

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN 5/30

95 MAY 26 P 7: 04

May 26, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Welfare Reform Update

I. Senate Finance Committee Approval

Today, the Senate Finance Committee approved Packwood's welfare reform bill by a vote of 12-8, with Baucus joining the Republicans. The measure is expected to come to the Senate floor in the next month or so.

In its current form, the Senate bill is far better than what the House passed, but is not yet as serious as it should be in our central goal of moving people from welfare to work. We will press for improvements on the floor in key areas: more resources and incentives to help the states meet the work requirements and provide child care; a contingency fund to protect states against economic downturn and population growth; and requirements or incentives for states to maintain their current effort.

In the coming weeks, you will come under increasing pressure to outline the specific conditions of what kind of welfare reform bill you would be willing to sign. Moynihan is rallying liberals and editorial boards to press for a veto threat over the individual entitlement, even though we lack the votes in the Senate to sustain a veto on those grounds. We recommend that in the next two weeks, you give a speech or make a statement that will shift the debate back to our terms, by saying that work is your bottom line: If Congress passes a bill that is serious about moving people from welfare to work, you'll sign it. If Congress passes a bill that is phony and fails to promote work, you won't.

## II. Summary of Finance Committee Bill

### A. The Good News

The Finance Committee bill is much better than the House bill in many respects:

\* **Not as tough on kids:** The Senate bill drops much of the conservative micromanagement of the House bill -- the cutoff of young unwed mothers, the mandatory family cap, and the so-called illegitimacy bonus which could promote abortion. Faircloth, Gramm, and Nichols will fight to add these on the floor, however, so we should continue to speak out against them. Like the House bill, the Senate bill mandates a 5-year cutoff, but so do the House and Senate Democratic alternatives.

\* **Cuts not as deep:** The SSI and immigrant cuts are somewhat more reasonable than the House bill, and there are no cuts in child welfare programs. In its current form, the bill cuts a total of \$32 billion from welfare programs, compared to \$38 billion in the House.

\* **Includes all our child support provisions:** All the major elements of our child support enforcement plan, including the drivers license provision, are in both the Senate and House bills and enjoy strong bipartisan support.

\* **Not as weak on work:** The Senate bill requires states to maintain a JOBS program and to provide child care to recipients who are required to work. It requires work after two years, and has stiff participation requirements that reach 50% by 2001.

### B. The Bad News

While the work provisions in the Senate bill look better on paper, it has a long way to go before it will be serious about moving people from welfare to work. Under the bill, states are asked to provide substantially more work and child care for significantly less money, which will be a strong incentive to cut people off rather than move them into work. The attached views letter from Secretary Shalala outlines our concerns about the bill, but here are the highlights:

\* **CBO says 44 states will fall short on work:** Today's markup was dominated by a devastating CBO report, which estimates that 44 states will not be able to meet the work participation rates in the Senate bill. CBO assumes that most states will take the modest 5% penalty for non-compliance rather than invest in work programs. CBO says that states would have to spend an additional \$10 billion in the year 2000 in order to comply.

\* **Less money for child care:** The Senate bill eliminates child care entitlement programs and lumps them into the AFDC-JOBS block grant. The block grant represents a 9% cut over five years, and because the work and benefit funding streams are combined, there is no guarantee that any money will go for work and child care rather than benefits.

**\* No real protection against economic downturn or population growth:** In its current form, the Senate bill includes the same Rainy Day Grant Fund as the House bill, which lets states borrow a small amount of money in downturns if they will pay it back within 3 years with interest. Voinovich, Whitman, and Thomson have pressed Dole to accept NGA's contingency fund amendment, which would allow states that maintain their current effort to receive up to 15% more in federal matching funds to deal with economic downturn, disaster, or increased investment in welfare programs. Dole is hinting that he will go along with the NGA amendment on the floor. Several Sun Belt senators, led by Kay Bailey Hutchison, also circulated a letter today calling for more money in the block grant to deal with population growth.

**\* No incentive or requirement for state maintenance of effort:** The Finance Committee rejected a Breaux amendment to require states to maintain their current effort. The NGA contingency fund amendment would reward states for maintaining effort, but we will also seek either an explicit requirement or a performance standard that penalizes any state not meeting its work requirements by the amount its spending falls short of maintaining its FY94 effort.

### III. Strategy for the Senate Floor

We have a decent chance of improving the bill in these areas on the floor. So far, the Packwood mark and Dole's public comments suggest that Republicans want to be seen as reasonable and bipartisan, rather than mean to kids. There will be some pressure from the right, but Dole may feel he has some cover: except for the Christian Coalition, most right-to-lifers oppose the conservative strings that Gramm and Faircloth are pushing.

Our immediate problem is uniting the Democrats. Daschle, Breaux, and Mikulski are working on a good alternative (two-year time limit, heavy emphasis on work, real money). But Moynihan has been telling all the liberals -- unfairly -- that Leon promised him a veto over the individual entitlement, so they should do nothing to improve the bill. (All Leon said was that you would veto a bill that was tough on children.) Moynihan is persuading enough members to make it difficult for Daschle to build the united front he needs to bring Republicans to the table.

As we near the end of the line, you will come under increasing pressure to say what exactly it will take to get your signature on a welfare reform bill. We have already indicated the kinds of changes we want -- resources and incentives for states to put people to work, protections for economic downturn and population growth, requirements or incentives for maintenance of effort -- but we have avoided making any of these conditions a deal-breaker. The Republicans would like nothing better than for us to give them the road map to a veto.

The one thing we can do to strengthen our bargaining position and unify Senate Democrats is to strike a higher Presidential profile on the issue in June. We have to change

the terms of the debate so that we're putting the Republicans on the defensive about work instead of letting Democrats put us on the defensive over entitlements. The sooner we do that, the more difficult it will be for Moynihan to box us in.

We recommend that you give a strong speech in early June that casts work as our ~~make-or-break~~ issue. Work is the only issue they're afraid of: in today's markup, Packwood rejected a Grassley amendment that would have softened the work provisions because he said "I can just hear the President saying 'work requirements, work requirements, work requirements.'"

~~The NGA Youth Summit in Baltimore on Tuesday, June 6th would be an ideal forum~~ for this speech. Thompson and Engler will be there, the Senate will just be returning from recess, and the Republicans will see that we're not going to go quietly. At the same time, we will take advantage of Dole's comments today that he is willing to work on a bipartisan basis, by making sure that he gets a barrage of letters from members and governors in favor of the amendments we want.

You can say your bottom line is clear: If Congress passes a bill that is serious about helping states move people from welfare to work, you'll sign it. If it's phony, and about something else, you won't. The report from CBO, whose director June O'Neill is a Republican expert on welfare reform, enables us to make that argument in a straightforward, non-partisan way.

Breaux has suggested a meeting with Senate Democrats to tell them our strategy and throw our support behind the Daschle alternative. We believe that before you have them down to the White House, you should give a strong speech on work -- and then meet with them only if they still don't get the message.

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## WORK FIRST PLAN

DT: 5/17/95

DASCHLE-BREAUX  
PLAN

### TEMPORARY EMPLOYMENT ASSISTANCE

AFDC is abolished and replaced by Temporary Employment Assistance, a conditional entitlement for families of limited duration.

### PARENT EMPOWERMENT CONTRACT

In order to receive assistance, all recipients must sign an individualized contract outlining a plan to get them into the workforce as soon as possible.

### FINITE TIME FOR ASSISTANCE

Assistance is conditional. All recipients must sign a contract. All recipients must follow the contract (tough sanctions apply to those who don't).

Assistance is limited. During the first two months, all able-bodied recipients must engage in intensive job search (as designed by states). After two years, states will be required to offer workfare or community service to any recipient not working for at least 20 hours per week. Refusal to engage in workfare causes benefit reductions. No family may receive assistance for more than five years.

### WORK FIRST EMPLOYMENT BLOCK GRANT

The JOBS program for welfare recipients is replaced by the Work First Employment Block Grant, which emphasizes work as the objective.

#### All able-bodied recipients must work.

For those recipients still looking for work after the initial two months of job search, the state may provide any of a number of services to assist recipients in obtaining jobs, including, but not limited to:

- job search
- placement vouchers
- wage subsidy/work supplementation
- on-the-job-training
- microenterprise development/self-employment
- a GAIN type program operated by Riverside County, CA
- a JOBS Plus type program operated by Oregon
- other training or education for work preparation to bring about employment

#### We Count Work, Not "Participation."

Under the Work First plan, states would focus on getting recipients into real jobs, getting credit only for:

- those leaving welfare for work
- those working 20 hours or more per week (even if still receiving benefits)
- those working 20 hours or more per week in subsidized jobs (but not workfare)

Exception: states with pockets of high unemployment could allow workfare (100% subsidized jobs) to count.

The state work performance measure would reach 50% by the year 2000, which would mean an unprecedented number of welfare recipients would be working.

### **We Give States the Resources to Emphasize Work**

Flexibility: states would set all eligibility rules, enabling them to make work pay more than welfare. States set benefit levels, resources, assets, and income disregard policies.

Funding: the federal government would share in the cost of putting welfare recipients to work. The Work First Employment Block Grant would be used for employment activities, job placement assistance, work supplementation, on-the-job-training, transportation, child care; in essence, whatever a state decides is necessary to enable a welfare recipient to go to work and retain a job. Funding would be increased and the federal match rate would increase as well.

Child Care: Existing child care programs would be consolidated with the Child Care Development Block grant negotiated by Senators Dadd and Hatch in 1990.

Within the block grant, 10% of the funds would be set-aside for quality improvements and 10% would be set-aside for expansion to ensure that states can help make child care safe and available in communities with long waiting lists or where child care simply isn't available.

Child care assistance would be available for 2 years for those transitioning from welfare to work (longer at state option) and would be based on a sliding fee scale. Working poor families with income below the poverty line would be phased-in over time.

Medicaid: Medicaid would be available for 2 years for those transitioning from welfare to work and would be based on a sliding fee scale.

### **Even Those Who Don't Work Must Perform Community Service**

Those not in real jobs within 2 years must perform workfare or community service as designed by the state for 20 hours per week.

Those who are exempt from the work requirement (ill, aged, incapacitated recipients, those caring for a disabled child or relative, or those with a child under six months old) must perform community service as defined by the state, such as volunteering at their children's school, or must take responsibility as outlined in their Parent Empowerment Contract, such as having their children properly immunized.

## STATE FLEXIBILITY UNDER WORK FIRST PLAN

States would be provided with an unprecedented amount of flexibility:

- States set their own benefit levels, countable assets, resources, and income disregard policies.
- States have the flexibility to consolidate and streamline welfare operations to function more efficiently and turn welfare offices into employment offices.
- States design Parent Empowerment Contracts to provide a blueprint for each welfare recipient to become employed.
- States design their own job search programs geared to helping welfare recipients look for employment.
- States design their own employment programs to assist welfare recipients in obtaining a job and in preparing for a job. States also determine the form of support to provide to recipients: direct benefits, wage subsidies to employers, etc...
- States determine who their employment block grant will serve (from welfare mothers to unemployed fathers).
- States design and determine workfare or community service jobs appropriate for those welfare recipients not employed within 2 years.
- States determine whether they will treat "interstate" immigrants differently.
- States would be provided with "seamless" child care assistance so that the need of the family would determine the assistance they receive, not the category of federal program money that's available.
- States retain the option of administering their programs under existing waivers.
- States have the option of requiring participants to undergo appropriate substance abuse treatment where necessary.
- States have the option of providing a \$50 pass through of child support to welfare families.
- States have the flexibility to design innovative teen pregnancy prevention programs.



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20002

FINAL

MAY 24 1996

The Honorable Bob Packwood  
Chairman  
Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the Senate Committee on Finance.

Welfare reform is a top priority for this Administration and for all Americans, without regard to party. In the last two years, this Administration has put the country on the road to real welfare reform that emphasizes work, parental responsibility, state flexibility and the protection of children. In 1993, Congress passed the Administration's economic plan, cutting taxes for 15 million working Americans and rewarding work over welfare. In 1994 we collected a record level of child support--\$10 billion. In the past two years, the Administration has granted waivers to 29 states, so that over half the country is now carrying out significant welfare reform demonstrations that promote work and responsibility.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994. It included serious work requirements made real by opportunities for job placement, education, training, child care and supports to working people. It included a stringent set of provisions to ensure parental responsibility and reduce teen pregnancy. It maintained a basic structure of protections for children. It increased state flexibility without sacrificing either federal or state responsibility for performance.

The Administration has sought to make welfare reform a bipartisan issue. We still believe that it can and must be. The Chairman's mark rightly includes important child support enforcement measures the Administration fought for in the House that would more than double child support collections over the next five years. It wisely abandons some mean-spirited provisions the Administration opposed in the House passed bill, such as the illegitimacy bonus and the denial of benefits to children of young unwed mothers. The Senate bill moves in the right direction on reform of the Supplemental Security Income (SSI) program for children. The Senate bill also wisely omits harmful changes in child protection programs from its welfare reform. It is wrong to punish children for their parent's mistakes, and the Senate should resist any effort to do so.

Page 2 - The Honorable Bob Packwood

Although the Chairman's mark moves in the right direction, it still falls short of the kind of real welfare reform that Americans in both parties expect. It does not provide states the resources or incentives necessary to move recipients from welfare to work. In many respects it is still tough on children. It shifts costs to the states and undermines our obligation to hold state welfare bureaucracies accountable for results.

### **Real Work Requirements**

The central goal of welfare reform must be moving people from welfare to work. Work has always been at the heart of the President's approach to welfare reform over the last fifteen years. Work was at the core of the Family Support Act. Work has been at the core of the welfare reform waivers this Administration has granted, including innovative welfare-to-work programs in Oregon, Iowa, and more than two dozen other states. To be successful, welfare reform must reward, demand, and encourage work.

The Administration believes that anyone who can work should go to work as quickly as possible. We should build toward a system that requires people coming on to welfare from the first day to participate in job search, job placement, education or training needed to move off welfare and into a job quickly. The Administration also believes that those who are not willing to work should be removed from the rolls. Those who are willing to work should have the opportunities and the supports they need to work.

Real welfare reform is first and foremost about work -- and the system must provide work-based incentives for states, caseworkers, and welfare recipients themselves. States must have the necessary resources for child care, training, and work in order to get the job done. State welfare bureaucracies should be rewarded for getting people to work or prepare for work -- not for cutting people from the rolls. Recipients must sign personal responsibility agreements, and move toward work and self-sufficiency from the very first day. Time limits must make clear to welfare recipients and caseworkers that welfare is a transitional system, not a way of life.

The Chairman's mark undercuts the ability of the states to move recipients from welfare to work by reducing the funding available for work programs and for child care. It provides nothing to reward states for success in movement to work. Real welfare reform means giving states the incentives and resources to move people from welfare to work.

### **Page 3 - The Honorable Bob Packwood**

Despite the critical link between child care and work, the Senate bill would repeal three federal programs that provide direct child care assistance for more than 640,000 children. It would dramatically cut the child care available for low income working families who, without such assistance, risk falling onto welfare, and for families making the transition from welfare to work. It cuts the child care people on welfare need to go to work, and working people need to stay off welfare in the first place. It defies common sense to take away child care and keep people from going to work.

### **Parental Responsibility**

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children.

If we are going to demand responsibility of mothers, we should demand responsibility of fathers too. That means welfare reform should include measures designed to identify the father and establish support orders in every case; find delinquent parents who move from job to job or state to state to avoid paying child support; speed up payments; and invoke tough penalties, like drivers license revocation, for nonpayment. We are pleased that the Senate bill includes the major child support enforcement provisions the President introduced last year.

### **Protection of Children**

True reform should make it easier for poor children to grow into productive adults - not harder. Teenage parents should be eligible for cash assistance; help, however, should be conditioned on their staying at school, living at home, and identifying their child's father. Basic protection for children should not be an accident of geography. School lunches, food stamps, and assistance to abused, disabled and neglected children should not be slashed under the guise of "welfare reform."

The Administration is concerned that the proposed legislation puts many children at risk of serious hardship through its deep funding reductions for programs assisting low-income families, including a deeply troubling combination of an arbitrary benefit cutoff after five years of welfare receipt, incentives for states to cut benefits, deny eligibility and curtail services, and cuts in SSI benefits for children.

**Page 4 - The Honorable Bob Packwood****True State Flexibility and Responsibility**

The Administration applauds the creativity and responsiveness of states, and has encouraged state welfare reforms tailored to unique circumstances and needs. National welfare reform should expand opportunities for state flexibility. True welfare reform requires establishing a national framework and providing resources and incentives to states to improve their performance. We will not achieve real welfare reform or true state flexibility if Congress simply gives the states more burdens and less money, and fails to make work and responsibility the law of the land.

The Administration is concerned that the fixed block grant in the proposed legislation makes inadequate allowances for potential growth in the need for cash assistance because of economic downturn, population growth or unpredictable emergencies. By failing to provide for the changing needs of states, it poses a danger that many growing or economically distressed states will not be able to meet the needs of their people, and will be unable to provide the child care and other supports necessary to move recipients into work. The critical role that the current structure plays in providing economic stability will be lost.

The Administration is also very concerned that the proposed legislation contains no requirements or incentives for the states to maintain their own funding for cash assistance, child care and supports for work. There is a serious danger that states will "race to the bottom" in an attempt to save state dollars or to deter migrants from other states, by cutting eligibility, benefits, and assistance to working families. It is much cheaper to simply cut people off than to move them to work. Welfare reform is a joint responsibility of the federal government and the states. We owe it to our children to ensure that welfare reform provides opportunities and protects children in all the states.

In short, while the Chairman's work espouses goals for the reform of welfare--work, parental responsibility, true state flexibility and the protection of children--that the Administration and the American people share, the specific legislation still falls short in fundamental ways. Real welfare reform should include:

- o Incentives and resources to reward states for moving people from welfare to work, not cut them off;
- o Work requirements for recipients and the child care people need to go to work and stay off welfare;

**Page 5 - The Honorable Bob Packwood**

- o Protections for states in the event of population growth, disaster, or economic downturn;
- o Requirements and incentives for states to maintain their stake in welfare reform; and
- o The toughest possible child support enforcement.

There are alternative approaches to reform that achieve our mutual goals in more constructive and accountable ways. The Administration reiterates its commitment to serious welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to transmittal of this report to Congress.

A similar letter was sent to Senator Daniel Patrick Moynihan.

Sincerely,



Donna E. Shalala

THE WHITE HOUSE  
WASHINGTON

May 7, 1995

*Faller BNU*

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*

SUBJECT: Information Items

*We need to discuss when I return*

We have recently received the following information items:

*We need to discuss when I return*

- (A) **Reed/Emanuel welfare reform update.** Reviews current state of play among Senate Republicans, the four key issues for us (work, protections for children and states, food stamps and child support enforcement) and how to proceed. Following Leon's meeting next week with Sen. Packwood, we'll get a better indication of whether the Republicans are willing to work together or whether we'll have to fight them.
- (B) **Sosnik update on 1996 Senate races.** Indicates Kassebaum and Nunn are likely to retire, while Pell is putting off his decision on 1996 indefinitely.
- (C) **Hale/Sosnik memo on outreach to elected officials.** Sketches plan for increasing Administration outreach to elected officials.
- (D) **Sosnik polling memo.** Encloses and discusses several charts prepared by Harrison Hickman.
- (E) **Sosnik memo on Russell Barakat.** Attaches recent clips.
- (F) **Ickes note on Stuart Eisenstat.** That he is prepared to come home and do whatever you'd like regarding 1996.
- (G) **Baliles op-ed and speech on theme of civil discourse.** Forwarded by Gearan.
- (H) **Paul Kirk note reporting Mike Synar as winner of 1995 Profiles in Courage Award.** Bestowed annually by JFK Library Foundation.
- (I) **McCurry memo on regional media highlights.** April 21-30.

*Very important*

*WFO 0261*

THE WHITE HOUSE

THE PRESIDENT HAS SEEN

5/8

5/5

LEW -

PASS THIS ON TO THE PRESIDENT  
THINK HE NEEDS AN UPDATE ON WELFARE REFORM.  
(IT'S BASED ON THE MEMO WE GAVE YOU EARLIER  
THIS WEEK FOR YOUR CALL TO PACKWOOD)



THANKS -

BRUCE

THE PRESIDENT HAS SEEN 5/8

THE WHITE HOUSE  
WASHINGTON

95 MAY 6 P5:29

May 5, 1995

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FROM: Bruce Reed  
Rahm Emanuel



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In the next few weeks, we will need to decide whether and when to start negotiating with Senate Republicans on welfare reform. We do not know whether they are willing to work with us. But it is clear that they will not produce a decent bill on their own, without significant public and private pressure from the White House.

I. Background

Senate Republicans are increasingly supportive of eliminating the AFDC program and establishing a capped cash assistance block grant with no state match, almost total flexibility for states, and few of the mandates included in the House-passed bill. They are also under pressure from Engler and Thompson to block grant food stamps, which the House did not do. They have not decided how much to cut child welfare or SSI benefits for disabled kids and legal immigrants. But their overall budget target from welfare programs is \$50-60 billion in savings -- compared to about \$65 billion in the House bill.

So far, the only good news is that the Republicans may take up welfare reform as a stand-alone bill outside reconciliation. Unfortunately, that still may not lead to real bipartisan collaboration, because Republicans can always put it back into reconciliation and blame the Democrats if we try to filibuster -- and we probably lack the votes to block cloture in any event.

Daschle and Breaux are about to introduce a Senate Democratic alternative based on the PPI proposal which would replace AFDC with a time-limited, work-based entitlement, and give states bonuses for meeting work participation requirements. It's a good proposal, but not good enough to keep wavering Democrats from voting for block grants.

Packwood is still writing his bill. He plans to mark it up in the Finance Committee in late May or early June, and push it through with or without Democratic support. Leon is meeting with him next week to let him know that we want a bipartisan bill, and that you won't just sign any bill that comes along.

Among the governors, Voinovich, Romer, and other moderates are pushing for a bipartisan NGA compromise that would call on the Senate to block grant AFDC and child care, but allow states to tap into a contingency fund for caseload growth, economic downturn, or investment in work and training. Engler and Thompson are trying to block the deal.

## II. Major Issues

We have worked with HHS and OMB to identify what we believe to be the bottom-line issues for us in welfare reform: 1) Work; 2) Protections for children and for states; 3) Food Stamps; and 4) Child support enforcement.

1. **Work:** As you have said repeatedly, our most important priority in welfare reform is getting a bill that is centered around work. Real efforts to move people from welfare to work have been at the heart of the Family Support Act, the Work and Responsibility Act we proposed last year, the House and Senate Republican welfare reform bills of last year, our welfare waivers, and the Republican Contract with America. We should insist on a welfare reform bill that gives states the resources and the requirements to move people from welfare to work.

The Finance Committee will be sympathetic to our desire for real work requirements and for more money for child care. We can also press them to make some money available as an incentive to reward states that meet their work participation requirements and invest in moving people from welfare to work.

2. **Protections for Children and for States:** Republicans can't afford to be seen as cruel to children. In last week's Wall Street Journal poll, Americans said by a margin of 48-37 that they were more concerned about Republicans going too far and hurting children than about Democrats not going far enough. The Senate bill will not be as blatantly tough on kids as the House, but we should press the Republicans in a few key areas:

- \* **Disabled Kids:** We shouldn't let them get away with deep cuts in child welfare and SSI that will hurt abused and disabled kids. We can save a good deal of money by reforming those programs, but we don't have to gut them.

- \* **State Effort:** The Republicans will strongly resist a state match for AFDC, but we should look for some requirement or incentive for states to put up some of their own money. If we can't require a state match or maintenance of effort, we

should try for something like the NGA's proposed contingency fund, which would allow states to tap an additional pool of money if they do maintain their effort.

\* **Adjusters for Population Growth and Economic Downturn:** States need much stronger protection than the House bill's so-called Rainy Day Fund, a tiny revolving loan fund that would require states to repay everything they borrowed, plus interest. Voinovich and others have been talking to Dole on this point, but so far Packwood does not seem to be listening.

3. **Reform Food Stamps, Don't Block Grant It:** The Food Stamp program is the ultimate economic stabilizer, and every state will pay heavily down the road if the Republicans remove that protection. With Lugar and Packwood leaning toward a Food Stamp block grant, it will be up to Cochran, Dole, and the program's other long-time Republican champions to save it. Secretary Glickman is announcing a package of food stamp reforms next week as part of his Farm Bill announcement. He is trying to mobilize food marketers and producers to weigh in as well. If necessary, USDA is prepared to show the Agriculture Committee where to find enough Food Stamp savings to meet its budget targets without going all the way to a block grant.

4. **Tough Child Support Enforcement:** As in the House, child support enforcement should be one area where we can reach bipartisan agreement.

### III. How to Proceed

We should get an indication from Leon's meeting with Packwood next week whether the Republicans are willing to work with us or whether we'll have to fight this out through amendments in committee and on the Senate floor. If Packwood is willing to listen, Daschle and Breaux are prepared to negotiate on our behalf when the time comes. (It remains to be seen whether Moynihan will come off the sidelines.) If Packwood plans to proceed without us, as seems more likely, we will start going after the weak spots in his bill as soon as he puts a mark on the table.

THE WHITE HOUSE  
WASHINGTON

May 5, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Welfare Reform Update

In the next few weeks, we will need to decide whether and when to start negotiating with Senate Republicans on welfare reform. We do not know whether they are willing to work with us. But it is clear that they will not produce a decent bill on their own, without significant public and private pressure from the White House.

**I. Background**

Senate Republicans are increasingly supportive of eliminating the AFDC program and establishing a capped cash assistance block grant with no state match, almost total flexibility for states, and few of the mandates included in the House-passed bill. They are also under pressure from Engler and Thompson to block grant food stamps, which the House did not do. They have not decided how much to cut child welfare or SSI benefits for disabled kids and legal immigrants. But their overall budget target from welfare programs is \$50-60 billion in savings -- compared to about \$65 billion in the House bill.

So far, the only good news is that the Republicans may take up welfare reform as a stand-alone bill outside reconciliation. Unfortunately, that still may not lead to real bipartisan collaboration, because Republicans can always put it back into reconciliation and blame the Democrats if we try to filibuster -- and we probably lack the votes to block cloture in any event.

Daschle and Breaux are about to introduce a Senate Democratic alternative based on the PPI proposal which would replace AFDC with a time-limited, work-based entitlement, and give states bonuses for meeting work participation requirements. It's a good proposal, but not good enough to keep wavering Democrats from voting for block grants.

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We have worked with HHS and OMB to identify what we believe to be the bottom-line issues for us in welfare reform: 1) Work; 2) Protections for children and for states; 3) Food Stamps; and 4) Child support enforcement.

**1. Work:** As you have said repeatedly, our most important priority in welfare reform is getting a bill that is centered around work. Real efforts to move people from welfare to work have been at the heart of the Family Support Act, the Work and Responsibility Act we proposed last year, the House and Senate Republican welfare reform bills of last year, our welfare waivers, and the Republican Contract with America. We should insist on a welfare reform bill that gives states the resources and the requirements to move people from welfare to work.

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THE WHITE HOUSE

WASHINGTON

95 APR 13 08:41

April 13, 1995

RECOMMENDED TELEPHONE CALL

THE PRESIDENT HAS SEEN

4/14

TO: Governor George Voinovich (R-OH)

DATE: April 14-18

RECOMMENDED BY: Marcia L. Hale *LJ for MH*  
John Emerson *JE*  
Bruce Reed

PURPOSE: To reach out to Governor Voinovich about the important role he can play in getting a good bipartisan welfare reform bill.

BACKGROUND: Governor Voinovich has written to Senator Dole to express his reservations with the House welfare bill which he feels does not provide states with enough flexibility and puts states at considerable financial risk. He favors block grants but has been more vocal than other Republicans about cost shifts to the states.

As you know, Governor Voinovich is a moderate Republican governor who has worked with the Administration in the past. Governor Voinovich has endorsed Senator Dole for 1996, so you should expect that anything you say to the Governor could be repeated.

- TOPICS OF DISCUSSION:
1. What does he think we should do to make sure Congress passes a bill the states can live with?
  2. Encourage him to continue to take an active role in this debate to counter the conservative influence of Engler and Thompson. Ask him whether other moderate Republicans share his concerns.

CONTACT PERSON AND  
TELEPHONE NUMBER(S):

Paul Mifsud 614/644-0817  
Randy Fischer 614/644-0813

DATE OF SUBMISSION:

April 13, 1995

ACTION:

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GEORGE V. VONOVICH  
GOVERNOR

STATE OF OHIO  
OFFICE OF THE GOVERNOR  
COLUMBUS 43286-0601

March 27, 1995

The Honorable Bob Dole  
Majority Leader  
U.S. Senate  
Washington, DC 20510

Dear Senator Dole:

As you know, the House of Representatives has completed its consideration of welfare reform legislation. While I strongly support the decision made by the House to convert welfare programs into block grants, I am concerned that the House bill fails to provide states with the flexibility needed to set our own priorities and conduct innovative experiments to promote responsibility and self-sufficiency. Many of my fellow Republican Governors share a number of my concerns.

I was disappointed with the allocation formula established through the Temporary Family Assistance Block Grant. It is the position of the National Governors' Association that any formula should allow states to use either a three year average or 1994 spending levels in determining base year allocations. While the House formula includes this choice, it then applies a 2.4 percent reduction factor to each state's allocation. The reduction factor leaves Ohio with a base year allocation of \$700 million annually, which is lower than what we would have received using either formula without a reduction factor. Speaker Gingrich assured states he would support eliminating the reduction factor. We would like to work with you in the Senate to make this correction.

Although allowing each state to receive its most favorable allocation without a reduction factor requires funding for the block grant to be increased by approximately \$200 million nationally, it is important to remember that states are making a significant financial sacrifice in supporting capped block grants. If states are disadvantaged in determining base year allocations, it becomes even more difficult to make the increased investments in work programs necessary to move individuals off welfare.

The House bill also does not include sufficient protections for states in the event of an economic downturn. If Congress replaces open-ended individual entitlements with capped state entitlements, states are placed in an extremely vulnerable position should the welfare-eligible population increase significantly. The state and federal governments should be partners in meeting the needs of expanded caseloads in recessions. The House bill contains a \$1 billion rainy day fund designed to provide the states with short-term loans,

The Honorable Bob Doie  
March 27, 1995  
Page Two

repayable with interest in three years. A loan fund does not represent a partnership; instead, it is a cost shift.

Ohio would be particularly disadvantaged in a recession due to aggressive steps already taken to reduce welfare caseloads. Today, 85,000 fewer Ohioans receive welfare than in 1992. States that have not been aggressive in reducing their welfare rolls will be better able to accommodate increased caseloads. Ohio's streamlined base makes it very difficult for us to absorb increased recessionary demands.

As part of our efforts to reduce welfare caseloads, Ohio has developed the strongest JOBS program in the nation. Ohio leads the nation with 33,911 recipients participating in JOBS. Only California comes close to matching Ohio's performance with 32,755 recipients enrolled in JOBS, and California has three times as many ADC recipients as Ohio. Our success with the JOBS program reflects a strong investment in training and education programs. Regardless of the extent of our investment, however, no work program can succeed without a commitment to making quality child care available for recipients. In Ohio, the state provides non-guaranteed day care to families with incomes up to 133 percent of the federal poverty level. The program currently has an average daily enrollment of 17,800. The State of Ohio is doing its part to provide child care to those in need. The federal government also must meet its responsibility.

I would like to see the child care and family nutrition block grants converted into capped state entitlements. In the House bill, funding for these block grants is discretionary. Key child care programs currently are individual entitlements. The need for child care only will grow as welfare recipients move into the workforce. My comfort level with the House package would increase significantly if states were guaranteed to receive a specified level of funding for child care and for child nutrition services for the next five years. That guarantee can only come through a capped state entitlement.

Excessive prescriptiveness is a problem throughout the House legislation. The bill's work requirements are a perfect example. The federal government mandates how many hours per week a federally defined percentage of cash assistance recipients must participate in federally prescribed work activities. In a true block grant, states would be free to choose how best to allocate resources to meet goals developed jointly by the federal and state governments. The record keeping requirements in the House bill also are extraordinarily prescriptive. States remain concerned that our computer systems lack the capability to provide the information required by the House.

The Honorable Bob Dole  
March 27, 1995  
Page Three

A true block grant should also give states the ability to determine their own program eligibility standards. The House legislation includes a number of specific eligibility restrictions. For example, cash benefits will be denied to unwed minor mothers and their children. Additional children born to mothers on welfare will be denied benefits. Decisions like these should be left to the states. By federally mandating these restrictions, the House is interfering with successful state reforms. For example, in Ohio we have developed a program designed to encourage minor mothers to remain in school. The LEAP (Learning, Earning, and Parenting) program supplements or reduces a teen mother's ADC cash grant based on her school attendance to teach her that there is a real value to completing her education. LEAP has led to a significant decrease in the drop-out rate for this vulnerable population. If the House prohibition on cash benefits remains in place, the LEAP program will have to be discontinued.

As the Senate begins to consider welfare legislation, I would be grateful for your assistance in addressing my concerns. Like many other Governors, I strongly support the broad outline of the House proposal, but it is important that these issues be resolved successfully. As a Governor, it will be up to me to implement welfare reforms in my State. I would like to work with you to ensure that block grants give the states the flexibility we need to implement innovative reforms designed to meet the specific needs of our communities. Without this flexibility, I cannot support this welfare reform package.

While Ohio watches federal welfare reform developments with tremendous interest, we have been actively pursuing a statewide reform agenda. I have enclosed a summary of Ohio's history of welfare reform innovation for your information.

Thank you for your personal consideration of my concerns.

Sincerely,



George V. Voinovich  
Governor

1974-1975  
Generally

Generally  
OK

April 12, 1995

THE PRESIDENT HAS SEEN

4/13/95

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Rahm Emanuel  
Bruce Reed

SUBJECT: What to say about welfare reform at next week's press conference

There are a handful of good reasons for the President to devote his opening statement at Tuesday night's press conference to welfare reform: 1) This remains the number one issue that voters want Congress and the President to address this year; 2) The House bill is a political loser for the Republicans, and we should criticize it every chance we get before the Senate puts a less vulnerable bill on the table; 3) If we don't make our case loudly and soon for bipartisanship and real reform, the budget debate will make both very difficult; and 4) Every time the President has said anything about welfare reform, it has generated more press than we expected.

If the President decides to talk about welfare reform on Tuesday, here are the major points we would suggest that he make:

1. **Announce Missouri and Montana waivers:** The President could use the announcement of these two waivers -- one to a Democratic governor, the other to a Republican -- to illustrate his basic principles: work, responsibility, state flexibility, and bipartisanship. Both are serious waivers that impose statewide two-year time limits in line with the President's plan. Missouri is also where the President announced his plan last June.

2. **Denounce the House bill:** He should call for welfare reform that's tough on work and good to children; not weak on work and cruel to children. He can criticize the House for going after school lunches and disabled kids to pay for tax cuts for the wealthy. He could call for a national summit of religious leaders on welfare reform -- and say that he doesn't want to sign a bill that the Catholic Church, the National Council of Churches, and other major religious leaders believe is wrong.

3. **Make the case for bipartisanship:** As the Republicans plunge into the 1996 campaign, the President should seize the high ground by insisting that this is too important to become a partisan issue. He could say that Senate leaders face a fundamental choice: whether to work together across party lines to solve one of the nation's most gripping problems, or to put politics and ideology ahead of children and real reform. He could surprise Dole by saying we should take another look at the Brown-Dole welfare reform bill from last year (two-year time limit, tough work requirements, but no nasty strings, preserved the individual entitlement, and didn't mention block grants or the 10th Amendment; co-sponsored by Hank Brown, Dole, Packwood, Gramm, and 13 other Republicans).

Urge  
ways  
Cherry?  
AFF

**4. Challenge the Senate to move quickly:** The NGA is working on a possible bipartisan compromise. If that gets in the next few weeks, we might want to press the Senate to pass welfare reform as a stand-alone bill before the July 4th recess. If welfare reform is one of the last deals to be cut in reconciliation, it is sure to get the short end of the stick -- and the closer this issue gets to the heat of the Presidential primaries, the uglier it will get.

THE WHITE HOUSE  
WASHINGTON

April 4, 1995

MEETING WITH DEMOCRATIC SENATORS ON WELFARE REFORM

DATE: Wed., April 5, 1995  
LOCATION: Cabinet Room  
TIME: 6:30-7:15 p.m.  
From: Bruce Reed

I. PURPOSE

At Moynihan's request, Daschle asked for a meeting with members of his welfare reform task force to discuss Senate strategy.

II. BACKGROUND

Last week, Packwood reiterated his support for block grants, and Chafee told reporters that he opposed block granting Medicaid and child welfare but would not stand in the way of a block grant for AFDC. Dole and Packwood suggested that welfare reform might be included in reconciliation, which would enable them to pass it with only 51 votes.

Senate Democrats are nervous that they will be shut out of the debate and unable to influence the outcome. They will be looking to you to signal a willingness to vocally oppose and possibly veto a welfare reform proposal along the lines of the House-passed bill.

Your goals for this meeting should be to: 1) Let them know you care about real reform, and you won't just sign any bill; 2) Spell out your problems with the House bill; 3) Stay away from legislative tactics, but talk about the elements you believe are essential for real welfare reform; and 4) Ask them to join us in taking the high road in calling for bipartisanship.

They may press you on whether you would veto a bill that does not maintain the individual entitlement. You can respond by reiterating that you support the entitlement, but that the moment you give any hint of what you would or wouldn't veto, it would further polarize the debate and give the Republicans an excuse to head for reconciliation -- where the Republicans would be sure to give you a bill you said you couldn't sign.

### III. PARTICIPANTS

See attached.

### IV. PRESS PLAN

There will be no press availability before or after the meeting.

### V. SEQUENCE OF EVENTS

As usual.

### VI. REMARKS

Suggested talking points are attached.

## PARTICIPANTS FOR MEETING WITH DEMOCRATIC SENATORS

### PARTICIPANTS:

POTUS

VPOTUS

Secy. Shalala

### MEMBERS:

Sen. Tom Daschle

Sen. Daniel Patrick Moynihan

Sen. John Breaux

Sen. Chris Dodd

Sen. Ted Kennedy

Sen. Patrick Leahy

Sen. Barbara Mikulski

Sen. Carol Moseley-Braun

Sen. Jay Rockefeller

### STAFF:

Leon Panetta

Pat Griffin

Carol Rasco

Harold Ickes

Erskine Bowles

George Stephanopoulos

Rahm Emanuel

Bruce Reed

Paul Carey

Susan Brophy

## SUGGESTED TALKING POINTS

### 1. This is a monumentally important debate about our greatest social problem.

- \* The welfare reform debate goes to the core of how we're going to deal with our most pressing problems -- reducing teen pregnancy and illegitimacy, rebuilding the family, reinventing government to reflect our basic values. We can't allow this to become just another political debate about just another political issue. It's too important -- what we do this year can have vast consequences that will outlive any of us here.

- \* This is hard. I've worked on this for 15 years. Pat has been working on it for 30. Humility is in order -- history is littered with reforms in this area that failed or fell short.

### 2. I am troubled by the course the debate has taken so far.

- \* I don't like the bill the House passed because it's not real reform:
  - It won't move people from welfare to work. In fact, it cuts child care that people need to get and stay off welfare.
  - According to CBO, its work requirements are unworkable.
  - It effectively repeals the Family Support Act, and removes any real responsibility for states to help people move from welfare to work.
  - It punishes small children for their parents' mistakes.

- \* The child support enforcement provisions showed what can be done with a bipartisan effort. The Senate should forget the rest of the House bill and start from scratch.

### 3. I want to see real welfare reform that is tough on work and responsibility, but good to kids -- and that gives states real flexibility, not just more problems and less money.

- \* The test of real reform is whether it moves people from welfare to work. We need time limits and tough work requirements that make sure people who can work must go to work. But if people need child care or job skills in order to go to work, they should get it.

- \* We should give states a lot more flexibility to achieve these goals. I've given 25 waivers. I think we should go further, and give states the option to start doing what now requires a waiver on their own, without having to ask our permission.

- \* But we won't get flexibility or real reform if all Congress does is ship everything off to the states and expect them to solve more problems with less money. Last week, I spoke to the Florida state legislature about what would happen to a high-growth state like Florida under these block grants. Republicans and Democrats alike were nodding their heads and applauding. If we want real reform, we can't solve all our budget problems here in Washington at the states' expense. We shouldn't put states and children at risk.

#### 4. We must do everything we can to make this a bipartisan issue.

\* Most Americans without regard to party agree on what must be done to reform welfare. If we can't put politics aside and agree on this issue, we never will. In the House, the Republicans went their own way, -- and the bill they passed suffered for it. We cannot let that happen in the Senate.

\* If they try to jam this through the Senate as part of reconciliation, without real cooperation and debate, they will destroy a bipartisan national consensus that goes back to Ronald Reagan. If we work together, we can pass a sweeping, landmark bill that 90% of the people in America will support. If they decide to go it alone, this issue will divide the country, both parties will suffer, and millions of children will pay the price.

\* I believe it would be an enormous political mistake for them to go that route. As we found out, there's no better way to hide your light under a bushel than through reconciliation -- just try to find a voter who has ever heard of the EITC. But more important, this issue is too important to most Americans. They don't want to see another bitter, partisan debate. They don't trust either party enough right now for that. As Pat Moynihan has said many times, nothing this important should be done without support from both parties.

THE WHITE HOUSE  
WASHINGTON

95 APR 11 P 2: 52

March 30, 1995

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Rahm Emanuel <sup>RE</sup>  
Bruce Reed <sup>BR</sup>

SUBJECT: Welfare Reform Strategy

This memorandum suggests a legislative and communications strategy for our welfare reform efforts in the Senate.

**I. The Debate So Far**

For the American people, welfare reform and the ability to achieve it have become a fundamental question of whether the political system or either party can reform government to reflect their basic values. More than any other issue this year, the debate over welfare reform will define the political character and credibility of both parties.

After the election, we set out to achieve two goals on this issue -- first, to regain the initiative by highlighting the President's record on waivers and child support enforcement and his commitment to real, bipartisan reform; and second, to seize the center and marginalize the House Republican plan by defining it as cruel to children.

We still have a long way to go before we can claim victory, but we have met our goals to this point. The Blair House meeting, the child support executive order, and the 25th waiver helped get the Administration back in the game, and the lines the President drew in the State of the Union, the NACO speech, and the radio addresses have defined the issue on our terms. We have a clear, winning message that puts the Republicans on the defensive: Welfare reform must be tough on work and responsibility, not tough on children.

Our task won't be any easier in the Senate, where the players are more moderate but the stakes are much higher. Dole has a tough choice to make. He will be under pressure from the conservative and gubernatorial wings of his party to send us a bill we don't like. On the other hand, he and his colleagues don't want to endure the beating their House

*1055 (S) to W. Regan*  
*RLC*

*To Admin.*  
*To Admin / Brown*  
*EM TO BR*  
*[Signature]*

counterparts took for being mean to children. Moreover, with the defeat of the balanced budget amendment and term limits, Republicans may now find that their interests coincide with ours: they need to produce a welfare reform bill to prove that they can deliver real change.

We have three main objectives for the Senate debate:

1. We must make work the test of real reform. Now that we have locked in child support in the House, we need to make work our central focus in the Senate. By staying away from the meanest House provisions -- cuts in school lunch, the denial of benefits to teen mothers and legal immigrants, etc. -- Senate Republicans will make it harder (though not impossible) for us to criticize their plan as tough on kids. We will have to focus on the other half of our argument, that welfare reform isn't real unless it moves people from welfare to work.

This is a more complicated case to make. We will need to explain why people need child care to get and stay off welfare, and why welfare reform cannot magically save heaps of money. But unlike entitlements versus block grants, this is a debate we can win with the public, which sees work -- far more than saving money or reducing illegitimacy -- as the whole purpose for welfare reform. Moreover, the press and responsible moderates in the Senate know we have the high ground on this issue. As Chafee said in a Finance hearing earlier this week, "Let's face it -- you can't just demand they get off welfare. What happens then?"

Work is also the Achilles' heel of pure block grants. A welfare block grant with no strings attached will not survive the criticism that it doesn't require anyone to go to work. A welfare block grant with tough strings but not enough money -- the more likely outcome -- can be attacked as phony reform that can't work and shifts enormous costs to the states. And as we saw in the House, "weak on work, tough on kids" is a powerful, damaging message.

2. Keep showing progress in ending welfare on our own. The best way to keep pressure on Republicans in Congress is to show that our fortunes are not tied to the legislative process. The President has a tool more powerful than a veto threat -- call it a waiver threat. Every waiver we grant shows that we're willing to end welfare with or without Congress, and that we don't have to wait on them to give states more flexibility or move people from welfare to work. Several important waivers will be pending in the next few months -- including a few such as Massachusetts that may be controversial but are crucial to this strategy. The press is beginning to credit these waivers as real reform, and we should give the President every chance we can to visit key states to grant waivers, or to tour welfare-to-work programs in states that have already received waivers from this administration.

The speech to the Florida legislature this week was one such opportunity. We are looking for other executive actions to show progress on welfare reform -- including another possible executive order or agency crackdown on child support.

3. **Insist on bipartisanship.** On an issue with such broad support among Americans in both parties, neither side wants to get caught on the extremes, either defending the status quo or punishing innocent children. We need to do everything we can to keep both sides from splintering and leaving us stuck in the center with nothing to sign.

As we saw in the House, a narrow partisan majority is bound to produce a bad bill -- worse, perhaps, than many Republicans intended. After the House debate, we called for more bipartisanship and less political rancor, and Gingrich's conciliatory response suggests that the Republicans recognize that they will have to come our way. We need to encourage that by continuing to take the high road, appealing to reasonable Republican moderates, urging Democratic Senators and governors not to walk away from the table, and insisting that the American people want us to work together and get this done.

## II. Communications Strategy

The President's actions and speeches over the last three months have finally given the Administration a profile on welfare reform. We are winning the communications battle on an issue that should have been a cake walk for the Republicans. However, we can hardly rest on our laurels. Welfare reform is still a Republican issue, and we still do not have the votes. We need to maintain the initiative and hold onto the center by continuing to strike this tone of bipartisanship and progress.

What follows are proposed communications events for the President, Secretary Shalala, and Governors, that will enable us to focus on the above priorities.

- \* **FLORIDA SPEECH** - This week the President showed that we are not just calling for an end to welfare as we know it, we can point to working mothers who prove that we are ending welfare as we know it. Waivers must become the validation of our progress and our insurance policy if welfare reform legislation does not pass. We should tout every success story we can find in key states that have received waivers - Colorado, Oregon, Ohio, etc. Focusing on waivers not only substantiates the credibility of our efforts, but it draws attention to work as the central component of our welfare reform.
- \* **UPCOMING WAIVERS** - Missouri and Delaware have both submitted applications for waivers to HHS and are nearing approval. Both states have Democratic Governors who attended the Blair House Summit. We have submitted a scheduling proposal for the President to go to Missouri on his Midwest Swing on April 26. This is where the President originally announced his welfare reform package last June. The President would visit a worksite and announce the 26th waiver and reiterate the themes of progress and work.

*Conced  
Takes from  
to President  
Tuesday?*

We could announce the Delaware waiver at the Saturday Radio Address on April 29. The President would use this as a pivot to give a bigger message on welfare reform and the importance of work as the Senate gears up for this debate. Gov. Carper, who is the lead governor on welfare reform for the DGA, would attend the radio address. Following the radio address Gov. Carper would brief reporters in the briefing room to validate the President's accomplishments on welfare reform, discuss his waiver, and warn what the House approach would do to block Delaware's welfare reform efforts. (Roth is a key swing vote.)

Assuming that the Senate debate continues for another two months, the other waivers that we will be able to announce include: Arizona, Montana, Massachusetts, New York, and possibly Virginia. These need to be timed in coordination with the Senate debate and they will become the drumbeat of our message on the significance of work. The Massachusetts waiver will be controversial, with the toughest work requirements so far, but it passed a Democratic legislature with overwhelming support, and the President has reportedly told Gov. Weld that we would not stand in their way. Assuming this waiver is approved, the President should travel to Boston to grant it.

*✓*

**LICENSE REVOCATION** - Attached you will find a memo outlining a Presidential directive which would order a 60 day review of the federal professional licenses and a revocation process. The goal is to determine how best to deny federal licenses to deadbeat parents.

*✓*

This would allow us to keep the issue alive for 60 days during the Senate debate and show that we are committed to the notion of cracking down on child support.

Time Magazine, the weekend nightly news, and the New York Times have all done stories, giving us credit for addressing this issue. To keep this issue in the news, we can announce that the report is underway. At the end of the 60 days we would announce which agencies and licenses will be part of a new system of federal license revocation.

**CHILD SUPPORT COLLECTIONS** - The Justice Department has a number of cases pending on child support collection. DOJ and HHS will soon be able to announce another 50 cases cracking down on dead beat parents. The announcement could be with the President or just Secretary Shalala and the Attorney General. The message would be that in conjunction with the President's desire to crackdown on deadbeat parents, we are now taking another 50 cases to court.

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*Ys*

\* REGIONAL COLUMNISTS - A number of reporters from key regional papers write on welfare reform. We should bring them in to meet with the President to discuss welfare reform, in the same way we did with the national columnists. Specifically, we should invite columnists from the St. Louis Post-Dispatch (Bond), the Boston Globe, Portland Oregonian (Packwood), Wilmington News-Journal (Roth), Providence Journal (Chafee), Salt Lake City Tribune (Hatch), Cleveland Plain Dealer, Columbus Dispatch (Voinovich), Denver Post (Brown), and other key targets.

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\* CONGRESSIONAL LUNCHEON - The President should have a luncheon with Senator Packwood and Oregon CEO's who participate in their private sector welfare to work program; Senator Moynihan and representatives from America Works, a well-respected work program in New York; and Senators Breaux and Brown, who have co-sponsored a bill to provide job placement vouchers for welfare recipients, to discuss work and welfare.

There are two communications options for this meeting:

(1) The President could make an announcement to a pool spray where he articulates our message for this event -- that he will be meeting with people involved in real welfare reform, who help people earn a paycheck rather than a welfare check, to discuss how best to promote work in welfare reform legislation.

(2) This could be a private lunch, which we give as a feature to only one reporter with all the anecdotes, so that it becomes a story for all the media to chase.

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MARYLAND WORKSITE - The President should travel with Rep. Connie Morella (who voted for the Deal Bill and against the House Republican plan) and Sen. Barbara Mikulski to a Maryland site where welfare people are working. This event would show bipartisan support for real welfare reform that promotes work, and could be coupled with some kind of announcement on what he expects from a welfare bill.

\* WALL STREET JOURNAL LETTER WRITING STORY - Mike Frisby is doing a story on the President's correspondence. One of the central figures is a former welfare recipient who wrote the President about her own success in getting off welfare and about a manual she wrote on how to move from welfare to work. We gave Frisby a copy of the manual as well as a copy of her grades which she sent in to the President. This is part of a larger story on how people

stay in touch with this President, but this woman is certain to be brought up in the piece. We could follow up the story by inviting her to the White House and sending a copy of her manual to the Hill.

- \* **COLORADO** - When the President is in Colorado for the Air Force Academy commencement speech on May 31, he could visit one of the worksites that have been established under Colorado's welfare waiver. This waiver was signed long ago and has been very successful. The President could visit one of the sites with Governor Romer (perhaps the most important player in trying to broker a bipartisan agreement from NGA) and Senator Hank Brown, (who worked with the President on the Family Support Act of 1988 and is a potential ally in the Senate).

- \* **SECRETARY SHALALA** - Secretary Shalala's communication during the House debate focused on hitting the weak part of the GOP proposal, which allowed the President to focus on the national interest in welfare reform. We want her to continue this role in the Senate debate, (ie.) through her testimony, regional meetings, etc.

Secretary Shalala will be submitting an op-ed to the Washington Post which focuses on what was wrong with the House Bill and what real welfare reform should be. We are working on the first draft now, but the op-ed will be submitted this week. It will be the first signal in trying to focus the Senate debate on work.

- \* **EASTER RECESS** - Over the Senate recess, we want print stories to appear in local papers on the cost of the House welfare reform bill to each state and how the GOP proposal is cruel to children. We will bring in individual reporters from states, with key Senate targets to write about welfare reform during the Easter recess.

- \* **DISTRICT MAILINGS** - We are planning to send out mailings in each district on the basic pieces of welfare reform.

- \* **FOOD STAMP EBT CARD** - The Vice President should be responsible for promoting the food stamp card that prevents fraud and abuse. We have test projects going on in six states where the card is working. We are working with the Vice President to have him promote this card during the Senate recess so that it is part of our crack down on fraud and abuse.

### III. Legislative Strategy

Contrary to dire press accounts earlier this week, the Senate is still very much up for grabs. In general, Senate Republicans are leaning strongly toward block grants, but it remains to be seen where the moderate Republicans will come down, and how much say the Democrats will have in the outcome.

Republicans on the Finance Committee have already made clear that they want no part of the nastiest provisions in the House bill. Dole and Hatch have denounced the cutoff of unwed teen mothers (and Shaw has said he would yield in conference). Dole and Simpson have cast doubt on the denial of benefits to all legal immigrants, with deeming to citizenship (as in the Deal bill) more likely. The Senate also seems unlikely to include the illegitimacy bonus or a mandatory family cap, unless Gramm can add it on the floor.

But most of the major questions are up in the air. Republicans have not decided how soon they will take this up, whether it will be a stand-alone bill or become part of reconciliation, and how broad the scope of welfare reform should be (whether to include food stamps, child welfare, and other programs, or just block grant child care and AFDC). Pivotal moderates on the Finance Committee (Roth, Chafee, Hatch, and Simpson for the Republicans, Baucus, Breaux, Conrad, and Graham for the Democrats) have not spelled out what they would be willing to accept. Moynihan and Daschle have not decided whether to push a Democratic bill. Over the past week, we have been trying to gather the best intelligence on these questions so we can address each in turn. In addition, part of our meeting next week with Senate Democrats should be to provide a legislative strategy focused on work.

**1. Timing:** No action is expected in the Finance Committee until at least May and possibly later. We heard some reports that Packwood might speed things up after last week's meeting with Thompson and Engler, but his staff says they won't have a bill ready till June.

**2. Reconciliation:** Dole said this week that welfare might be included in reconciliation, which would make it easier for Republicans to proceed without Democratic support. Domenici says no decision has been made. The reconciliation route has many advantages for them -- they need the money to meet their deficit targets, and they could avoid a Democratic filibuster. But some aspects of welfare reform (such as child support enforcement) would run into Byrd rule problems, and if they want to make welfare reform one of their central achievements, they should know better than to bury it in reconciliation -- just look at what happened to us with the EITC. Alternatively, they could pass a stand-alone welfare reform bill and count the savings when they get to reconciliation.

Welfare reform will be better off for all concerned if it is addressed on its own, rather than rammed through on a partisan vote as part of reconciliation. This is another reason we need to resist any statements on our side that might embolden Dole to go that route, and use every opportunity we can to call for bipartisanship. If Republicans head down the road

toward reconciliation, we need to be able to claim the bipartisan high ground, so they know they will pay a high political price for going it alone.

**3. Moderate Republicans:** Several thoughtful Republicans on Finance are still trying to calibrate their positions on welfare reform. Chafee said yesterday that the House Republican bill "lost sight of what our goals are in welfare reform" by focusing "entirely on how to save money and give states maximum flexibility." He told the committee, "It is very important that we not allow ourselves to be carried away in that manner." Other members have their own concerns. Even Packwood's views do not appear to be set in stone. All he has said is that he favors block grants, likes Oregon's waiver, and opposes conservative strings.

We will be meeting with key members and their staffs in the coming weeks to make sure they understand the consequences of the House bill and the state impacts of block grants. We will also make sure that the major newspapers and prominent state and local officials in important states are fully briefed on state and local impacts. We will take the same approach with moderate Democrats.

**4. Scope:** Conventional wisdom is that Senate Republicans will stay away from block granting nutrition programs and perhaps child welfare, but focus on AFDC, child care, and SSI. Lugar and Packwood said this week that they might be interested in block granting food stamps, but others are likely to resist that idea as happened in the House. The Senate will almost certainly stay away from school lunch. The scope of the bill may be determined by the deficit targets Domenici sets in these areas.

**5. Alternatives:** Daschle has convened a welfare reform task force, but members have held off from developing a Democratic alternative in hopes that some bipartisan negotiations could begin. Most Democrats will defer to Moynihan, who has not decided whether to draft his own bill. Earlier this week, there was a flurry of concern that Moynihan might be seeking a veto threat over the entitlement issue, but that now appears not to be the case. Democrats continue to be interested in doing everything possible to keep the door open to bipartisan compromise, while reserving the right to develop a Democratic alternative if it becomes necessary down the road. Such an alternative might end up looking like the Deal bill -- or something else altogether, if Moynihan presses for a more modest approach.

If a bipartisan, center-out bill is going to emerge, it will come from negotiations either between Packwood and Moynihan, or between moderates like Breaux and Chafee. Breaux already co-sponsors the PPI job placement voucher bill with Hank Brown, and might be able to build a bipartisan compromise around that. As in the House, our role will be to try to educate members in both parties, and provide legislative support to members who want to draft their own alternatives.

THE WHITE HOUSE

WASHINGTON

March 20, 1995

Dear Mr. Speaker:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,



The Honorable Newt Gingrich  
Speaker of the  
House of Representatives  
Washington, D.C. 20515

March 2, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update -- House Ways & Means Markup

On Wednesday, the House Ways & Means Committee will finish work on the Republican welfare reform bill, and send it to the floor for consideration in late March or early April. (The Senate begins committee hearings next week, but has no plans to get serious until May or June.) House Republicans have made several changes in response to Democratic pressure, but they remain vulnerable to our criticisms that it is weak on work and tough on children:

**1. Weak on work:** After Democrats ridiculed the work requirements in the subcommittee bill as weaker than current law, Republicans increased their nominal work participation rates to 50% by the year 2003 (up from 20%) -- while continuing to cut money by \$15 billion over 5 years. At the same time, they added a new loophole that lets states count caseload reduction as work participation. States could fulfill their entire work participation standard just by cutting people off -- without moving anybody into work. Republicans rejected a Democratic amendment that would have imposed tougher work requirements and given the states money for work programs at the level Republicans promised in the Contract with America.

**2. Tough on children:** The Contract called for a lifetime welfare ban for unwed teen mothers and their children. House Republicans have softened that significantly to let states restore aid when the mother turns 18. The original version would have affected millions of children; the new version applies to a much smaller fraction of the caseload. But it's still a bad idea to cut people off rather than making them stay in school and turn their lives around. The cutoff is opposed by the NGA (Dean, Thompson, and others wrote House Republicans last week to complain about conservative micromanagement in the bill), right-to-lifers, and Americans generally (including 57% of Republicans, according to the New York Times poll).

The new Republican plan also includes a bonus for states that reduce their "illegitimacy ratio" -- the number of out-of-wedlock births and abortions divided by total births. Democrats pointed out that this would give states a financial incentive to limit the right to choose, and that welfare reform should be a debate about work, not abortion.

**3. Not tough enough on deadbeats:** The final committee bill will include 90% of our child support provisions, but some Republicans have been dragging their feet on a few elements, including threatening to suspend drivers and professional licenses for parents who refuse to pay -- a tool that has proved enormously successful in Maine and 18 other states that have tried it. We rushed a letter from you up to Archer late today insisting on the toughest possible child support measures.



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

MAR 1 1995

The Honorable Bill Archer  
Chairman  
Committee on Ways and Means  
House of Representatives  
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Committee on Ways and Means.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It included tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

### Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

Page 2

The Administration therefore has serious concerns about the Chairman's mark before you:

- o While seemingly higher than those in the bill reported out of subcommittee, the work standards continue to be weak and now contain perverse incentives for states to cut people off, rather than put them to work. Far from requiring states to put people to work, the bill allows states to count as "working," persons who were simply cut from the welfare rolls for any reason. Cutting people off welfare is not the same as putting people to work. In addition, because the bill authorizes the block grant only through the year 2000, work requirements in the out-years seem at this point unenforceable and thus more figurative than real. To the extent that states try to meet the work standards by putting people in jobs rather than cutting them off, proposed funding cuts in child care and other programs would force a considerable increase in state expenditures or cuts in benefits.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work—even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. It repeals provisions of existing law that provide open-ended funding for families that need child care in order to work or go to school, while the provisions passed in the mark of the Committee on Economic and Educational Opportunities significantly reduce total existing funding for child care and the child care food program. In addition, states may be forced to cut back child care assistance to low income working families just to meet the child care needs of welfare recipients.
- o The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988. It removes any real responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. Indeed, the bill imposes new restrictions on states which want to provide education or training to move people quickly off welfare. States should have the flexibility to provide recipients the services they need to move from welfare to work as quickly as possible.
- o The proposed legislation would deny all federal cash assistance to most families that have received assistance for more than five years. Even if the adult in the family is unable to find a job or is prevented from holding a job because of disability or the need to care for a disabled family member, states are prohibited from exempting from the lifetime limit no more than ten percent of the caseload. Children would be seriously jeopardized even if their parents cannot find any work and are not included in the exemption.

Page 3

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements on participation and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

### Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased when more than one month ago, Chairman Shaw agreed to add child support enforcement to your welfare reform bill.

While the new child support provisions have not been released by the Committee, we do have concerns with the one child support provision which is included in the mark distributed thus far:

- o We are troubled by the provision that requires states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Page 4

### **Teen Pregnancy**

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash to any child born to an unmarried mother under 18 as well as to the parent until the parent is 18 years old. This provision punishes and abandons children rather than helping families to get them on the right track.
- o The proposed legislation does not require that teen mothers below the age of 18 live at home and stay in school. It weakens requirements in current law, and may make the prospects for mother and child even worse.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare.

### **State Flexibility with Accountability**

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o While states now have an option to choose among allocation formulas, the spending cap in the proposed legislation makes no allowances for potential growth

Page 5

in the need for cash assistance because of economic downturn, or unpredictable emergencies. There is only a tiny fund to help adjust for population changes and a small loan fund from which states can borrow. These provisions could result in states running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

#### Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are, key goals of child protection services. We believe there are problems in a number of areas.

#### Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o The legislation would deny cash assistance to teen mothers and their children, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

Page 6

### Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes.
- o The proposed legislation eliminates many important protections now guaranteed to children in foster care. These protections were put in place to correct situations in which children were being lost in the foster care system.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation allocates funds to the states under current claiming patterns. Because of serious imbalances among the states in spending on child protection, it is hard to imagine an allocation that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. Given the dramatic changes in which other aspects of the Committee's mark may have on other support systems for children, the Administration urges caution before actions are taken that will disrupt the child protection system and, as a result, might seriously harm millions of children.

### Denial of Benefits to Disabled Children on SSI

Although modifications have been made to the Subcommittee report, the Administration is still deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

Page 7

- o The proposed legislation dramatically slashes SSI benefits for children. Within 6 months, over one hundred thousand disabled children would fail to gain eligibility for SSI benefits as well as medical protection. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children. This change would shift choice of services from families to a new state bureaucracy that may lack sufficient resources to serve children affected. The idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

### **Benefits to Legal Immigrants**

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

Page 8

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work to go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Sam M. Gibbons and members of the Ways and Means Committee.

Sincerely,



Donna E. Shalala

March 2, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update -- House Ways & Means Markup

On Friday, the House Ways & Means Committee will finish work on the Republican welfare reform bill, and send it to the floor for consideration in late March or early April. (The Senate begins committee hearings next week, but has no plans to get serious until May or June.) House Republicans have made several changes in response to Democratic pressure, but they remain vulnerable to our criticisms that it is weak on work and tough on children:

**1. Weak on work:** After Democrats ridiculed the work requirements in the subcommittee bill as weaker than current law, Republicans increased their nominal work participation rates to 50% by the year 2003 (up from 20%) -- while continuing to cut money by \$15 billion over 5 years. At the same time, they added a new loophole that lets states count caseload reduction as work participation. States could fulfill their entire work participation standard just by cutting people off -- without moving anybody into work. Republicans rejected a Democratic amendment that would have imposed tougher work requirements and given the states money for work programs at the level Republicans promised in the Contract with America.

**2. Tough on children:** The Contract called for a lifetime welfare ban for unwed teen mothers and their children. House Republicans have softened that significantly to let states restore aid when the mother turns 18. The original version would have affected millions of children; the new version applies to a much smaller fraction of the caseload. But it's still a bad idea to cut people off rather than making them stay in school and turn their lives around. The cutoff is opposed by the NGA (Dean, Thompson, and others wrote House Republicans last week to complain about conservative micromanagement in the bill), right-to-lifers, and Americans generally (including 57% of Republicans, according to the New York Times poll).

The new Republican plan also includes a bonus for states that reduce their "illegitimacy ratio" -- the number of out-of-wedlock births and abortions divided by total births. Democrats pointed out that this would give states a financial incentive to limit the right to choose, and that welfare reform should be a debate about work, not abortion.

**3. Not tough enough on deadbeats:** The final committee bill is likely to include 80-90% of our child support provisions, but some Republicans have been dragging their feet on a few elements, including threatening to suspend drivers and professional licenses for parents who refuse to pay -- a tool that has proved enormously successful in Maine and other states that have tried it. We rushed a letter from you up to Archer late today insisting on the toughest possible child support measures. The committee will not make up its mind until sometime Friday. You should criticize them sharply if they wimp out.

## WELFARE REFORM

Q. What do you think of the Republican welfare reform bill approved by the House Ways and Means Committee this week? Would you sign it?

A. I am committed to working across party lines to enact a bill this year that will end welfare as we know it. So far, some Republicans in the House seem more intent on just cutting people off and punishing them for their mistakes than in moving people from welfare to work. If we're going to end welfare as we know it, we should be tough on work and tough on deadbeats, not tough on children.

Q. Your administration has not submitted its own welfare reform plan this year. What kind of plan do you support?

A. I'm proud of the bill we put forward last year. It was the toughest, most comprehensive welfare reform plan any administration has ever proposed. When the dust settles, I believe a number of our provisions on child support enforcement, work, and teen pregnancy will become law.

Now we're working with members of Congress and governors in both parties to enact a bill that fulfills the fundamental principles at the core of my plan: Real welfare reform should be serious about moving people into work, and requiring anyone who can work to go to work. It should demand responsibility from both parents, with the toughest possible child support enforcement. It should discourage teen pregnancy and send a clear signal that it is wrong to have children outside marriage. And it shouldn't punish children for their parents' mistakes.

Q. Can you sign a bill that does not contain an individual entitlement?

A. I believe in giving states a lot more flexibility -- I've given waivers to 24 states, more than any other President. But as a former governor, I also know that we won't have real welfare reform if all Congress does is shift costs to the states or pass the buck from one bureaucracy to another without transforming the welfare system. We have a national interest in work, responsibility, and the well-being of our children, and we ought to set clear national goals and give states the chance to meet those goals without top-down micromanagement from Washington.

Q. You were the one to call for ending welfare as we know it -- but hasn't this welfare reform debate passed you by?

A. I look forward to working with Congress to pass a good bipartisan bill. As a governor, I worked with a Democratic Congress and a Republican President to pass the Family Support Act.

But I'm not waiting for Congress. In the past two years, I have given 24 states -- half the country -- the freedom to cut through federal red tape and regulations and try innovative new approaches to welfare reform. That's more waivers in two years than my two Republican predecessors did in 12 years.

My Administration has broken every record in collecting child support, which is the essential to getting people off welfare and helping them stay off. Earlier this week, I signed an executive order to make sure that federal employees who owe child support have to pay it. And I am going to keep pressing Congress to send me a welfare reform bill that is tough on work, tough on child support, and good for our children.

Q. Do you support the Republicans' new plan to block grant food stamps for states that do electronic benefits transfer?

A. I am a strong supporter of electronic benefits transfer, and along with Vice President Gore, I have been pushing more states to adopt it as a way to empower people, cut bureaucracy, and reduce fraud. But the Republicans seem less interested in reform than in cutting the heart out of our longstanding bipartisan commitment to make sure children in America get enough to eat. School lunch and other nutrition programs have done a great deal to eliminate hunger in America, and Republicans are wrong to try to pay for their Contract by asking poor children to eat less.

THE WHITE HOUSE

WASHINGTON

March 2, 1995

Dear Mr. Chairman,

I am writing to reiterate my firm belief that Congress must pass tough child support enforcement measures as part of welfare reform. When absent parents don't provide support, the inevitable result is more welfare, more poverty, and more difficult times for our children. It is essential that all Americans understand that if they parent a child, they will be held responsible for nurturing and providing for that child.

I am doing everything in my power to crack down on child support enforcement. In 1993, we collected a record \$9 billion in child support -- a 12 percent increase over the previous year. Last week, I signed an Executive Order to ensure that federal employees who owe child support live up to their responsibilities as parents, and that the federal government will do its utmost to help find parents with delinquent child support claims. Our welfare reform plan included the toughest child support measures ever proposed. If absent parents aren't paying child support, we will garnish their wages, suspend their licenses, track them across state lines, and if necessary, make them work off what they owe.

Parental responsibility should not become a partisan issue. At the bipartisan national Working Session on Welfare Reform that I hosted at Blair House, Republican and Democratic leaders from around the country and every level of government agreed that we should enact the toughest child support enforcement measures possible.

I hope the committee will not shy away from its responsibilities on this issue. A number of

bills similar to our plan could serve as the foundation for any effort to reform child support -- including the one offered by Representatives Barbara Kennelly, Nancy Johnson, and others. Critical elements include denying welfare benefits to any unwed mother who does not cooperate fully in identifying the father, powerful measures for tracking interstate cases, and serious penalties -- including license suspension, and if necessary, requiring work -- for parents who refuse to pay what they owe. We must also include both the performance incentives and resources states need to do the job right.

It is time to get serious about child support in this country. I look forward to working with Congress to get it done.

With best wishes,

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Archer". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

The Honorable Bill Archer  
Chairman  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

THE WHITE HOUSE  
WASHINGTON

February 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Activity in the House

**I. Markup in House Subcommittee**

Clay Shaw will finish markup of the Republican welfare reform bill in his subcommittee today. On straight party-line votes, Republicans rejected Democratic amendments to dramatically strengthen work requirements, require minor mothers to live at home and stay in school rather than just cutting them off, and allow legal immigrants who have paid taxes for 5 years to remain eligible for benefits. They put off action on child support enforcement until full committee markup on the bill two weeks from now.

House Republicans may continue to march in lockstep, but there are encouraging signs of dissension in Republican ranks. The current bill is vulnerable in at least three ways:

**1. Weak on work:** The Heritage Foundation called the work requirements in the Shaw bill a "major embarrassment to many Republicans." They're much weaker than ours, and weaker even than current law. Democrats will keep pushing that real welfare reform is about sending people to work, and the Shaw bill is just about cutting people off.

**2. Mean to children:** Some Republicans have begun to distance themselves from the punitive provisions of the bill. This week, Henry Hyde and Olympia Snowe broke ranks to criticize the cutoff of young unwed mothers (which Dole and Kassebaum already oppose). So did Tommy Thompson.

**3. A bad deal for states:** Congressional Republicans will have a hard time holding onto their governors by offering more micromanagement and less money. We will put out state-by-state numbers on the cost shift of their various block grants (food stamps, AFDC, child welfare, child care) as well as the impact of all their conservative strings (numbers cut off because of provisions on young unwed mothers, legal immigrants, SSI kids, etc.).

## **II. Communications Strategy**

This week, we used the subcommittee markup to issue the attached Administration views letter outlining our differences with the Shaw bill, which was well-received by the press and by Hill Democrats who were looking to us for direction. We also put out the attached comparison of Republican work requirements with current law, as well as an estimate of the impact of child welfare cuts on foster care (states would lose a third of the projected 310,000 slots they need in the year 2000) and an analysis of the funding formula showing that Michigan would benefit most and New York, Florida, and Texas would be big losers.

On Thursday, Carper and Carnahan will hold a press conference with Gephardt and Hoyer on why the Shaw bill is a bad deal for states. At the same time, the White House will get state-by-state cost-shift numbers out to local and regional press. Later this week, PPI will issue a devolution study criticizing current Republican block grant proposals on welfare and crime.

Over the next few weeks, we will be resurrecting many of the tactics that worked for the crime bill: targeting editorial boards in districts with moderate Republican members; inviting Democratic and Republican members to bring their constituents to the White House for welfare reform briefings; circulating daily talking points in Washington and around the country; and so on.

## **III. Developing an Alternative**

We are working to develop a range of options on what our ideal bill would be, and how to get there. Ideally, we could start working with Daschle, Breaux, Moynihan, and others (including the governors) on a bill that gives states real flexibility at less financial risk, and puts a stronger emphasis on work and responsibility. In the short run, we will need to work with House Democrats over the next month to develop a Democratic substitute for the floor debate (expected in early April). In the Senate, Kassebaum and Packwood will start hearings soon, but no action is likely until May.

AFDC Recipients in Work under House Republican Proposal and Current Law		
Average Monthly Caseload 1996	5,212,000	
CURRENT LAW REQUIREMENTS		
Number of Adults in Two Parent Families required to work under Current Law	205,000	4%
Number of Current Recipients working full or part time	360,000	7%
Number of JOBS participants in OJT, Work- Supplementation or CWEP	30,000	.5%
<b>TOTAL WORKING UNDER LAW IN 1996</b>	<b>595,000</b>	<b>11.5%</b>
HOUSE REPUBLICAN PROPOSAL		
Required to participate in "work activities"	105,000	2%

Note: OJT is on the job training; CWEP is community work experience program

HHS\ASPE preliminary staff analysis based on 1993 Quality Control Data and 1993 JOBS Form 108 Data

13 Feb. 1995



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

FEB 13 1995

The Honorable E. Clay Shaw  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

### **Work**

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work—even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

## Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

## Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be

able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

### **State Flexibility with Accountability**

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

## Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are key goals of child protection services. There are problems in a number of areas.

### Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

### Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

### Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

### **Benefits to Legal Immigrants**

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. E. Shalala".

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

Table One

Comparison of Alternative AFDC Block Grant Distribution Formulas:  
 State Winners and Losers Resulting from Allocating Block Grant Funds  
 Based on the Average Federal Payments to States FY 1991 to FY 1993  
 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	(Loss)	Percentage Change
<b>LOSERS</b>				
New York	\$1,914	\$2,183	(\$269)	-12%
Florida	\$492	\$532	(\$39)	-7%
Texas	\$409	\$442	(\$33)	-8%
Louisiana	\$172	\$202	(\$30)	-15%
New Mexico	\$95	\$116	(\$21)	-18%
Arizona	\$192	\$208	(\$16)	-8%
Hawaii	\$80	\$92	(\$12)	-13%
District of Columbia	\$80	\$90	(\$10)	-12%
Kansas	\$89	\$98	(\$10)	-10%
Alabama	\$80	\$89	(\$9)	-10%
Puerto Rico	\$74	\$82	(\$8)	-10%
Virginia	\$147	\$154	(\$6)	-4%
Colorado	\$112	\$117	(\$6)	-5%
New Hampshire	\$33	\$38	(\$5)	-14%
Nevada	\$28	\$33	(\$5)	-15%
Rhode Island	\$81	\$86	(\$5)	-6%
Idaho	\$25	\$30	(\$5)	-16%
Guam	\$8	\$11	(\$3)	-30%
Alaska	\$59	\$62	(\$3)	-5%
Oregon	\$162	\$164	(\$2)	-1%
Washington	\$386	\$387	(\$1)	-0%
Montana	\$40	\$41	(\$1)	-2%
Virgin Islands	\$3	\$4	(\$0)	-6%
Delaware	\$25	\$25	(\$0)	-1%

\* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

\*\* HH/WASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

Table One (con't)

Comparison of Alternative AFDC Block Grant Distribution Formulas:  
 State Winners and Losers Resulting from Allocating Block Grant Funds  
 Based on the Average Federal Payments to States FY 1991 to FY 1993  
 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY94 AFDC State Block Grant Allocation FY91-93 Average	FY94 AFDC State Block Grant Allocation FY94 Distribution	Gain	Percentage Change
<b>WINNERS</b>				
Michigan	\$842	\$744	\$98	13%
Pennsylvania	\$643	\$591	\$52	9%
California	\$3,557	\$3,507	\$50	1%
Massachusetts	\$476	\$439	\$37	8%
New Jersey	\$398	\$369	\$29	8%
Wisconsin	\$331	\$304	\$27	9%
Ohio	\$167	\$141	\$27	19%
Illinois	\$561	\$535	\$26	5%
Kentucky	\$191	\$168	\$23	14%
Louisiana	\$169	\$149	\$20	13%
Minnesota	\$273	\$255	\$18	7%
Maine	\$87	\$73	\$14	19%
Mississippi	\$87	\$77	\$11	14%
South Carolina	\$105	\$95	\$10	10%
Georgia	\$324	\$316	\$8	2%
Tennessee	\$178	\$171	\$8	5%
Oklahoma	\$712	\$704	\$8	1%
Nebraska	\$53	\$47	\$6	12%
North Carolina	\$284	\$279	\$5	2%
Iowa	\$128	\$123	\$5	4%
Vermont	\$48	\$44	\$4	9%
Connecticut	\$226	\$223	\$3	1%
Arkansas	\$58	\$55	\$3	5%
Wyoming	\$23	\$20	\$3	14%
Utah	\$72	\$69	\$3	4%
West Virginia	\$109	\$107	\$2	2%
Mar. and	\$218	\$217	\$2	1%
North Dakota	\$24	\$22	\$2	7%
South Dakota	\$22	\$21	\$1	6%
Missouri	\$206	\$205	\$1	0%

\* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

\*\* DHS LSPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means in absentia.

THE WHITE HOUSE  
WASHINGTON

February 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update

**I. House Republican Bill**

Today, Clay Shaw announced details of the welfare reform bill he will mark up in subcommittee next week. He has agreed to include most of our child support provisions, but his bill is still heavy on conservative micromanagement and puts states at financial risk.

An outline of the Shaw bill is attached. It converts nearly 50 means-tested programs into three capped entitlement block grants. Funding levels are frozen for five years at 1994 levels, for a federal savings of \$14 billion (\$7.6 billion from capping AFDC). Immigrant and other SSI provisions save another \$23 billion.

Although Engler and Thompson helped negotiate the bill, the governors ended up with more strings and 15% less money. The bill mandates several provisions the NGA resolution specifically rejected, requiring all states to deny aid to young unwed mothers and legal immigrants, and imposing the family cap nationwide. Work is mandatory for everyone after 2 years, and states are required to cut off families after 5 years on welfare.

Our strategy as this bill moves through the House will be to: 1) highlight areas where the Republican plan is prescriptive and mean; and 2) call attention to the potential cost shift in key states and districts with moderate Republican Congressmen, Senators, and governors.

**II. Democratic Alternatives**

The Mainstream Forum, led by Nathan Deal and Charlie Stenholm, reintroduced their welfare reform bill today. Their bill is a souped-up version of ours: move people to work as quickly as possible, family cap state option, minor mothers live at home, national campaign on teen pregnancy, all our child support provisions, but a faster phase-in.

The Mainstream Forum bill gives the states a great deal of flexibility, but maintains the individual entitlement. It calls for a four-year lifetime limit, but lets states keep people on longer if they wish. Their bill would cost \$17 billion, but they propose a host of offsets: cutting off legal immigrants (but this time they plow \$6 billion back to the states so it's not an unfunded mandate), the EITC fraud provisions from our FY96 budget, and counting welfare benefits as taxable income.

House Democrats are galvanizing around the theme that welfare reform should be about work, not just punishing the poor. On Friday, Gephardt will hold a press conference with House Democrats from across the spectrum (from Eleanor Holmes Norton to Nathan Deal) to announce a united front. They will propose that as of October 1, 1996, all new applicants who can work must be working or moving toward work. For now, they see this more as a unifying theme than a concrete policy proposal.

On Friday, we also expect Gov. Carper to send a letter to governors warning them that the current version of the Republican bill puts their states at financial risk and imposes numerous strings the NGA specifically rejected.

# SHAW BILL

## Overview of Ways and Means and Opportunities Committees Portions of the House Republican Welfare Reform Bill February 1995

- Title I: Block Grant for Temporary Assistance for Needy Families
- Title II: Child Care Block Grant
- Title III: Child Protection Block Grant
- Title IV: Restricting Welfare for Aliens
- Title V: Supplemental Security Income Reforms
- Title VI: Child Support Enforcement Reforms

### Title I: Block Grant for Temporary Assistance for Needy Families

1. Purposes
  - a. Provide assistance to needy families with children
  - b. End the dependence of needy parents on government benefits by promoting work and marriage
  - c. Discourage illegitimate births
2. Eligible states: State plan. States must submit the following to the Department of Health and Human Services on an annual basis:
  - a. A plan that contains an explanation of:
    - their program of cash benefits to needy families
    - their welfare-to-work program, including support services
    - how they are meeting the requirement of mandatory work after the family has been on welfare for 2 years (or less at state option)
    - how and whether they are meeting the requirement to place 2% of their caseload in work programs in 1996, rising to 20% by 2003 and thereafter
    - their program to reduce the incidence of illegitimate births
  - b. A certification that the state will operate a child support enforcement program
  - c. A certification that the state will operate a child protection program
  - d. A certification that the state will operate a foster care and adoption program
3. Grants to states:
  - a. The block grant money is an entitlement to states
  - b. The amount of money in the block grant is \$15.265 each year between 1996 and 2000
  - c. Each state receives the same proportion of the block grant each year as it received of AFDC spending in 1994
  - d. Use of Funds:
    - in any manner reasonably calculated to accomplish the purposes (see above)
    - in the case of families that have lived in a state for less than 12 months, states may provide them with the benefit level of the state from which they moved

2

- states may transfer up to 20% of the funds in any given block grant to other block grants
- states may, for up to 6 months, pay a reduced benefit to a needy family with a child whose paternity has not been established
- e. Penalties. States are subject to three penalties:
  - if an audit determines that states have spent money on activities not consistent with the purpose of this legislation, the amount of misspent funds will be withheld from the state's payments during the following year (with the restriction that not more than 25 percent of a quarterly payment can be withheld)
  - the annual grant is reduced by 3 percent if states fail to submit the performance data required so that Congress can provide oversight on state accomplishments
  - states are fined 1 percent of their annual grant if they fail to participate in the Income and Eligibility Verification System designed to reduce welfare fraud
- 4. Prohibitions. Block grant funds cannot be used to provide:
  - a. Benefits to a family that does not include a minor child
  - b. Benefits to an individual receiving benefits from old-age assistance, foster care, or Supplemental Security Income
  - c. Benefits to noncitizens unless the individual is an alien who has resided in the U.S. for over 6 years or a legal resident over age 75 who has lived in the U.S. for more than 5 years
  - d. Cash benefits to a minor child born out of wedlock to a mother under age 18 or to the mother
  - e. Cash benefits for additional children born to families already on welfare
  - f. Cash benefits for families that have received block grant funds for 5 years
  - g. Benefits to a family with adults not cooperating with the state child support enforcement agency
  - h. Benefits to a family with an adult who has not assigned to the state the child's claim rights against the noncustodial parent
- 5. Data collection and reporting. States are required to submit annual data on several important measures of their Temporary Assistance Block grant; e.g., the number of families receiving benefits, the earnings of families, other welfare benefits received by families, and the number of months on welfare
- 6. Audits. Each state must submit to an audit every second year under terms of the Single Audit Act

ONE HUNDRED FORTYTHIRD CONGRESS  
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### COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-6348  
February 9, 1995

PHILIP M. CRANE, DIRECTOR

LEWIS WATTS, ASSISTANT CHIEF OF STAFF

#### MEMORANDUM

TO: Members, Committee on Ways and Means

FR: E. Clay Shaw, Jr., Chairman Subcommittee on Human Resources

In a speech at the U.S. Chamber of Commerce later this morning, I will present an outline of the direction my Chairman's mark will take as we begin consideration of welfare reform in subcommittee next week. Later today, we will deliver to all Members of the Committee a complete explanation of all of the provisions, with the exception of child support enforcement provisions which are in the final design stages. We are expecting some changes between now and Monday's markup.

Here is an outline of the plan we have developed:

#### Cash Welfare Block Grant

- 6 current Aid to Families with Dependent Children programs will be replaced with a single block grant to States.
- Spending on cash welfare will be capped for 5 years, saving taxpayers \$7.6 billion.
- States will be prohibited from using federal tax dollars to: (1) pay cash welfare to mothers under 18 who have children out-of-wedlock; (2) give extra payments to families that have more children while on welfare; and (3) pay cash welfare to a single family for more than 5 years.
- Welfare recipients must work to continue getting cash payments after two years.

#### Child Care Block Grant

- Around ten current federal child care programs will be merged into another block grant, achieving \$3.6 billion in savings.
- As with other block grants, States will be given enormous flexibility to better serve their residents, simplify programs, and save taxpayers money.

#### Child Welfare Block Grant

- More than 24 current programs will be combined into another block grant to help states protect neglected and abused children, saving nearly \$4 billion over five years.
- Neglected and abused children will be freed from federal regulations to realize quicker adoptions, more accountability, and fewer arbitrary rules from Washington.

- 2 -

- As with other block grants, States will be required to send information about their programs to the federal government, so we can figure out what works.

#### Reducing Welfare Rolls

- Drug addicts and alcoholics will no longer be considered disabled and therefore eligible for cash payments from SSI.
- As in the Contract, non-citizens would no longer be eligible for most welfare programs. Exceptions will remain for refugees and legal, long-term residents over 75; non-citizens will still qualify for education and training programs so they can improve their job preparation to become more productive future citizens.
- Sponsorship provisions will be strengthened.
- CBO estimates these provisions will reduce welfare spending by about \$23 billion over 5 years (although much of this savings will accrue to States because of the block grants described above).

# MAINSTREAM FORUM BILL

## Individual Responsibility Act of 1995 - Summary

### Outline of Welfare Reform Bill

- Title I: Time-Limited Transitional Assistance
- Title II: Make Work Pay
- Title III: The Work First Program
- Title IV: Family Responsibility and Improved Child Support Enforcement
- Title V: Teen Pregnancy and Family Stability
- Title VI: Community Service
- Title VII: Program Simplification
- Title VIII: Financing

**I Time-Limited Transitional Assistance:** Imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. The two-year lifetime, **Work First** time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance would be phased-in, beginning in FY 1997, when 16% of a state's AFDC families must participate in the program. This percentage increases to 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.

**II Making Work Pay:** The bill would ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare. To do this, the current disincentives within the system that make welfare more attractive than work must be eliminated. There are five vital components in this regard:

\* **Health Care** - Extended Transitional Medical assistance (TAM) from one to two years.

\* **EITC** - The bill would improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

\* **Child Care** - Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. States would be required to submit one plan for all assistance under this program instead of be required to comply with four different sets of federal regulations for different federal child care programs. Title XX is a capped entitlement program without specific authorization. A consolidated block grant of \$1.2 billion a year would replace the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance. There would be an individual entitlement for child care assistance for individual participating in the Work First program or who are leaving welfare. The Federal government would reimburse states for the cost of the individual entitlements at 70% or the Medicaid matching rate plus ten percent, whichever is higher.

\* **AFDC Work Disregards** - The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. As a result, welfare recipients who try to work are only marginally better off than by remaining on welfare. The proposal would allow states to liberalize the earned-income disregards within an established federal guideline.

\* **Asset Limitation** - While work is a first step out of poverty, asset accumulation is necessary to keep a person out of poverty. The proposal would increase the vehicle asset threshold to \$5,000; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or up to \$8,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

**III Work First Program:** The bill would establish a WF program to move welfare recipients off of welfare into jobs. The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill that require states to place an emphasis on placing individuals in private sector employment.

**Community Service** - At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the state will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. States may readmit up to 10% of their caseload who have not found employment after two years of the Work First program and two year community service, or those who left welfare after finding employment and were forced to return but have no time left on the clock. In addition, states may petition the Secretary of HHS to increase this percentage up to 15% if they meet the economic hardship conditions set forth by the Secretary. All recycled recipients will be reevaluated by a caseworker or case management team and a new employability contract will be established.

**IV. Family Responsibility and Improved Child Support Enforcement:** The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- Establish in each state a central registry to streamline the current collection and distribution of child support by keeping track of all support orders registered in the state.
- Improves interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

**V. Teen Pregnancy and Family Stability:** The bill promotes individual reproductive responsibility by giving states the option to implement the family cap; requiring minor mothers to live with a responsible adult, preferably a parent; supporting a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; providing incentives for teen parents to stay in school; providing funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and giving states the option of eliminating current disincentives to marriage.

**VI Program Simplification:** Streamline the waiver process which is bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, the bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. The bill would simplify the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming

and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

**VII SSI Reform:** If Congress fails to act within 90 days after the submission of the Slattery Commission Report, then funding for the children portion of SSI will be frozen at the FY 94 level.

**VIII Financing:** The plan would save \$20.3 billion over five years by ending welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. It does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs—their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges. We propose six billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

The bill would raise \$9 billion over five years by adding income from AFDC, Food Stamps and housing assistance to taxable income so that a dollar from welfare isn't worth more than a dollar from work. The bill would increase EITC enforcement to reduce fraud in the program to save at least \$3.5 billion over five years. It would make several other smaller changes within the welfare system to save approximately \$2.5 billion over five years.

**Funding:** The bill provides more funding for states to help meet the costs of the WF program as well as the increased caseload for child care costs. For the WF program, our bill would have a seventy percent matching rate or the Medicaid matching rate + ten percent, whichever is higher for the states. For Community Service, our matching rate would be seventy percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher for state. For wages, it would be the Medicaid matching rate.

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN

2/18/95

95 FEB 15 07:07

*Welfare Reform  
& Committee  
Welfare*

February 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Activity in the House

**I. Markup in House Subcommittee**

Clay Shaw will finish markup of the Republican welfare reform bill in his subcommittee today. On straight party-line votes, Republicans rejected Democratic amendments to dramatically strengthen work requirements, require minor mothers to live at home and stay in school rather than just cutting them off, and allow legal immigrants who have paid taxes for 5 years to remain eligible for benefits. They put off action on child support enforcement until full committee markup on the bill two weeks from now.

House Republicans may continue to march in lockstep, but there are encouraging signs of dissension in Republican ranks. The current bill is vulnerable in at least three ways:

**1. Weak on work:** The Heritage Foundation called the work requirements in the Shaw bill a "major embarrassment to many Republicans." They're much weaker than ours, and weaker even than current law. Democrats will keep pushing that real welfare reform is about sending people to work, and the Shaw bill is just about cutting people off.

**2. Mean to children:** Some Republicans have begun to distance themselves from the punitive provisions of the bill. This week, Henry Hyde and Olympia Snowe broke ranks to criticize the cutoff of young unwed mothers (which Dole and Kassebaum already oppose). So did Tommy Thompson.

**3. A bad deal for states:** Congressional Republicans will have a hard time holding onto their governors by offering more micromanagement and less money. We will put out state-by-state numbers on the cost shift of their various block grants (food stamps, AFDC, child welfare, child care) as well as the impact of all their conservative strings (numbers cut off because of provisions on young unwed mothers, legal immigrants, SSI kids, etc.).

## **II. Communications Strategy**

This week, we used the subcommittee markup to issue the attached Administration views letter outlining our differences with the Shaw bill, which was well-received by the press and by Hill Democrats who were looking to us for direction. We also put out the attached comparison of Republican work requirements with current law, as well as an estimate of the impact of child welfare cuts on foster care (states would lose a third of the projected 310,000 slots they need in the year 2000) and an analysis of the funding formula showing that Michigan would benefit most and New York, Florida, and Texas would be big losers.

On Thursday, Carper and Carnahan will hold a press conference with Gephardt and Hoyer on why the Shaw bill is a bad deal for states. At the same time, the White House will get state-by-state cost-shift numbers out to local and regional press. Later this week, PPI will issue a devolution study criticizing current Republican block grant proposals on welfare and crime.

Over the next few weeks, we will be resurrecting many of the tactics that worked for the crime bill: targeting editorial boards in districts with moderate Republican members; inviting Democratic and Republican members to bring their constituents to the White House for welfare reform briefings; circulating daily talking points in Washington and around the country; and so on.

## **III. Developing an Alternative**

We are working to develop a range of options on what our ideal bill would be, and how to get there. Ideally, we could start working with Daschle, Breaux, Moynihan, and others (including the governors) on a bill that gives states real flexibility at less financial risk, and puts a stronger emphasis on work and responsibility. In the short run, we will need to work with House Democrats over the next month to develop a Democratic substitute for the floor debate (expected in early April). In the Senate, Kassebaum and Packwood will start hearings soon, but no action is likely until May.

AFDC Recipients in Work under House Republican Proposal and Current Law		
Average Monthly Caseload 1996	5,212,000	
<b>CURRENT LAW REQUIREMENTS</b>		
Number of Adults in Two Parent Families required to work under Current Law	205,000	4%
Number of Current Recipients working full or part time	360,000	7%
Number of JOBS participants in OJT, Work Supplementation or CWEP	30,000	.5%
<b>TOTAL WORKING UNDER LAW IN 1996</b>	<b>595,000</b>	<b>11.5%</b>
<b>HOUSE REPUBLICAN PROPOSAL</b>		
Required to participate in "work activities"	105,000	2%

Note: OJT is on the job training; CWEP is community work experience program

HHS\ASPE preliminary staff analysis based on 1993 Quality Control Data and 1993 JOBS Form 108 Data

13 Feb. 1995



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

FEB 13 1995

The Honorable E. Clay Shaw  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

### **Work**

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

## Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

## Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be

able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

### **State Flexibility with Accountability**

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

### **Protection of Children**

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are, key goals of child protection services. There are problems in a number of areas.

#### Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

### Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

### Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

### **Benefits to Legal Immigrants**

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. E. Shalala". The signature is written in black ink on a white background.

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
2.13.95

95 FEB 9 8:31

February 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM:

Bruce Reed

SUBJECT:

Welfare Reform Update

*W. Clinton Miller  
Start Monday*

### I. House Republican Bill

Today, Clay Shaw announced details of the welfare reform bill he will mark up in subcommittee next week. He has agreed to include most of our child support provisions, but his bill is still heavy on conservative micromanagement and puts states at financial risk.

An outline of the Shaw bill is attached. It converts nearly 50 means-tested programs into three capped entitlement block grants. Funding levels are frozen for five years at 1994 levels, for a federal savings of \$14 billion (\$7.6 billion from capping AFDC). Immigrant and other SSI provisions save another \$23 billion.

Although Engler and Thompson helped negotiate the bill, the governors ended up with more strings and 15% less money. The bill mandates several provisions the NGA resolution specifically rejected, requiring all states to deny aid to young unwed mothers and legal immigrants, and imposing the family cap nationwide. Work is mandatory for everyone after 2 years, and states are required to cut off families after 5 years on welfare.

Our strategy as this bill moves through the House will be to: 1) highlight areas where the Republican plan is prescriptive and mean; and 2) call attention to the potential cost shift in key states and districts with moderate Republican Congressmen, Senators, and governors.

### II. Democratic Alternatives

The Mainstream Forum, led by Nathan Deal and Charlie Stenholm, reintroduced their welfare reform bill today. Their bill is a souped-up version of ours: move people to work as quickly as possible, family cap state option, minor mothers live at home, national campaign on teen pregnancy, all our child support provisions, but a faster phase-in.

*summary*

The Mainstream Forum bill gives the states a great deal of flexibility, but maintains the individual entitlement. It calls for a four-year lifetime limit, but lets states keep people on longer if they wish. Their bill would cost \$17 billion, but they propose a host of offsets: cutting off legal immigrants (but this time they plow \$6 billion back to the states so it's not an unfunded mandate), the EITC fraud provisions from our FY96 budget, and counting welfare benefits as taxable income.

House Democrats are galvanizing around the theme that welfare reform should be about work, not just punishing the poor. On Friday, Gephardt will hold a press conference with House Democrats from across the spectrum (from Eleanor Holmes Norton to Nathan Deal) to announce a united front. They will propose that as of October 1, 1996, all new applicants who can work must be working or moving toward work. For now, they see this more as a unifying theme than a concrete policy proposal.

On Friday, we also expect Gov. Carper to send a letter to governors warning them that the current version of the Republican bill puts their states at financial risk and imposes numerous strings the NGA specifically rejected.

# SHAW BILL

## Overview of Ways and Means and Opportunities Committees Portions of the House Republican Welfare Reform Bill February 1995

- Title I: Block Grant for Temporary Assistance for Needy Families
- Title II: Child Care Block Grant
- Title III: Child Protection Block Grant
- Title IV: Restricting Welfare for Aliens
- Title V: Supplemental Security Income Reforms
- Title VI: Child Support Enforcement Reforms

### Title I: Block Grant for Temporary Assistance for Needy Families

1. Purposes
  - a. Provide assistance to needy families with children
  - b. End the dependence of needy parents on government benefits by promoting work and marriage
  - c. Discourage illegitimate births
2. Eligible states: State plan. States must submit the following to the Department of Health and Human Services on an annual basis:
  - a. A plan that contains an explanation of:
    - their program of cash benefits to needy families
    - their welfare-to-work program, including support services
    - how they are meeting the requirement of mandatory work after the family has been on welfare for 2 years (or less at state option)
    - how and whether they are meeting the requirement to place 2% of their caseload in work programs in 1996, rising to 20% by 2003 and thereafter
    - their program to reduce the incidence of illegitimate births
  - b. A certification that the state will operate a child support enforcement program
  - c. A certification that the state will operate a child protection program
  - d. A certification that the state will operate a foster care and adoption program
3. Grants to states:
  - a. The block grant money is an entitlement to states
  - b. The amount of money in the block grant is \$15.265 each year between 1996 and 2000
  - c. Each state receives the same proportion of the block grant each year as it received of AFDC spending in 1994
  - d. Use of Funds:
    - in any manner reasonably calculated to accomplish the purposes (see above)
    - in the case of families that have lived in a state for less than 12 months, states may provide them with the benefit level of the state from which they moved

2

- states may transfer up to 20% of the funds in any given block grant to other block grants
  - states may, for up to 6 months, pay a reduced benefit to a needy family with a child whose paternity has not been established
- c. Penalties. States are subject to three penalties:
- if an audit determines that states have spent money on activities not consistent with the purpose of this legislation, the amount of misspent funds will be withheld from the state's payments during the following year (with the restriction that not more than 25 percent of a quarterly payment can be withheld)
  - the annual grant is reduced by 3 percent if states fail to submit the performance data required so that Congress can provide oversight on state accomplishments
  - states are fined 1 percent of their annual grant if they fail to participate in the Income and Eligibility Verification System designed to reduce welfare fraud
4. Prohibitions. Block grant funds cannot be used to provide:
- a. Benefits to a family that does not include a minor child
  - b. Benefits to an individual receiving benefits from old-age assistance, foster care, or Supplemental Security Income
  - c. Benefits to noncitizens unless the individual is an alien who has resided in the U.S. for over 6 years or a legal resident over age 75 who has lived in the U.S. for more than 5 years
  - d.** Cash benefits to a minor child born out of wedlock to a mother under age 18 or to the mother
  - e. Cash benefits for additional children born to families already on welfare
  - f. Cash benefits for families that have received block grant funds for 5 years
  - g. Benefits to a family with adults not cooperating with the state child support enforcement agency
  - h. Benefits to a family with an adult who has not assigned to the state the child's claim rights against the noncustodial parent
5. Data collection and reporting. States are required to submit annual data on several important measures of their Temporary Assistance Block grant; e.g., the number of families receiving benefits, the earnings of families, other welfare benefits received by families, and the number of months on welfare
6. Audits. Each state must submit to an audit every second year under terms of the Single Audit Act

ONE HUNDRED FOURTH CONGRESS  
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## COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515-4348

February 9, 1995

PHILIP M. CRANE, CHIEF OF STAFF

JAMES H. MOYER, CHIEF COUNSEL

### MEMORANDUM

TO: Members, Committee on Ways and Means

FR: E. Clay Shaw, Jr., Chairman Subcommittee on Human Resources

In a speech at the U.S. Chamber of Commerce later this morning, I will present an outline of the direction my Chairman's mark will take as we begin consideration of welfare reform in subcommittee next week. Later today, we will deliver to all Members of the Committee a complete explanation of all of the provisions, with the exception of child support enforcement provisions which are in the final design stages. We are expecting some changes between now and Monday's markup.

Here is an outline of the plan we have developed:

#### Cash Welfare Block Grant

- 6 current Aid to Families with Dependent Children programs will be replaced with a single block grant to States.
- Spending on cash welfare will be capped for 5 years, saving taxpayers \$7.6 billion.
- States will be prohibited from using federal tax dollars to: (1) pay cash welfare to mothers under 18 who have children out-of-wedlock; (2) give extra payments to families that have more children while on welfare; and (3) pay cash welfare to a single family for more than 5 years.
- Welfare recipients must work to continue getting cash payments after two years.

#### Child Care Block Grant

- Around ten current federal child care programs will be merged into another block grant, achieving \$3.6 billion in savings.
- As with other block grants, States will be given enormous flexibility to better serve their residents, simplify programs, and save taxpayers money.

#### Child Welfare Block Grant

- More than 24 current programs will be combined into another block grant to help states protect neglected and abused children, saving nearly \$4 billion over five years.
- Neglected and abused children will be freed from federal regulations to realize quicker adoptions, more accountability, and fewer arbitrary rules from Washington.

- 2 -

- As with other block grants, States will be required to send information about their programs to the federal government, so we can figure out what works.

#### Reducing Welfare Rolls

- Drug addicts and alcoholics will no longer be considered disabled and therefore eligible for cash payments from SSI.
- As in the Contract, non-citizens would no longer be eligible for most welfare programs. Exceptions will remain for refugees and legal, long-term residents over 75; non-citizens will still qualify for education and training programs so they can improve their job preparation to become more productive future citizens.
- Sponsorship provisions will be strengthened.
- CBO estimates these provisions will reduce welfare spending by about \$23 billion over 5 years (although much of this savings will accrue to States because of the block grants described above).

# MAINSTREAM FORUM BILL

## Individual Responsibility Act of 1995 - Summary

### Outline of Welfare Reform Bill

- Title I: Time-Limited Transitional Assistance
- Title II: Make Work Pay
- Title III: The Work First Program
- Title IV: Family Responsibility and Improved Child Support Enforcement
- Title V: Teen Pregnancy and Family Stability
- Title VI: Community Service
- Title VII: Program Simplification
- Title VIII: Financing

**I Time-Limited Transitional Assistance:** Imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. The two-year lifetime, **Work First** time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance would be phased-in, beginning in FY 1997, when 16% of a state's AFDC families must participate in the program. This percentage increases to 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.

**II Making Work Pay:** The bill would ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare. To do this, the current disincentives within the system that make welfare more attractive than work must be eliminated. There are five vital components in this regard:

- \*Health Care - Extended Transitional Medical assistance (TAM) from one to two years.

- \* EITC - The bill would improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

- \*Child Care - Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. States would be required to submit one plan for all assistance under this program instead of be required to comply with four different sets of federal regulations for different federal child care programs. Title XX is a capped entitlement program without specific authorization. A consolidated block grant of \$1.2 billion a year would replace the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance. There would be an individual entitlement for child care assistance for individual participating in the Work First program or who are leaving welfare. The Federal government would reimburse states for the cost of the individual entitlements at 70% or the Medicaid matching rate plus ten percent, whichever is higher.

\* **AFDC Work Disregards** - The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. As a result, welfare recipients who try to work are only marginally better off than by remaining on welfare. The proposal would allow states to liberalize the earned-income disregards within an established federal guideline.

\* **Asset Limitation** - While work is a first step out of poverty, asset accumulation is necessary to keep a person out of poverty. The proposal would increase the vehicle asset threshold to \$5,000; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or up to \$8,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

**III Work First Program:** The bill would establish a WF program to move welfare recipients off of welfare into jobs. The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill that require states to place an emphasis on placing individuals in private sector employment.

**Community Service** - At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the state will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. States may readmit up to 10% of their caseload who have not found employment after two years of the Work First program and two year community service, or those who left welfare after finding employment and were forced to return but have no time left on the clock. In addition, states may petition the Secretary of HHS to increase this percentage up to 15% if they meet the economic hardship conditions set forth by the Secretary. All recycled recipients will be reevaluated by a caseworker or case management team and a new employability contract will be established.

**IV. Family Responsibility and Improved Child Support Enforcement:** The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- Establish in each state a central registry to streamline the current collection and distribution of child support by keeping track of all support orders registered in the state.
- Improves interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

**V. Teen Pregnancy and Family Stability:** The bill promotes individual reproductive responsibility by giving states the option to implement the family cap; requiring minor mothers to live with a responsible adult, preferably a parent; supporting a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; providing incentives for teen parents to stay in school; providing funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and giving states the option of eliminating current disincentives to marriage.

**VI Program Simplification:** Streamline the waiver process which is bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, the bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. The bill would simplify the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming

and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

**VII SSI Reform:** If Congress fails to act within 90 days after the submission of the Slattery Commission Report, then funding for the children portion of SSI will be frozen at the FY 94 level.

**VIII Financing:** The plan would save \$20.3 billion over five years by ending welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. It does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges. We propose six billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

The bill would raise \$9 billion over five years by adding income from AFDC, Food Stamps and housing assistance to taxable income so that a dollar from welfare isn't worth more than a dollar from work. The bill would increase EITC enforcement to reduce fraud in the program to save at least \$3.5 billion over five years. It would make several other smaller changes within the welfare system to save approximately \$2.5 billion over five years.

**Funding:** The bill provides more funding for states to help meet the costs of the WF program as well as the increased caseload for child care costs. For the WF program, our bill would have a seventy percent matching rate or the Medicaid matching rate + ten percent, whichever is higher for the states. For Community Service, our matching rate would be seventy percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher for state. For wages, it would be the Medicaid matching rate.

# Scholars Question Whether Welfare Shift Is Reform

## Proposal for State Block Grants Viewed as Likely to Cut Spending, but Not Bureaucracy

By Judith Haveman  
Washington Post Staff Writer

Like a surprise front-runner in a primary who is suddenly subjected to a barrage of embarrassing questions, the concept of turning over welfare to the states is coming under intense scrutiny from critics on both sides of the political aisle.

In March, House Republicans approved a plan to turn over welfare programs to the 50 states with lump sum payments, or block grants, to pay for them. Such a move would constitute a crucial shift in the philosophy underlying the programs. The major welfare programs now are entitlements—federal guarantees of benefits to every eligible American who applies, no matter what the cost. The House bill wipes out those guarantees, allowing each state to determine who should be eligible for aid and for how long. Funds essentially would be frozen for five years.

Block grants have so much support in the Senate that some aides think they could pass tomorrow. Even President Clinton, while denouncing the House bill, has refused to say flatly that he would veto a bill that would turn over welfare programs to the states as block grants.

But some scholars are questioning whether the block grant proposals before Congress represent reform or back-passing.

"The welfare reform debate does not seem to be grappling with the issues of radical redesign of welfare policy," said Anna Kondratas, senior

fellow at the Hudson Institute, a conservative Washington think tank. "Block-granting everything in sight" is "kicking the problem down to the states to solve."

"Today's block grants are an instrument of budget-cutting," said George E. Peterson, senior fellow at the Urban Institute, a liberal think tank. Current block grant proposals have a single common goal, Peterson said: "limiting federal budgetary exposure."

House Speaker Newt Gingrich (R-Ga.) has said he favors block grants as a way to unleash "51 state experiments" (counting the District) and to move the design of programs for the poor closer to the people who have to pay for them. The concept of block grants gained momentum as legislators began to appreciate the cost-cutting possibilities of such a move. The Congressional Budget Office has estimated that, under the measure passed by the House, the government would spend \$66 billion less on welfare programs over five years than it would spend under current law.

The prospect of saving that much money by overhauling a welfare system that the American public ranks as one of its three top priorities for reform has attracted even greater support for the House measure.

Kondratas, who ran the Community Development Block Grant program at the Department of Housing and Urban Development during the Bush administration, as well as the food stamp and women and infant nutrition programs in the Agriculture Department during two years of the Reagan administration, said

that block grants would be difficult, if not impossible, to put into effect by next October, when the House bill would take effect.

"Taking into consideration the immense legislative, regulatory and administrative effort required to turn everything around so dramatically . . . it would be prudent to change one thing at a time," she said.

"If the purpose of consolidation is for simplification," she added, that would be accomplished more easily at the federal level. As a former program administrator, "I can confidently state that block grants will certainly not reduce bureaucracy and regulations."

Kondratas questioned whether Congress is seeking to funnel money to the states now because it considers them more responsible than the federal government or merely because so many state governments are Republican. Thirty states now have Republican governors.

"As a Republican and one of the designers of President Nixon's brand of 'new federalism' 20 years ago, I have never favored block grants for welfare," said Richard P. Nathan, director of the Rockefeller Institute of Government at the State University of New York.

"I believe in relying heavily on the states in many fields of domestic policy," he said. "But I worry that a churlish competition among the states to push out and punish the poor would result from devolving welfare to the states."

Kondratas and Nathan are not alone in their concerns about block grants.

Paul E. Peterson, professor of government at Harvard, wrote in the spring edition of the Brookings Review that "despite the intent of today's congressional Republicans to transfer welfare policy to the states, there is no indication that the states are becoming either more suited for or more capable of such policy."

Peterson wrote that while the percentage of national governmental spending on helping the disabled, unemployed, sick, poor and elderly has more than doubled in approximately the last 20 years, state spending has edged up only slightly in the same period.

Since 1970, Peterson added, "states have been in something of a race to lower welfare benefits for fear that high benefits could attract poor people to the state—thus raising social spending and perhaps triggering an exodus of taxpayers."

"States have demonstrated that they are increasingly incapable of sustaining welfare benefits in an ever more integrated economy," he wrote, and in recent years "state proposals to reform welfare have generally taken the form of reductions in welfare assistance."

Critics of block grants also point to the history of the social services block grant program passed in 1981 under President Ronald Reagan. When several social services programs like child care were combined into a block grant, funding was cut 20 percent the first year.

Today the spending level is \$191 million lower than it was 14 years ago.

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 - some good ideas  
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## POLICY BRIEFING

- what do you think?

March 2, 1995

### WORK FIRST:

#### *A Proposal to Replace Welfare With an Employment System*

*By Will Marshall, Ed Kilgore, and Lyn A. Hogan*

With each passing day, it becomes clearer that welfare reform cannot be achieved by the old Democratic prescriptions or the new Republican nostrums. Thus far, neither side has produced a plan that meets the goal overwhelmingly supported by the American public: helping welfare recipients achieve self-sufficiency through work. This conceptual paper is intended to fill that crucial gap.

President Clinton's 1994 welfare reform proposal set the right goal but did not chart a clear path to reach it. By imposing a two-year limit on unconditional cash assistance, the plan ended welfare's status as a permanent entitlement and created a powerful incentive for its recipients to work. But the White House blueprint did not include a practical means for moving welfare recipients into jobs: Instead, it maintained and even expanded the existing welfare bureaucracy, pumping more money into education and training programs that have largely failed to connect welfare recipients to the world of work and responsibility. While the Clinton plan offered states significant new latitude to pursue previously tested reforms without going through the cumbersome waiver process, it did not go far enough in empowering the states, the private sector, and welfare recipients themselves to find imaginative new solutions to welfare dependence.

Though GOP leaders dismiss the President's proposal as insufficiently bold, they cannot even achieve agreement on the objective of welfare reform. Republican efforts to craft legislation will either succumb to internal divisions—or achieve unity at the expense of genuine reform. In either event, Congress needs a clearly focused alternative that builds on public support for work-based welfare reform and supplies the resources and incentives to make it happen.

#### **A Republican Retreat From Work-Based Reform**

Some Republicans support work-based welfare reform in principle; others accept the more controversial premise that discouraging illegitimate births by cutting off benefits to unwed teen mothers will break the cycle of welfare dependence. Still

other GOP leaders, especially among governors, oppose any national reform of the welfare system, contending that states should take the lead with a minimum of federal guidance. Meanwhile, all three Republican perspectives on welfare reform are cramped by short-range federal budgetary concerns, including the need to generate savings to pay for promised tax cuts and defense spending increases.

The welfare block grant proposal announced in early January by House and Senate GOP leaders appeared to endorse the Republican governors' strategy for reform, explicitly abandoning any national goal for welfare reform other than reduced federal spending and total latitude for states. Moreover, the proposal repudiated national work-based reform by freezing federal funding for welfare-related services such as food and nutrition, child care, and employment and training—all key building blocks for any strategy to "make work pay" for welfare recipients.

But the various House committees charged with implementing the overall block grant plan are steadily subverting the promised state flexibility by inserting a mixed bag of negative prescriptions, including the Contract With America's ban on aid to legal immigrants and unwed teen mothers, and weak and ill-defined work requirements. Still missing in the GOP proposal is any clear and positive national blueprint for reform.

Thus, even in the supposedly focused and disciplined House, Republicans cannot produce a logically compelling or internally consistent welfare reform package. The amorphous legislative product will likely be "block grants" without flexibility, and an assault on benefits for immigrants and illegitimate children that may not survive the Senate—with only a rhetorical nod toward work without any of the resources or mechanisms needed to make work available.

The one element of the Republican package that will undoubtedly emerge unscathed is the block grant funding principle: converting welfare-related programs from entitlements to discretionary programs with funding levels arbitrarily frozen. In the absence of any national commitment to fundamental change in the welfare system, this step represents little more than a shift of power from federal bureaucrats to state bureaucrats, done on the cheap. The dismal result is likely to be phony welfare reform, achieved through phony devolution.

### **Refocusing Welfare Reform on Work**

Welfare reform is too critical a task to be sacrificed to Republican disunity on goals, or Republican expediency on cost. But the President's 1994 proposal, welcome as it was as a step toward work-based reform, is an inadequate alternative that supplies too few bridges between welfare recipients and private labor markets, and too many detours into income maintenance or ineffective education and training programs.

The Progressive Policy Institute (PPI) Work First plan aims to convert welfare into an employment system through three main steps:

(1) Abolish both Job Opportunities and Basic Skills (JOBS)—the primary federal education and training program for welfare recipients, created by the 1988 Family Support Act—and Aid to Families with Dependent Children (AFDC), and substitute a Work First employment system that would establish as national policy that: (a) unsubsidized private sector work is the goal for public assistance recipients; (b) immediate work experience, not participation in education and training programs, is the best preparation for permanent employment for the vast majority of welfare recipients; and (c) all recipients of public assistance should perform some work, with community service as a fallback. In effect, the time limit for income maintenance would be zero.

(2) Pool AFDC and JOBS funding, calculated by the current formula but with a single match rate, to create a performance-based grant that offers financial rewards to states that succeed in placing and keeping welfare recipients in full-time, unsubsidized private sector jobs.

(3) Give states financial incentives to convert a portion of their employment system dollars into job placement vouchers that welfare recipients—as well as fathers of children on welfare who might contribute to family support through work—may use to purchase welfare-to-work services. Such services would comprise job placement and support, rather than education and training. By putting purchasing power directly in the hands of welfare recipients, vouchers would help stimulate a competitive market for job placement and draw private as well as public investment.

The PPI proposal promotes real devolution of decision-making on welfare reform, not phony devolution by block grants. Our more radical alternative transforms income maintenance and education and training programs into a single flexible, performance-based grant that allows states to design individual benefit packages targeted to what each recipient needs to quickly enter the workforce. It also strongly encourages the use of job placement vouchers to bypass federal and state bureaucracies and place resources directly in the hands of welfare recipients. This approach supplies unprecedented flexibility to respond to local economic conditions and program characteristics; moreover, it also gives the federal government a potent lever for reinventing social policy in ways consistent with the broad public consensus for programs based on work and reciprocal responsibility.

By abolishing the existing AFDC and JOBS programs, this proposal also simplifies the task of work-based welfare reform. Able-bodied recipients would no longer be entitled to cash assistance or specific education and training services for *any length of time*. By requiring recipients to pursue private sector job opportunities—and where necessary, community service work—as soon as possible,

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the new system renders such action-forcing devices as time limits less significant, and perhaps even redundant. The presumption would be that the proper time limit for income maintenance or education and training prior to job placement is not two years or five years but zero. In addition, the proposal would allow states to begin addressing the "missing link" in welfare reform—absent fathers—by offering job placement services to noncustodial parents as part of an overall effort to create non-welfare streams of family income.

### The "Work First" Architecture

The first step in work-based welfare reform is to *put work first*, changing the current system's incentives to make permanent employment in private sector jobs the paramount and immediate goal for every able-bodied recipient of public assistance, with serious community service work as a fallback option when necessary.

Many existing reform plans would expand education and training by increasing funding for JOBS. Yet careful, intensive studies conducted by the Manpower Demonstration Research Corp. and other reputable research groups have concluded that education and training programs produce only marginal results, at best modestly increasing earnings and decreasing welfare costs. A recent General Accounting Office report on JOBS also concluded that it is not well focused on employment instead concentrating more on participation requirements than on getting recipients jobs. The research also shows that programs that stress work and maintain strong ties with the private sector produce better results. For example, Riverside, California's work-focused Greater Avenues For Independence (GAIN) program accounts for 19 percent of all job placements while serving only 4 percent of the state's caseload.

Private organizations are reinforcing the case for emphasizing job placement over education and training. Examples include nonprofit organizations such as Project Match in Chicago, as well as America Works, a for-profit company that has placed more than 5,000 welfare recipients in private jobs at various sites around the country. The Work First system envisions a healthy competition in welfare-to-work services among public as well as private entities. Other options might include temporarily subsidizing private and public sector jobs with cash and food stamp benefits paid out as a wage as Oregon has done in its JOBS Plus program, and converting job training funds to loans for microbusinesses.

The Work First Employment System is based on the premise that the vast majority of those receiving welfare are capable of working if given the opportunity. Too many welfare recipients are shunted through ineffective education and training programs, or, worse, given nothing but a check and the option to sit at home. The system must change. The Work First system requires that everyone who can work, will work.

The Work First philosophy assumes that labor markets can absorb welfare recipients if the right supports and links to employers are in place. According to Gary Burtless, a prominent labor market economist with the Brookings Institution:

With roughly 7 million jobless workers, even at full employment, is it plausible to expect employers could offer an additional 2-3 million jobs for AFDC recipients forced to leave the welfare rolls? Surprisingly, most labor economists probably believe the answer to this question is "Yes."

Employers can accommodate a new supply of low-skill, low-cost labor. But we need an employment system that builds a bridge between this potential demand and the welfare recipients that can supply it.

The following elements make up a Work First Employment System:

- The new employment system would replace the AFDC and JOBS programs, converting funding for those programs—with additional federal money allocated by Congress—into a single flexible, performance-based grant that allows states to design individual benefit packages targeted to what each recipient needs to quickly enter the workforce.
- The new system would give states flexibility to design systems that put maximum pressure on welfare recipients to seek employment, but it would bar them from preemptively disqualifying any category of recipients currently eligible for aid, including teen mothers and immigrants. However, states would have the latitude to make receipt of assistance conditioned on compliance with its rules (e.g. sanctions for nonwork, time limits, etc.).
- The pool of money to be used for the employment system would be allocated to states using a new, single match rate set at 60 percent or the Medicaid match rate, whichever is higher. The federal match rate for implementing job placement voucher programs would be set at a higher level to encourage states to pursue vouchers over other strategies, thus increasing the match rate for dollars put into vouchers. States would receive a cash bonus equivalent to six months of federal funding (i.e., savings) for each welfare recipient placed in an unsubsidized full-time, private sector job for six months. They could reinvest this pool of savings in job placement vouchers or other incentives such as cash bonuses to recipients who find and stay in private jobs and to caseworkers who excel in job placement.
- Applicants for aid would apply at a government office and be evaluated by a caseworker or case team to determine individual needs. A screening process would divert those deemed immediately employable from the Work First system. No unconditional aid would be granted. At any point, a recipient who turns down a private sector or community service job would be denied access

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to further employment services. Severely disabled applicants deemed unemployable would be moved to the Supplemental Security Income program.

- (1) Those with short-term, one-time emergencies and immediate employment prospects would receive Temporary Emergency Aid (also called "grant diversion"). Applicants would receive a one-time cash grant to cope with an emergency such as car trouble or overdue rent. If these recipients are determined to be in need of further assistance, they will enter the Work First Employment System at a reduced or zero benefit rate for a number of months determined by the state as adequate to repay the emergency grant. Modeled after Utah's grant diversion program, this approach aims to prevent people from unnecessarily entering the new employment system.
- (2) Those not diverted would enter the employment system. States could require those entering the Work First system to engage in intensive job search before taking advantage of placement and support services. Recipients would sign an "employability contract" charting their individual paths to self-sufficiency through private sector work. A relatively small percentage of recipients will not be job-ready: people who can't read, those with serious drug or alcohol problems or a temporary disability, and mothers with children aged 15 weeks or younger. All but the last category may be referred to programs that offer counseling, training, or other services. But everyone, even if they are not ready for private job placement, should perform some community service work.
- (3) The Work First employment system would offer job placement services, but not cash assistance, to the fathers of AFDC children (on the condition that, once employed, the fathers meet their child support obligations). In addition, mothers could agree to give their place in the system to fathers, in a step that may encourage families to stay together or reunite.

- A state could choose to refer recipients to either private intermediaries offering job placement and support services or to state employment offices offering similar services.
- Private nonprofit and for-profit intermediaries and state offices would offer subsidized private sector work experience, job placement, and support services as needed, always with the goal of moving a recipient into full-time private sector work. Placement and support organizations would receive payment in full for performance only; for example, once a recipient has been placed and retained in a full-time, unsubsidized job for six months, one-third might be paid to the intermediary upon three months of job retention, with the

remaining two-thirds paid upon six months of job retention. State employment agencies could provide job placement and support services in competition with private intermediaries. Job placement organizations, whether private or public, would have a strong job development component as well as follow-up support services to help people stay in their jobs.

### **Job Placement Vouchers**

By giving job placement vouchers directly to recipients, states could tap into and build a growing market for public and private agencies providing placement and support services.

Job placement vouchers can reduce costs, improve service delivery, shrink bureaucracy, and most importantly, empower low-income and unemployed Americans by giving them the resources to choose their own providers where and when they need a particular service. The job placement voucher proposal is aimed at significantly cutting long-term public costs by moving those on public assistance into productive private sector jobs. A strong federal commitment to a feasible job placement strategy is much more cost-effective than any short-term block-and-cut approach that abandons federal responsibility for welfare reform without supplying incentives to work.

States would individually set their voucher rates and develop a list of service providers eligible to redeem the vouchers—including placement agencies and private employers. The list would be made available to welfare recipients who enter the employment system and have completed intensive job search. Recipients would use the lists to make their service choices. A voucher would offer recipients quick access to placement and support agencies such as: America Works in New York; the Good Will Job Connection in Sarasota, Florida; high performance, state-run job placement programs such as the GAIN initiative in Riverside, California; temporary private sector work experience supplied by employers and subsidized with income assistance and a cashed-out food stamp benefit; microenterprise training programs; and other employment-based services.

In a full-fledged application of the voucher approach, state welfare bureaucracies could be transformed into agents for job placement in two ways: by performance incentives accompanying federal funds, and by direct competition with private providers for voucher benefits.

### **Additional Elements of a Work First Strategy for Welfare Reform**

Aside from changing the incentives of the system from income maintenance and education and training to job placement, several other steps are necessary to an overall Work First strategy. First, we must *make work pay* more than welfare, and

recognize that any work-based reform of welfare is inconsistent with "on the cheap" approaches that make public assistance more attractive than private sector jobs.

The current system offers most recipients a package of welfare benefits worth thousands of dollars more than a full-time minimum wage job. Asset limits and welfare reductions for earned income penalize work and savings. To ensure that work, not welfare, is the rational choice for men and women alike, even entry level jobs must always pay more than the package of available welfare benefits. Raising the minimum wage, however, is the wrong answer, since most minimum wage earners do not live in poor families. The Clinton Administration in 1993 adopted the right approach: a \$21 billion expansion of the earned income tax credit, a direct subsidy to low-wage workers. Other changes necessary to make work pay include toughening child support enforcement, expanding child care support for the working poor, and providing health care subsidies to low-wage workers.

Second, we must develop an *empowerment strategy* to encourage the poor to build personal capacities and assets, replacing the paternalistic welfare bureaucracy as the primary source of income in impoverished communities. To encourage asset-based policies, we must promote saving and remove barriers to asset building, such as welfare's limits on how much people can earn or save, and housing rules that raise rents as incomes rise. Individual Development Accounts (IDAs) for low-income families are a particularly promising device. Like Individual Retirement Accounts for the middle class, IDAs would be tax-favored, annual contributions used only for college, home ownership, retirement, and small business start-up. Individual contributions could be matched by government, churches, community groups, businesses, and unions.

With adequate asset levels in place, we can pursue policies such as microenterprise that promote self-employment by making loans for small business. Based on successful lending projects in developing countries, U.S. microenterprise ventures tap the latent entrepreneurial talents of poor people, especially women, who face limited options in formal labor markets.

Third, we must improve *child support enforcement*, both to supply non-welfare streams of income to children on public assistance and to reinforce the responsibilities and benefits of parenthood, especially among fathers of children on welfare.

America's poor children deserve the support of both parents. Yet government estimates show that families actually collect less than one-third of the court-ordered payments to which they are entitled. Toughening child support enforcement and allowing mothers to keep a larger share of child support payments should dramatically increase collections. This will reduce public welfare costs and give mothers another source of income, so that even part-time work may be enough to lift them out of poverty. PPI's Work First strategy would require mothers to establish

paternity at birth as a condition for receiving public assistance, improve collection and enforcement of child support orders, and offer access to the employment system (but not cash benefits) for those non-working fathers who are delinquent in their child support payments.

Fourth, we must adopt a *comprehensive strategy to prevent teen pregnancy*—combining unambiguous condemnation of irresponsible child-bearing with community-based solutions that strengthen and support families and reinforce community values.

PPI urges leaders in public and civic life, as well as in the media, to launch a national campaign to spread the message that it is morally wrong for teenagers to have children they cannot support financially or emotionally. We would reinforce that message with policy changes that end unconditional public assistance for unmarried teen mothers, hold fathers accountable to their children, and ensure more swift and certain punishment for sexual predators. At the same time, we should replace welfare's perverse rewards with a new set of positive incentives for young men and women to avoid premature parenting and finish high school.

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Most importantly, PPI envisions a shift in the primary responsibility for reducing teen pregnancy from government to community institutions. For example, we propose creating a network of community-based second chance homes that would allow teen welfare mothers and their children to live in safe and supportive environments and provide the structure and discipline they need to finish school and raise their children. This would provide an alternative to teen mothers' setting up separate households or remaining in their parents' homes if these homes are unsafe or unstable. But it would stop short of punishing teen mothers by denying them public supports altogether, as House Republicans have proposed.

### Conclusion

Genuine welfare reform can occur in this Congress, but only if the debate is refocused on work-based reform and practical ways to link welfare recipients with real-life work options. The Work First Employment System is designed to turn the incentives of the current system inside out. It would make private sector work the primary objective for both recipients and states, giving states accountable performance standards but great flexibility in achieving them. If implemented in the context of an overall Work First strategy, the new system could help deconstruct welfare and build a new empowerment strategy for poor communities and their citizens.

*Will Marshall is President, Ed Kilgore is Senior Fellow, and Lyn A. Hogan is the Social Policy Analyst, of the Progressive Policy Institute.*

## **Changes in Federal Law Needed for a Work First Employment System**

- Existing AFDC and JOBS programs would be abolished and replaced by a single performance-based grant offering financial rewards to states that succeed in placing and keeping recipients in private sector jobs.
- All who would be eligible for the AFDC system under current rules would remain eligible, including teen mothers and legal immigrants; states could offer noncustodial fathers job placement and support services but *not* cash benefits.
- States would receive funds previously available through AFDC and JOBS under a new match rate of 60 percent or the state Medicaid match rate, whichever is higher, as long as a Work First system is designed.
- Those deemed eligible for help would enter and remain in the employment system until they are placed in a private sector job; states would be given an option to adopt a "grant diversion" program of a one-time emergency payment to those with immediate employment opportunities needing only temporary assistance to see them through their emergency. States could require a job search before offering placement opportunities to recipients who are not "diverted" from the system.
- Any funds used by states to endow job placement vouchers would be matched at a higher rate, plus states would receive six months worth of foregone federal payments (i.e., savings) for each full-time unsubsidized job placement, as long as each recipient is placed and retained in the job for six months.
- States could at any point require community service work from recipients enrolled in the Work First Employment System.

~~cc: Cleo~~  
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Dear Bill,

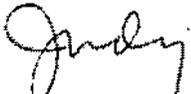
Thank you for the nice note, what a surprise, I loved it! I hope you realize how wonderful those little notes are & how powerful!. I knew it had to be a good week when it started with mail from the White House. It was a little slice of heaven.

Of course, I'd be delighted to help with your efforts in welfare reform in any way possible. Please let me know what I can do. I definitely landed on my feet after what could have been a downward spiral. I thought of public assistance as sort of like using candles when the electricity goes out. Until you get the new fuses, candle light is great, but you can't illuminate the rest of your life with it. Fortunately, I knew the future held something better for me. I didn't know what it would be, but I had a vision of a better life. I believe that having a vision is a key element to people pulling themselves out of poverty.

I have lots of ideas on the subject. I won't take your time now. I'm so delighted to hear from you, and to know that mail gets to you.. What a treat!!

I'm at your service.

Sincerely,

  
Judy Nelsen