

# DRAFT PROPOSAL OUTLINE

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## DRAFT PROPOSAL OUTLINE

### HIGHLIGHTS

This is a plan which fulfills the President's pledge to end welfare as we know it, by reinforcing traditional values of work, family, opportunity and responsibility. Key features include:

- *Prevention.* A prevention strategy designed to reduce welfare and poverty by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and health reform to ensure working families are not poor or medically insecure. Child care both for the working poor and for families in work, education, or training as part of public assistance.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, ensure that children can count on support from both parents, and reduce public benefit costs.
- *Noncustodial Parents.* Steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Promoting Self-Sufficiency Through JOBS.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture of the welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focussed on helping people achieve self-support. Involving able-bodied recipient in the education, training, and employment activities they need to move toward independence. Greater funding and reduced State match.
- *Time-limits and Jobs.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs, not welfare.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues, providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

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It is easy to stereotype and finger-point. "Us" versus "them" thinking often pervades welfare debates. Ugly, racist, and mean-spirited images are sometimes loudly proclaimed. That cannot be a productive part of this discussion. Nor can we obscure the reality that the welfare system itself is flawed. It fails to support those who need and deserve help. This plan proposes a fundamental change in direction so that all Americans can participate in building the future.

### **A DISCREDITED SYSTEM**

There is near universal consensus across party, social, and racial lines that the welfare system simply does not work. Conservatives complain that it fosters illegitimacy and dependency. Liberals lament that it leaves millions of children poor. Taxpayers resent investing their tax dollars in a system that produces so little apparent result or return. And perhaps the angriest people of all are welfare recipients themselves. They talk of the humiliation, the stigma, and the indignity of a system that seems designed to maintain them in poverty rather than move them toward independence. Most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current welfare system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, noncustodial parents provide little or no economic or social support to the children they parented. Meanwhile, single-parent families often have access to cash and services that are unavailable to equally poor two-parent families. Instead of exploring ways to give people access to the education, training, and employment opportunities they need to become self-sufficient, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination and benefit calculation.

### **A NEW VISION**

It is time to restore basic values and forge a new social contract between the government and its citizens. Government has a responsibility to provide opportunity. People have a responsibility to make the most of it.

This plan calls for a genuine end to welfare as we know it. It is built on fundamental American principles of common opportunity and mutual obligation: People who bring children into the world must take responsibility for them, because governments don't raise children, families do. Those who receive help from the government can do something in return. No one who works full-time with a family at home should be poor. And no one who can work should stay on welfare forever. Only by fundamental change in current policies can we achieve long-term economic security for our children.

There are six key elements in what we propose:

#### **Promote Parental Responsibility and Prevent Teen Pregnancy**

If we are going to end long-term welfare use, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the number of children born-of-wedlock has grown dramatically. We are approaching the point when one

out of every three babies in American will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is 67 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy built around clear signals about delaying sexual activity and responsible parenting. We need to offer the same support to two-parent families as single-parent families receive. Men and women who parent children must know they have responsibilities. And we must redouble our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and teach them that children who have children face a dead end.

### **Make Work Pay**

A basic tenet of this plan is that any job ought to be better than welfare. Yet the current welfare system sets up a devastating array of barriers to work. It penalizes welfare recipients who engage in work by taking away benefits dollar for dollar. It imposes stricter and more intrusive reporting requirements for those with earnings than for those without. It prevents saving for the future. It stigmatizes and humiliates the working poor who must still apply for assistance. Part of the long-run answer must be to improve the economy. But we must also ensure that families can support themselves adequately through work. People who choose work over welfare ought to be rewarded with higher incomes, positive support rather than stigma, simplicity rather than nightmarish bureaucratic rules.

Our strategy requires that we improve the economic and social security of working families and that we simplify and humanize the administration of support systems. We have already expanded the EITC to make work pay. Now we must also simplify advance payment of the EITC. We should guarantee health security to all Americans with health reform.

With tax credits and health reform, the final critical element of making work pay is child care. We seek to ensure that poor working families have access to the quality child care they need. And we cannot ask single mothers to participate in training or to go to work unless they have care for their children.

### **Enforce Child Support**

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can

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count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

#### **Reinvent Government Assistance**

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs, reduce the potential for program error or fraud, give States more flexibility to determine program design and operation, and implement new performance standards.

#### **Promote Self-Sufficiency**

Despite the impressive reforms of the Family Support Act, one of the clearest lessons of the site visits and hearings held by the Working Group is that the primary function of the current welfare system is not getting people access to the jobs, training, job placement or work supports that would allow them to gain independence and control.

We need to build on the vision and accomplishments of the Family Support Act, which put an important new emphasis on giving people the skills to leave welfare and enter the work force. Unfortunately, the current JOBS program serves only a fraction of the caseload. We don't need a welfare program built around income maintenance; we need a program built around work. This will require much increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population.

The whole system needs to be based on a philosophy of mutual obligation: the government provides opportunities, support services and incentives to allow individuals to move toward self-sufficiency, and the recipient agrees to accept responsibility for working toward that end. To implement that philosophy, we must transform the culture of the welfare bureaucracy. Its mission should be to expect and encourage entry into the labor market, by providing access to education and training services, job listings and job search assistance, and parenting and self-esteem classes. And all those who need education and training--whether or not they have children--should have access to the same high quality investments that the nation needs to compete in the 21st century.

#### **Time-Limit Assistance and Follow with Work**

This plan is designed to move people off welfare and into self-sufficiency quickly and with lasting results. Making work pay, dramatically improving child support enforcement, and improving access to job training and placement will ensure that the vast majority of recipients will leave welfare in less than two years. Most people on welfare want to work, and these reforms will give them a much better chance to do so.

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare forever. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. After two years, those who can work will be expected to work in the

private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

The system must be sensitive to those who for good reason cannot work--for example, a parent who needs to take care of a disabled child. But at the same time, we should not exclude anyone from great expectations. Everyone has something to contribute.

We turn now to the specifics of the plan.

## PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

**NEED** – Approximately forty percent of all women will become pregnant before the age of 20. Unwed teenage mothers are at high risk of long-term welfare dependency. Their earnings ability is limited by lack of education, work experience, job skills, and self-esteem. Eighty percent of unwed teen mothers drop out of high school. Teen mothers are the least likely to receive child support, increasing the likelihood that they will need public assistance. Young unwed fathers, who are often unemployed and underskilled, face equally difficult obstacles to self-sufficiency. As a result, in 1991 the cost to taxpayers for assisting families begun by a teenager rose to about \$29 billion.

More broadly, all too often the current economic, social, and welfare systems send the wrong signals. Men who father children out of wedlock are rarely expected to pay any child support. There are also inequitable distinctions between the support available to single-parent families and two-parent families.

**STRATEGY** – Responsibility and prevention are key elements of the Administration's welfare reform strategy. This reform plan incorporates three major themes for preventing the onset and perpetuation of dependency.

First, we seek to shift the focus of social policy to underscore the *message of parental responsibility* and to emphasize that people must delay childbearing until they are prepared to provide the necessary social and economic support for their child(ren). Throughout this proposal, we address parental responsibility, calling for removing distinctions in cash assistance between one- and two-parent families, for policies that will promote universal establishment of paternity in out-of-wedlock births, and for policies that hold parents and States accountable for not only the establishment of paternity but also the economic support of their children. Second, the plan seeks to *reduce teen pregnancy* and to address the special challenges posed by teen parents. It does so by incorporating efforts to promote education, delayed sexual activity, and other measures. And, third, the plan underscores the *critical role of communities* in the provision of opportunities and incentives for young people to engage in socially responsible behavior.

There are no clear or easy answers to either the problems of teenage childbearing or the welfare dependency patterns that so often go hand in hand. Below we outline a number of options. This set of options is quite controversial. Some might be tested on a limited basis prior to widespread implementation. Many of these options could present an opportunity to take bold steps and learn how to best promote parental responsibility and prevent teen pregnancy. While not explicitly stated within each option, it is intended that all interventions will reach youth at the earliest possible time.

*Option: Convene a highly publicized Presidential-level conference to address the promotion of responsible behavior in the media industry and the effects of the media on youth.*

*Option: Conduct a national campaign that utilizes the media/entertainment industry.*

Its goals would be to promote messages about responsible sexual behavior, staying in school, and avoiding the use of drugs and alcohol. Sensitive and responsible television advertising for contraception could be encouraged.

*Option: Support challenge grants to States and communities for a variety of innovative approaches to promoting responsibility.*

These could include a range of initiatives from broad efforts to reward and require responsible behavior to more narrow efforts to support specific early interventions with Middle School youth.

*Option: Support State demonstrations that instill responsibility through the use of contracts and provide comprehensive case management that focuses on all family members.*

AFDC recipients and their families would be presented with a clear expectation of their responsibilities, and comprehensive case management could support them in meeting these goals. While teens would be targeted in this effort, the broader AFDC recipient population would be included. The case management services would expand beyond the individual to take a more holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

*Option: Make family planning services would be made available to all adolescent and adult AFDC recipients who request them.*

Many women receiving AFDC do not want to have more children until they are able to adequately provide for them. This option would ensure that access to family planning was not a barrier to these women. As part of this effort, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens.

*Option: Under the Surgeon General's auspices, increase family planning services to the broader population.*

Building on current initiatives, this would include utilizing enhanced counseling services and increased outreach efforts by family planning agencies, including increasing their accessibility, both in location and hours of operation to teens through school-based and school-linked services. Many of these measures are provided for in the Administration's health care reform package.

*Option: Conduct demonstrations to hold schools accountable for "tracking" both female and male at risk youth and drop-outs and for supporting them in mainstream educational opportunities or providing them with good training or education alternatives.*

This option could build upon the resources of other Administration initiatives such as the Department of Labor's Youth Fair Chance Program, which targets a small high-poverty geographic area with a large amount of resources, and School-to-Work legislation.

*Option: Require that minor mothers live in their parents' household, except in exceptional circumstances, and include parental income in determining eligibility for benefits or calculate a teen parent's AFDC benefit based on their parents' ability to contribute to their support.*

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*Option: Support demonstrations that make a portion of AFDC benefits conditioned on proactive efforts of all adolescents and adults in the household to promote their self-sufficiency (for example, through education and job training).*

For example, all dependent children would be required to attend and finish high school or the families benefit level will be reduced.

*Option: Allow States the option to limit additional benefits for additional children conceived while on welfare.*

When benefits are limited, if the mother's child support award or earnings offset the reduction in AFDC, the family will not be penalized.

*Option: Promote programs of adults volunteering to work with disadvantaged children one-on-one, such as Big Brothers/Sisters and mentoring programs tied to colleges and business. Provide a White House spotlight on, and document successful innovation in recruiting and training volunteers and reaching disadvantaged children.*

This could be done through the Corporation on National and Community Service.

*Option: Provide support, such as planning, organizing, and coordination funds, to non-profit community-based organizations (e.g. churches, PTAs, and boys and girls scouts) that foster responsible behavior and prepare youth for the opportunities awaiting them.*

*Option: Recruit and train older recipients who went on welfare as teen mothers to serve as counselors as part of their community service assignment.*

*Option: Initiate demonstrations of comprehensive neighborhood-based approaches focusing on at-risk youth.*

## MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. OTHER SUPPORT FOR WORKING FAMILIES
  - 1. Advance Payment of the EITC
  - 2. Work Should Be Better than Welfare
  - 3. Demonstrations

**NEED** -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then work must pay.

**STRATEGY** -- There are three elements to making work pay: working family tax credits, health reform, and child care. The President has already launched the first two of these. A dramatic expansion in the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. This very nearly ensures that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential. We expect the Health Security Act will be passed next year.

With the EITC and health reform in place, the major missing element necessary to ensure that work really does pay is child care.

### CHILD CARE FOR WORKING FAMILIES

The Federal government currently subsidizes child care through a number of different programs. Each of the programs has different eligibility rules and regulations, making for an extremely complicated system that is hard for both providers and recipients to navigate. For low-income families, programs include an entitlement to child care for AFDC recipients (title IV-A); transitional child care (TCC) (also an entitlement) for people who have left welfare for work in the past year; a third entitlement (capped at \$300 million) for those the State determines to be at-risk of AFDC receipt (At-Risk); the Child Care and Development Block Grant (CCDBG); and the Social Services Block Grant (SSBG). Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. While these multiple programs provide valuable resources needed for child care, more will be needed if parents are to work. Other initiatives that

work with parents, such as Head Start, can be linked to child care in ways that can encourage more comprehensive services.

The goal is to create a more consolidated and simplified system, to increase funding so that low income working families have access to the care they need, and to ensure safe and healthy environments for children. Given the current structure of programs, it makes the most sense to divide the populations needing child care into two groups: those collecting AFDC cash assistance who are working, in school, or training and the working poor who are not collecting cash assistance. If we fail to help those people who are not on AFDC, it will be impossible to ensure that working people avoid poverty and that people are able to leave welfare for work. If we fail to provide child care coverage for those on AFDC, we cannot realistically expect parents to work or train for employment. We also need additional resources to expand supply and to improve quality. The options for providing child care are as follows:

*Option 1: Consolidate and expand existing programs.*

The plan would consolidate the existing entitlement programs into two programs and expand the CCDBG block grant.

Maintain IV-A child care. The existing entitlement of child care (IV-A) for persons on AFDC would remain largely unchanged, though somewhat simplified, to ensure that recipients getting education, training, or in work slots have access to high quality child care. Require care to meet minimum health and safety standards set by State law similar to those included in the block grant.

Consolidated and Expanded At-Risk Program. The other existing entitlements--TCC and At-Risk--would be folded into an expanded program of high quality child care for at-risk working families. Key provisions would include:

- Allow families with income low enough to be eligible for food stamps to be deemed at-risk and qualify, i.e. families below 130 percent of the poverty level could be served.
- Require States to ensure seamless coverage for persons who leave welfare for work.
- Expect States to share in the cost, with a match rate equal to the new reduced JOBS match rate (discussed elsewhere in this paper). States could count as match funds other monies spent to provide child care to low-income families, such as private and local government funds.
- Require care to meet minimum health and safety standards set by State law of the sort now required for care funded under the block grant.
- Require States to set maximum rates and co-payment (sliding fee scale) requirements.

Since the at-risk child care program would be created by combining a capped and uncapped entitlement, a major question is whether to cap the combined program, and if so, at what level.

Child Care and Social Services Block Grants. CCDBG funding would be gradually increased from its current level of about \$900 million. States would continue to have considerable flexibility in using this grant for services and also for quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of State median income (current law) but they would not be permitted to use CCDBG money to provide services to welfare recipients. States could continue to use the SSBG for child care, but would be required to use the same rules for all subsidized child care.

Quality enhancements to be encouraged under the block grants would be those now in current law with some additional items such as parent information and education, investments in facilities and equipment, the development of family day care networks, and ties between Head Start and child care programs. In addition, special programs would be developed to increase the training of low income parents interested in entering the child care workforce, to assure consumer education, and to stimulate special initiatives such as building the supply of infant care.

***Option 2: Comprehensive Child Care Entitlement.***

Combine the existing entitlement programs into a comprehensive child care program for all low-income working families and AFDC recipients. Rules could be similar to those suggested for the at-risk program in option 1, or a more uniform set of eligibility and payment rules could be mandated Federally. The program would be administered by the State. The existing CCDBG money (which is not an entitlement) would remain with a clearer focus on expanding supply and quality.

***Option 3: Make Dependent Care Tax Credit Refundable.***

Create a refundable dependent care tax credit. This could be combined with another option. The current credit of up to 30 percent of child care costs does not help low income families because it can only be used to offset taxes, which low income families rarely owe. Making it refundable would ensure that all families would benefit from the credit.

## OTHER SUPPORT FOR WORKING FAMILIES

Two other policies need to be addressed to adequately encourage work and support the working poor: advance payment of the EITC, and ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

### Advance Payment of the EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Others either fail to submit tax returns or fail to claim the credit on the return. Strategies to expand the effectiveness of the EITC include:

- Adopt Treasury's ideas for expanded use of employer-based advance payments, the most important of which is to send W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS
- Joint administration of food stamps and EITC to working families using existing State food stamp administration, utilizing EBT technology whenever possible.

### Work Should Be Better than Welfare

The combination of the EITC, health reform, and child care will largely ensure that people with fewer than two children can avoid poverty with a full-time full-year worker. But full-time work may not always be feasible, especially for single mothers with very young or troubled children. And for larger families, welfare in many States may still pay better than work. Some Working Group members believe that families in which someone is working at least half-time ought to be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be three options for achieving it:

*Option 1: Allow (or require) States to supplement the EITC or food stamps for working families when work pays less than welfare.*

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

*Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families after two years.*

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers who have exhausted transitional aid. Other alternatives would be to simplify the existing earnings disregards in the AFDC program or to not count months towards a time limit if the adults were working at least part time.

*Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).*

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

**Demonstrations**

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- **Worker Support Offices.** A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- **Temporary Unemployment Support.** Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived and low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid.
- **Restructured AFDC Emergency Assistance programs, as in Utah,** to provide temporary economic assistance to families who have lost a job.

## ENFORCE CHILD SUPPORT

### A. CHILD SUPPORT ENFORCEMENT

### B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

**NEED** – In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single-parent home. The evidence is clear that children benefit from interaction with two supportive parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

The problem is threefold: First, for many children, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases. The remaining 21 percent in the potential collection gap is due to failure to collect on awards in place.

**STRATEGY** – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made universal, and paternity must be established as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States, and enhanced tools will be available for Federal and State enforcement. One major question involves the possibility of guaranteeing some level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so.

### CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

#### A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.

- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to both provide the name of the putative father and verify information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted in certain cases.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

*Option 1: Deny means-tested benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted in certain cases.*

*Option 2: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established.*

*Option 3: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.*

#### **Appropriate Payment Levels**

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

#### **Collection and Enforcement**

- Create a central registry and clearinghouse in all States. All States would maintain a State staff in conjunction with a central registry and centralized collection and disbursement capability. The State staff would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions in service to achieve broader, more universal provision of services.

- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives.

#### **Guaranteeing Some Level of Child Support**

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single-parent families should be guaranteed some level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and trying to make ends meet with a combination of work and child support. The President has not endorsed child support assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

*Option 1: Advance payment of up to \$50 per child (or \$100) per month in child support owed by the noncustodial parent, even when the money has not yet been collected, to custodial parent not on AFDC.*

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

*Option 2: A system of child support assurance which guarantees minimum payments for all custodial parents with awards in place.*

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. Guaranteed payments might be tied to work or participation in a training program by the noncustodial parent. Benefits would be deducted entirely or in part from AFDC payments for those on AFDC.

*Option 3: State demonstrations only.*

#### **ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS**

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter." We ought to encourage noncustodial parents to remain involved in their children's lives—not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

Ultimately expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. And whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken. Some possible options include:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

## REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PERFORMANCE STANDARDS AND STATE FLEXIBILITY
- C. REDUCING WASTE, FRAUD AND ABUSE

**NEED** -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, increases administrative cost, confuses caseworkers, and leads to program errors and inefficiencies. We have created perverse incentives whereby single-parent families get support, and two-parent families are ineligible. Partially as a result of this complexity, the administrative system now largely focuses on meeting every detailed Federal requirement and calculating checks quite precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

**STRATEGY** -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals with greater State flexibility are also critical. Finally, a central Federal role in information systems and interstate coordination would both reduce waste and fraud and also improve services.

### SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers due to the current complexity. There are two basic options for reform:

*Option 1: Simplify and coordinate rules in existing programs.*

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Simplify asset rules and liberalize AFDC rules to conform to food stamps.
- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.
- Implement a reduction of rules and regulations and reduce reporting requirements to a minimum.
- Eliminate the 100-hour rule and the quarters-of-work rule in AFDC which exclude many two-parent families.
- Base eligibility for new or expanded programs, such as child care for working families, on existing program rules such as food stamps.

- Enhance use of Electronic Benefit Transfer (EBT) technology for food stamps, EITC and other benefits with most cash and food aid provided through a single card.
- Change housing subsidies to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job.

*Option 2: Replace existing AFDC system with a training and transitional assistance program linked closely with food stamp eligibility rules. Strive to bring other aid programs into conformity.*

Probably the hardest problem to solve is the fact that AFDC and food stamps use very different filing units. AFDC is designed to support children "deprived of parental support" so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, and it excludes disabled persons with SSI or SSDI income from the unit. Food stamps by contrast, instead defines a filing unit as all people in the household who share cooking facilities.

This option includes:

- A new training and transitional assistance program to replace AFDC for all able-bodied recipients.
- A common set of definitions of filing units, asset rules, income definitions, and other rules for food stamps and cash aid. Most definitions would conform to current food stamp definitions. States would set benefit levels and disregards.
- Require States to calculate need in the State according to a standard procedure and allow States to decide what fraction of need would be met.
- Encourage other low-income programs to standardize around the coordinated income and eligibility rules used in food stamps and training and transitional assistance program.
- Other improvements from option 1 which still apply including EBT, simplified rules, adopting of key APWA simplification ideas, and taxation of benefits.

#### **PERFORMANCE STANDARDS AND STATE FLEXIBILITY**

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is being achieved. With unambiguous and measurable expectations, the Federal role can shift from prescribing what ought to be done to ensuring that the job is done. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given variation in local circumstances, capacities, and philosophies. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal government should transition from being largely prescriptive to one which primarily identifies and establishes performance standards.
- The Federal government should provide technical assistance to States for achieving these standards. This has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

- There are many issues to be examined through local experimentation and innovation. To facilitate this, enhanced waiver authority will be granted through a Community Enterprise Board.

### **REDUCING WASTE, FRAUD AND ABUSE**

Multiple programs, complex regulations, and uncoordinated programs invite waste, some fraudulent behavior and some simple error. Too often, individuals can present different information to various government agencies to claim maximum benefits with virtually no chance of detection. First, the tax, child support, and welfare systems should be better coordinated. Second, reinventing government must exploit current and emerging technologies to offer better services targeted more efficiently on those eligible at less cost. As a starting point, we should devote resources to the conceptualization and development of a National Benefits Coordination and Fraud Elimination Data Base.

## PROMOTE SELF-SUFFICIENCY

- A. FOCUS ON ASSISTING RECIPIENTS TO FIND EMPLOYMENT
- B. ENHANCED FUNDING FOR JOBS
- C. IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING AND SELF-EMPLOYMENT OPPORTUNITIES

**NEED** -- The Family Support Act set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from unlimited cash support to a system geared toward helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. States have been suffering under fiscal constraints that were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totaled only 62 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally.

Another part of the problem involves a lack of effective coordination among the myriad of programs run by both State and Federal departments of education, labor, and human services. Programs from different agencies often have conflicting goals, eligibility rules, and requirements. And information about the full array of services that people are entitled to is rarely available.

Yet another part of the problem involves the culture of welfare offices. Despite the progress achieved since the Family Support Act, the AFDC program is still basically a check-writing operation. As long as the focus of public aid remains writing public assistance checks rather than moving people toward pay checks in the private sector, most of the administrative costs and energy of the program will be dissipated in verification and bureaucracy.

**STRATEGY** -- The strategy is threefold: First, the focus of welfare administration needs to shift from determining who qualifies for welfare and dispensing checks to those persons, to helping recipients move toward self-sufficiency through work. More resources need to go to finding jobs and less to managing eligibility rules. Second, a substantial increase in JOBS funding is needed if we really expect recipients to be job-ready and to be employed in the private sector. Increased funding would also permit States to increase their overall levels of participation in JOBS. Finally, access to mainstream education, training, and self-employment opportunities must be improved for welfare recipients.

## **FOCUS ON ASSISTING RECIPIENTS TO FIND EMPLOYMENT**

One of the most important changes we envision is a dramatic change in the focus of the welfare bureaucracy. The mission of the welfare system must become assisting recipients to find employment. The whole system needs to reflect a new philosophy of mutual obligation: the Government provides through the reformed welfare/work support system the necessary opportunities, support services, and incentives to allow individuals to move toward self sufficiency, and the recipient agrees to accept responsibility for working toward that end. Quality control and audits must be based on participation rates and outcome measures. Performance standards should be geared more toward measures such as long-term job placements, rather than merely errors in eligibility determinations; outcomes rather than process standards. Sanctions would be imposed for persons who fail to meet JOBS rules (as under current law) or the terms of the "contract" they enter into with the State. Sanctions would gradually increase in severity, and be curable upon compliance, with some additional State flexibility. Likewise, a State would be prohibited from imposing time limits on participants if it failed to provide the opportunities, services, or incentives it agreed to in the contract with the participant.

Options include:

- Expand the Federal Government's role in evaluation and technical assistance to take a leadership role in state-of-the-art evaluation of effective practices, in developing and sharing effective systems, in developing automated systems, and in assisting States to redesign their intake processes to emphasize employment or other work preparation activities, rather than eligibility. Fund such activities by a 1 percent tap on Federal JOBS funds.
- Permit State initiatives that would promote micro-enterprise development, and allow demonstrations of program rules to encourage saving and asset accumulation for future schooling, home buying, or small business start-up.
- Permit States to provide JOBS services to noncustodial parents.
- Require all applicants to maintain signed contracts specifying the responsibilities of both the State agency and the recipient.

## **ENHANCED FUNDING FOR JOBS**

This plan envisions a substantial increase in the overall level of participation in JOBS. To make this possible, additional funding is critical. States currently receive Federal matching funds for JOBS expenditures up to an amount allocated to them under a national capped entitlement. The cap was established at \$600 million for FY 1989, increases to \$1.3 billion for FY 1995, and decreases to \$1 billion for FY 1996 and beyond. The cap needs to be increased.

States are also required to expend their own funds in order to receive Federal matching funds. The lack of State funds has been a primary barrier to JOBS expansion. The Federal matching rates will be increased, and a provision included to increase it even further if a State's unemployment rate exceeds a specified target.

With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Recipients ought to be expected to immediately and continuously engage in activities to promote their movement to independence. Most new applicants would be required to engage in supervised job search from the date of application for benefits. Rules for what constitutes active participation need to be revised. The definition of "participation" should be broadened to include community service, as well as other activities such as parenting/life skills classes, substance abuse treatment, domestic violence counseling, etc. States must have the flexibility to determine in individual cases which activities (job search, education, training, etc.) will be most effective in helping recipients achieve self-sufficiency.

### **IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING AND SELF-EMPLOYMENT OPPORTUNITIES**

The mission of the JOBS program will not be to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing programs in the mainstream system. The JOBS program needs to be redesigned to permit States to integrate other employment and training programs into the JOBS program, and to implement "one-stop shopping" education and training programs. Options include:

- Foster linkages with DOL one-stop shopping initiatives, more effective use of Pell grants, and other programs.
- Create a training and education waiver board, consisting of the Secretaries of DOL, HHS, Education, and other interested departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.
- Permit States to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) into the JOBS program and to implement "one-stop shopping" education and training models.

## **TIME-LIMIT ASSISTANCE AND FOLLOW WITH WORK**

### **A. TIME-LIMITED ASSISTANCE**

### **B. WORK**

1. Economic Development
2. Work Program Structure

**NEED** – Two out of every three persons who enter the welfare system leave within two years. Fewer than one in five remains on welfare for more than five consecutive years. For many persons who receive AFDC, the program serves as temporary assistance, supporting them until they regain their footing.

However, a significant number of recipients remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

**STRATEGY** – The welfare system would be revamped into two distinct components:

- A transitional assistance program limited to two years and focused on helping recipients move into private sector jobs.
- A work program making work opportunities available to recipients who have reached the time limit for transitional assistance.

Making work pay, improving child support enforcement, ensuring universal health care coverage and expanding access to training, education and child care should maximize the number of recipients leaving welfare within two years. Most of the people on welfare want to work, and these reforms would give recipients a better chance to find employment and ensure that it makes economic sense to take a job.

Some employable persons would, however, reach the time limit without finding private sector jobs. A recipient who could not find employment after two years of transitional assistance would be required to work in return for further support. Individuals who reached the time limit would have access to work assignments, for which they would receive wages rather than a welfare check.

### **TIME-LIMITED ASSISTANCE**

The time limit is part of the overall effort to shift the focus of the welfare system from disbursing funds to promoting self-sufficiency through work. This time limit gives both recipient and caseworker a structure that encourages steady progress toward obtaining employment.

Upon entry into the welfare system, each person would design, in conjunction with the caseworker, a contract which would detail the obligations of both the recipient and the State agency. Obtaining employment would be the explicit goal of each contract.

The contract/case plan would describe the services to be provided by the State agency and a time frame for achieving self-sufficiency. This time frame would vary depending on the skills and the circumstances of the recipient, but would not exceed two years for employable persons. The case plan could be adjusted in response to changes in a family's situation.

The system must be sensitive to those who for good reason cannot work, such as individuals who are physically disabled or ill or who are caring for a disabled child or relative. For those who cannot work, other expectations would be more appropriate. The case plan would be designed to, for example, improve the health status of the family, including both adults and children, or stabilize the family's housing situation.

States would be permitted to grant extensions of the time limit for completion of high school, a GED program or other education or training program expected to lead directly to employment. The number of extensions would be limited to a fixed percentage of the caseload.

Time spent on a waiting list for the JOBS program would not be counted against the time limit. In addition, we would propose the following provisions concerning time limits:

- Allow recipients who have left the rolls to earn additional months of cash assistance for months working and/or not in the welfare system.
- Require recipients to participate in job search during the period (45-90 days) immediately preceding the end of the time limit.
- At State option, months in which a recipient worked an average of 20 hours per week (more at State option) or reported over \$400 in earnings would not be counted against the time limit.

## WORK

Helping people move from welfare to self-support through work is the primary focus of the transitional assistance program. However, there will be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

### **Economic Development**

Emphasizing movement into private sector employment requires recognition of the reality that in many communities private sector jobs are in very short supply. There is a need, particularly in distressed areas, to invest in economic development to create jobs. Economic development efforts could include the following:

- Integrate the public sector work program with other Administration economic development initiatives, including empowerment zones and microenterprise loan programs.

- Create a special equity fund to invest in businesses, Community Development Corporations, non-profits and other entities which hire the parents of children on welfare (this would include the AFDC recipient as well as the noncustodial parent).

#### **Work Program Structure**

We are considering two options for the structure of the work program:

##### ***Option 1: Work for wages.***

**Wages:** Participants would be paid the minimum wage (higher at State option). States would be mandated to supplement these earnings (possibly with continued AFDC benefits) if wages were not equal to the AFDC benefit for a family of that size with no earned income.

**Hours:** All work assignments would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (140 hours per month). The required number of hours would be set by the State.

**Capacity:** Each State would be required to create a minimum number of work assignments, with the number to be based on the level of Federal funding received. If the need for work program positions exceeded the supply, work assignments would be allocated on a first-come, first-served basis.

**Sanctions:** Wages would be paid for hours worked. Not working the required number of hours would result in a corresponding reduction in wages, except in instances of illness or a family emergency. Benefits would not rise to offset the drop in work program earnings.

An individual who refuses an offer of unsubsidized private sector employment without good cause would not be eligible for the work program for six months and AFDC benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job.

**Job Search:** Work program participants would be required to engage in job search either concurrently or periodically (i.e., one week every three months, or for a fixed period after completing an assignment).

**Other:** Wages from work program positions would be treated as earned income with respect to Worker's Compensation, FICA and Federal assistance programs. Earnings from work program positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

**Waiting List:** If the number of recipients subject to the work requirement were greater than the number of positions available, recipients who had reached the two-year time limit would be expected to find volunteer work in the community for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance for recipients in this category.

Private Sector/Community Involvement. States and localities would be required to involve the private sector, community organizations and organized labor by, for example, establishing a joint public/private governing board to oversee operations. Local Private Industry Councils could be tapped to identify and develop unsubsidized private sector jobs.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable participation in the work program.

Anti-Displacement Provisions. States would be required to operate their work programs such that displacement of public sector workers would be minimized. Anti-displacement language is currently under development.

National Service. All efforts would be made to integrate the work program with the President's national and community service initiative.

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**CONCLUSION**

This welfare reform plan calls for fundamental changes in the current system of welfare. It seeks to replace a flawed system with a coherent set of policies that improve the lives of poor children and their families in ways that reaffirm and support basic values concerning work, family, opportunity and responsibility. The plan has six key elements:

First, this plan seeks not only to get people off welfare, but to keep them from needing it in the first place. We focus on prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus, the plan calls for increasing resources directed at preventing teen pregnancy, promoting parental responsibility and strengthening community institutions to work with at-risk youth.

Second, this plan seeks to significantly improve the lives of impoverished children and reinforce the value of work by ensuring that working people are not poor. The current patchwork system of child care assistance programs, all with different eligibility rules and regulations, would be streamlined and, in some cases, consolidated. Increased resources would be available for subsidies and investments in the quality of child care. These child care changes would benefit those receiving assistance while in training or education as well as low-income working families. The EITC will be delivered on a timely basis. And health reform will reduce perhaps the greatest source of insecurity facing the working poor.

Third, the plan supports children and reinforces the value of parental responsibility through the realization of universal paternity establishment, improved administration of child support awards, and tougher child support enforcement. More resources will also be directed towards providing training and other support to noncustodial parents so that they are better prepared to meet their child support obligations.

Fourth, we intend to reinvent public assistance. Simplifying and streamlining the myriad of rules, regulations and requirements across assistance programs will significantly enhance the ability of agency staff to refocus their efforts on moving people off welfare. The welfare office will assume a new mission, serving as an effective link between clients in need of education, training and employment resources in the community.

Fifth, increasing numbers of welfare recipients will be allowed and expected to participate in activities leading to employment. Further, welfare cannot go on indefinitely. Expanded education and training services will be made available to recipients for two years.

Finally, welfare really will be converted into a time limited cash assistance program. Before cash benefits have been exhausted, most recipients would have found private sector jobs. But for those who have not, support would come in the form of community service work--not welfare.

Together, these policies are not just an end to welfare as it is known today. They represent a new vision for supporting America's children and families.

THE WHITE HOUSE

WASHINGTON

December 2, 1993

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** Bruce Reed  
Mary Jo Bane  
David Ellwood

**THROUGH:** Carol Rasco

**SUBJECT:** Draft Discussion Paper on Welfare Reform

The attached document outlines draft proposals developed by the Welfare Reform Working Group. This draft describes the basic direction and lays out key proposals. We believe it charts a bold new vision focussed on the values of work and responsibility.

We have not included specific budgetary costs and offsets. As we noted in our previous memo, we believe we can find savings and offsets in entitlement programs to fund the proposed changes. Costs, especially over the first five years, can be relatively easily adjusted by varying the speed of phase-in. We are currently working with OMB, Treasury, and HHS to lay out options for offsets in phase-in for your consideration over the next few weeks.

At some point in the near future, we will need to discuss the details of these proposals with key members of Congress and Governors. We have already had numerous exploratory meetings, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share all or parts of the draft discussion paper. With most, we would like to begin orally vetting specific ideas and options.

We would like a signal from you as to whether you're comfortable enough with our basic direction before we begin the more detailed consultation process. You don't have to decide any of the major questions now. We'll make clear that no decisions have been made, and many things are still on the table. But you should know that to get the feedback we need from our likely allies on this issue, we will have to run the risk that some details may leak out.

We would be happy to meet with you at this stage if you desire. In the coming weeks, we will provide you with detailed decision memos on the key unresolved issues alluded to in this document, with a detailed list of pros and cons. We will also provide a detailed memo on costs and phase-in options.

## DRAFT DISCUSSION PAPER

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## DRAFT DISCUSSION PAPER

### HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President, and the paper is designed to stimulate discussion--not indicate Administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce poverty and welfare use by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and enactment of health reform to ensure that working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Using a social contract which spells out what their responsibilities are and what government will do in return. Greater Federal funding for the JOBS program and a reduced State match rate.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.
- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

## INTRODUCTION

### THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculations and writing checks. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

This plan calls for a genuine end to welfare as we know it. It builds from the simple values of work and responsibility. It reshapes the expectations of government and the people it serves. Our goal is to move people from welfare to work and bolster their efforts to support their families and to contribute to the economy. One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance and tax credits they need to adequately support their families. The plan also seeks to give people access to training for the skills they need to work in an increasingly competitive labor market. But in return, it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.

These reforms cannot be seen in isolation. The social and economic forces that influence the poor and the non-poor run deeper than the welfare system. The Administration has undertaken many closely linked initiatives to spur economic growth, improve education, expand opportunity, restore public safety and rebuild a sense of community: worker training and retraining, educational reform, Head Start, National Service, health reform, Empowerment Zones, community development banks, community policing, violence prevention and more. Welfare reform is a piece of a larger whole. It is an essential piece.

### FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: we must refocus the system of economic support from welfare to work. However, changing a system that has for decades been focused on calculating eligibility and welfare payments will be a tall challenge. Still, we have already made an important beginning. The Family Support Act of 1988 serves as a blueprint for the future—a

foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipients alike.

We recommend five fundamental steps:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Families with a full-time worker should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. No one who can work should stay on welfare indefinitely.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children. Parents should take responsibility for supporting and nurturing their children. Governments don't raise children--families do.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

#### **Promote Parental Responsibility and Prevent Teen Pregnancy**

If we are going to end long-term welfare dependency, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the total number of children born out of wedlock has more than doubled in the last 15 years, to 1.2 million annually. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy that provides better support for two-parent families and sends clear signals about the importance of delaying sexual activity and the need for responsible parenting. We must intensify our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and to teach young people that children who have children face tremendous obstacles to self-sufficiency. Men and women who parent children must know they have responsibilities.

#### **Make Work Pay**

Work is at the heart of the entire reform effort. That requires supporting working families and ensuring that a welfare recipient is economically better off by taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance and making child care available.

We have already expanded the Earned Income Tax Credit (EITC), which was effectively a pay raise for the working poor. The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children. Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare.

With tax credits and health reform in place, the final critical element of making work pay is child care. We seek to ensure that working poor families have access to the quality child care they need. We cannot expect single mothers to participate in training or to go to work unless they have child care for their children.

#### **Provide Access to Education and Training, Impose Time Limits, and Expect Work**

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people need; recipients are expected to take advantage of these opportunities and move into work. The legislation created the Job Opportunities and Basic Skills (JOBS) program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits and writing checks. We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around "income maintenance"; we need a program built around work.

We envision a system whereby people will be asked to start on a track toward work and independence immediately. Each recipient will sign a social contract that spells out their obligations and what the government will do in return. We will expand access to education, training and employment opportunities, and insist on higher participation rates in return. At the end of two years, people still on welfare who can work but cannot find a job in the private sector will be offered work in community service. Communities will use funds to provide non-displacing jobs in the private, non-profit, and public sectors. They will form partnerships among business leaders, community groups, organized labor and local government to oversee the work program. The message is simple: everybody is expected to move toward work and independence.

Exemptions and extensions will be limited. The system must be sensitive to those who for good reason cannot work--for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

#### **Enforce Child Support**

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer

security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation to support their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

The child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

#### **Reinvent Government Assistance**

At the core of these ideas is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of which people in which areas seem to have longer or shorter stays on welfare.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the Federal Government must be clearer about broad goals while giving more flexibility over implementation to States and localities. Basic performance measures regarding work and long-term movements off welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

### **A NEW BEGINNING**

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Three features are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States to develop their own demonstrations, and in some cases we would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy, based in part on the level of resources available. Ideally, high participation requirements and time limits would apply first to people newly entering the system after legislation is enacted, with the rest of the caseload phased in over time. Some States and communities may choose to start sooner than others. This phase-in period will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

## PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY
- C. ENCOURAGING RESPONSIBLE FAMILY PLANNING

**NEED** – The best way to end welfare dependency is to eliminate the need for welfare in the first place. Accomplishing this goal requires not only changing the welfare system, but also involving every sector of our society in this effort.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

Unfortunately, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

**STRATEGY** – The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end, we propose a three-part strategy. First, we suggest a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of responsibility and opportunity and to engage other leaders and institutions in this effort. Government has a role to play, but the massive changes in family life that have occurred over the past few decades cannot be dealt with by government alone. We must not only emphasize responsibility; we must break the cycle of poverty and provide a more hopeful future in low-income communities. Third and finally, we need to encourage responsible family planning.

### CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for providing greater support to their children. Mothers receiving cash assistance will become better prepared to enter the labor force

through required participation in activities intended to increase their employment and earnings capacity. Through time limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous thirteen quarters. In addition, States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

Minor Mothers Live at Home. Second, we propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions--for example, if the minor parent is married or if there is a danger of abuse to the minor parent). Parental support could then be included in determining cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option under current law of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five States have exercised this option. This proposal would make that option a requirement for all States. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves and are rarely ready to manage a household or raise children on their own.

Mentoring by Older Welfare Mothers. Third, we propose to allow States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.

Demonstrations. Finally, we propose to conduct demonstrations which condition a portion of the assistance benefit, or provide a bonus, based on actions by parents and dependent children to achieve self-sufficiency. These demonstrations would include comprehensive case management focused on all family members, assisting them to access all services necessary to meet their obligations. The case management services would take a holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

In addition, the following option is under consideration:

*Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services.*

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

## ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

While it is important to get the message of the welfare system right, solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Individuals, community organizations and other governmental and non-governmental institutions must, therefore, all be engaged in sending a balanced message of responsibility and opportunity. Many Administration initiatives already underway are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, development of School-to-Work and an expansion of Job Corps. In addition to these building blocks, the following could be adopted to focus more on children and youth, especially those in high-risk situations:

Community Support. We should challenge all Americans, especially the most fortunate, to work one-on-one with at-risk children and adults in disadvantaged neighborhoods. We recommend working with the Corporation on National and Community Service to extend a wide variety of prevention-oriented programs employing volunteers--rather than paid employees--at the neighborhood and community level. This effort could include programs such as Big Brothers/Big Sisters for at-risk children and mentoring for adults at risk of welfare dependency.

National Campaign. We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organizations, churches and others in a concerted effort to instill responsibility and shape behavior.

Demonstrations. We also propose to conduct demonstrations for local communities to stimulate neighborhood-based innovation. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods which could help change the environment as well as provide more direct support services for these youth. Efforts to coordinate existing services and programs would provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving demonstration funds would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs which address the family as a unit. Early indications of high risk for teenage childbearing and other risky behaviors, such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility and resources necessary to identify

early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

### ENCOURAGING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the percentage is much higher for teen parents. Yet, funding for family planning services declined by approximately 60 percent in constant dollars over the last decade. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Health Initiatives. In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care (including family planning and pre-natal care), is expanding. Also, traditional public health efforts through Title X and the Maternal and Child Health Block Grant will continue.

Demonstrations. We would also propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them. This option would improve knowledge about and access to appropriate family planning services for these recipients and other low-income individuals.

## MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. ADVANCE PAYMENT OF THE EITC
- C. OTHER SUPPORT FOR WORKING FAMILIES
  - 1. Work Should Be Better than Welfare
  - 2. Demonstrations

**NEED** -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

**STRATEGY** -- Three of the major elements that make work pay are working family tax credits, health reform and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

### CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents on cash assistance who will be required to participate in education, training and employment activities. Child care support is also pivotal for the working poor to enable them to stay in the workforce. Substantial resources are required to expand the child care supply for both populations and to strengthen the quality of the care.

The Federal Government subsidizes child care for low-income families through the title IV-A entitlement programs (JOBS Child Care, Transitional Child Care, and At-Risk Child Care) and the Child Care and Development Block Grant. Middle- and upper-income people benefit from the

dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable, is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

The welfare reform proposal should have the following goals related to child care: to increase funding so that both those on cash assistance and working families are provided adequate child care support, to ensure children safe and healthy environments that promote child development, and to create a more consolidated and simplified child care system. Our plan includes the following strategies to achieve these goals:

Maintain IV-A Child Care. We propose to continue the current IV-A entitlement programs for cash assistance recipients. These programs would automatically expand to accommodate the increased demand created by required participation in education, training and work.

Expand Child Care for Low-Income Working Families. We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, currently a capped entitlement which is available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this entitlement program and to reduce the barriers which impede States' use of it.

Maintain Child Care Development Block Grant. We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of the funds to strengthen child care quality and to build the supply of care. However, no families receiving cash assistance would be eligible for services under this program.

Coordinate Rules Across All Child Care Programs. For all three of the above strategies, we would require States to ensure seamless coverage for persons who leave welfare for work. The requirement for health and safety standards would be made consistent across these programs and would conform to those standards specified in the Block Grant program. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

Several questions must be answered in order to complete a child care strategy:

1. *How much new investment in child care is reasonable? Significant new investments are essential to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of child care for the working poor can be afforded.*
2. *Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families transitioning from welfare or at risk of entering welfare.*

3. *Should we also propose making the Dependent Care Tax Credit refundable? This approach will not help the lowest-income families who still would not have the up-front money to pay for child care; therefore, it should only be considered in tandem with other proposals.*

**Demonstrations.** We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. Since the greatest identified shortage of child care is infant care, the second demonstration would focus on increasing the supply of infant care and enhancing its quality in a variety of settings.

### **ADVANCE PAYMENT OF THE EITC**

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Many others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages--clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by the Internal Revenue Service (IRS). On the basis of information on individual tax returns, the IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administrations. Electronic Benefit Transfer (EBT) technology would be utilized whenever possible.

### **OTHER SUPPORT FOR WORKING FAMILIES**

One other policy needs to be addressed to adequately encourage work and support the working poor--ensuring that work is always better than welfare. Several options for achieving this goal are listed below. We also suggest demonstrations of innovative ideas.

### **Work Should Be Better than Welfare**

The combination of the EITC, health reform and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time, full-year worker. But full-time work may not always be feasible, especially for single mothers with very young children or children with special needs. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families and in high-benefit States, welfare may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings. This results in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be four options for achieving it:

*Option 1: Allow (or require) States to supplement the EITC, food stamps or housing benefits for working families when work pays less than welfare.*

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

*Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.*

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, by eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

*Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).*

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

*Option 4: Allow States to match some portion of the earnings of recipients and place the money in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchase of a car or home.*

### Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance payment of the EITC and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- Temporary Unemployment Support. There would be demonstrations of alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they need only very short-term economic aid.
- Front-End Emergency Assistance. One example is a component of the AFDC program in Utah which provides diversion grants upon application to some recipients who have lost a job. Based on a caseworker's assessment of the individual's family situation, a one-time payment is provided to prevent the family from becoming part of the long-term caseload.

## **PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK**

- A. **ENHANCING THE JOBS PROGRAM**
  - 1. Immediate Focus on Work and Participation in JOBS
  - 2. Expanding the JOBS Program
  - 3. Integrating JOBS and Mainstream Education and Training Initiatives
- B. **MAKING WELFARE TRANSITIONAL**
- C. **WORK**
  - 1. Administrative Structure of the WORK Program
  - 2. Characteristics of the WORK Assignments
  - 3. Economic Development

**NEED** -- AFDC currently serves as temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system leave it, at least temporarily, within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

**STRATEGY** -- Changing the focus of the welfare system from determining eligibility and writing checks to helping recipients achieve self-sufficiency through access to education and training and, ultimately, through work demands a major restructuring effort. Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing work to those who reach the time limit for transitional assistance without finding a job in the private sector, despite having done everything required of them.

Each applicant would, within 90 days of entry, work out a plan to attain independence through work and would immediately thereafter begin taking the steps toward self-sufficiency laid out in the plan. Through expanded access to education and training, recipients would obtain the skills needed to find and retain private sector employment. Making work pay, dramatically improving child support

enforcement and providing education, training and job placement services should maximize the number of recipients who leave welfare for work within two years. Persons who follow their case plans in good faith but are nonetheless unable to find private sector jobs within two years would be offered paid work assignments in the public, private or non-profit sectors to enable them to support their families.

### **ENHANCING THE JOBS PROGRAM**

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering that assistance. The Family Support Act of 1988 set forth a bold new vision for the social welfare system: AFDC was to become a transitional support program whose mission would be helping people move toward independence. The JOBS program was established to deliver the education, training and other services needed to enable recipients to leave welfare.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. Another part is the absence of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. The culture of the welfare bureaucracy, however, represents perhaps the greatest challenge to true welfare reform. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to fulfill the promise of the Family Support Act by providing both the services and the incentives to help recipients move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Structure the welfare system so that applicants, from the moment they enter the system, are focused on moving from welfare to work through participation in programs and services designed to enhance employability.
- (2) Dramatically expand the JOBS program through increased Federal funding, an enhanced Federal match rate and higher participation standards.
- (3) Improve the coordination of JOBS and other education and training initiatives.

#### **Immediate Focus on Work and Participation in JOBS**

The structure of the welfare system would be changed to clearly communicate to recipients the emphasis on achieving self-sufficiency through work.

Social Contract. Each applicant for assistance would be required to enter into a social contract in which the applicant agrees to cooperate in good faith with the State in developing and following an employability plan leading to self-sufficiency, and the State agrees to provide the services called for in the employability plan.

Up-Front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

**Employability Plan.** Within 90 days of application, each person, in conjunction with his or her caseworker, would design an individualized employability plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that welfare recipients are a very diverse population. Participants in the JOBS program do and will continue to have very different levels of work experience, education and skills. Accordingly, their needs would be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities would, therefore, have great flexibility in designing the exact mix of JOBS program services. The time frames required would vary depending on the individual but would not exceed two years for those who could work. Employability plans would be adjusted in response to changes in a family's situation.

**Narrower Exemption Criteria.** We recognize that some who seek transitional assistance will, for good reason, be unable to work. Persons in this category could include individuals who are disabled or seriously ill or who are caring for a disabled or seriously ill relative. The current criteria for exemption from the JOBS program would, however, be narrowed. Parents of young children, for example, would be expected to participate. The question of participation requirements for grandparents and other relatives caring for dependent children is under study.

**Expanded Definition of "Participation."** As soon as the employability plan is developed, the recipient would be expected to enroll in the JOBS program and to engage in the activities called for in the employability plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include substance abuse treatment and possibly other activities such as parenting/life skills classes or domestic violence counseling if they are determined to be important preconditions for pursuing employment successfully.

**Sanctions.** Sanctions for failure to follow the employability plan would be at least as strong as the sanctions under current law.

### **Expanding the JOBS Program**

**Increased Funding.** This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

**Enhanced Match.** States are currently required to share the cost of the JOBS program with the Federal Government. States have, however, been suffering under fiscal constraints which were not anticipated at the time the Family Support Act was enacted. This shortage of State dollars has been a major obstacle to delivery of services through the JOBS program. Most States have been unable to draw down their entire allocation for JOBS because they cannot provide the State match. In 1992, States drew down only 62 percent of the \$1 billion in available Federal funds. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants. Nationwide, about 15 percent of the non-exempt AFDC caseload is participating in the JOBS program. To address the scarcity of State JOBS dollars, the Federal match

rate would be increased. The match rate could be further increased for a particular State if its unemployment rate exceeded a specified level.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. Under the proposal, higher participation standards would be phased in, and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the program changes called for in this plan. Federal funds would be used to train eligibility workers to become more effective caseworkers. Through technical assistance, the Federal Government would encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded by setting aside one percent of Federal JOBS funds specifically for this purpose.

Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which measure outcomes such as long-term job placements, rather than just process standards.

#### **Integrating JOBS and Mainstream Education and Training Initiatives**

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs.

Among the many Administration initiatives which should be coordinated with the JOBS program are:

- National Service. HHS would work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.
- School-to-Work. HHS would work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.
- One-Stop Shopping. The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

The plan would also include pursuing ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and Job Training Partnership Act (JTPA) programs. We would also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

The plan would make it easier for States to integrate other employment and training programs (e.g., the Food Stamp Employment and Training Program) with the JOBS program and to implement "one-stop shopping" education and training models. Specifically, we would create, perhaps under the aegis of the Community Enterprise Board, a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested Departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

### MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance program would find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program would be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit. A recipient who is able to work would be limited to a cumulative total of two years of transitional assistance. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of transitional assistance.

Any period during which a State failed to substantially provide the services specified in a participant's employability plan would not be counted against the time limit.

At State option, months in which a recipient worked an average of 20 hours or more per week or reported over \$400 in earnings would also not be counted against the time limit.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be contingent on satisfactory progress toward attaining a diploma or completing the program.
- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).
- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise demonstrably unable to work.

Credits for Additional Assistance. Under the plan, the time limit would be renewable; persons who had left welfare for work would earn months of eligibility for future assistance for months spent working and not on assistance.

## WORK

The redesigned welfare system would be designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will, however, be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

Each State would be required to operate a WORK program which would make paid work assignments (hereafter WORK assignments or WORK positions) available to recipients who had reached the time limit for cash assistance.

The overriding goal of the WORK program would be to help participants find lasting employment outside the program. States would have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs, in the expectation that many of these positions would become permanent, or positions in public sector agencies, or a combination of the two.

### Administrative Structure of the WORK Program

Eligibility. Recipients who reach the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time employment outside the WORK program without good cause would not be eligible for the WORK program for six months, and any cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a job outside the WORK program.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if its unemployment rate rose above a specified level.

Flexibility. States would have considerable flexibility in operating the WORK program. For example, they would be permitted to:

- Subsidize not-for-profit or private sector jobs (for example, through expanded use of on-the-job training vouchers).
- Give employers other financial incentives to hire JOBS graduates.
- Provide positions in public sector agencies.
- Encourage microenterprise and other economic development activities.

(b)

- Execute performance-based contracts with private firms such as America Works or not-for-profit organizations to place JOBS graduates.
- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

Capacity. Each State would be required to create a minimum number of WORK assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, WORK assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils might be given roles overseeing WORK programs.

Anti-Displacement. States would be required to operate their WORK programs such that public sector employees would not be displaced. Anti-displacement language is currently under development.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable individuals to participate in the WORK program.

Job Search. Persons in the WORK program would be required to engage in job search.

*An important question remains as to whether States should be allowed to place limits on the total length of time persons would be permitted to remain in the WORK program.*

*One option would be to allow States to reduce cash benefits, by up to a certain percentage, to persons who had been in the WORK program for a set period of time and were on the waiting list for a new WORK position. States would only be permitted to reduce cash assistance to the extent that the combined value of cash and in-kind benefits did not fall below a minimum level (a fixed percentage of the poverty line).*

## Characteristics of the WORK Assignments

Wage. Participants would be paid the minimum wage (or higher at State option).

Hours. Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The number of hours for each position would be determined by the State.

Not Working. Wages would be paid for hours worked. Not working the set number of hours for the position would result in a corresponding reduction in wages.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level but should nonetheless be substantive work that enhances the participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in occupations which are currently in demand and/or which are expected to be in demand in the near future.

Treatment of Wages. Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

WORK positions in the private and not-for-profit sectors would be required to meet the minimum standards described above with respect to hours and wages, but States would otherwise be granted considerable flexibility concerning the form of these WORK assignments.

*Under the WORK program as described above, participants would work for wages. Described below is a different type of WORK program, under which persons who had reached the two-year time limit for cash assistance would work for benefits.*

*Option: Permit a State to enroll all or a limited number of the recipients who had reached the two-year time limit in community work experience program (CWEP) positions, as opposed to paid WORK assignments. These CWEP positions would take the following form:*

Benefits. *Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.*

Hours. *The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.*

Child Support. *At State option, the amount of the child support order could be deducted from the cash benefit for the purpose of calculating hours. A delinquent non-custodial parent could be required to work off the child support arrearage in a CWEP position.*

Sanctions. *Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.*

(b)

### **Economic Development**

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment could expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote savings and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the Administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.
- Increasing the number of microenterprises by allocating additional funds to the Small Business Administration's Microloan and other programs for set-asides for JOBS participants.
- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the Administration's commitment to enterprise communities and Empowerment Zones.

Individual Economic Development. We would also propose the following steps to encourage people receiving transitional assistance to save money and accumulate assets, in order to help them escape poverty permanently:

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or car or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking jobs outside the work program.

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## ENFORCE CHILD SUPPORT

### A. CHILD SUPPORT ENFORCEMENT

1. A Universal and Simplified Paternity Establishment Process
2. Appropriate Payment Levels
3. Collection and Enforcement
4. Providing Some Minimum Level of Child Support

### B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

**NEED** – The typical child born in the U.S. today will spend time in a single-parent home. Yet, the evidence is clear that children benefit from interaction with two supportive parents. Single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion a year.

The problem is threefold: First, for many children a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases, accounting for the remaining 21 percent of the potential collection gap.

**STRATEGY** – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal and should be completed as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States; enhanced tools will be available for Federal and State enforcement. A major question remains regarding the possibility of providing some minimum level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support and in some cases, should be offered increased economic opportunities to help them do so.

## CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

### A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.
- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on mothers to provide both the name of the putative father and verifiable information so that the father can be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

*Option: Provide a bonus of \$50 per month in additional AFDC payments to mothers if paternity for the child has been established (instead of the \$50 passthrough under current law).*

*Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.*

*Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.*

### Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

### Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal child support enforcement clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. There

would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.

- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create a new funding formula and place an emphasis on performance-based incentives.
- Reinvest State incentive payments in the child support program.

#### **Providing Some Minimum Level of Child Support**

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much because of low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and are trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

*Option 1: Advance payment to custodial parents not on welfare of up to \$50 (or \$100) per child per month in child support owed by the noncustodial parent, even when the money has not yet been collected.*

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

*Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.*

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. For those on AFDC, Child Support Assurance benefits would be deducted entirely or in part from AFDC payments.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

*Option 3: State demonstrations only, of one or both of the above options.*

## **ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS**

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better enforcement of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. Other strategies would also be pursued.

Ultimately, expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. Whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If noncustodial parents can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken, including the following:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make the Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who do not pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

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## REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PREVENTING WASTE, FRAUD AND ABUSE
- C. PERFORMANCE STANDARDS AND STATE FLEXIBILITY

**NEED** -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on rules rather than results. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

**STRATEGY** -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and would also improve service delivery at the State and local levels.

### SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

*Option 1: Simplify and coordinate rules in existing programs.*

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules, reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt regulatory and legislative recommendations (as developed by the American Public Welfare Association), to streamline application, redetermination and reporting processes.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.
- Freeze subsidized rents for a fixed period of time after the recipient takes a job in order to enhance the benefits from employment.

- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule, as discussed in the Make Work Pay section of this paper.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

*Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.*

In addition to the provisions described under option 1, this option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple-generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option standardizes the definition of the filing unit under AFDC and food stamps. States would continue to set benefit levels for cash assistance.

#### PREVENTING WASTE, FRAUD AND ABUSE

Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim benefits fraudulently with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. With the EITC, it is now advantageous to report every single dollar of earnings.

New technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, EBT technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Coordinate more completely the collection and sharing of data among programs, especially wage, tax, child support and benefit information.

- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services at less cost, targeted more efficiently on those eligible.

### **PERFORMANCE STANDARDS AND STATE FLEXIBILITY**

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal Government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given the variation in local circumstances, capacities and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.
- The Federal Government should provide technical assistance to States for achieving these standards by evaluating program innovations, identifying what is working and assisting in the transfer of effective strategies.

THE WHITE HOUSE

WASHINGTON

November 29, 1993

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** Bruce Reed  
Mary Jo Bane  
David Ellwood

**THROUGH:** Carol Rasco

**SUBJECT:** Welfare Reform and the FY95 Budget

**I. The Working Group Draft Options Paper**

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform proposal. The Working Group, which consists of 33 subcabinet officials from eight agencies and the White House, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit a draft options paper to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress to begin building a coalition for welfare reform. We will probably need to share specific sections with a carefully selected small number of key players. Our goal, pending your decisions on key issues, is to have legislation ready early next year.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from

Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will go along.

The New York Times reported Sunday that we are looking at subsidies for private employers to hire people off welfare. We are focusing on many ways to move people from welfare to the private sector, and this is one option under consideration, but it is not as central as the Times article suggested.

## II. Cost Issues

Although definitive cost estimates for welfare reform will depend on decisions you make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

*Essentially all of these costs are on the entitlement side of the budget. Welfare reform does not require new domestic discretionary spending.*

Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

Ellen Goodman

# 'Personal Responsibility'

BOSTON—This one is for Priscilla Parten, the Derry, N.H., woman who had the temerity to ask Lamar Alexander who would care for the elderly if the budget is cut according to the GOP pattern.

The answer from the presidential candidate, one of the men hawking their wares across New Hampshire, was that "we're going to have to accept more personal responsibility in our own families for reading to our children and caring for our parents, and that's going to be inconvenient and difficult."

Happy New Year, Priscilla, and open up your calendar. Scribble down two rather large words under 1996: Personal Responsibility. They're going to be the watchwords of the 1996 campaign.

Personal Responsibility is the catch-all moral phrase uttered by politicians in favor of removing the guaranteed safety net and parceling out the money in incredibly shrinking block grants to the states. It's the all-purpose ethical disclaimer for those who equate the task of caring for the elderly sick with "reading to children," for those who blithely describe eldercare as "inconvenient," or "difficult," but character-building.

To know what they have in mind, get past the PR campaign and go to the fine print of the GOP's Medicaid Transformation Act of 1995. That's the Orwellian title for the bill that would "transform" Medicaid by eliminating its guarantee.

From the day Medicaid is block-granted, adult children earning more than the national median income—that's \$31,000 a year per household—may be held responsible for the bill if their parents are in a nursing home. If they don't pay up, these newly defined Deadbeat Kids may find a lien put on their incomes, their houses, their savings.

A secret of the current system is that Medicaid, the health program established for the poor and their children, now pays for 60 percent of nursing home care. That's because nursing care eats up the assets of elders at a rate of about \$35,000 a year until they are indigent.

Not surprisingly, the folks calling for Personal Responsibility draw on examples of personal irresponsibility to justify a change that is beginning to make middle-class eyes widen. They point to elderly millionaires who deliberately transfer their assets to the kids in order to go on the dole in nursing homes. They describe deadbeat kids who callously drop their parents at the government door and go off to the Bahamas.

But if and when states begin sending bills to the kids, those folks aren't the ones who'll suffer. Thousands of middle-aged "children" of

THE PRESIDENT HAS SEEN

1/8/96

the three million elders in nursing homes may have to pay for their parents out of their children's education funds and their own retirement savings. Adult children, perhaps elders themselves, may have to choose between nursing sick parents at home and emptying the bank. How neglectful are we, anyway? Despite the bad PR we are getting, families do not by and large look to nursing homes for their parents until they are overwhelmed. Elders do not, by and large, go there until they are too ill to be cared for at home. Only one-fifth of the disabled elderly are in nursing homes.

Daughters and daughters-in-law provide most of the care of elders, and they will shoulder the increased Personal Responsibility at the cost of their jobs, their pensions, their own old age. The daughter of a disabled 88-year-old may, after all,

*"Families do not by and large look to nursing homes for their parents until they are overwhelmed."*

be 66 herself. It is their characters that will be built on deteriorating lives. One politician's social issue is another woman's life.

There is enough guilt in every family to trip the responsibility wire, to push the button that says families should take care of their own. As a political slogan, PR passes what pollster Dan Yankelovich calls the "they have a point" test.

But there is an awful lot of Personal Responsibility going around already. As educational loans are cut we are told to be responsible for our own children. As company pensions are fading, we are told to be responsible for our own retirement. At the same time we are to be responsible for disabled parents and even grandparents.

Dear Priscilla, when the politicians up there start talking about Personal Responsibility, they mean *our* responsibility, not *theirs*. The GOP Congress isn't just trying to balance the budget; it wants to end the idea of government as an agent of mutual responsibility.

This is what you get in return for a safety net: a pair of bootstraps, a middle-class tax cut of less than a dollar a day and, oh yes, a nursing home bill of \$35,000 a year.

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GS/Bates/Kam/Williams  
Weymouth - N.Y.  
AMERICAN UNIVERSITY  
STONY BROOK  
PR

THE WASHINGTON POST  
WEDNESDAY, JANUARY 3, 1996

(A)

*Waldman*  
*Reed*

CAMP DAVID

15 July 1996

*Breid / Rader*

Mr President,

THE PRESIDENT HAS SEEN  
7-16-96

The attached article was received from Mr Ickes for your information.

Additionally, the weather has not developed as forecast and we should be able to return via helicopter as late as 6:00 pm.

After 6:00 we would have to take another look but probability of adequate weather to fly is very high.

Please do not hesitate to contact me if I may be of further assistance.

Very respectfully,

*Charles H. Raderstorf*

Major Chuck Raderstorf  
Marine Corps Aide to the President

SUNDAY, JULY 14, 1996

7/14/96 TO: The President  
FYE (1 each)

# Welfare Reform Drama Auditions in Milwaukee

WISCONSIN, From A13

By Judith Havemann  
Washington Post Staff Writer

regimented, computer-driven system that requires recipients to look for jobs and work up to 35 hours a week or go without a check.

In one set of offices, welfare eligibility workers type in codes showing that each client has completed the correct number of hours of searching for jobs, performing community service work and attending classes, without which they are denied checks. Computer entries alone take almost twice as long as they used to for each client.

Another reason is that many recipients have never worked. Milwaukee County Executive P. Thomas Ament (D) fears that some welfare families will not be so easily transformed into model workers. "Most people believe that there will be an increase in neglected kids," he said. "I believe that. Not all people on AFDC are excellent candidates for jobs."

Katherine Payton, 36, a mother of three children, 17, 11 and 8, who has never worked faithfully, attends special education classes at the Silver Spring Neighborhood Center in north Milwaukee and fills out the rest of her required hours of work participation by picking up trash and cleaning bathrooms.

She complies fully in frightened silence with every task she is asked to do as she strives to improve her arithmetic to become a cashier, and yet she has difficulty stating her age or her years of schooling. Her case workers believe she could be eligible for a "transitional job" for a disabled worker at 70 percent of the minimum wage.

Linda Wernette, 37, also helps out at the Silver Spring Center as a teacher's aide to meet her job requirements as she tries to juggle the medical appointments for her 1-year-old developmentally delayed son. "I'm overprotective about my son," she said. "I worry about what job will hire me when I'm gone to all these doctor appointments."

Her supervisor, Linda Lee Bosetti, says Wernette would have a difficulty holding down a regular job because of her son's constant medical demands.

"Who would hire her if she had to be absent half the time?" she said.

Bosetti said Wernette might be eligible under the Wisconsin plan for a community service job at 75 percent of the minimum wage.

Brenda Dates, 38, with two children, 23 and 14, and the care of a 6-year-old grandson, faces other challenges.

She recently got fired from a nursing home for failing to report on her application that she had a nine-year-old record for welfare fraud. When she listed the record on her next nursing home application, she was informed that it barred her from employment.

Dates fights off depression as she trudges from one employer to another filling in her required hours of searching for jobs. "I want to have a positive feeling," she said. "I can't get that down feeling."

She might be eligible for a trial job at the minimum wage if she could find an employer willing to overlook her misdemeanor conviction for failing to report income from a \$50-a-week cleaning job in 1987.

By contrast, serious and savvy Shonte Bean, 24, has seized every possible opportunity under Milwaukee's new work-based system. She looked for jobs, went to classes and completed a specialized training program Friday in auto lubrication that landed her a job at \$7 an hour.

A mother at 13 and the daughter of a man who narrowly escaped the death penalty in Texas for murder, Bean would be a success story under any welfare plan.

"They have messed with me a lot," she said. "But it is a way to get people to work."

He cautioned the president that if Wisconsin were allowed to repeal welfare, other states would follow, and a plan designed for a progressive state with almost no unemployment would quickly spread nationwide. "Such an outcome would be a tragedy for the poor and a moral blemish on the earth's most affluent society," he said.

Thompson angrily dismissed Weakland's charges, saying, "People are going to be better off."

The Milwaukee model offers a view of the radical proposals states envision if they get permission to design their own welfare systems. Clinton said yesterday in his radio address that the Republican-led Congress was close to producing a welfare reform bill he could sign. The Republican proposals would give states broad powers to structure their own programs as Wisconsin has.

In Milwaukee, success hangs on turning around the state bureaucracy as much as it does on getting a federal go-ahead. On July 1, the state welfare bureaucracy was moved overnight into the equivalent of the state labor department. Legal appeals have gone up fourfold, computer systems are backlogged, voice mail systems overloaded, appointment agents with caseworkers backed up as much as a month. The state also has plans to turn over the administration of the whole system to private or non-profit contractors.

Meanwhile, welfare recipients like Colleen Braam career from defiance to despair. Braam recounts her history with a system under "guys downtown who have a job. They look at me like I'm not worth anything. They have no idea of what people have to go through to raise children by themselves."

Braam had trouble with absenteeism when she worked at the local children's hospital last year. Finally, one Sunday at 2 a.m., feeling tired

and sick, she simply went home, knowing she would be fired. Her boyfriend of 10 years had already walked out and left her with their children, Ashley and Corie Richardson, 7 and 6.

Braam, 34, says she has worked sporadically in a union office and at the post office since, struggling to take care of her children on \$517 a month, enrolling in junior college to try to boost her earning capacity and almost simultaneously violating Milwaukee's new "pay for performance" work program by "failing to register" for orientation.

She rails against the system for requiring her to meet what she considers Mickey Mouse requirements instead of getting a degree. "Their response is, 'Tough. These are the rules,'" she said.

Even for welfare recipients who are more tractable than Braam, the new Milwaukee system has proven to be "very chaotic, with lots of computer mistakes, confusing rules, people being evicted, losing their food stamps and having their checks reduced," said Loretta Williams, a community organizer for the Women in Poverty Public Education Initiative. "A lot of people are having a terrible time complying."

One of the reasons for that is the

MILWAUKEE—Don't tell Colleen Braam that Wisconsin is waiting for President Clinton to approve its revolutionary proposal to eliminate welfare. For Braam and her two small children, the future is already here.

Soon after Braam tried to get herself permanently off welfare by enrolling in a medical assistant certification course, the county summoned her to a three-day job orientation program. "I was making something of myself," she said. "Why should they have a fit about it? I gambled that they wouldn't do anything to me because I was going to school."

Wrong. When Braam skipped the orientation session because she was in school, the county wiped out her benefits.

Braam is one of 32,000 dazed Milwaukeeans participating in the nation's premiere welfare reform drama. Wisconsin is the first state to propose eliminating welfare, not just changing it. Since March it has implemented a demonstration "pay for performance" project that state officials call a "bridge program" between the old welfare system and the new plan envisioned by the governor.

Milwaukee County officials predict the project will reduce their caseload by 20 percent by Aug. 1 compared with a year ago, but an early look at the new system in this booming city shows the profound difficulties involved in pushing thousands of women and a handful of men off the welfare rolls and into the work force. A culture of people who have lived at home in poverty, often on the margins of society and in isolation from the world of work, now must contend with a highly regimented computerized system of strict work requirements. The result so far has been administrative chaos.

The program is a test run for the radical plan the state wants President Clinton to approve next week. Wisconsin is seeking a waiver of federal welfare rules to institute a program of universal jobs for Wisconsin's poor families so that they can support themselves on paychecks instead of being dependent on welfare.

Opponents have bombarded Clinton with more than 1,000 objections to Wisconsin's plan to replace welfare with jobs, to eliminate the entitlement to assistance simply for being poor, and to deny aid entirely to people who don't work. And this month Milwaukee Archbishop Rembert G. Weakland took up the cause and touched off a fight with the state's enormously popular—and Catholic—governor, Tommy G. Thompson (R).

Writing in The Washington Post, Weakland said, "Catholic social teaching holds that the poor, especially children, have a moral claim on the resources of the community to secure the necessities of life. We should not afflict these children with hunger in order to infuse their parents with virtue."

See WISCONSIN, A13, C-1

THE PRESIDENT HAS SEEN

8/21/96

Handwritten notes: "This is a study of the Clinton administration's... Publicly... Clinton..."

Robert Kuttner Clinton Joins the GOP

The change from the Democratic Party to the Republican Party... Clinton's move... The House... Clinton's... Clinton's... Clinton's...

Lou Cannon The New Americans

SENATE BARRACKS—their a higher... Clinton's... Clinton's... Clinton's... Clinton's... Clinton's...

But the secretary always in the... Clinton's... Clinton's... Clinton's... Clinton's... Clinton's...

Clinton in the editorial pages of the... Clinton's... Clinton's... Clinton's... Clinton's... Clinton's...

Clinton also took... Clinton's... Clinton's... Clinton's... Clinton's... Clinton's...

to see the... Clinton's... Clinton's... Clinton's... Clinton's... Clinton's...

THE WHITE HOUSE  
WASHINGTON

June 16, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Kathi Way  
Mary Jo Bane  
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Preliminary Issues for Welfare Reform

Last week, we officially announced a welfare reform working group made up of officials from the White House and the agencies. We have met with key members of Congress in both parties, and are working with an advisory group of governors and other state officials on recommendations that they will present to you at the NGA meeting in mid-August. In the meantime, we will begin a series of public hearings and site visits to promising welfare reform programs around the country.

Our goal is to have a welfare reform plan ready by the fall, for introduction late this year or next January, as the centerpiece of your 1994 State of the Union address. If you would like to move more quickly, please let us know.

We intend to build the welfare reform plan around the themes you set forth in the campaign:

- \* Making Work Pay, through an expanded EITC and health reform.
- \* Dramatically Improving Child Support Enforcement, by increasing paternity establishment at birth, improving the collection system, requiring absent parents to take responsibility for their children, and perhaps testing some form of child support insurance.
- \* Better Education, Training, and Support, by building on the JOBS program to ensure that people have access to the tools they need to escape welfare, and begin to integrate welfare mothers into the larger system of education and training.

\* Transitional Time-Limited Welfare and Work, by replacing the current system with one that enables and requires people who can work to go to work.

We have set up 10 working groups to address the major components of a welfare reform plan: 1) Making Work Pay; 2) Child Care; 3) Child Support; 4) Absent Parents; 5) Post-Transitional Work; 6) Transitional Support; 7) Private Sector Job Development; 8) Program Simplification; 9) Prevention/Family Formation; and 10) Modeling.

As we proceed with this project, we would like your general thoughts on how to go about ending welfare as we know it. To begin with, we would like to take up a few pivotal issues:

- \* How bold? Should we reform welfare or replace it?
- \* What should time-limited welfare look like? Who should be required to work, what should be done to sanction those who refuse to work, and how quickly should we phase in these reforms?
- \* What else can we do to promote work, family, and personal responsibility? How far can we go in toughening child support enforcement? Should we consider other measures to help families with children, such as child support insurance and/or a children's tax credit?

## **ISSUE #1: REFORMING WELFARE VERSUS REPLACING WELFARE**

In the campaign, you called for an "end to welfare as we know it," and most of our work so far assumes that our goal is to find a genuine alternative to welfare. We are looking for ways to enable people to support themselves outside the AFDC system, through work instead of welfare, and we are more interested in moving people off welfare as quickly as possible than in simply encouraging them to work for their welfare. Both of these goals require much more than tinkering with the current system -- and consequently go much further than most state welfare reform efforts, either in implementation of the JOBS program or in waiver requests for state demonstrations.

State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic state demonstration proposals are not oriented to getting people off welfare quickly and helping them make it outside the welfare system when they work. The Bush Administration followed a policy of welfare reform through state waivers, which many state officials would like to see as the centerpiece of this Administration's approach to welfare reform. We believe that state flexibility and experimentation are critical, but we do not believe that leaving reform entirely

to the states will end welfare as we know it. The states are in no position, legally or financially, to envision genuine alternatives to the current system.

We are operating on the assumption that our goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More modest reforms are possible -- expanding and enriching the JOBS program, or relying on state-generated reform approaches -- and would do a good deal to improve the current system. But we believe we have an obligation and an opportunity to be much bolder, to fashion an approach that moves people quickly off welfare and helps them stay off -- or better yet, helps keep them from going on welfare in the first place. The best kind of time-limited welfare is a system where no one stays on the rolls long enough to hit the limit.

## **ISSUE #2: STRUCTURING TIME-LIMITED WELFARE AND WORK**

The principle of time-limited welfare, of ensuring that welfare does not last forever, resonates positively not only with voters but with welfare clients. If supports for work are in place, if we have dramatically improved child support, if we have improved education and training and job placement, then it seems unassailably reasonable to insist that after a time certain, traditional welfare must end and some sort of work must begin. There is real dignity in work, and much real work to be done: public libraries are closing because communities cannot afford staffs, there is an enormous shortage of child care workers, and the non-profit sector is booming, just to name a few.

But significant questions arise: How many people can reasonably be expected to work? Who should pay them, and what should they do? And how can we mount such a massive job effort without creating a make-work nightmare like CETA?

The size of the welfare population alone suggests that a time limit should only be applied to a portion of the caseload, at least at first. Up to 3 million recipients have been on welfare for 2 years or longer. Requiring even half of them to work could require the creation of 1.5 million jobs -- and if those were community service jobs, the program would be several times the projected size of national service.

Cost and capacity are critical issues. For example, we would like to see a system of 100 percent participation in work, education or training. The JOBS program currently spends about \$800 million nationwide, and enrolls about 7 percent of recipients -- and even the best states only serve about 15 percent. No state now requires work of more than a small proportion of clients. Requiring people to work or even simply participate will increase costs not only for the programs themselves, but also for day care, transportation, etc.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and enable us to see what works. The challenge will be

how to control costs while at the same time being bold enough to meet our commitment to real change.

A second important issue in designing time limits is the consequences of non-compliance. A system of required participation and work will only be seen as a genuine end to welfare as we know it if it has serious penalties for non-participation. But current practice allows strong due process concerns, penalties affecting adults only, and extremely low sanction rates of any sort.

The best way around this dilemma is to design a system that involves serious and unavoidable consequences for non-participation, but at the same time provides people enough opportunity that life is possible and desirable off welfare. The easier it is for people to support themselves through work instead of welfare, the fewer people will reach any time limit, the fewer public jobs will be created, and the less important sanctions will be. In the end, finding the right balance between opportunity and responsibility will determine whether or not a welfare reform plan can obtain the political support and the moral legitimacy to survive.

### **ISSUE #3: CHILD SUPPORT**

If we are going to ask more of welfare mothers, we must ask more of absent fathers as well. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents, and send a clear message that those who bring children into the world have a responsibility to raise them.

We are looking at every possible means to toughen child support enforcement and demand personal responsibility. These measures might include: universal paternity establishment in hospitals; mandatory wage withholding administered by the states; denying deadbeat parents access to universal health care; making it harder for deadbeats to obtain credit cards, driver's licenses, or professional licenses; requiring custodial parents to establish paternity or lose the right to take a personal tax exemption for their children; and various other efforts to demand responsibility and increase collection.

We will also examine other, more sweeping means of making it easier for parents to raise children. One controversial option, known as child support assurance or insurance, would seek to improve child support enforcement and provide some protection to single parents by providing a government-guaranteed minimum child support payment (say \$2,000 or \$3,000), even when collections from the absent father fall below the minimum. Minimum child support payments would only be provided to custodial parents with an award in place. Any insured child support benefits would be counted as income for welfare purposes, and welfare benefits would be reduced dollar for dollar. A woman on welfare would be no better off, but if she went to work, she could keep her guaranteed child support.

Proponents of this idea argue that it will make it much easier to leave welfare for work, increase incentives for mothers to get awards in place, and legitimize a genuinely time-limited welfare system. Critics fear that it will let absent fathers off the hook, encourage the formation of single-parent families, and simply provide welfare by another name, without increasing child support collection.

Another option to ease the financial burden of raising children would be to provide some kind of children's allowance or children's tax credit. To hold down costs, such a credit might be limited to young children in working families with incomes under \$40,000. The tax credit could be further limited to families where paternity has been established, and capped at a maximum of two children under 6 at any time.

The advantage of a children's allowance is that it recognizes that raising children is a burden for all working families, with two parents or one. Like the EITC, it would provide an additional incentive to work, and it would also give working and middle-class families some much needed tax relief. The disadvantage is that like any tax cut, it will cost money. Joe Lieberman has proposed a credit of \$1,000 per young child that would cost \$9 billion a year; the more carefully targeted version described above would cost significantly less.

In any case, a major part of our effort will be to look at ways to reduce the formation of single-parent families. Over the last decade, the number of children born to unmarried mothers has grown dramatically, even though the divorce rate has leveled off. Paternity establishment is improving, but unwed births are increasing twice as fast. Keeping people off welfare in the first place is the best system of all.

June 7, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: MONEY FOR WELFARE REFORM

Here is a proposal you can put to Moynihan as proof of your commitment to welfare reform: Increase funding for the JOBS program by \$250 million in both FY94 and FY95, as a way to raise the federal matching rate of 85% in states that begin early implementation of time-limited welfare.

According to his staff, Moynihan has two goals for welfare reform, which you share: 1) increase the federal match for JOBS so that states can afford to implement the Family Support Act; and 2) move toward a system of time-limited welfare. This proposal would enable us to waive the current cost-neutrality rules for demonstrations in states that want to move toward time-limited welfare.

This proposal should pass muster with the Byrd rule, which is being interpreted to allow expansion of an existing program. It would also please the governors, particularly in industrial states where the current federal match is only about 60%. A temporary adjustment in the JOBS matching rate was included in the tax bill Bush vetoed last year (although that provision did not address time-limited welfare). In the meantime, the AFDC caseload has grown to record levels, passing the 5 million mark.

If you raise this idea with Moynihan, you may have to persuade him that it isn't just a token effort on our part, but an important downpayment on welfare reform that will significantly improve the prospects of getting the sweeping reform plan we'll propose late this year. This isn't a substitute for ending welfare as we know it; it's a way both to build on the Family Support Act and to underscore that welfare reform is a make-or-break element of this Administration's agenda.

## MEMORANDUM FOR THE PRESIDENT

**FROM:** Bruce Reed  
Mary Jo Bane  
David Ellwood

**THROUGH:** Carol Rasco

**SUBJECT:** Timing of Welfare Reform

This memo explores several options regarding the timing of welfare reform. Clearly health reform must be the primary focus of the administration this year. And welfare reform depends critically upon health reform, otherwise we will be left with the Hobsian choice of proposing a welfare reform plan which does not guarantee coverage for people who leave welfare for work or one which provides coverage to those who leave welfare while leaving coworkers in similar jobs who never went on welfare with no coverage. Moreover there are legitimate concerns about moving forward with these bills simultaneously, given the complex and potentially intertwined politics of each, the common committees, and the danger of losing focus on health.

At the same time we are concerned that we may lose the initiative and credit for welfare reform if we delay significantly. Several developments color our thinking:

- o Welfare reform as you have outlined it is extremely popular with the public. A recent U.S. News survey found that 93% of the American public supported a plan to "require job training for those on welfare, and after two years, require them to work." Even 82% supported a plan to "require job training for those on welfare, and after two years, require them to work in government jobs if necessary."
- o The issue seems to be heating up now. All the major news magazines have had major articles, there is heavy writing by reporters, columnists, and editorial boards.
- o The Republicans have introduced their bill with nearly unanimous support of House Republicans. Though it has significant limitations, it has much in common with the program we are likely to advance. Newt Gingrich suggested on last weekend that welfare reform could be done in 90 days. His main focus during that program was on welfare reform. Republicans could make our failure to act a major focus in the fall elections and the opportunity for bipartisan efforts would be more difficult.
- o Results from focus groups and surveys suggest that the public does not see a lack of medical coverage as a major reason people fail to leave welfare, even though we do, and thus may not fully accept the argument that we can't do welfare before health reform.
- o With so many governor's races up for grabs, welfare appears to be a major campaign

issue. Absent leadership from the administration, we expect a plethora of highly diverse welfare reform waiver requests.

- o The pressure for further entitlement cuts raises the danger that savings identified for use in welfare reform might instead go to deficit reduction or other initiatives making welfare reform even harder to finance.
- o There is no way to know what the make-up of the new Congress will be, but it seems unlikely to more progressive regarding welfare. On the other hand, election year politics complicate welfare reform debates.

Thus our fear is that the issue will be defined by Republicans and by Governors anxious to do something in welfare reform as they run for reelection. Instead of being in the lead, we may be seen as being reactive.

We see 4 basic options on timing. Be ready to introduce early this year (early March), introduce after the committee work on health reform is done or nearly so (May), introduce after health reform has passed or nearly so (August/September), or introduce a piece of reform early and another piece later.

#### Early Introduction (Early March)

Under this scenario welfare reform would be heavily discussed in the State of the Union Address stressing the links to health reform and the training initiatives and emphasizing that health reform is essential to welfare reform. Early introduction offers the clearest opportunity to get something passed during this session. Given the time needed for hearings, markup, floor debate, and conference, early introduction may be a prerequisite to passage this year, and even then the timetable could be tight unless we can create an early bipartisan consensus.

Early introduction would allow very clear links to be drawn between the related displaced worker training effort of DOL and its longer term one-stop vision. It will likely prevent Republicans from capturing the issue and will give a signal to states about what options the Federal government is encouraging and funding.

Note that early introduction, or at least getting a bill prepared preserves the most flexibility. One need not actually introduce the bill or if one introduces it, one need not push hard for immediate passage. As the politics of health and welfare clarify, one would have the option of moving health first, or of linking the two. And if health reform seemed to be delayed, it leaves open the option of pushing for a victory on welfare reform before the 94 elections.

On the other hand, such a strategy carries risks. Republicans and some Democrats may insist that welfare reform be moved if the bill is there, and they may make demands about welfare reform as a condition of voting for health reform. Inevitably the period in and around the unveiling of a plan will be one where the focus on health will be diminished. Key leadership and several important constituencies are opposed to moving forward too quickly.

And early introduction will require considerable energy from you and others in the White

House over the next couple of months. A number of key issues need to be resolved including financing, the level of resources, the nature of the work program, and phase-in.

#### Introduce After the Health Committee Work is Essentially Done (May)

Under this scenario, the broad goals and key themes of welfare reform in the State of the Union Address. Once again the links between welfare and health reform and between welfare and the DOL initiatives would be emphasized. We would promise to introduce welfare reform at the earliest possible time that the committees can really deal with it--in May, around the time we expect the committees to finish their work on health reform. We would probably also need an additional story about the key steps that need to be done between now and May such as determining how we can place as many people as possible in the private sector and how would a community service program work.

This alternative clearly signals that health reform is paramount on the agenda, and it reduces the political maneuvering and potential political trade-offs between health and welfare reform. At the same time, if we introduce by May, we can probably keep the dangers of losing control of the issue to a minimum--especially if we announce our rough timing ahead of time.

This strategy may make passage of welfare reform this year very difficult. It leaves open the option of making a strong push on welfare if health moves rapidly or if it stalls, but the major legislative focus of the year then is clearly health. It likely pushes our proposal into the election cycle and with reintroduction of the bill next year. And the longer we wait, the greater the danger that Republicans will try to steal the show. This problem becomes particularly great if we are quite vague about the timing. If we simply say we will introduce later this year, Republicans will probably step up the rhetoric far more. We would also have to work closely with key leadership in the House, and especially the Senate to prevent premature floor consideration of the comprehensive Republican welfare reform alternative and a variety of Senate floor amendments, though there is some risk we will not be able to hold them back.

#### Introduce After Health Reform is Passed (August/September?)

Waiting until after health reform is passed insures that the administration's welfare reform efforts do not conflict with health reform. Given the late timing, one probably would not want to say much about welfare reform in the State of the Union and we would need to lower expectations regarding welfare. Given the very late introduction, it will be obvious the administration does not wish to pass welfare reform this year, and the bill will have to be reintroduced next year. It could then be featured in the State of the Union Address in 1995. If Republican attempts to push forward are defeated, it also insures that welfare reform will not be considered in an election year.

We see this as a highly risky strategy. Bob Greenstein, who probably has as good a political eye and ear on low income political matters as anyone thinks this strategy would "kill" us. He sees significant pressure from the Republicans and moderate/conservative Democrats to do something on welfare reform and thinks it would be very difficult to put off consideration of very unpleasant floor amendments. We think it likely that Republicans would try to use the issue politically. There is a risk that the Congress would pass a Republican-like version of

reform that would interfere with health reform, and would be hard to veto. Conversely, making the case and building coalitions to kill floor proposals may complicate our legislative strategy later when we need the support of some of the same people we sought to beat initially.

### Two-Piece Strategy

The final alternative would be to break the proposal into two pieces. The only logical break politically would probably be to do an early bill on parental responsibility (teen pregnancy initiatives, etc.) and child support enforcement followed by a later bill with child care, an expansion in JOBS, and time-limited welfare. The administration would argue that welfare reform consists of critical building blocks including EITC, health reform, parental responsibility/child support enforcement, and child care/training/time-limits. The last piece should not be done until the others are in place.

This plan has the advantage of putting the most costly items and many of the most controversial issues into a later proposal. We could argue we are moving forward with welfare reform quite deliberately, but that one must do things in the proper order. There is increasing attention being paid to issues of teen pregnancy and out-of-wedlock childbearing and we would be speaking to those issues. If the responsibility piece is perceived as genuine progress on welfare reform, such a plan might reduce the danger of losing the initiative, while putting off the tougher debates over child care, training, and time-limits. There seems little danger that a child support enforcement /family responsibility proposal would create major political problems for health reform. It would, however, be in the same committees and would compete for time and attention with health reform.

There are significant problems with such a plan as well. We worry that neither the public nor the Republicans may perceive a teen pregnancy/child support initiative as a major step toward welfare reform. While we see child support enforcement as central to our efforts, the public is largely focussed on the question of time-limits. Moreover, we had always seen child support enforcement as one of the vehicles that would help pull welfare reform through the Congress. In our meetings with advocates they always praise our child support efforts even when they question time-limits and mandatory work. Members like Bill Bradley and Christopher Dodd care much more about child support enforcement than welfare reform and they might well vote for an enforcement bill and against some time-limited welfare proposals. Child support also seems likely to save some money, and it would be difficult or impossible to reserve those savings for child care, training or job creation.

Although our child support enforcement ideas are well developed and will have demonstrable impacts, there is far less known about what we can do to prevent teen pregnancy or out-of-wedlock childbearing. An extended debate over prevention alone will expose the limits of existing knowledge and ideas. We'll likely get credit for trying, but not for really offering a solution. Moreover, a bill focussed on prevention seems extremely vulnerable to troubling amendments designed to punish young and unmarried mothers and their children. Charles Murray is using the issue to argue for the complete cut off of benefits to unwed mothers. The debate might become extremely ugly and potentially divisive with racial overtones. If so, it will set the stage for a potentially even more painful debate over time-limits. We may have

to fight the welfare reform debates twice.

January 13, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Mary Jo Bane  
David Ellwood  
Bruce Reed  
Kathi Way

THROUGH: Carol Rasco

SUBJECT: Timing of Welfare Reform

I. BACKGROUND

Although the Administration has publicly affirmed its intention to pursue both health reform and welfare reform legislation in 1994, the timing and nature of welfare reform has come under intense scrutiny. This memorandum outlines some options for your consideration as you prepare for the State of the Union.

In light of Senator Moynihan's recent comments, we see no way to put off introduction of welfare reform without jeopardizing health reform. He has made clear that he won't take up our health care bill until he sees our welfare reform bill. Senator Mitchell's office has also expressed concern that until we have sent up our welfare reform plan or committed to a date certain, the Republicans can embarrass us on the Senate floor by offering welfare amendments to any bill they please. On the House side, Rep. Harold Ford wrote an op-ed for the Memphis Commercial-Appeal this past week endorsing time limits and urging you to move quickly on welfare reform.

II. OPTIONS

In order to avoid losing the issue, we see two options on how to proceed. Our first and preferred option is to move full speed ahead and announce that we will introduce comprehensive welfare reform legislation in March. That will also give you plenty of time to delve into the details of what the welfare reform legislation should include, and how best to pay for it. It will reassure Moynihan and other moderates that welfare reform is coming, and shift the press focus over the next two months back to health care. And it will give us a fighting chance to pass welfare reform this year.

The risks of this strategy are that leaks during the decision-making process on welfare will disrupt from our public focus on health care, or that our allies on health care will be put off by what we propose on welfare. But we will have to run these risks anyway if we are going to introduce welfare reform legislation in 1994, and it may be better to face them now rather than down the road when we're scrambling to build majorities on the floor for health care.

A second option would be to introduce part of the plan right away and part later this spring, when health care is farther along. The first piece could focus on personal responsibility --- primarily measures on teen pregnancy, paternity, and child support enforcement. The second piece could focus on work -- expansion of the JOBS program, the two-year time limit, work programs, and child care. (A detailed description of what these two pieces might look like is attached.)

This part-now, part-later approach was initially envisioned as a means to hold onto the welfare issue while protecting health care. In light of Moynihan's recent comments, it seems unlikely to accomplish either objective. Moynihan told the New York Post that if we were serious about welfare reform, we would show how we're going to pay for it. We doubt that this two-step option would reassure him, and we fear that he and others might use it as an excuse to blast the Administration again for not being serious about the issue.

Whichever course you choose, we believe that you should send a strong, clear signal in the State of the Union, which you can reinforce a week later in your remarks to the NGA. Without a clear timeline and strategy, we will have the worst of all worlds --- reporters will continue to focus on process instead of policy, Republicans will continue to use welfare as an excuse not to deal with health care, and Democrats will continue to tug at us from the left and the right and take advantage of any apparent indecision to drag both the health care and welfare debates in their direction.

## POSSIBLE ELEMENTS OF A TWO-PART WELFARE REFORM PLAN

Here is what the components of a two-part welfare reform plan might look like. In theory, these measures could be introduced separately and taken up together. Obviously, the entire list below could instead be introduced as a single Work and Responsibility Act early this spring.

### I. Personal Responsibility Act (could be introduced in February)

#### 1. Prevention

- Announce a national campaign to reduce teen pregnancy and out-of-wedlock births
- Require unwed teen mothers to live with their parents
- Allow LEAP-style programs to reward and sanction individual behavior
- Make cooperation in paternity establishment as a condition for means-tested benefits
- Allow states the option to limit additional benefits for additional children
- Expand family planning and welfare mother mentoring demos
- Encourage use of a social contract laying out expectations for all applicants
- Include any other ideas to reduce out-of-wedlock births

#### 2. Child Support Enforcement

- A range of improvements in enforcement, including state registries
- A national registry to cross-check delinquent parents
- Work programs to require delinquent parents to pay up or work off their child support obligations
- Mandatory revocation of drivers licenses for delinquent parents
- Small-scale demonstration of child support insurance

### II. Work Not Welfare Act (introduced in April/May)

#### 1. Make Work Pay

- Expanded child care
- Advance payment of EITC

#### 2. Work

- Expansion of JOBS program
- Increased emphasis on job search and placement
- Two-year time limit followed by work
- Economic development and asset changes

#### 3. Reinventing Government

- Measures to identify and reduce fraud
- Streamlining of requirements and bureaucracy
- Simplification and increased state flexibility
- Technology to track compliance with two-year limit

THE WHITE HOUSE  
WASHINGTON

DATE: 11/23

NOTE FOR: *Bruce Reed*

The President has reviewed the attached, and it is forwarded to you  
for your:

Information

Action

Thank you.

**JOHN D. PODESTA**  
Assistant to the President  
and Staff Secretary  
(x2702)

cc:

*CH*

*Handwritten scribbles and illegible text, possibly including "Welfare Reform" and "11/12/93".*

THE WHITE HOUSE

WASHINGTON 11/12/93 P 6:32

November 12, 1993

THE PRESIDENT HAS SEEN  
11/23/93 45

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: House Republican Welfare Reform Plan

Earlier this week, House Republicans announced their welfare reform plan, which is based on your campaign pledge to require welfare recipients to work after 2 years. A summary is attached.

**I. Elements of the Plan**

The Republican plan includes the following major provisions:

**1. Work:** Requires AFDC recipients to work at the end of two years. Provides \$10 billion over 5 years to states to set up CWEP work programs. Phased in over 10 years, starting with 30% of new applicants in 1995. Gives states the option to drop recipients after 3 years in the work program (and a total of 5 years on AFDC). Also requires fathers of children on AFDC to pay child support or take part in a work program.

**2. Parental Responsibility:** Requires mothers to identify the father in order to qualify for welfare benefits. Requires teen mothers to live at home. Prohibits additional benefits for additional children born while on welfare. Includes other incentives for school attendance, immunization, parenting classes.

**3. How to Pay for It:** The Republicans raise about \$10 billion by eliminating SSI and other welfare benefits (except emergency Medicaid) for most non-citizens. They raise another \$20+ billion by capping entitlement programs (EITC, AFDC, SSI, Section 8 housing, Food Stamps) at inflation plus 2% -- and by cutting all food and nutrition programs (Food Stamps, WIC, etc.) by 5% and block granting the money to the states. These measures allow them to spend \$2 billion on training and \$10 billion on work programs, and still claim \$21 billion in deficit reduction over 5 years.

## II. Pros and Cons

We intend to welcome the Republicans' contribution to the debate, applaud their emphasis on work, responsibility, and your two-year time limit, and pledge a bipartisan effort to pass a welfare reform plan.

If asked, we will express some concerns about the entitlement cap -- it's ridiculous to cap a powerful work incentive like the EITC -- and the across-the-board cut in nutrition programs. We expect the NGA and even some Republican governors to criticize this apparent effort to shift the burden of welfare spending onto the states. We think it's unrealistic to claim that welfare reform can lead to massive deficit reduction in the short run. The Republican plan also doesn't do as much as it could to improve child support collection, or to provide employment and training services to support people in work.

But there is much in the Republican plan that we can work with. We are considering recommending many of the same parental responsibility measures for our own plan, such as requiring mothers to name the father in order to qualify for benefits and no longer giving welfare benefits to teenagers who want to live on their own. The Republican work program is a serious, \$10 billion effort to provide community service jobs -- and they phase in the program at a reasonable pace.

In fact, if they dropped the entitlement cap and block grant provisions, the Republicans would still have a revenue-neutral plan that invests \$12 billion over 5 years -- which is not a bad starting point for the debate.

The Administration's welfare reform working group has just completed a series of regional hearings in California, Tennessee, Chicago, and New Jersey. We will present a series of options to you next month for consideration in the FY95 budget, and develop legislation for introduction early next year.

**SUMMARY OF WELFARE REFORM LEGISLATION  
SPONSORED BY HOUSE REPUBLICANS  
Fall, 1993**

**I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE**

***CAUSE 1: NONWORK***

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

***THE SOLUTION: MANDATORY WORK***

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional \$10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

***CAUSE 2: ILLEGITIMACY***

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock - and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

***THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS***

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

(OVER)

## II. SLASHES WELFARE FOR NONCITIZENS

### ***THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS***

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

### ***THE SOLUTION: STOP WELFARE FOR NONCITIZENS***

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

## III. EMPHASIZES PARENTAL RESPONSIBILITY

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

## IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends SSI benefits for those testing positive for illegal drugs

## V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT REDUCES THE DEFICIT BY \$20 BILLION OVER 5 YEARS

- The training and mandatory work provisions of the bill cost nearly \$12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about \$31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost \$20 billion over 5 years.

THE WHITE HOUSE  
WASHINGTON

May 30, 1993

**MEMORANDUM FOR THE PRESIDENT**

**FROM: BRUCE REED**

**SUBJECT: WELFARE REFORM IN WISCONSIN**

**I. Gov. Thompson's Time-Limited Welfare Demonstration Project**

On Thursday, Gov. Tommy Thompson announced a welfare reform pilot project that includes a work requirement and a two-year time limit. If it passes the state legislature this fall, the project will be tested in two counties -- provided that HHS approves Wisconsin's request for a waiver.

The proposal, called "Work Not Welfare," sounds similar to what you called for in the campaign: everyone who can work must go to work; the state guarantees education, training, and child care; cash benefits end after two years; for those who cannot find a job in the private sector, a public service job will be provided.

Recipients will receive education and training for one year, then be required to work for their benefits in the second year. Child care and health care benefits will continue for up to a year after cash benefits run out. The plan is designed as a decade-long experiment, to be expanded if it works.

Wisconsin will not submit a formal waiver request until the legislature approves Thompson's plan. HHS will have to review it for cost neutrality and other issues. But at first glance, it looks to me like a responsible proposal. The biggest question may be ensuring there are enough jobs to go around. The plan calls for a partnership of business, communities, and local government to generate the necessary jobs.

In announcing the proposal, Thompson said, "If Mr. Clinton is serious about welfare reform, he should take a look at Wisconsin." Thompson is one of five governors who serve on the welfare reform advisory group that the NGA formed at your request.

## **II. The New Hope Project in Milwaukee**

If you talk about welfare reform in Milwaukee, you can also mention the New Hope Project, a pilot project in time-limited welfare in inner-city Milwaukee. The program started last year with 50 people; it plans to expand to 600.

The program provides child care, health insurance, a wage supplement (an additional supplement beyond the federal and Wisconsin EITCs to boost participants' income to 105-115% of the poverty level if they work full-time), and a guaranteed job in the public or private sector.

The New Hope Project was launched with money from foundations, corporations, and state and local government. Congress attached a \$6 million New Hope amendment to H.R. 11, the tax bill Bush vetoed last fall. They hope to pass it again this year.

According to New Hope's founders, Milwaukee leads the nation in teen pregnancy rates, and has the largest income gap between whites and African-Americans.

→ Ask Gene re 44

May (26) 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
KATHI WAY

SUBJECT: UPDATE ON WELFARE REFORM

For the past several weeks, we have been working with David Ellwood and Mary Jo Bane at HHS to assemble a high-powered welfare reform team from throughout the Administration. We have also met with key members of Congress in both parties who share your interest in welfare reform, and we are working closely with the NGA and other state and local officials. We hope to have a plan ready by this fall, to be introduced either late this year or as the centerpiece of your State of the Union Address in January 1994.

We have been trying to schedule a welfare reform event for one of your upcoming trips around the country. But Stan, Mandy, and other political advisers recommend that you spend June and July focusing on the economic plan and health care, and turn to welfare in August -- perhaps with a series of events the week of the NGA annual meeting Aug 24-26 in Tulsa.

If you agree with this approach, we will plan some real-people events for late August. In the meantime, we recommend announcing the working group at the first meeting of the Domestic Policy Council on June 10, to signal that welfare will be your next big priority after health care. Once the working group is announced, we can start holding field hearings around the country and visiting promising programs with key governors and members of Congress.

We would also like to explore with Ray Scheppach the possibility that the NGA Advisory Group present you with preliminary recommendations on welfare reform at the August meeting. We have been working closely with them, and expect that their plan will be similar to yours. Gov. Florio is taking the lead, and considers this issue vital to his re-election. Still, it may take some nudging from the White House to get the governors to act by August.

We will also work with individual governors who want to introduce their own compatible welfare reform plans next January. (We're already working with Lawton Chiles and Buddy McKay in Florida.) Many states have waivers pending; we are leaning on

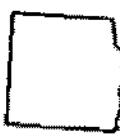
HHS to develop a waiver policy that encourages experimentation.

We have found tremendous interest in this issue on Capitol Hill. Moynihan, Mitchell, Breaux, and Rostenkowski are particularly enthusiastic; they all believe we can attract bipartisan support.

Our biggest challenge over the next few months will be to convince Moynihan we're serious about welfare reform. He told us, "I trust the President. I do not trust his government." The ideal solution would be to find some money for welfare reform in budget reconciliation. It's not clear where this money would come from, or whether it would pass muster under the Byrd rule.

The working group has been meeting informally for several weeks, and includes a diverse group of top officials from every major domestic agency. We would like to meet with you in the next month to review our progress and get your current thoughts on what direction the plan should take. We will send you regular updates on our findings over the summer, and aim toward more intense discussions with you in August and September.

Moynihan gambit  
1994 introduction  
Timetable  
Buddy McKay  
Level of Presidential involvement



**Welfare Reform  
Policy Checklist  
May 25, 1993**

**A. Keeping People Off Welfare**

1. Making Work Pay

- How much will the expanded EITC reduce the welfare rolls?
- What other incentives can we offer to make work a better deal?

2. Health Care Reform

- How much will health care reform reduce the welfare population?

**B. Welfare to Work**

1. Education and Training

- Does it work? What model programs should we follow?
- How can we do more with existing federal programs (JTPA, Dislocated Workers, Unemployment Insurance, etc.)?

2. Job Placement and Worker Support

- How can we accelerate placement into private sector jobs?
- What do we need to do keep them there?

3. Public and Private Sector Jobs

- What kind of private sector jobs will be available for people leaving welfare?
- What kind of public sector jobs can we create, how many will we need, and how much will they cost?

**C. Time-Limited Welfare**

1. Designing a Universal System

- How can we cover the most people with the fewest exemptions, without bankrupting the states or creating an enormous bureaucracy?
- Who should be exempt?
- How should we sanction those who refuse to work?
- How quickly should we phase in this new system?

2. Workfare vs. Work Instead of Welfare

- Should people work off their benefits (like CWEP), or should we guarantee them full-time minimum-wage public-sector jobs, or should we use their benefits to subsidize private-sector employment?

### 3. Bold, Persistent Experimentation

- How do we streamline the welfare system (AFDC, food stamps, housing, etc.)?
- How do we encourage bottom-up experimentation while still insisting on fundamental reform?

## D. Other Issues

### 1. Child Support Enforcement

- What incentives can we use to demand responsible behavior?

### 2. Building Support

- What do the states need to make these reforms work?
- How can we attract support from community groups and the private sector?

### 3. Money

- How much will welfare reform cost?
- Where can we find the money?

THE PRESIDENT HAS SEEN

7-26-95

File  
Pres has  
seen

THE WHITE HOUSE

WASHINGTON

July 26, 1995

Kitty

Higgins

MR. PRESIDENT:

Attached are memos from Donna Shalala and Reed/Emanuel on the proposed Massachusetts welfare waiver. Two issues are addressed: family caps and protections for recipients facing a cut-off of benefits. The negotiating deadline is August 4, but with the NGA meeting coming up, you will probably want to resolve the issue this week.

**Family caps.** Donna suggests that, in light of the unimpressive early results from New Jersey and the opposition of both women's and pro-life groups, "you may want to consider denying" the Massachusetts and other family cap waivers. Bruce and Rahm disagree, saying: (i) we shouldn't change course now; (ii) any bill Congress passes is almost sure to include it; (iii) it is too early to say the New Jersey cap isn't working.

**Protections.** Massachusetts wants a two-year limit on recipients with school-age children and then sole discretion to grant extensions. Donna wants a guaranteed extension for anyone who can't find a job (same terms applied to Virginia and other states). Bruce and Rahm agree with Donna on this -- but see a likely impasse with Massachusetts on the issue.

**Family caps**

Accept Mass. caps  Deny  Discuss

**Protections**

Agree with HHS  Agree with Mass.  Discuss

Todd Stern

7.26.95

July 25, 1995

## MEMORANDUM FOR THE PRESIDENT

95 JUL 26 9:54

FROM: Rahm Emanuel  
Bruce Reed

SUBJECT: The Massachusetts Waiver

The attached memo from HHS outlines two issues they would like you to resolve before granting the Massachusetts waiver: 1) whether to grant Massachusetts a family cap; and 2) what protections to demand for recipients who have been cut off. We recommend that you advise HHS to continue to allow family caps as a state option, and encourage them to negotiate the best protections they can for recipients who hit the time limit.

**1. Family Cap:** As you know, our welfare reform plan last year made the family cap a state option. We have granted family cap waivers to Democratic and Republican governors in eight states, in addition to the New Jersey experiment granted by Bush. Five other states have family cap waivers pending, including California, Massachusetts, and Maryland. The House Democratic alternative included the family cap as a state option; the Senate Democratic bill does not address the issue. It is virtually certain that any welfare reform bill Congress passes will give states the freedom to do this.

You should review the preliminary evidence from New Jersey and judge for yourself, but in our view, it's just too soon to tell whether the idea will have a significant impact on additional births. (Some proponents, like Assemblyman Wayne Reynolds in New Jersey, have argued all along that the importance of the family cap was not its immediate impact on illegitimacy, but its long-term signal that people on welfare must take responsibility for their actions.) In any event, with the Senate scheduled to take up welfare reform August 7, a sudden change of course on the family cap right now would give Republicans a popular issue to use against us in the debate over block grants and state flexibility.

**2. Protections:** The Massachusetts welfare reform plan would place a two-year time limit on welfare recipients with school-age children, after which they would be ineligible for benefits for three years. Massachusetts wants to make it a matter of state discretion whether to grant an extension to anyone who reaches the time limit and can't find a job. HHS wants an explicit guarantee. HHS would like Massachusetts to accept the same terms that were included in George Allen's Virginia waiver, which protects the children of recipients who play by the rules and cannot find a job.

We think HHS is right to seek these protections. We recommend that HHS tell Massachusetts we will grant the waiver with the family cap, but with the time limit protections they negotiated with George Allen in Virginia. However, you should know that the downside to this approach is that Massachusetts probably will not take that deal, which will leave us at an impasse when we reach the 120-day negotiating deadline August 4.



JUL 20 1995

MEMORANDUM TO THE PRESIDENT

SUBJECT: Family Caps and the Massachusetts Waiver

95 JUL 25 P4:19

At your meeting with representatives of Catholic Charities on Wednesday, you agreed to review the issues and the evidence on family cap policies, and to consider the Massachusetts waiver and other pending family cap waiver requests in the light of that review. This memo lays out the issues for your consideration. It also raises an additional policy question arising from the Massachusetts waiver application, and asks for your support in holding firm on protections after a time limit for families who play by the rules.

Your Executive Order targeting 120 days to reach decisions on welfare reform demonstrations would place the decision deadline for Massachusetts during the last days of July. This coincides with the NGA's annual summer gathering which you will attend and which, this year, is taking place in Vermont, a neighboring state to Massachusetts. It is, consequently, vital to reach a timely resolution on these issues.

## FAMILY CAPS

### Background

Family cap policies have generated controversy since New Jersey first proposed such a policy in 1992. As you know, proponents of family caps argue that increasing a family's AFDC benefits when a new child is born, as current statute requires, may encourage out-of-wedlock births and at the very least send the wrong signal about parental responsibility. Opponents of family caps argue that children will be harmed by the reduced welfare payments, that births are not likely to be deterred, and that if births are reduced, the reductions could well come from increased abortions.

In drafting the administration's welfare reform legislation, the Work and Responsibility Act, the arguments for and against family caps were carefully considered by the administration and by you personally. You decided, consistent with your own beliefs about both parental responsibility and state flexibility, that the WRA should allow family caps as a state option.

In the context of the administration's strong commitment to state flexibility, and its support for a family cap state option, HHS has considered and granted waivers for demonstrations of family caps in seven states in addition to the two states granted family cap waivers by the Bush administration. We currently have

pending five applications for additional family cap waivers, including Massachusetts. (A list of the family cap waivers that have been granted, and those that are pending, is attached.) The Massachusetts proposal was passed by its legislature with bipartisan support. Nonetheless, it has generated especially strong opposition from a variety of groups including organized labor, the mayor of Boston, a broad spectrum of legal services and advocacy groups, and, as you heard last Wednesday, the Catholic Church.

There are obvious arguments against changing course on family cap waivers at this point, given your continuing support for state innovation in welfare reform and the administration's position on family caps in the WRA. Family caps tend to have strong public support. And of course, appearing to be inconsistent on an important issue has its costs. Nonetheless, there are also compelling arguments for reconsidering our waiver policy and approving no more family cap demonstrations, starting with denial of this part of the Massachusetts waiver.

#### Discussion

As you know, supporters of the family cap believe that it addresses the serious issue of out-of-wedlock births through both financial incentives and strong signals about parental responsibility. They argue in addition that since working families typically do not get a pay raise when they have an additional child, it is only fair for AFDC recipients to have to face the same hard choices about having additional children when financial resources are constrained.

Opponents of family caps, among whom are both women's groups and pro-life groups, argue that the denial of benefits to children does serious harm to those children whose families receive reduced cash grants, and that there is no evidence that denying benefits will actually increase parental responsibility. They argue that working families get additional tax deductions for additional children, thus somewhat mitigating the fairness argument. They argue that decisions about sexual activity and pregnancy are highly unlikely to be influenced by the prospect of a reduced AFDC grant, and that to the extent they are influenced, the most likely effect is to increase the number of abortions. Many pro-life and religious groups are extremely concerned about a policy which they see as not supportive of a mother's choice for life and indeed implicitly encouraging of abortion.

New evidence. Before the family cap waiver demonstrations, evidence to support one or the other arguments was based on studies which did not specifically consider the impact of a family cap using direct experimental experience. We are now

beginning to get some early direct evidence from the evaluation of the New Jersey family cap demonstration, the only demonstration that has been running long enough to generate any reliable results. The early results show that from August 1993 through July 1994 there was no statistically significant difference in births between the experimental and the control groups. The evaluation found that 6.9 percent of the mothers subject to the family cap gave birth to an additional child during that period, and that 6.7 percent of the control group mothers not subject to the family cap gave birth to an additional child. Because the results are preliminary, they cannot be interpreted as definitive. And because they are based on experimental-control group differences they cannot speak to the question of whether a general change in attitude encouraged by the family cap reduced births for both groups. But they are solid results, in contrast to the early statements by New Jersey officials which were based on very short-term and incomplete data.

Unfortunately no solid data are available to illuminate the issue of abortions. Opponents of family caps note trend data which suggest that abortion rates appear to be slightly higher in New Jersey after the family cap provisions went into effect than before. However these trend data suffer from the same reporting biases that led others to use trend data on births as evidence of the family cap's effectiveness. If there were no decrease in births, as the experimental-control data suggest, one would not expect an increase in abortions. It is, of course, very important to continue to monitor the evaluation data to see whether increased abortions do in fact occur, as the pro-life opponents of family caps fear.

The experimental-control findings on births provide no support for those who argue that family caps are an effective policy for reducing out-of-wedlock births. They also provide a context for assessing potential harm to children from reduced AFDC grants. In New Jersey, 8444 babies have already been born to families affected by the family cap. Their families receive on average \$64 or 13 percent less in benefits than they would have. The ability of the families to meet the needs of these newborn babies is therefore extremely strained.

At the national level, we know that in 1993 2.1 million children on AFDC were born to mothers who were receiving AFDC at the time of their conception. If family cap policies had been in effect, and if none of these births had been deterred by the policies--a result that is suggested by the New Jersey findings--the families of all of these children would be receiving lower benefits. On average, this benefit reduction would be \$72 on a median monthly grant of \$366, which could mean real material hardship for substantial numbers of children, both the children who were the object of the family cap and their brothers and sisters. Even if

birth rates went down by some amount as a result of family cap policies adopted on a large scale, millions of babies would still be born to mothers on AFDC and would therefore receive lower benefits.

Congressional deliberations. Meanwhile, Congress is debating welfare reform, with illegitimacy an important focus of the debate. Many opponents of the House approach argue strongly against the provisions in H.R. 4 that punish children in the guise of deterring illegitimacy, and have urged the Senate not to adopt such punitive policies, including mandatory family caps. The Senate Finance Committee bill is silent on this issue, while the Senate Democratic leadership bill explicitly prohibits family caps, reflecting strong feelings among at least some Democrats that permitting family caps allows states to deprive children of desperately needed benefits. The family cap issue is one about which Congress clearly intends to make a decision, with the outcome quite unclear. Some in Congress argue that granting large numbers of waivers for virtually identical policies in many states is inconsistent with the demonstration intent of Section 1115. An obvious issue is whether or not family cap policy is not better decided in Congressional debate rather than by allowing any or all states to adopt the policy by waiver.

Waiver decisions. We now have demonstrations of the family cap operating in nine states. Over the next few years, these nine demonstrations can provide comprehensive evidence on the likely impact of family caps in diverse demographic and policy settings. There are family cap waiver requests currently pending from five additional states--Massachusetts, California, Maryland, Mississippi and South Carolina. Nearly all the existing and pending family caps demonstrations cover the entire state. If the pending waiver requests were granted, family caps would be in effect in states with 36 percent of the total AFDC recipient population. As a result, Congressional authority to decide national policy on a crucially important and controversial issue would be significantly limited.

In this context--of new evidence and intense Congressional debate--it may not be appropriate to continue granting waivers for family cap demonstrations. As you know, the statutory authority under which I may grant waivers of specific sections of the Social Security Act is explicitly for demonstrations, evaluations and pilots. You have always emphasized the importance of good evaluations and of learning from our waiver demonstrations, recognizing that the waiver authority should not give the appearance of the executive branch undermining the congressional prerogative of determining national policy change.

**Recommendation**

For all these reasons, you may want to consider denying the Massachusetts family cap waiver and subsequent pending family cap waivers. I do not believe that a limited decision would compromise the administration's commitment to state flexibility for innovative welfare reform approaches. We should continue to work vigorously with the states and continue to grant other waivers.

**PROTECTIONS AFTER A TIME LIMIT**

Massachusetts is also proposing to implement a two-year time limit beyond which recipients who are not exempt from the time limit will be ineligible to receive benefits for three years. The state's waiver application does not provide for guaranteed extensions of the time limit for adults who cannot find jobs by the end of the twenty-four month time period, or who lose a job and cannot find another, even if the individual is making every reasonable effort to do so. The state proposes instead to give the commissioner of the Department of Transitional Benefits total discretion with respect to granting or denying extensions.

**Department Policy**

In reviewing demonstration proposals, the Department has followed a policy of insisting on the basic principle that, at a minimum, the children of recipients who play by the rules and who cannot find a job must be protected. It has approved only waivers that embody this basic principle, which is at the core of the Work and Responsibility Act.

Fifteen states are currently conducting demonstrations that include some form of time limit on benefits. Although several other states initially proposed policies similar to those of Massachusetts, all of these states ultimately agreed to provide for extensions in cases where recipients cannot find employment, or to guarantee employment to recipients who cannot find unsubsidized jobs.

**Recommendation**

While negotiations with Massachusetts may become stalled or delayed over this issue, the Department intends to adhere to its policy throughout the negotiations. We should stand firm on this crucially important principle.



Donna E. Shalala