meet necessary costs of transportation and child care, as well as necessary costs of uniforms or other work materials.

Each participant must be tested for basic reading and writing competence and must be furnished counseling and instruction if they fail a basic competency test.

Approved demonstrations would be required to ensure that the project would not result in displacement of currently employed workers and will not impair any contracts for services or any collective bargaining agreements existing at the time the project commences. Also required would be assurances of consultation with any local labor organization representing employees in the area who are engaged in the same or similar work as that proposed to be carried out by the project. Organizations conducting a community works progress project would be required to establish and maintain a procedure for the filing and adjudication of grievances from participants, labor organizations, and other interested individuals, including grievances regarding proposed placements of participants in the project. Grievances must be filed not later than 1 year after the date of the alleged occurrence of the event that is the subject of the grievance.

A hearing on any grievance must be held no later than 80 days after the filing of the grievance, and a decision must be made not later than 60 days after the grievance is filed.

In the event that the decision on a grievance is adverse to the party who filed, or 60 days after the grievance is filed if no decision has been reached, the party who filed would be able to submit the

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grievance to binding arbitration before a qualified arbitrator who is jointly selected and independent of the interested party.

If a grievance is filed regarding a proposed placement of a participant, such placement shall not be made unless it is consistent with the resolution of the grievance.

Remedies for a grievance filed include suspension or termination of payments for a project and prohibition of the placement with respect to which a grievance has been filed.

In approving grants, the Secretary is required to assure that there would be an evaluation of the effectiveness of each project in meeting the project's goals and objectives. Up to 3 percent of the amount granted to each entity could be used for this purpose. Interim reports to the Finance and Ways and Means Committees would be due annually, with a final report due 4 years after the first grant is awarded.

The Secretary could suspend or terminate a project if the Secretary determines that an organization conducting a project has failed to comply with the law or terms and conditions agreed to by the organization and the Secretary.

The Secretary is required to publish the grant application notice no later than January 1, 1993.

Within 60 days after enactment, the Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development, is required to establish a task force to identify any Federal funds (in addition to the funds authorized to operate the projects) that may be used in community works progress projects, and to identify any modifications to existing policies or procedures that would facilitate the implementation of the projects. The task force is to be composed of 1 representative each from the Departments of HHS, Labor and HUD. The task force is required to submit a report to the Secretaries of these departments and to the Congress with any findings and recommendations that it may have.

*Effective date.*—Upon enactment.

#### CONFERENCE AGREEMENT

The conference agreement modifies the Senate amendment. It establishes a Community Works Progress demonstration under Title XI of the Social Security Act. The Secretary of Labor, in consultation with the Secretary of Health and Human Services, would administer the program. The Secretary would have to award grants to four urban projects and two projects that are statewide. Demonstrations could last up to 3 years. States and governmental units in urban areas would be eligible to apply for grants. These entities may operate projects or allocate funds for project operation to other governmental units, or public or private nonprofit organizations.

The term "project" means an activity that results in specific identifiable services or products that otherwise would not be carried out with existing funds. A project may supplement, but not supplant, existing activities. Maintenance of fiscal effort in the JOBS program by the State would be required.

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Projects included must serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development, welfare, recreation, public safety, and child care.

For each of fiscal years 1993, 1994, and 1995, each entity that has an application for a grant approved by the Secretary would be entitled to payments in an amount equal the lesser of actual or approved annual expenditures to carry out the demonstration. The amounts authorized are \$60, \$70, and \$70 million in fiscal years 1993, 1994, and 1995, respectively. Funds not obligated by the Secretary in one year remain available for use in subsequent years. No more than 3 percent of these funds may be retained by the Secretary for administration.

In awarding grants, the Secretary is directed to consider the same factors listed in the Senate amendment, except the likelihood that the projects will be successful was deleted because it was too vague and geographic distribution was clarified.

Projects shall provide employment and employment-related services to noncustodial parents who are not employed and at least two months in arrears on their court-ordered child support payments, recipients or persons at risk of being recipients of the Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) program, and recipients or persons at risk of being recipients of Aid to Families with Dependent Children (AFDC). Enrollment priority goes first to volunteers from any of the three groups, then to the noncustodial parents, then the AFDC-UP group, followed by the AFDC group. The conferees hope that most of the enrollees will be volunteers and noncustodial parents.

State agencies administering a JOBS program may assign JOBS participants to participate in a project if such participation does not conflict with the requirements of the JOBS program, and the individual is referred in accordance with JOBS procedures.

The labor standards described in section 142 and 143 of the Job Training Partnership Act apply except: (1) Participants who are eligible for Medicaid benefits would continue to receive them instead of employer-provided health benefits, where applicable. (2) Some projects may not be subject to the "prevailing wage" requirements in Sections 142(a)(3)(C) and 143(d) of the JTPA.

Nonduplication and nondisplacement requirements replicate the requirements contained in subsections (a) and (b) of section 177 of the National and Community Service Act of 1990. The Senate amendment applied these provisions by reference.

Not more than 10 percent of the grant may be used for administrative costs. Not less than 70 percent of the amount of a grant must be used to provide compensation and supportive services to participants in a project.

Depending on whether the projects can pay the "prevailing wage or only 125 percent of the minimum wage, noncustodial parents who are at least two months in arrears in their child support payments are eligible to be paid no less than either (1) the prevailing wage, or (2) the higher of 125 percent of the applicable Federal or State minimum wage, for each hour the participant works in the project and the participant receives education, job training, and job search services, not to exceed 8 hours. In no case, however, would

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the rate of pay be less than 125 percent of the Federal or applicable State minimum wage.

Depending on the type of projects in which they are enrolled, AFDC recipients may not be required to work on a monthly basis more than the number of hours determined by dividing the family's monthly assistance amount by (1) the prevailing wage, or (2) the greater of 125 percent of the Federal or applicable State minimum wage. In no case, however, would the rate of pay be less than 125 percent of the applicable minimum wage. If an individual chooses to work any additional hours, the individual must be paid for each additional hour an amount equal to either (1) the prevailing wage, or (2) the greater of 125 percent of the Federal or applicable State minimum wage.

AFDC recipients who work off their benefits will receive a bonus equal to 25 percent of the average amount of monthly AFDC benefits in their State.

The Secretary may approve an application that provides for an alternative method of compensation so long as it does not reduce the amount received by a participant below the amount payable under the basic compensation method described above.

All wages would be exempt from countable income for all Federally-assisted means-tested programs, including the Higher Education Act of 1965.

As in the Senate amendment, in order to assure that each individual will have time to seek alternative employment or to participate in an alternative employability enhancement activity, no individual may participate in work on a project for more than 32 hours per week.

Individuals participating in projects shall receive assistance to meet costs of transportation and child care, as well as necessary costs of uniforms or other work materials.

Each participant must be tested for basic reading and writing competence and must be furnished counseling and instruction if the participant fails a basic competency test. However, individuals who have been tested by an employment, education, or training program for basic reading and writing competence within one year of enrollment in a project, shall not be required to be tested.

As under the Senate amendment, the Secretary may suspend or terminate payments for a project if the Secretary determines that an organization has materially failed to comply with the requirements of this demonstration project.

As under the Senate amendment, organizations conducting a community works progress project would be required to establish and maintain a procedure for the filing and adjudication of grievances from participants, labor organizations, and other interested individuals, including grievances regarding proposed placements of participants in the project. Grievances must be filed not later than 1 year after the date of the alleged occurrence of the event that is the subject of the grievance.

Remedies for a grievance filed include: (1) prohibition of the placement; (2) reinstatement of the participant to the position; (3) payment of lost wages and benefits; (4) reestablishment of other relevant terms, conditions, and privileges of employment; and (5)

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equitable relief as is necessary to correct any violation or to make the participant whole.

An application for a grant to conduct a project must include: (1) a description of the type of project to be carried out; (2) a description of the objectives and performance goals of the project; (3) an agreement between the organization and the child support enforcement agency to seek court-ordered enrollment of a noncustodial parent who is not employed and is two months in arrears on his child support payments; (4) a description of a plan for managing and funding the project; (5) in the projects not required to pay the prevailing wage when that wage is applicable, written concurrence from any local labor organization representing employees in the area who are engaged in work of the same or similar character or nature as that proposed to be carried out by the project; (6) a description of formal job training and job search arrangements; (7) an assurance that the project will be coordinated with other Federally assisted education, training, and social service programs; (8) an assurance that the organization will participate in cooperative efforts among community-based agencies, local educational agencies, and local government agencies, businesses, and State agencies, to develop and provide supportive services; (9) a description of fiscal control, accounting, audit, and debt collection procedures to assure the proper disbursement of funds; and (10) a projection of the amount the organization intends to spend in each fiscal year.

The Secretary is required to publish the grant application notice no later than January 1, 1993.

The Secretary shall carry out up to four project evaluations costing no more than \$6 million. It shall be based on an experimental design with random assignment between a treatment group and a control group. The Secretary shall use the data to analyze the benefits and costs of the project with particular attention to estimates of the value of the goods and services produced and differences between the payment of "prevailing wages" and 125 percent of the applicable minimum wage. A final report is due one year after the final project is completed.

As in the Senate amendment, within 60 days after enactment, the Secretary of Labor, in consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, is required to establish a task force to identify any Federal funds (in addition to funds authorized to operate the projects) that may be used in community works progress projects, and to identify any modifications to existing policies or procedures that would facilitate the implementation of the projects. The task force is to be composed of one representative each from the Departments of HHS, Labor, and HUD. The task force is required to submit a report to the Secretaries of these departments and to the Congress with any findings and recommendations that it may have.

# **WELFARE REFORM COMMUNICATIONS PLAN**

**DRAFT FOR DISCUSSION  
PURPOSES ONLY**

4/30/93

# GOALS

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During the five months prior to the presentation of a welfare reform plan to the President, the communications strategy for the Welfare Reform Working Group is to be:

## Proactive

By regularly briefing members and staff on the Hill, reaching out to and soliciting input from advocacy organizations, and maintaining a regular flow of information to the press, we want to maintain control of the story and the message.

## Open

The way the policy is constructed is as important as the policy itself in ultimately selling it. Regularly soliciting input and advice, and consulting widely with interested parties will be priorities in the process.

## On Message

The large number of individuals, offices and agencies communicating with the public on welfare reform must remain faithful to the basic themes laid out by the President in the campaign: work should pay; one parent should not have to do the work of two; and those work can work should. These themes are described in more detail in the following pages.

## Coordinated

We are simultaneously targeting five audiences: (1) Congress, (2) advocacy groups, (3) the press, (4) other government actors, and (5) the general public. Each audience will require a separate strategy, but these efforts must at all times be consistent and coordinated.

# THEMES

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Prior to the actual public presentation of a welfare reform proposal, the administration must faithfully stick to several messages when discussing the program and the process of developing it:

## **Welfare Reform Remains a Priority**

The President remains firmly committed to an overhaul of the welfare system. It is not on the back burner. Work is ongoing, and legislation will follow after a fully-informed, open process to develop the proposal.

## **Development of the Process is Open and Collaborative**

The manner in which this proposal is developed will be as closely scrutinized as its substance. We will be reaching out to a wide range of people and organizations as part of the development of this program, and we want to emphasize that at every opportunity.

## **Welfare Reform Is About Restoring Hope, Dignity and Control**

The call to end welfare as we know it does not mean ending support for the poor. On the contrary, it is a call to provide a real opportunity for poor people to regain control of their lives by giving them the support they need to achieve real independence.

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## The President Wants Fundamental Change

This proposal will not just tinker with the welfare system. It will create an alternative to it. It will have four central elements:

o Making Work Pay -- The starting point for helping people off welfare is to ensure that people who work are not poor. The President's budget would dramatically increase the Earned Income Tax Credit, and health reform will ensure that coverage is no longer a barrier to employment for those seeking to leave welfare.

o Dramatically Improving Child Support Enforcement -- One parent should not have to do the work of two. Only one-third of single parents currently receive any court-ordered child support. Welfare reform must radically strengthen the system for identifying fathers and ensuring payment.

o Better Training and Support -- People should get the basic education and training they need to get and hold onto a job. The Family Support Act of 1988 started down this road, improving employment and training services.

o Transitional Time-Limited Welfare and Work -- Ultimately, assistance must be truly transitional for those who are healthy and able to work. Those who can work will be expected to work, either in the private sector or in community service.

# WORK GROUP

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To coordinate the communications effort for the Welfare Reform Working Group, a communications group is being formed including all those who will be dealing with the public affairs, legislative, intergovernmental, and public liaison efforts surrounding welfare reform.

The membership of this group will include:

- HHS Administration for Children and Families
  - ASPE
  - Public Affairs
  - Legislation
  - Intergovernmental
  
- WH Communications
  - Public Liaison
  - Intergovernmental
  - Legislation
  - Domestic Policy

Other Agencies: all agencies involved in the Working Group should designate at least one representative to the group. They will be responsible for sharing relevant information with appropriate offices at their agencies.

This group will initially meet weekly to:

- o Coordinate overall strategy
- o Ensure a unified, consistent message
- o Provide a forum for agencies to share information and updates on the progress of the Working Group and to ask questions
- o Plan events such as hearings and forums
- o Establish a process for meeting with groups and soliciting input
- o Coordinate responses to requests for appearances, speakers, etc.
- o Plan strategy for the announcement of the program

# PLAN

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## 1. Announcement

- o Ensure adequate prior notice to key members of Congress, advocacy organizations
- o Immediately notify all interested groups and members of Congress of the establishment of the Working Group and the process for having input
- o Schedule background briefings on process and policy for the press

## 2. Video Information Campaign

- o Produce background video on welfare reform focussing on problem, President's general themes, and process for reform
- o Distribute widely to advocacy and grassroots organizations for use at member meetings and conferences
- o Edit video into series of video news releases for satellite distribution throughout the summer to local news outlets

## 3. Working Paper Series

- o Plan series of detailed background issue papers for public distribution throughout the summer on all aspects of the welfare issue and options for reform

## 4. Hill strategy

- o Wide distribution of background materials described above
- o Regular staff briefings
- o Regular briefings for members  
[Details of Hill strategy to be developed by HHS Office of Legislative Affairs]

## 5. Press strategy

- o Regular background briefings for reporters to ensure full education on the issue
- o Distribution of video new releases described above

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## **6. Advocacy Group strategy**

- o Ensure early notification of Working Group and process for input
- o Create and update regularly a master list of contacts at organizations
- o Hire public liaison to deal specifically with outside organizations
- o Schedule group briefings for appropriate coalitions and groups throughout the summer to update them on progress and get input
- o Distribute video as discussed above

## **7. Hearings**

- o Plan series of forums nationwide designed to involve individuals and organizations in the policy making process

## **8. Intake Process**

- o Establish a process for sorting and quickly routing to appropriate staff all written materials submitted for consideration by the Working Group
- o Ensure timely response to all incoming mail

## **9. Speakers Bureau**

- o Establish process for responding to all requests for speakers by organizations interested in welfare reform

## **10. Roll-out**

- o Plan strategy and events surrounding the release of the plan this fall