

THE WHITE HOUSE  
WASHINGTON

August 21, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Carol Rasco and Jack Lew

SUBJECT: Status of Welfare Reform Implementation

This memo will update you on efforts to ensure that welfare reform is implemented smoothly and effectively.

We have formed an inter-agency working group to coordinate implementation, which met for the first time on August 9 and will meet on a weekly basis. We have established three subgroups. One will monitor key implementation milestones, identify and resolve issues, and ensure deadlines are met. A second group is developing proposals to expand job opportunities for those leaving welfare. A third group will coordinate Presidential welfare events. Separate work is going forward on developing proposals to correct the major flaws in welfare reform which you have identified.<sup>1</sup>

One key element of implementation is work with the states through the National Governors' Association (NGA), the National Conference of State Legislators (NCSL), and the American Public Welfare Association (APWA) to ensure smooth federal-state communication. Intergovernmental Affairs is coordinating Cabinet agency contact with state and local officials on all implementation issues. NGA, NCSL, and APWA will meet on implementation issues on September 9 and 10, including governors' senior policy staff, state legislative leaders, and state social service commissioners. Intergovernmental Affairs is working with NGA to negotiate the agenda of that meeting, including making Federal officials available for briefings.

This memo summarizes the work of the subgroup dealing with implementation. There are a tremendous number of difficult implementation challenges raised by the bill. All affected agencies are at work developing their own timelines and work plans. We will be compiling these agency plans so that there is one overall framework for monitoring implementation. The following is a list of some of the main deadlines and challenges that we have so far identified.

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<sup>1</sup> The flaws include: (1) the too-deep cuts in the Food Stamp Program, including the cap on the amount that can be deducted for shelter costs when determining an individual's eligibility; (2) the denial of Federal assistance to legal immigrants and their children, and the state option to do the same; (3) the failure to provide sufficient contingency funding for States that experience a serious economic downturn; (4) the failure to provide Food Stamp support to unemployed childless adults who are willing to work, but not offered a work slot; and (5) the lack of a provision for in-kind vouchers for children whose parents reach the five-year Federal time limit without finding work.

## TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT

As you know, the bill creates the new block grant to replace AFDC and requires that states transform their AFDC systems to TANF by July 1997. There are several major issues that we will be tracking as HHS manages this transition:

- o Early Implementation -- States have the option of implementing the block grant immediately, and it is financially advantageous for them to do so. Some states may be ready to go immediately on enactment. We will be working to clarify with HHS the process and timetable for approving these plans. You should know that many states, including California, will need to seek approval from their state legislatures before submitting plans. No states are expected to call special sessions this fall on these issues.
- o Regulations -- HHS is preparing a preliminary list of areas in which it sees a need to regulate under the statute. We will be working with HHS to ensure that the new program is appropriately, but not overly, regulated.
- o Guidance to States -- HHS is also considering issuing guidance to states on how to construct their new block grant plans. We will be working closely with HHS on this guidance to ensure that it is useful and helpful to the states.
- o Approved Waivers -- The bill lets states continue to operate existing waivers. However, the bill's language is unclear about the scope of these provisions, especially the treatment of work requirements and time limits. It appears that the bill's drafters did not intend to exempt states from the work participation rates, but only to provide them with some flexibility in defining work activities. In addition, waivers that apply to only a few counties in a state can not be extended to the entire state. As for time limits, Michigan has waivers that do not include a time limit on benefits and has indicated it will continue on this course in the plan it submits, rather than adopt time limits as required by the bill. New Hampshire may follow suit. Determining the best course for clarifying the intent of the waiver provisions -- seeking legislation or through regulation (which would be our first preference) -- will be one of the implementation group's first major issues.
- o Pending and Future Waivers -- HHS has approved eight waivers in the past week, three of which arrived after you announced you would sign the bill (D.C., Idaho, and Kansas). Wisconsin is not yet approved. HHS is prepared to act on future waiver requests until July 1, 1997 should states ask for them.
- o Other issues -- There are a whole series of operational issues the group will be addressing including the establishment and management of the Performance Bonus Fund and the Contingency Fund.

## CHILD SUPPORT ENFORCEMENT

The bill requires an increased Federal role and significant state activity in this area. States must have enabling legislation in place by the end of their 1997 sessions. Federal data processing systems have to be able to interact with state systems by October 1997. We must develop a registry of new hires and a case registry, and enhance the Federal Parent Locator Service. HHS has scheduled training conferences and set up joint working groups with the states. One change of interest is that states will no longer be required to pass the first \$50 of monthly support collections to the family receiving assistance as of October 1, 1996.

## IMMIGRANTS

Obviously, the cross-cutting impact of the immigrant provisions of the bill will be a central concern on implementation. Among the key impacts:

- o Food Stamps -- Upon enactment, legal aliens applying for food stamps will no longer be eligible. Immigrants currently receiving benefits will lose them at the time of their regularly scheduled recertification. These recertifications would begin immediately upon enactment, with all such immigrants to be removed from the program within one year of enactment. About 900,000 participants (including 300,000 children) will be ineligible in the first year; approximately 250,000 participants will lose benefits in the first three months after enactment.
- o Supplemental Security Income (SSI) -- Upon enactment, most immigrants who apply for SSI will not be eligible. Current immigrant recipients will get benefits until the Social Security Administration (SSA) determines they are no longer eligible. By March 1997, SSA must send notices to the 1.1 million current recipients who may be legal immigrants and request evidence of their citizenship status. If the immigrant provides evidence that he or she is not eligible or fails to respond, SSA will notify the individual that benefits will be stopped. The amount of time the recipient has to respond to the first notice appears to be at SSA's discretion, although all redeterminations must be completed within one year of enactment. SSA is exploring timing options, with the intent of providing recipients as much time as possible within the law to naturalize. An estimated 300,000 to 400,000 recipients are expected to come off the rolls.

We will be focusing on two overarching issues in implementing these and the other immigration provisions:

- o Verification -- Developing a workable and fair system of verifying citizenship status that meets the needs of the various systems affected is a daunting challenge. The legislation outlines ambitious timelines, and an administration workgroup is already at work putting proposals and options together.
- o Naturalization -- In anticipation of the restrictions on benefits, many immigrants have already applied for citizenship and many more will apply as the restrictions take effect. INS has been working on initiatives to speed up the naturalization process. The Citizenship U.S.A. initiative is designed to respond to the large increase in applications and expects to naturalize 1.2 million immigrants this fiscal year. INS is also working with SSA and OMB on a new regulation that will waive English and civics test requirements for immigrants with certain serious disabilities and perhaps establish a special waiver for many disabled immigrants receiving SSI.

## **FOOD STAMPS -- NON-IMMIGRANT PROVISIONS**

Eligibility for 18-50 Year-old Childless Adults -- Most able-bodied adults without children will now be limited to 3 months of food stamps in a 36-month period if they are not working or participating in a work or workfare program. For current recipients, this limit is effective 3 months after enactment. One million current recipients will become ineligible within six months. Households remain ineligible for the balance of the 36-month period unless they obtain work or get a slot in a job training or workfare program.

Making the extensive changes to their computer systems to determine the eligibility of individuals who are dropped from the rolls and to track new recipients against the time limits will be a major implementation challenge to states.

Benefit Levels -- Changes to the standard income deduction and the excess shelter deduction will reduce benefits for nearly all of the 25 million monthly participants. Food stamp allotments will still increase under these changes, but much less than under prior law. The impact increases over time -- by 2002, average benefits will be nearly 20% lower.

These provisions involve relatively simple computer changes. The Department of Agriculture (USDA) expects most states will be able to implement them on October 1 and January 1, respectively, without delay.

## **OTHER KEY PROVISIONS**

SSI for Children -- The bill tightens SSI eligibility for children with disabilities. Upon enactment, new applicants who do not meet the new standard will be ineligible. Current recipients will get benefits until SSA makes a redetermination that they are no longer eligible. Children whose cases must be reviewed will receive notices by January 1997. Those found no longer eligible will be sent a notice that benefits will be stopped. In certain cases, benefits

may continue until the first level of appeal is completed. The bill calls for all redeterminations to be completed within one year of enactment. An estimated 285,000 initial notices will be sent and an estimated 190,000 children are expected to come off the rolls. SSA is working on the plan for the timing of the release of the first notices and the subsequent processes. '

Medicaid -- The Medicaid program faces two major challenges in implementation: (1) delinking eligibility for Medicaid from the welfare system, and (2) assessing the impact on pending and existing waivers. The Health Care Financing Administration is working closely with other parts of HHS and with SSA to meet these challenges.

Child Care -- The bill block grants several child care programs, effective at the beginning of the fiscal year. While these changes are mostly positive, the timeframe for implementation is challenging.

Monitoring and Evaluation -- One key overarching issue will be to ensure that agencies are establishing effective research, evaluation, and monitoring capabilities to identify the impact of these dramatic changes on the individuals and institutions involved.

## **JOB OPPORTUNITIES**

The interagency working group on the welfare jobs issue is nearing completion of a package of options. At this point it appears that the components will likely be: about \$1 billion in enhancements to the Work Opportunities Tax Credit passed in the minimum wage bill; a \$100 million expansion of the Community Development and Financial Institutions program to enhance economic development in distressed areas; a \$3 billion spending program to place one million hard-to-employ welfare recipients in unsubsidized jobs, with the key feature of withholding full payment to States until successful job placement and retention.

## **CONCLUSION**

We will keep you up to date on developments as we go forward.

cc: Leon Panetta

THE WHITE HOUSE

WASHINGTON

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Background on Wisconsin Waiver and Radio Address

The radio address you will tape this afternoon is about welfare reform. It recaps your record on waivers, executive actions, and child support enforcement; praises proposals we have just received from Wisconsin and Maryland; and challenges Congress to pass the bipartisan welfare reform legislation put forward by Chafee-Breaux and Castle-Tanner.

The news will be your support for the Wisconsin plan, which is the most revolutionary any state has put forward. The Wisconsin plan has received broad editorial praise in The New York Times, Business Week, and elsewhere. It is particularly important for you to signal your support early -- not only because you're going to Wisconsin on Thursday, but because Dole is going to Wisconsin Tuesday to make a major speech on welfare reform.

**I. Summary of the Wisconsin Plan**

The Wisconsin plan came about as a direct result of your call for an end to welfare as we know it. Some Democrats in the legislature suggested abolishing AFDC, and Thompson took them up on their offer. The final proposal passed with significant (although not unanimous) bipartisan support, and was signed into law last month. Mayor Norquist has been supportive, although he wanted it to go further by covering anyone who was out of work.

Like the original PPI plan, the Wisconsin plan requires people who apply for assistance to go to work immediately, either in the private sector or a job provided by the state. The state says it will guarantee health care and child care, and may end up spending more money than it does now as a result. Like the Breaux-Chafee and Castle-Tanner bills, the plan imposes a 5-year lifetime limit, with a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Last week, HHS received the first half of the waiver; the rest is expected next month. A 30-day period for public comment is required before we can grant the waiver.

and there are legal and technical issues that HHS and the state must still work out. We will probably be in a position to grant the first waiver in July. The second waiver will depend on how difficult the state tries to make things for HHS, and how difficult HHS makes things for us.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. The basic protections of the Family Support Act cannot be waived, so they already have some protection; but the additional protections we seek will be a flashpoint in negotiations with the state. Third, there are potential legal and policy issues related to the required co-payments for child care.

HHS will need to work out these issues with the state, and Thompson may try to throw up as many roadblocks as possible. But by signalling our strong support early for the thrust of the Wisconsin plan, we will make it harder for him to portray the administration as an obstacle to reform.

## **II. Waiver Update**

The radio address also praises Maryland's new plan, which was submitted three weeks ago. The Maryland plan is less sweeping (no time limits, for example), but it does some good things. It provides child care to working parents to divert them from welfare in the first place; toughens child support enforcement; and cracks down on welfare fraud.

On Thursday, Minnesota became the 38th state to receive a waiver from us, but it was too trivial to highlight (expanding a demonstration to another county). We should be able to get to 40 states out of 50 by July.

*WR-POTUS memos*

May 28, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Democratic Governors and Welfare Reform

You should urge Democratic governors to help us pressure the Republican Congressional leadership to drop the Medicaid poison pill and stop holding welfare reform hostage. Our message should be simply, "The Medicaid poison pill is the single greatest obstacle to welfare reform this year. If Republicans will drop that plan, the other details will take care of themselves."

Democratic governors should be sympathetic to this message. In contrast to Medicaid, the welfare reform provisions of the new House Republican bill are fairly similar to the bipartisan NGA agreement that Gov. Carper negotiated in February. We can thank the governors for the improvements the House has been forced to make in our direction -- more money for child care, a performance bonus, a \$2 billion contingency fund, etc. Their main concerns are over relatively obscure issues where the House cut deeper in order to pay for the additional child care spending: the 20% cut in Title XX (we're not as troubled by this, which isn't so bad as budget cuts go), and eliminating the shelter deduction for Food Stamps.

We want the Democratic governors to cry foul on Medicaid, but suggest that we're within striking distance on welfare reform. There are a number of congressional Republicans who want the Medicaid portion of the bill to fall apart, so that they can actually get welfare reform done instead of handing you another veto. We can win this battle if we make enough noise -- and if we don't get lost in the details of which additional improvements will be necessary once the big poison pill is gone. Once we get into a debate on welfare reform as a stand-alone bill where the underlying objective is to pass a bill into law instead of simply forcing a veto,

May 22, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update

Here is a brief summary of the latest welfare reform proposals (House Republican bill, Dole speech, Wisconsin plan) and the major issues they raise.

**I. House Republican bill**

House Republicans announced a new Medicaid/welfare reform package today. We're still waiting to see the details on Medicaid, which presumably will be unacceptable. The welfare reform provisions are based largely on the bipartisan NGA proposal, which you praised in February, except that in order to reach their savings target of \$53 billion, Republicans tacked on the deep immigrant cuts from the welfare bill you vetoed.

The new House bill moves in our direction on most of the issues you spelled out in your veto message. It includes the NGA request for \$4 billion in additional child care, which the states must match. It doubles the contingency fund to \$2 billion. It includes a \$1 billion work performance bonus. It raises the hardship exception for those who reach the 5-year limit to 20%. It drops the deep cuts in SSI for disabled children and the cuts in school lunch and maintains the open-ended entitlements for child welfare programs. It adopts the NGA recommendation that states have to provide health coverage for welfare recipients, although it does not guarantee health coverage beyond the 5-year limit.

The major areas where they did not move in our direction are immigrant benefits and Food Stamps. The new House bill still bans SSI and Food Stamps for non-citizens; in the past, we have never gone beyond deeming. (Breau-Chafee and Castle-Tanner include these bans as well, with some exceptions for the disabled.) It appears to retain the optional Food Stamp block grant, the Food Stamp cap, and the work requirements for men 18-50. Other areas that aren't what they could be include maintenance-of-effort (like NGA, they're still at 75%; we wanted 80%); vouchers for children who hit the time limit (allowed but not required; Breau-Chafee and Castle-Tanner don't guarantee these either); Medicaid coverage beyond the time limit; and a few arcane issues like transferability of funds from the block grant to other welfare programs and broader provisions on equal protection for recipients.

Their overall savings level is \$53 billion, compared to \$38 billion for our plan; \$42 billion for Castle-Tanner; and \$45-53 billion for Chafee-Breaux. In order to maintain the \$53 billion level while spending more on child care and work, the House Republicans doubled their Title XX cut from 10% to 20% (which is not the end of the world for us) and included a few other assorted provisions.

## II. Dole Speech

There was virtually nothing new in Dole's speech. We could live with everything he proposed on welfare reform. Most of his proposals (work requirements, 5-year limit, state flexibility on family cap and drug testing, child support enforcement) are in all the bills we've supported in this Congress. His call to ban all but emergency medical benefits for illegal immigrants is already law -- although his speech could be interpreted to mean benefits beyond welfare, such as public education. A state option to cut off unwed teen mothers is not in our bill, but it's in Chafee-Breaux, Castle-Tanner, and the Senate-passed bill, and we could live with it (since no state in its right mind would ever do it).

In his speech, Dole didn't talk about any of the real differences you cited in vetoing the conference report: child care and health care so people could leave welfare for work, and deep cuts in help for disabled children, school lunch, and child welfare. Those are all areas where the Senate bill was acceptable, but the Dole-Gingrich conference report was not.

## III. Wisconsin Works

In many respects, the Wisconsin plan is closer to your approach than to the vetoed bill. It requires health care, child care, and a community service or subsidized job to go to, and its primary motivation is to move people from welfare to work, not to achieve an arbitrary savings target. Like every bill, it includes a 5-year lifetime limit, and like the Breaux-Chafee and Castle-Tanner bills, it provides a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. Third, there are potential legal and policy issues related to the required co-payments for child care. Mayor Norquist may raise other issues with you. He wants more conservative provisions on work-for-wages and reducing the welfare bureaucracy. You shouldn't make any promises; it is not clear whether the state will go along.



THE DIRECTOR

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

THE PRESIDENT HAS SEEN

5-28-96

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CC: [Handwritten initials]

May 23, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin  
Director

*Alice*

SUBJECT: First Look at the New Congressional Welfare Reform Bill

The House Ways and Means Committee introduced a new welfare reform bill on May 22 that modifies the conference report vetoed last January and incorporates some of NGA's recommendations on welfare reform. The most significant improvements include elimination of the Food Stamps annual spending cap; added child care, contingency, and performance funding; and removal of school lunch demonstration and foster care and adoption assistance block grants.

The bill still has some very significant problems, however. It retains the optional Food Stamps block grant; allows States to dramatically reduce their own spending on welfare programs; cuts back Medicaid coverage for welfare families; no longer permits post-time limit vouchers for children; and continues the deep cuts in nutrition programs and benefits to legal immigrants.

While the legislation includes some improvements over H.R. 4, I would argue that it remains a bill the Administration should not support without further improvements. And, if the Administration wants improvements, we should be careful not to signal that we will sign the bill in its current form. Below is a preliminary summary of the proposal.

**AFDC, Work, and Child Care**

Improvements. The bill includes several provisions recommended by NGA and supported by the Administration. It increases child care funding by \$4 billion above the conference level, an amount which, along with State match, should be sufficient to provide child care to all those required to work. The bill increases the contingency fund to \$2 billion (from \$1 billion) and adds a trigger based on the Food Stamp caseload to make the fund modestly more effective in responding to unexpected increases in need. The bill provides \$800 million by 2002 for job placement bonuses to improve the incentives for States to refocus the system on work. The bill gives States more flexibility to meet the work requirements by allowing part-time work for mothers with young children, allowing job search activities to count for a longer period of time, and allowing school attendance among teen parents to count toward the work rates. States are given complete flexibility to set family caps, and the number of allowable exemptions from the time limit is increased to 20% (from 15% in the conference report), as recommended by the Administration.

**Concerns.** Despite the improvements, we still have some major concerns with the AFDC provisions. State spending on welfare programs remain the most significant outstanding problem. The bill retains the lower 75% State maintenance of effort (MOE) requirements rather than the 80% MOE level proposed by the Senate and recommended by the Administration. The language includes very loose definitions of allowable program expenditures which could make the MOE requirements nearly impossible to enforce. And the bill retains the objectionable transfer authority to the Title XX Social Services Block Grant which could result in an even more substantial reduction -- and potentially even elimination -- of effective State maintenance of effort requirements. In addition, the bill does continue a linkage between cash assistance programs and Medicaid, but it ends the requirement for States to provide transitional Medicaid coverage to those who leave welfare for work and it does not adequately address health coverage for those who lose assistance due to time limits. While some improvements are made to the contingency fund, the fund would not expand further in the event of a recession and would not be able to respond to an increase in need similar to the caseload growth experienced during the recession of the early 1990s. The bill eliminates voucher or non-cash assistance to children after the 5-year time limit; includes no provisions for the fair and equitable treatment of individuals; provides for little Federal oversight and minimal accountability from States; and retains a caseload reduction credit which gives States a perverse incentive to simply cut people off assistance in order to reduce the required work rates.

### **Food Stamps and Child Nutrition**

**Improvements.** In response to the NGA, the bill drops the Food Stamps annual spending cap. This will preserve the program's ability to expand during periods of economic recession and to help families when they are most in need. Also, the objectionable School Lunch block grant demonstration has been dropped.

**Concerns.** The revised bill maintains the state option to elect a food stamp block grant which we have strenuously opposed on the basis of safeguarding food stamps as the single uniform federal safety net. In addition, the revised proposal has not softened the severe budget cuts, which take the form of a benefit reduction to families with high shelter costs and a 4-month time limit to childless adults who are not given a work slot.

### **Benefits to Legal Immigrants**

**Concerns.** There are no changes to the unduly harsh and uncompromising Conference bill. It requires a permanent SSI and Food Stamps ban for virtually all legal immigrants and, additionally, a 5-year ban on all other federal programs, including Medicaid, for new immigrants. The proposal goes too far in cutting benefits to legal immigrants and it unfairly shifts costs to States with high numbers of immigrants. There are no exemptions for immigrants who become disabled after entering the country, families with children, or for individuals who have been working for a few years and lose their job.

## Supplemental Security Income

**Improvements.** The bill drops the two-tiered eligibility system in the conference bill that would have cut benefits by 25% for over half the disabled children coming on the rolls. This change resolved our central concern with the SSI-related portions of the vetoed bill (other than those related to immigrants). The new bill retains the tightened eligibility requirements that were in the conference bill; these are changes the Administration supports.

## Child Protection

✓ **Improvements.** The open-ended entitlements for foster care and adoption assistance are maintained and not block granted. This is a vast improvement over the vetoed bill.

✓ **Concerns.** The Administration's new 1993 Family Preservation and Support initiative -- which set up a performance partnership with States -- is replaced with a block grant. The bill diminishes HHS oversight authority of State child protection systems, a concern in States where programs are poorly run.

## Overall Budgetary Savings

✓ The Budget Resolution assumes savings of \$53 billion from welfare programs, which is identical to the level of savings included in the vetoed bill repriced against CBO's most recent baseline. As of now, however, it appears the new bill saves roughly 10% less than this level due to the added investments in child care, contingency, and performance funds. The new bill also substitutes a deeper Social Services Block Grant cut and an Administration EITC proposal in place of SSI cuts that were deleted. If the total savings are lower than the Budget Resolution assumptions, additional savings would have to be found in either welfare programs or Medicaid to meet the reconciliation instructions.

## Conclusion

The new bill goes a long way toward softening the conference provisions which would hurt children -- child care, childhood disability, child protection, school lunch, and Medicaid provisions for children are all improved. The proposal, however, still contains major structural changes and some very deep budget cuts -- particularly in Food Stamps and benefits to legal immigrants -- which make it likely the bill's poverty effects will not be significantly less than the vetoed conference report. While the bill clearly represents progress, more is still desirable.



THE DIRECTOR

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

THE PRESIDENT HAS SEEN

2-2-96

FEB 2 1996

January 31 1996 08:08

MEMORANDUM TO THE PRESIDENT

FROM: Alice M. Rivlin *Alice*  
SUBJECT: Welfare Reform

As you know, it is possible that Congress could send us a welfare bill in a form fairly close to the version that passed the Senate.

Attached are two tables that highlight key welfare reform issues. The first table details areas where the Senate passed welfare bill is an improvement over the Conference welfare bill (H.R. 4). The second table describes the shortcomings in the Senate passed welfare bill.

*R. Rivlin*  
*Chase*

## HOW THE SENATE PASSED WELFARE BILL IS BETTER THAN THE CONFERENCE BILL

	Conf. Bill	Senate Bill*	Admin. Bill**
<b>Food Stamps:</b>	-\$27.5	-\$24.3	-\$20.8
<p><u>Spending Cap</u> -- The Conference bill would place a spending cap on Food Stamps, destroying the key feature of the Food Stamp program -- its ability to respond to the changing circumstances of its participants. Across-the-board reductions would occur if the economy declines or cap projections are inaccurate. The Senate bill has no such cap.</p> <p><u>Shelter Deduction Cap</u> -- The Conference bill would freeze the amount that low income families and participants could deduct as shelter expenses at the 1996 level, forcing families to choose between paying rent or eating. The Senate has no such provision.</p> <p><u>Child Nutrition Block Grant</u> -- The Conference bill would allow one school lunch block grant demonstration in each of the seven USDA regions. The Senate bill would not.</p>			
<b>SSI Children's Benefits:</b>	-\$12.4	-\$8.7	-\$8.8
<p><u>Benefit Reductions</u>. The Conference bill would cut cash benefits by 25% for three-quarters of the severely disabled children coming on the rolls. Specifically, children determined not to need personal care assistance to remain at home would be eligible for only 75% of the full benefit amount. The Senate bill would retain full cash benefits.</p>			
<b>Immigrants:</b>	-\$19.5	-\$14.6	-\$5.8
<p><u>Bans</u>. Both bills would make most legal immigrants currently in the country (including those now on the rolls) as well as future immigrants ineligible for SSI. The Conference bill, but not the Senate bill, would add Food Stamps to this ban.</p>			
<b>AFDC, Work, Child Care, Child Protection, and Child Support:</b>	+\$2.4	+\$0.3	+\$3.9
<p><u>Child Care &amp; Work</u> -- The Conference bill's work requirements are underfunded, as well as stricter and costlier than the Senate bill for child care and work. The Conference bill would remove Senate bill's protections for those with young children who do not have child care. It would strike health, safety, and quality provisions from current law.</p> <p><u>Child Protection</u> -- The Conference bill would block grant four open-ended child protection entitlements and eliminate two other mandatory programs. The Senate bill would maintain current law.</p> <p><u>State Funding</u> -- The Conference bill would provide lower maintenance of effort requirements and allow States to reduce funding through transfers. The Senate bill's maintenance of efforts requirements are higher than the Conference bill's.</p> <p><u>Performance Bonuses</u> -- The Conference bill would allow states to reduce their own spending as a "performance bonus," while the Senate more preferably would provide a cash bonus (although the bonus would be taken as a set-aside out of the block grant rather than as an addition to it).</p> <p><u>Medicaid</u> -- The Conference welfare bill cuts the AFDC/Medicaid link. The Senate bill retains the link.</p>			
<b>All Other Areas of Welfare Reform:</b>	-\$3.0	-\$5.9	-\$9.1
<b>TOTAL:***</b>	-\$60.1	-\$53.2	-\$40.6

\* Based on 12/95 CBO pricing. \*\* Projected CBO pricing. \*\*\* Medicaid interactions are not included in Conference or Senate pricing. If included, Conference would be -\$64.1b and Senate -\$58.7b. In addition, Conference does not include savings from DA&A, which was moved to the earnings test bill. The Senate bill includes DA&A savings.

## MAJOR SHORTCOMINGS IN THE SENATE PASSED WELFARE BILL

If, after all the debating is done, the Administration is presented with the Senate version of welfare reform, the decision whether or not to sign the bill would not be an easy one. The following details some of the major differences between the Administration's current position and the policies in the Senate bill.

	Conf. Bill	Senate Bill*	Admin. Bill**
<b>Food Stamps:</b>	-\$27.5	-\$24.3	-\$20.8
<p><u>Block Grant</u> -- The Senate bill would create an optional Food Stamps Block grant-- one worse than the conference-- which would eliminate the Program's ability to respond to changing economic conditions.</p> <p><u>Time Limits</u> -- The Senate bill would make adults, aged 18-50 with no dependents, ineligible for benefits after 6 months of every 12, even if the individual was willing to work. States would be forced to cut off benefits even if they did not provide a training or workfare opportunity.</p>			
<b>Immigrants:</b>	-\$19.5	-\$14.6	-\$5.8
<p><u>Ban</u> -- The Senate bill would make most legal immigrants currently in the country (including those now on the rolls) as well as future immigrants ineligible for SSI. Makes future immigrants ineligible for many Federally-funded programs, including Medicaid, during their first 5 years in the country. Exceptions are very limited with benefits denied to even those who become severely disabled after entry.</p> <p><u>Citizenship/Legal Residence Test</u> -- The Senate bill would require most non-profits and community service providers to verify citizenship and report illegal immigrants, placing a massive burden on these organizations.</p>			
<b>AFDC, Work, Child Care, Child Protection, and Child Support:</b>	+2.4	+\$0.3	+\$3.9
<p><u>Individual Entitlement</u> -- The Senate bill would eliminate the AFDC entitlement and provide no guidelines or protections for individuals. The current State matching would be replaced with inadequate maintenance of effort requirements.</p> <p><u>Changes in Economic and Demographic Conditions</u> -- The Senate bill would essentially eliminate the countercyclical response to recessions or increases in poverty. Growth and contingency funds would be inadequate.</p> <p><u>Child Care and Work</u> -- The Senate bill includes strict work requirements but would underfund work and child care activities.</p>			
<b>All Other Areas of Welfare Reform:</b>	-\$15.5	-\$14.6	-\$17.9
<p><u>Poverty</u> -- The Conference welfare bill moves 1.5 million children below the poverty line; the Senate welfare bill moves 1.2 million children. (These numbers may be adjusted downward once CBO's new assumptions are taken into consideration.)</p>			
<b>TOTAL:***</b>	<b>-\$60.1</b>	<b>-\$53.2</b>	<b>-\$40.6</b>

\* Based on December CBO pricing.

\*\* Projected CBO pricing.

\*\*\* Medicaid interactions are not included in Conference or Senate pricing. If they were included, Conference would be -\$64.1b and Senate -\$58.7b. In addition, Conference does not include savings from DA&A, which was moved to the earnings test bill. The Senate bill includes DA&A.

Bob's  
Memos  
to write

Welfare Reform  
Possible Events

- 1. Strategy memo
- 2. Review PWORA

April

- Cabinet meeting regarding federal hiring of welfare recipients: On April 10th, the members of the Cabinet will report to the President and Vice President about their plans to hire welfare recipients.
- Welfare caseloads: Release new statistics showing welfare caseloads declined by 20% or 2,755,000 during the President's first term (from January 1993 to January 1997).
- Council of Economic Advisers: Release report discussing reasons for the decline in caseloads (Administration's welfare waiver policy, economy).
- Legal Immigrants: Presidential meeting with bipartisan group of mayors combined with transmittal to Congress of President's proposal to assist children, refugees, and those disabled after arrival in U.S.

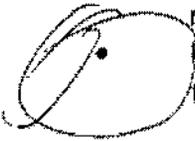
May

- Corporate Commitments: Announcement of Welfare to Work Foundation (Eli Segal's group) and commitments by 25 or more companies to hire welfare recipients.
- Welfare to Work Transportation: Presidential meeting with bipartisan governors and members of Congress to endorse NEXTEA and other transportation funding proposals that will help welfare recipients get to jobs. Regional visits to model sites by VP and Cabinet combined with more endorsements.
- Child Care: Release proposed regulations on welfare law's \$14 billion in child care, which include extension of basic health and safety standards to nearly all federally funded child care.
- Child Support: Release proposed rules to help states track delinquent parents across state lines through the Directory of New Hires.
- Possible teen pregnancy prevention or statutory rape announcement.
- Announce public-private effort to provide welfare offices with access to Internet to use public and private job banks to help welfare recipients get jobs.

June

- Democratic Leadership Council-National Governors Association-Business Alliance conference on welfare to work.
- Welfare to Work: Release proposed regulations which will hold states

accountable for meeting the welfare reform law's tough new work requirements.



Father's Day event regarding child support enforcement and grants to states to promote parental visitation of non-custodial parents.

July

- July 1: Certify welfare reform plans for all 50 states.
- Paternity Establishment: Propose new regulations to promote paternity establishment.

August

- August 22nd Anniversary of Welfare Reform Signing: Release report on state actions.
- State performance: Release proposed regulations outlining rewards for states with high job placement performance and success in reducing out of wedlock births.

MARCH 25, 1997

## MEMORANDUM FOR BRUCE REED AND ELENA KAGAN

FROM: CYNTHIA RICE

SUBJECT: CHILD CARE IDEAS

The new welfare law increased child care spending by nearly \$4 billion--a hard-won victory for the President. Generally, analysts agree that the new law provides enough funding for welfare recipients entering the workforce. Yet there is growing concern that working poor families will be short-changed as available subsidies are directed toward former welfare recipients. Even the Congressional Budget Office last December concluded that the new law is \$1.4 billion short of the resources needed to maintain current child care programs for at-risk, working poor families and provide enough child care for newly working welfare recipients. In addition, there are persistent concerns about the quality of care most children receive in the typical child care setting.

Here are a few ideas for ways to address these problems.

- **Make the Child and Dependent Care Tax Credit Refundable.** Current tax law provides a tax credit for child care expenses of up to \$2,400 for one child and \$4,800 for two or more children. The credit is not refundable, however, meaning families with little or no income can't benefit. In August, the Joint Tax Committee concluded it would cost \$2.1 billion from 1997-2002 to make the tax credit refundable; the Treasury Department estimate was inexplicably twice as high. The Blue Dog budget released last month made the credit refundable but paid for it by eliminating the tax benefit for families with incomes over \$100,000.
- **Endorse Senator Kohl's "Child Care Expansion Act."** Senator Kohl's bill provides tax credits to private companies and institutions to encourage them to build quality child care centers on-site or near their companies. (Generally, child care centers are considered to be higher quality than family day care, which operate out of individual homes, because centers have to meet certain state staffing and safety rules.) His bill, introduced in January, was lauded in a recent edition of Working Mother magazine. It would provide a 50% credit for eligible activities up to \$150,000 per year per business. The Joint Tax Committee estimates the cost to be \$2.6 billion from 1997-2002.
- **Endorse Republican Senator Pat Roberts of Kansas' "Child Care Expansion Act."** His bill would: 1) Increase the amount of the Child and Dependent Tax Credit to \$3,600 for one child and \$5,400 for two. This would not help the lowest-income families since the credit would still not be refundable. 2) Provide matching grants of up to \$50,000 for small businesses that work together to provide day care for their employees. 3) Expand the IRS rules to allow more parents to deduct home offices expenses from their taxes. This provision would allow an exception to the "exclusive use" rule permitting mixed use of space for business and personal purposes in the case of taxpayers who conduct home-based business while caring for dependents. 4) Encourage older Americans participating in federally-supported programs to provide child care services in their communities. A cost estimate for this bill is not yet available.

## Welfare

*Mickey Kaus is a contributing editor at the New Republic and author of The End of Equality. Peter Edelman is a professor at the Georgetown University Law Center. He wrote "The Worst Thing Bill Clinton Has Done" in the March 1997 issue of the Atlantic Monthly ([www.theatlantic.com/atlantic/issues/97mar/edelman/edelman.html](http://www.theatlantic.com/atlantic/issues/97mar/edelman/edelman.html)). He served as assistant secretary for planning and evaluation for the Department of Health and Human Services in the Clinton administration. Earlier entries in this thread are available at [www.slate.com](http://www.slate.com).*

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From: Mickey Kaus  
Sent: April 16, 1997  
To: Peter Edelman  
Subject: Welfare

Please, don't lecture me about the need for public jobs, or about how welfare reform "is an effort that will cost money, Mickey." You must have missed the three places in my previous entry where I said I favor public jobs (e.g., "I favor a large program of public jobs"). I also agreed that "providing jobs and child care ... costs more than just sending welfare checks." You're debating some imagined right-wing opponent. Last year's welfare bill was a good thing, I think, precisely because it will lead to the necessary spending on public jobs and child care.

Before I get to that, and the ample misinformation in your response, I think we should step back from the details and ask why we care about welfare reform in the first place. It's true that for some on the right the point of reform is simply to save money. But for most people—for President Clinton and, I suspect, for the voters who overwhelmingly supported the reform, and even for many congressional Republicans—the main goal isn't fiscal. It is to solve America's greatest *social* problem, which is what sociologist William Julius Wilson calls "ghetto poverty": the existence of isolated, depressed neighborhoods, mainly black and Hispanic, where intact, two-parent families and working fathers are practically nonexistent, where, for young women, having a child out of wedlock and going on welfare is, as they say, a way of life.

Welfare may not have *caused* ghetto poverty, but there's little doubt that the old welfare system—in which an unmarried teenager could have a child, never take a job, and be entitled to 18 years of cash aid—helped *sustain* the problem, and certainly wasn't solving it. Change welfare, the reformist argument goes, and ghetto-poor neighborhoods will change too. Specifically, if you require work in exchange for aid, many who might otherwise wind up as single mothers on the dole will make better choices: finishing school, delaying motherhood, taking jobs, marrying potential breadwinners. Those who do need aid will be introduced to the demands and opportunities of the labor market. Even if the current generation has difficulty adjusting, the next generation will be better off. That's the hope, anyway—that welfare reform will, as President Clinton said, "break the culture of poverty and dependence" in the ghettos.

If we're going to require work, nearly everyone agrees, we need to provide the single mothers on welfare with child care. There is no such consensus, however, that we need public jobs. I think we do, most obviously because there probably won't always be enough private jobs in all places at all times for the sort of unskilled people with "little work experience" who tend to become long-term welfare recipients. (I don't know where you get the idea that I think "there are enough jobs out there".)

So how are we going to get the government to spend the necessary dollars for these public jobs? We could wait for a groundswell of liberal pro-spending sentiment to sweep American politics. That seems to be your strategy. Don't hold your breath. The alternative is to recognize that even conservatives aren't necessarily opposed to public jobs—what is "workfare," championed by Ronald Reagan, but a type of public job? Yet today's Republicans have to be *convinced* that such a costly, big-government project is necessary.

Fine. The way to convince them is to pass something very much like the bill Clinton signed—a "bake-off," in effect, which lets each state design its own welfare reform, so we can find out which works best. Let conservative states try their ideas. Let liberal states try theirs, etc. Some governors will provide public jobs. Some will indeed assume that "there are enough [private] jobs out there." They will

discover soon enough that there aren't, as welfare recipients fail to find private work within their allotted time limits. It will then become obvious, even to conservatives, that "workfare" jobs, at the least, are necessary if work is really going to be required—obvious to *enough* conservatives, anyway, to support the necessary spending.

Yes, there are risks to this "let 50 reforms bloom" strategy. Though the law does not require it, some states *could* do harsh things—like enforcing "cold turkey" cutoffs, even when recipients can't find jobs. Governors may eventually have to lobby Washington for more money. Some states might try to slash benefits and chase the poor away. Were these risks worth the reward of finding out which reforms work? That's the judgment call Clinton had to make, knowing that if he vetoed the bill, it might be years before another was passed—though there would still be some experimentation under those state reforms that the Department of Health and Human Services approved.

I think the rewards outweighed the risks. You don't. Unfortunately, in attempting to make your case in the *Atlantic*, you hype the risks while ignoring or downplaying recent good news that makes Clinton's decision look increasingly sensible. Your *State* entry continues this tradition:

1) *Those nasty time limits*: I take it you have retreated from your *Atlantic* argument that the bill's much-publicized "five-year time limit" *compels* every state to cut people off after that period. It doesn't. States still might *choose* to engage in "a macho race to the bottom about the time limits." But so far, this isn't happening. You describe the time limits in Florida, Massachusetts, and Connecticut—and a proposed time limit in California—as if they were absolute cold-turkey cutoffs of aid. They aren't. Florida offers extensions beyond its four-year "lifetime" limit to those with "significant barriers to employment, combined with a need for additional time." That should cover practically anyone. Massachusetts extends its limit, on a case-by-case basis, if (among other factors) no "appropriate job opportunities exist locally." Connecticut's provisions for extension are so generous that even HHS approved the plan. And the time limit proposed by California Governor Pete Wilson wasn't a cutoff at all: Recipients would simply move to another program, where they would get about two-thirds of their assistance check in the form of "in-kind" aid, such as payments for rent and utilities. Anyway, Wilson's plan was just killed by the state legislature.

The only real cold-turkey cutoff, of those you list, appears to be the one imposed by the Governor of New Mexico. It's a three- (not two-) year limit, and the state's Democratic legislature is fighting it. Even where cold-turkey limits are enacted, politicians can be expected to back off when recipients actually start to hit them. Nobody gets re-elected by putting large numbers of women and children onto the streets.

2) *The falling caseload*: The welfare block grant is fixed at \$16.4 billion. The caseload has fallen roughly 18 percent. Were welfare still an "entitlement," pegged to the caseload, the federal money would also have fallen 18 percent. Instead, it remains fixed at its record level—an increase, the editor of *State* points out to me, of not 18 but about 22 percent over what would have happened had Clinton vetoed the bill. This is not just "some" extra money. When was the last time liberals achieved a 22 percent increase in federal funding for welfare? Yes, if there is a recession, and the caseload soars, the numbers turn sour. But what would you rather have: a) a fifth more money now, in hand, with a chance that the bonus will increase if the caseload keeps dropping, and a chance to lobby Congress for more money if there is a recession; or b) a fifth *less* money now, with the loss increasing every day, but with an automatic increase should there be a recession in the next few years? In the current economy, I'll take what's behind Door A.

I agree that the caseload drop doesn't mean the legislation is already a success. As you say, the "tough part" of trying to get the longer-term recipients into the work force lies ahead. I do claim that not only does the caseload drop free up lots of money to focus on the tougher cases, but it's also a good thing in itself. Your response to the latter point is, first, to cite the increase in demand at homeless shelters in Milwaukee. There has been such an increase. According to Joe Volk, chairman of the Milwaukee Shelter Task Force, it consists of about 26 more families in shelters now than this time last year. That's 26 families too many, but in the same year the Milwaukee welfare rolls fell by more than 7,700 households! The overwhelming majority of those leaving welfare, obviously, didn't wind up homeless. On balance, a success—so far.

Your comparison of Wisconsin and Minnesota is very strange. After claiming that the caseload has dropped because of the economy, you argue that the Minnesota caseload hasn't dropped, and Wisconsin's has, because of differences in welfare-reform policies. Wasn't that *my* point? You say

Wisconsin's "bureaucratic culture discourages people from applying." What's wrong with that? But you can't explain away Minnesota's higher caseload simply by its generous practice of keeping people on the rolls as they earn more, since that is an experimental policy that applies to only 10 percent of the state's caseload ([www.slate.com/Data/DandD/Welfare/ExperimentalPolicy.asp](http://www.slate.com/Data/DandD/Welfare/ExperimentalPolicy.asp)).

I say, fine, let Minnesota try its mild version of reform, which still allows long-term welfare mothers to stay on the rolls without actually working. Let Wisconsin try its universal work requirement. Let's see, in a few years, which state has seen more of an improvement in ghetto poverty. That's the competition set in motion by the 1996 reform. You want to allow the experiments you like (Minnesota) and have HHS squash the ones that don't fit your precise preconceptions (Wisconsin).

One more thing about these two states. You say you are for public jobs, yet you tout the Minnesota plan, which has virtually no public jobs, and inexplicably disdain the Wisconsin plan ([www.slate.com/Data/DandD/Welfare/Wisconsin.asp](http://www.slate.com/Data/DandD/Welfare/Wisconsin.asp)), which (in order to enforce work) would create tens of thousands of public jobs! You complain Wisconsin doesn't offer the Earned Income Tax Credit to the people in those jobs. That's true. Wisconsin wants to reserve the tax credit as an incentive for those who get private employment. It's a principle recognized by Franklin D. Roosevelt, in the WPA, and William Julius Wilson, in his most recent book, *When Work Disappears*: Public jobs should pay a bit less than private jobs, to encourage movement into the private sector. Indeed, Clinton's defunct 1994 welfare plan, which you supported (and which, in the *Atlantic*, you praise as "responsible") also denied the EITC to those in public-service positions. So why is this now your big beef?

I can't help but suspect what conservatives (and voters) have always suspected of paleoliberal welfare experts who call for public jobs: You want the jobs, but in the crunch you don't actually want to require anybody on welfare to take them. Since it isn't productive to attribute hidden motives to one's opponent, I'll simply ask you: If the government did decide to provide minimum-wage jobs for everyone, with free child care and free health care—OK, and the EITC!—and a poor, single mother showed up and said "I don't want your job. I don't want to work. I want my welfare," would you deny her the aid? Or would you send her a check anyway?

THE WHITE HOUSE  
WASHINGTON

June 13, 1995

Congressional Welfare Reform Meeting

DATE: Wednesday, June 14, 1995  
LOCATION: Oval Office  
TIME: 12:15-1:00 pm  
From: Bruce Reed

I. PURPOSE

To endorse the Daschle-Breaux-Mikulski welfare reform alternative, and to discuss strategy for the upcoming debate.

II. BACKGROUND

The Senate floor debate on welfare reform will begin next week. Last week, Senators Daschle, Breaux, and Mikulski announced the Senate Democratic leadership alternative bill, called "Work First." Their plan would repeal AFDC and require everyone who needs assistance to do something in return. It includes tough work requirements (two-years-and-work) and ultimate time limits (five-years-and-out). It provides states real resources for work and child care, gives state bureaucracies bonuses for meeting their work requirements, and still provides significant deficit reduction along the lines of your new budget plan.

The Republicans postponed floor debate until next week because of dissension within their caucus from right-wingers like Faircloth (who has threatened to filibuster unless the bill gets meaner) and moderates (who are leaning our way on maintenance of effort, child care, and other improvements). The Democrats are still divided (Moynihan, Conrad, and Harkin also have alternatives), but your endorsement should unite most of them behind Daschle.

As the floor manager, Moynihan is coming to the meeting even though he has not endorsed Daschle. If he presses you on a veto threat over the individual entitlement, you should tell him that our strategy is working: we have the Republicans on the defensive on work and on children, we have a real chance to improve this bill, and a veto threat will only 1) give the Republicans a road map to ensure your veto and 2) give Dole an excuse to pull the bill and head for reconciliation.

III. PARTICIPANTS

President  
Vice-President  
Secretary Shalala

Senator Daschle  
Senator Moynihan  
Senator Mikulski  
Senator Breaux

IV. PRESS PLAN

Pool press. You will open the meeting with brief remarks, then the press will leave. After the meeting, the Senators will go to a press stakeout.

V. REMARKS

Talking points to be provided

November 12, 1993

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.

**1. 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.

## WELFARE REFORM

Q. What do you think of the welfare reform agreement announced today between House Republicans and Republican governors?

A. I haven't seen the details yet. I think we've made some progress on important issues like the need for tough child support enforcement, and it's very important to me and to the American people that we put country before party and end welfare as we know it. But as Congress begins this historic debate, let me tell you what I have always believed that welfare reform is about. I've been working on the welfare problem for 14 years now, and I can tell you: Real welfare reform is about moving people from welfare to work, where they'll start earning a paycheck, not a welfare check. It shouldn't be about punishing children because they happen to be poor.

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

A. We've got to keep an eye on that issue. I'm all for giving states a lot more flexibility — I've given waivers to 23 states, more than any other President. But we won't have real welfare reform if all Congress does is shift costs to the states and put children at risk. The real test for any welfare reform bill is: Does it move people from welfare to work? Does it reduce teen pregnancy? Does it hold parents responsible for supporting their children? Does it protect children, not punish them for their parents' mistakes?

THE CHILDREN'S DEFENSE FUND  
25 E STREET, NW  
WASHINGTON, D.C. 20001  
202/628-8787

TO: President Clinton  
FROM: *Marian Wright* Edelman  
FAX: 395-4198  
DATE: June 5, 1995

NUMBER OF PAGES INCLUDING COVER:

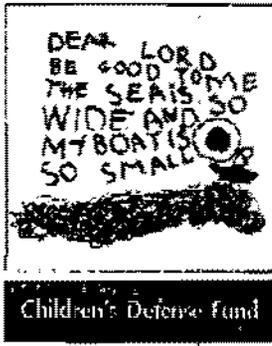
IF ANY PROBLEM WITH TRANSMISSION, PLEASE CALL: 202-662-3506

COMMENTS: While I realize that time is short, I hope you will focus on this right away given that you are speaking to the Governors tomorrow on children's issues.

*Her birthday is today*

June 5, 1995

President William Jefferson Clinton  
The White House  
1600 Pennsylvania Avenue  
Washington, DC 20500-2000



Dear Mr. President:

I am writing to urge you to veto any legislation that dismantles children's entitlement to AFDC assistance and to say so now and unambiguously as the full Senate gets ready to consider welfare reform.

If we enter the "end game" on welfare reform without a clear and immediate signal that you will veto any legislation that does not preserve guaranteed help to children -- the only way the entitlement can be preserved -- many Senate Democrats will have no incentive to go out on a limb they think you will saw off.

While I was grateful that you spoke out against the House welfare bill as "too weak on work and too tough on children," I was and am disturbed that you have been either silent or equivocal on the nation-defining issue of whether the federal government will remain the protector of last resort for poor, hungry, disabled, neglected, and abused children regardless of the state in which they live or the parents they chanced to draw. My concern has been deepened after meetings with White House staff, reading Secretary Shalala's letter to Senate Finance Committee members, and hearing reports from Senators and Governors of meetings with you on welfare and other block grant proposals and budget issues. The message they believe they have received from you is that children's entitlement to AFDC assistance is not a bottom line. I truly hope this is wrong.

Some may think it is good politics to throw AFDC's entitlement for poor children to the winds of temporary political change, although it is clear from the polls that the American people support a fairer and more constructive approach to welfare reform. More importantly, however, it is very bad policy and it is wrong. Those of us who support you and other Democratic leaders expect you to fight for what is right and necessary to protect poor, hungry, and disabled children, and working and average Americans in times of economic downturn and disaster in every state -- win or lose.

We can achieve greater state flexibility, strengthen expectations about work, and make needed changes in welfare without hurting and making millions of poor children worse off. Before we tear down existing protections for poor children, we should make sure that something better is being put in place. Pending House and Senate AFDC block grant proposals do not do this and are not real welfare reform. In their current form they:

- are a Trojan horse for massive budget cuts that would dramatically reduce investments in children and dramatically increase child destitution.

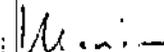
25 I Street, NW  
Washington, DC 20001  
Telephone 202 628 8787  
Fax 202 662 3310

- o will leave states and localities unable to respond automatically and immediately to increases in child and family needs as a result of recessions, disasters, population growth, or migration, etc.
- o ~~lack any accountability in how states will use scarce federal dollars, thereby opening the door to even sharper declines in federal support for children over time as has happened with previous block grants lacking a strong federal role.~~
- o ~~leave children at risk of deeper and continuing state funding cuts on top of pending federal budget cuts by permitting states to eliminate or reduce current efforts and child investments at a time when we have 14.7 million poor children -- the highest number in 30 years.~~
- o ~~impose allocation formulas that give some states far less help than others and treat rapidly growing states in the South and West particularly unfairly.~~
- o ~~ignore the historical failure of many states to protect and respond to the needs of children in many areas and in a fair way. (The federal role as a protector of last resort did not spring from Zeus' head, it sprang from the failure of many states to protect children.)~~
- o recklessly change national policy upon which the fate of millions of children depends before we have evidence, from the waivers your Administration has championed, that states' waiver experiments and flexibility actually improve services for children and families.
- o erase the federal role and leadership in an area of nation-defining importance in the face of major disparities in state resources or management capabilities. What business of any nation is more important than ensuring that its children are prepared for the future? Yet there is no state duty to serve or ensure children a healthy and fair start in life in these block grants.

You have fought too hard and too long to ensure children a better chance to preside over or permit the most regressive, backward step in social policy for children in 60 years. You have the power to protect children and move our nation towards real rather than false welfare reform. We will do everything in our power to help. But we cannot do it without you.

I hope you will speak plainly at the Baltimore Governors' meeting on this and convey immediately to Senate leaders in both parties your commitment to protecting children's guaranteed federal safety net. I also hope you will educate the country about what the stakes are for children and why you are insisting on doing no harm to the least among us.

As ever,



Marian Wright Edelman

MWE/emb

February 6, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: BRUCE REED

THROUGH: CAROL RASCO

SUBJECT: William Bennett Article on Ending Welfare for Out-of-Wedlock Births

In the campaign, Bill Clinton called for ending welfare as we know it by requiring all recipients who can work to go to work within two years. This proposal was designed to restore the basic social contract in which people who get help from the government give something back in return, and also to end welfare as a way of life, which should help discourage people from going on welfare in the first place.

Until recently, conservatives like Bill Bennett and Charles Murray have been strong supporters of the kind of work requirements that the President proposed. Now that they are in danger of losing the welfare issue, however, some Republicans are calling for even more dramatic changes in the welfare system. Murray has attracted considerable press attention and some Republican support by proposing that we abolish welfare altogether for single mothers who give birth to children out of wedlock. Some conservatives, including Bennett, see this approach as a way to hold onto the welfare issue by going further than they think Clinton can go.

Here are three points to keep in mind about the Murray proposal:

**1. Murray is right about one thing: we'll never end welfare unless we reduce the number of out-of-wedlock births.** The number of unwed births in this country has doubled in the last 15 years. More than one in four births today is out-of-wedlock. Many experts attribute the recent increase in welfare rolls (33% increase since 1989) to this out-of-wedlock baby boom. When the President was asked about Murray's proposal, he said he agreed with Murray's analysis that increasing illegitimacy is at the core of the welfare crisis.

**2. Murray's proposal isn't the only way to keep people off welfare in the first place.** The President said, "There is no question that [Murray's proposal] would work. The question is ... is it morally right?" As part of welfare reform, we are considering a number of other measures to encourage parental responsibility and discourage out-of-wedlock births: 1) a national campaign to reduce teen pregnancy; 2) prohibiting teen mothers from leaving home to collect welfare, and requiring them to live with their parents instead; 3) reducing benefits for mothers who have additional children while on welfare; 4) requiring mothers to name the father in order to receive public assistance, so that we can track down the father and make him pay child support; and 5) requiring everyone who applies for welfare to sign a personal responsibility contract that spells out their responsibilities and requires them to work as soon as possible and within two years at the most.

3. Murray's proposal completely ignores the role of unwed fathers. Cutting unwed mothers off the welfare rolls does nothing to address the other problem at the core of the welfare system, which is that too many fathers fail to take responsibility for supporting their children. This is the Achilles heel in Murray's argument: he actually argues that unwed fathers shouldn't be required to pay child support, because that way young women would learn not to have babies outside marriage. The truth is just the opposite: if young fathers knew they faced a lifetime of child support, they would think twice before fathering a child before they're ready. According to the Urban Institute, there is a \$34 billion gap in this country between the amount of child support that absent parents ought to be paying and the amount they actually pay. Child support isn't just a welfare problem; it's also a middle-class problem. But if we had a truly effective child support enforcement system, and if men took responsibility for their children, we wouldn't need a welfare system. As part of welfare reform, we will propose a series of measures to crack down on delinquent parents: we'll garnish their wages, suspend their licenses, track them across state lines, and if necessary, require them to work off what they owe.

In short, the best answer to Murray is that he doesn't go far enough: we need to end welfare as a way of life, and let all young people -- men and women -- know that if they have a child, they will have to take responsibility for that child, because the government won't be there to raise it for them.

THE PRESIDENT HAS SEEN

Carol Rasco  
Jack Lew  
Choon

THE WHITE HOUSE  
WASHINGTON

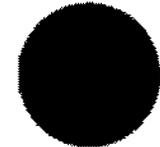
August 21, 1996

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DPC

cc: Reed  
Ben-Ami  
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See my email to Jack Lew  
Cruzato  
Good good but all notes - Be



MEMORANDUM FOR THE PRESIDENT

FROM: Carol Rasco and Jack Lew  
SUBJECT: Status of Welfare Reform Implementation

This memo will update you on efforts to ensure that welfare reform is implemented smoothly and effectively.

We have formed an inter-agency working group to coordinate implementation, which met for the first time on August 9 and will meet on a weekly basis. We have established three subgroups. One will monitor key implementation milestones, identify and resolve issues, and ensure deadlines are met. A second group is developing proposals to expand job opportunities for those leaving welfare. A third group will coordinate Presidential welfare events. Separate work is going forward on developing proposals to correct the major flaws in welfare reform which you have identified.

One key element of implementation is work with the states through the National Governors' Association (NGA), the National Conference of State Legislators (NCSL), and the American Public Welfare Association (APWA) to ensure smooth federal-state communication. Intergovernmental Affairs is coordinating Cabinet agency contact with state and local officials on all implementation issues. NGA, NCSL, and APWA will meet on implementation issues on September 9 and 10, including governors' senior policy staff, state legislative leaders, and state social service commissioners. Intergovernmental Affairs is working with NGA to negotiate the agenda of that meeting, including making Federal officials available for briefings.

Handwritten notes: "Cruzato", "Good good but all notes - Be", "See my email to Jack Lew", "DPC", "9661 8 - SEP - 96"

This memo summarizes the work of the subgroup dealing with implementation. There are a tremendous number of difficult implementation challenges raised by the bill. All affected agencies are at work developing their own timelines and work plans. We will be compiling these agency plans so that there is one overall framework for monitoring implementation. The following is a list of some of the main deadlines and challenges that we have so far identified.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT

As you know, the bill creates the new block grant to replace AFDC and requires that states transform their AFDC systems to TANF by July 1997. There are several major issues that we will be tracking as HHS manages this transition:

o Early Implementation -- States have the option of implementing the block grant immediately, and it is financially advantageous for them to do so. Some states may be ready to go immediately on enactment. We will be working to clarify with HHS the process and timetable for approving these plans. You should know that many states, including California, will need to seek approval from their state legislatures before submitting plans. No states are expected to call special sessions this fall on these issues.

o Regulations -- HHS is preparing a preliminary list of areas in which it sees a need to regulate under the statute. We will be working with HHS to ensure that the new program is appropriately, but not overly, regulated.

*Q: can we require to offer, or allow local gov't to offer, app. submitted to*

o Guidance to States -- HHS is also considering issuing guidance to states on how to construct their new block grant plans. We will be working closely with HHS on this guidance to ensure that it is useful and helpful to the states.

*private employer must have gov't?*

o Approved Waivers -- The bill lets states continue to operate existing waivers. However, the bill's language is unclear about the scope of these provisions, especially the treatment of work requirements and time limits. It appears that the bill's drafters did not intend to exempt states from the work participation rates, but only to provide them with some flexibility in defining work activities. In addition, waivers that apply to only a few counties in a state can not be extended to the entire state.

*Can an at-team consider waiver on unemployment? Monthly check?*

As for time limits, Michigan has waivers that do not include a time limit on benefits and has indicated it will continue on this course in the plan it submits, rather than adopt time limits as required by the bill. New Hampshire may follow suit. Whether the intent of the waiver provisions can be clarified by administrative action has yet to be determined. Deciding upon the best course for clarifying the intent of the waiver provisions -- seeking legislation or through regulation (which would be our first preference) -- will be one of the implementation group's first major issues.

*How long? (wait to get final list of waivers) in MA, as announced to (state)*

o Pending and Future Waivers -- HHS has approved eight waivers in the past two days, three of which arrived after you announced you would sign the bill (D.C., Idaho, and Kansas). Wisconsin is not yet approved. HHS is prepared to act on future waiver requests until July 1, 1997 should states ask for them.

o Other issues -- There are a whole series of operational issues the group will be addressing including the establishment and management of the Performance Bonus Fund and the Contingency Fund.

*again - I will to distribute election mail*

## CHILD SUPPORT ENFORCEMENT

The bill requires an increased Federal role and significant state activity in this area. States must have enabling legislation in place by the end of their 1997 sessions. Federal data processing systems have to be able to interact with state systems by October 1997. We must develop a registry of new hires and a case registry, and enhance the Federal Parent Locator Service. HHS has scheduled training conferences and set up joint working groups with the states. One change of interest is that states will no longer be required to pass the first \$50 of monthly support collections to the family receiving assistance as of October 1, 1996.

## IMMIGRANTS

important  
all age cohorts -

1 didn't know this!

Obviously, the cross-cutting impact of the immigrant provisions of the bill will be a central concern on implementation. Among the key impacts:

- o Food Stamps -- Upon enactment, legal aliens applying for food stamps will no longer be eligible. Immigrants currently receiving benefits will lose them at the time of their regularly scheduled recertification. These recertifications would begin immediately upon enactment, with all such immigrants to be removed from the program within one year of enactment. About 900,000 participants (including 300,000 children) will be ineligible in the first year; approximately 250,000 participants will lose benefits in the first three months after enactment.

cause  
shows work  
then on  
renewable grounds

- o Supplemental Security Income (SSI) -- Upon enactment, most immigrants who apply for SSI will not be eligible. Current immigrant recipients will get benefits until the Social Security Administration (SSA) determines they are no longer eligible. By March 1997, SSA must send notices to the 1.1 million current recipients who may be legal immigrants and request evidence of their citizenship status. If the immigrant provides evidence that he or she is not eligible or fails to respond, SSA will notify the individual that benefits will be stopped. The amount of time the recipient has to respond to the first notice appears to be at SSA's discretion, although all redeterminations must be completed within one year of enactment. SSA is exploring timing options, with the intent of providing recipients as much time as possible within the law to naturalize. An estimated 300,000 to 400,000 recipients are expected to come off the rolls.

all the year and  
rolls will be on  
here to get a  
newly citizens  
in portfolio

We will be focusing on two overarching issues in implementing these and the other immigration provisions:

- o Verification -- Developing a workable and fair system of verifying citizenship status that meets the needs of the various systems affected is a daunting challenge. The legislation outlines ambitious timelines, and an administration workgroup is already at work putting proposals and options together.

- o Naturalization -- In anticipation of the restrictions on benefits, many immigrants have already applied for citizenship and many more will apply as the restrictions take effect. INS has been working on initiatives to speed up the naturalization process. The Citizenship U.S.A. initiative is designed to respond to the large increase in applications and expects to naturalize 1.2 million immigrants this fiscal year. INS is also working with SSA and OMB on a new regulation that will waive English and civics test requirements for immigrants with certain serious disabilities and perhaps establish a special waiver for many disabled immigrants receiving SSI.

Household  
Plan 1990

How big  
can the  
own language

### FOOD STAMPS -- NON-IMMIGRANT PROVISIONS

Eligibility for 18-50 Year-old Childless Adults -- Most able-bodied adults without children will now be limited to 3 months of food stamps in a 36-month period if they are not working or participating in a work or workfare program. For current recipients, this limit is effective 3 months after enactment. One million current recipients will become ineligible within six months. Households remain ineligible for the balance of the 36-month period unless they obtain work or get a slot in a job training or workfare program.

Making the extensive changes to their computer systems to determine the eligibility of individuals who are dropped from the rolls and to track new recipients against the time limits will be a major implementation challenge to states.

Benefit Levels -- Changes to the standard income deduction and the excess shelter deduction will reduce benefits for nearly all of the 25 million monthly participants. Food stamp allotments will still increase under these changes, but much less than under prior law. The impact increases over time -- by 2002, average benefits will be nearly 20% lower.

These provisions involve relatively simple computer changes. The Department of Agriculture (USDA) expects most states will be able to implement them on October 1 and January 1, respectively, without delay.

### OTHER KEY PROVISIONS

SSI for Children -- The bill tightens SSI eligibility for children with disabilities. Upon enactment, new applicants who do not meet the new standard will be ineligible. Current recipients will get benefits until SSA makes a redetermination that they are no longer eligible. Children whose cases must be reviewed will receive notices by January 1997. Those found no longer eligible will be sent a notice that benefits will be stopped. In certain cases, benefits may continue until the first level of appeal is completed. The bill calls for all redeterminations to be completed within one year of enactment. An estimated 285,000 initial notices will be sent and an estimated 190,000 children are expected to come off the rolls. SSA is working on the plan for the timing of the release of the first notices and the subsequent processes.

we must use  
real common sense

any change, now  
in case of the...  
in case of the...  
Bx

**Medicaid** -- The Medicaid program faces two major challenges in implementation: (1) delinking eligibility for Medicaid from the welfare system, and (2) assessing the impact on pending and existing waivers. The Health Care Financing Administration is working closely with other parts of HHS and with SSA to meet these challenges.

**Child Care** -- The bill block grants several child care programs, effective at the beginning of the fiscal year. While these changes are mostly positive, the timeframe for implementation is challenging.

Good to  
Do this  
in the bill  
follows  
Political  
implicity law

**Monitoring and Evaluation** -- One key overarching issue will be to ensure that agencies are establishing effective research, evaluation, and monitoring capabilities to identify the impact of these dramatic changes on the individuals and institutions involved.

**JOB OPPORTUNITIES**

agly

The interagency working group on the welfare jobs issue is nearing completion of a package of options. At this point it appears that the components will likely be: about \$1 billion in enhancements to the Work Opportunities Tax Credit passed in the minimum wage bill; a \$100 million expansion of the Community Development and Financial Institutions program to enhance economic development in distressed areas; a \$3 billion spending program to place one million hard-to-employ welfare recipients in unsubsidized jobs, with the key feature of withholding full payment to States until successful job placement and retention.

\*

**NEED FOR LEGISLATION**

↳ success given credit to states

Work has begun on developing proposals to correct the major flaws in the welfare reform bill. Among those you have noted are: (1) the too-deep cuts in the Food Stamp Program, including the cap on the amount that can be deducted for shelter costs when determining an individual's eligibility; (2) the denial of Federal assistance to legal immigrants and their children, and the state option to do the same; and (3) the failure to provide Food Stamp support to unemployed childless adults who are willing to work, but not offered a work slot.

Additional issues requiring corrective action include: (1) the failure to provide sufficient contingency funding for States that experience a serious economic downturn; and (2) the lack of a provision for in-kind vouchers for children whose parents reach the five-year Federal time limit without finding work.

**CONCLUSION**

→ what about Joe Califano's concern in Sat 9/25 New York Times

We will keep you up to date on developments as we go forward.

cc: Leon Panetta

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.

## Welfare Reform Conference Call with Democratic Governors

Date: August 23, 1995  
Time: 6:00-6:30 p.m.  
From: Bruce Reed

### I. PURPOSE

To give Democratic governors negotiating instructions for a possible NGA compromise on welfare reform.

### II. BACKGROUND

Gov. Thompson promised Dole he could get a bipartisan NGA deal on welfare reform by September. This conference call is with the lead Democratic governors on welfare, who want to know our bottom line before they start negotiating. Thompson is expected to approach them with a proposal next week.

As you told Dean and others last week, we believe a deal could be helpful in the upcoming Senate debate -- so long as it's a good deal, and the governors ask for real money. A list of the major issues and talking points for the call are attached. The most important advice you can give them is 1) ask for real money, and insist on specific dollar amounts for child care and the contingency fund; 2) don't give an inch on maintenance of effort; and 3) make sure it looks like a governors' deal -- a middle ground between the Daschle and Dole bills -- not an NGA endorsement of Dole. If it looks like a bad deal, they should walk away.

The governors are sure to press you for our bottom line -- what's unacceptable, what we would veto, etc. We've made recommendations in the talking points as to what we think would be a good deal for them and for us, but you should avoid getting pinned down on an absolute bottom line. The best way to do that is to get them to run the terms of any possible deal by us before they sign on.

Rahm and I will both be on the West Coast, but we will call you 15 minutes beforehand to do the briefing, and stay on for the call. Secretary Shalala will come to your office.

### III. PARTICIPANTS

Governor Bob Miller (NGA vice chair)  
Governor Carper (lead Democratic negotiator)  
Governor Romer (most enthusiastic negotiator)

Governor Carnahan  
Governor Chiles  
Governor Dean

### IV. TALKING POINTS

Attached.

[THE GOVERNORS HAVE THIS ONE-PAGER. YOUR TALKING POINTS TRACK WITH IT.]

WELFARE REFORM ISSUES

- I. Overall Approach
- II. Child Care \$
- III. Maintenance of Effort
- IV. Contingency Fund \$
- V. Performance Bonus
- VI. Punitive Mandates
- VII. Food Stamps
- VIII. Job Training
- IX. Other Elements
  - Child Support Enforcement
  - Minor Mothers
  - Personal Responsibility Contract
  - Vouchers

**Talking Points**  
**Welfare Reform Conference Call**

**I. Overall Approach**

\* Thank you for taking time out to work on this. States obviously have a lot at stake in what happens in Congress this fall on a number of issues -- and it's important to stand up for your interests on welfare reform, which will be the first one out of the box.

\* I don't have to tell you that you should approach these negotiations with extreme caution. Our view here is that a truly bipartisan deal that strikes a middle ground between the Daschle and Dole bills could help us get a better bill -- but a deal that just looks like an endorsement of the Dole bill with minor changes will hurt more than it helps.

\* You should do everything you can to make this a "governors' plan", not just the Dole bill with amendments. The best thing for you, for Thompson, and for NGA would be for the press to see the governors stepping forward with their own, centrist plan that's good for states and could actually work.

\* You should constantly remind Thompson that governors are not bound by the Congressional Republicans' budget resolution. On child care, contingency fund, and other issues, you should press for specific dollar amounts that represent real money. There ought to be bipartisan support among governors to reduce the size of the cost shift to the states.

\* We'd like to run through the issues quickly. I'm going to give you our best take on what the Administration would like to see out of a governors' deal. I'm not saying that we will flat out reject a deal that doesn't give us absolutely everything we want. But today we'll try to give you a general sense of where we are -- and I recommend that to make sure we all stay on the same page, you check back with us when you have a better sense of the terms you think you might be able to get.

**II. Child Care**

\* We estimate that it will cost states \$13 billion more over 7 years than Dole has in his bill to be able to provide child care to meet the work requirements. That should be your starting point. If you can get a deal with half that much (\$6 billion), that would be good.

[NOTE: The governors may ask about whether we'll insist on maintaining IV-A child care as an individual entitlement. That's not going to happen. Dodd and Kennedy, the Democratic leaders on child care, have already proposed to put child care into a capped entitlement block grant. Our major concern is making sure that there's enough money in that block grant.]

### **III. Maintenance of Effort**

\* The President feels very strongly that it is in the states' best interest to have a real maintenance of effort requirement. The Thompson-Dole idea of 75% for the first two years is not a serious proposal. You should insist on the Breaux proposal of 100% over seven years -- and make clear that this is not negotiable. We think we have the votes to prevail on this issue in the Senate, and any deal that undercuts us on this point is not worth having. (There was a good article on this in Monday's Wall Street Journal.)

### **IV. Contingency Fund**

\* We estimate that states could need around \$4 billion over 7 years for a full-fledged contingency fund. Again, you should aim for as much of that as you can (i.e., \$2 billion).

### **V. Performance Bonus**

\* There is bipartisan support for the idea of giving states performance bonuses for meeting their work requirements. The Daschle bill includes \$1.5 billion over 5 years. You should try to get a specific dollar figure as well.

### **VI. Punitive Mandates**

\* This is an area where you can shore up Daschle and Dole at the same time. Keep in mind that a governors' deal could turn out to be even more important in conference, when we try to ward off nasty provisions in the House bill. You should insist on a strongly worded statement that states oppose Washington telling them to cut off young unwed mothers and oppose the idea of an illegitimacy bonus that could reward states for encouraging abortion. You should also be able to get a strong statement against the immigrant provisions.

### **VII. Food Stamps**

\* As you know, the Administration has threatened to veto a bill that block grants food stamps. We have not issued such a threat over a state option to block grant food stamps, but we have serious concerns about it. The Republicans call it a state option, but it isn't really, because the option is irrevocable -- any state that exercises it can never go back, even if the state goes into a deep recession and its population of poor, unemployed, and hungry people goes through the roof.

\* We know it is difficult for governors to oppose anything called a state option, but we would like you to take this one off the table.

## VIII. Job Training

\* This is another area where we may differ a bit. Senate Republicans want to include the Kassebaum job training bill as part of welfare reform. We have several problems with that: 1) Kassebaum cuts funding for job training by 15%; 2) We think it's a mistake to take money away from training for dislocated workers and allow it to be used to train welfare recipients; and 3) The Kassebaum bill does nothing to provide skill vouchers for dislocated workers, which is the President's number-one priority in job training.

\* You may like other parts of the Kassebaum bill, but the President needs you to keep from endorsing it as part of this deal.

## IX. Other Elements

\* Finally, we've listed a few other elements that can help this look more like a governors' deal that borrows from both Dole and Daschle:

\* Toughest possible child support enforcement: No argument there.

\* Requiring minor mothers to live at home and stay in school: A positive endorsement of this will help ward off the punitive cut-off of young mothers.

\* Personal responsibility contract for each recipient: This was in the President's plan and the Daschle bill; it's now in the Dole bill as well.

\* Job placement vouchers: The Dole and Daschle bills both call for the use of vouchers to private companies to place welfare recipients in private sector jobs.

\* Vouchers for children whose parents have reached the time limit: Many Democrats in the Senate who are very nervous about a governors' deal that gives up on the individual entitlement will feel much better about it if you can agree to some kind of third-party voucher that will help provide food and clothing for the children of recipients who have hit the time limit and been cut off. It should be hard for Republicans to argue against this kind of safety net for innocent children.

THE WHITE HOUSE

WASHINGTON

July 14, 1995

MEMORANDUM FOR LEON PANETTA

FROM: RAHM EMANUEL  
BRUCE REED

SUBJECT: WELFARE REFORM

At this point it is clear that the Republicans will not be able to take up welfare reform by summer's end. When the Congress returns in September, they will be focused on the budget.

Therefore, it is imperative for us to use the end of this session to make a lasting impression on the welfare debate -- one which establishes the President as the true champion of welfare reform.

To accomplish this goal, we must organize HHS and the Department of Agriculture to wrap up all the remaining welfare waivers as soon as possible, there are approximately 20 or more, and sign all of them on one day.

At the announcement of the 20 additional waivers, the President would also lay out four principles on which any future waiver would be approved and the time frame for approval.

The headline we would strive for is, Clinton announces welfare reform has begun. This will give the President ownership of welfare reform.

To ensure this attention, the President should hold this event the day after the Congress departs for the August recess. The recess can be used to give us a jump on them for not accomplishing welfare reform, and the President through Executive action could take charge of devoting the recess period to welfare reform.

There are a number of steps that need to be put in place to make this work:

- First, on the legislative front, we need you to call Senator Breaux and really push him to reach out to moderate Republicans. The goal would be to keep the moderate Republicans from making any agreement with the conservative Republicans so that the Senate will not have an agreement on welfare reform by the time of the August recess. In addition, if and when the Senate begins discussions on welfare reform we want the moderates to be more closely aligned with the Democrats than with the Republicans.

- Second, we need a meeting with Secretary Glickman and Secretary Shalala to direct them to finish every waiver on time in order to represent the President's best interest; not their own bureaucratic timeline.
- Third, we need to organize Senate Democrats to attach their welfare bill to a major legislative vehicle before the August recess. This will show the Democrats trying to push welfare reform, and the Republicans as the ones who did not want it to happen. This would be a good prelude to the President's action after they leave for recess.

In addition to the President making an announcement at the end of the legislative session (the first day of the recess), on the following day he should travel to a welfare worksite on his way out to Hawaii. There are many options for areas to hold this type of event where the President reiterates his message on welfare reform revolution.

Finally, it is clear that given where we are going on affirmative action, accomplishing welfare reform will be an essential credential for the President. Not only going into the '96 election, but in keeping downscale white voters open to the President.

I cannot stress enough the importance of agreeing to a strategy and then taking the necessary steps. By first gaining your approval and then moving the waiver process and the Senate relations along, I think we have a solid chance of reclaiming the issue of welfare reform.

July 23, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
SUBJECT: Welfare Reform Conference

The welfare reform bill passed the Senate this evening by a vote of 74-24. The conference will begin immediately, and could be finished by the weekend.

I. Overview

We need to move quickly to mobilize bipartisan support for holding onto the improvements the House and Senate have made, and to seek further improvements if possible. We are working with Republican moderates in both houses to spell out their concerns in letters to the conferees, and with Blue Dog Democrats who withheld their support from the House bill in order to extract concessions from the Republican leadership in conference. We also are pressing NGA to weigh in on a number of state flexibility issues where our interests coincide.

We have already won the battle on virtually every issue that is central to moving people from welfare to work, from providing health care and child care to requiring 80% maintenance-of-effort and giving states a performance bonus for placing people in jobs. The House and Senate bills are quite similar in all these areas, and both are dramatically better than the vetoed bill.

Many provisions of the vetoed bill that were tough on children have been dropped as well -- cuts in school lunch, child welfare, and SSI for disabled children. The main battles in conference will be over protecting children from some of the cuts that remain -- by allowing vouchers, containing the food stamp cuts, and alleviating or delaying the impact of the immigrant provisions.

We should use the leverage we have -- the governors' desire for flexibility, the conservatives' desire for the family cap opt-out (which the Senate removed today by a vote of 57-42), and the strong desire of many Republicans for a bill that actually becomes law -- to keep up the bipartisan progress in these areas.

## II. Key Issues

**A. Vouchers:** Both bills prohibit the use of federal block grant funds to provide vouchers beyond the 5-year time limit. As a practical matter, states could still use their own money to provide vouchers, and would be more likely to use the 20% hardship exemption in both bills (rather than vouchers) to deal with families who reach the time limit. But the issue has taken on symbolic importance for both sides. Today, after Lott forced Chafee and Jeffords to change their votes and defeat an amendment to permit the use of block grant funds for vouchers, Daschle and a handful of other Democrats felt so double-crossed they voted against final passage. Castle fought for a similar amendment on the House side, but the leadership would only give him explicit language that states can use their own funds for vouchers.

The NGA supports removing or easing the restriction on vouchers. So will moderates in both parties. It would be easy to reach a middle ground on substance -- for example, allowing vouchers for more limited in-kind expenses (such as diapers and clothing), or in more limited circumstances (such as economic downturn). But the Republican leadership knows how much Democrats want this, and will keep trying to deny it in an effort to split our ranks.

**B. Food Stamps:** Two Food Stamp provisions of the House bill are worse than the Senate: the Kasich amendment to impose a three-month lifetime limit for unemployed men without children, and the block grant state option. The Kasich provision is particularly mean-spirited, and was designed to give the House leverage in conference. The Senate unanimously passed a Conrad amendment to soften this provision, and we should be able to ward off Kasich in conference.

The optional block grant will be more difficult, because it has support from governors in both parties. We should try to beat the state option outright, or at least do everything we can to keep states from ever taking it -- for example, a limited demonstration in 3-5 states (which is probably more than would ever choose the option), or requiring states to have both statewide EBT and a low error rate (the current House option requires one or the other but not both), a test almost no state today could meet.

**C. Immigrants:** The House bill cuts much more deeply than the Senate, and both are disappointing. Our best hope in conference is that Republican governors and Republican leadership may ultimately have second thoughts about going this far (unless they think they can draw a veto). If Republicans are willing to consider any changes, the choices include exempting children (a Kennedy amendment to exempt children from the bans received 51 votes in the Senate, but needed 60 to pass because of the Byrd rule), delaying the effective date for one or more of the bans, or applying the bans prospectively. Any of these changes will be difficult, because Republicans want to jam us and Democrats don't want to go out on a limb.

**D. Other Differences:** We will give you a detailed side-by-side of the two bills, as well as a chart showing the progress we have made since the initial House bill and the vetoed conference report. Here are the other main issues to be resolved in conference:

- **Family Cap:** The House bill, like the conference report, allows states to opt out of the family cap but requires them to make an affirmative decision to do so. The Senate dropped the family cap and plans to use it for leverage in conference. This is our best bargaining chip. Even though there is little practical difference between the opt-out provision in the House bill and the opt-in provision in our own bill, House conservatives need the opt-out, and in the past have been willing to give up a lot to get it.
- **Performance Bonus:** The House bill provides \$500 million in bonuses to states for placing people in jobs; the Senate bill provides \$1 billion. Either provision is much better than the vetoed bill, which had performance incentives but not a separate pool of cash bonuses.
- **Maintenance of Effort:** The Senate bill sets MOE at 80% of FY1994 spending, and tightens the definition of what counts. The House bill also sets MOE at 80%, with 75% for states that meet the work requirements. (Any state that can meet the work requirement will probably be spending more than 75% of its current effort anyway.) Either provision is better than the conference report, which was a flat 75%.
- **Transferability:** Both the House and Senate made it much tougher to transfer money from the block grant to other purposes. The Senate bill limits such transfers to child care; the House allows transfers for a few other services but also significantly limits the amount of money that can be transferred.
- **Work Hours:** The House reduced the work requirements to 30 hours a week; the Senate remains at 35 hours. The NGA will be pushing to lower the requirement to 25 hours, which would reduce overall work and child care costs. Both bills improve on the vetoed version by allowing mothers with children under 6 to work part-time, and guaranteeing that mothers with children under 11 cannot be required to work unless child care is available.
- **Child Welfare:** The Senate bill preserves current law; the House bill block grants a few programs that are already capped entitlements. Both bills are big improvements over the vetoed version, which block granted the funds states use to investigate and prevent child abuse.
- **Equal Protection:** The Senate bill includes equal treatment and due process language from Castle-Tanner to help make sure eligible recipients are treated fairly. The House language is harder to enforce.

- **Adoption Tax Credit:** The Senate voted overwhelmingly to attach the adoption tax credit you endorsed earlier this year. The House passed an adoption tax credit in May, but did not address it in the welfare bill. With no other tax bill in sight, this may be the only vehicle to enact the adoption tax credit this year.
- **Medicaid Guarantee:** Both bills guarantee Medicaid to welfare recipients and their children, based on current eligibility rules. This is a dramatic improvement over the vetoed bill, which explicitly broke that link. The House and Senate bills are virtually identical, but given its importance, we should keep an eye on this issue in conference.

### III. Wisconsin Waiver

If we're going to approve the Wisconsin waiver this weekend, we need to do so in a way that bolsters our legislative position in conference, and does not give the Republicans any openings. The only safe approach is to make sure the waiver is completely consistent with what we're seeking in conference.

You will receive a more detailed memo from OMB on issues that need to be resolved in order to grant the Wisconsin waiver. Only two outstanding issues in the waiver have any direct bearing on the conference: 1) equal protection/due process; and 2) time limits. In both areas, I recommend that we grant the waiver along the lines of what Wisconsin could do under the new Senate-passed bill.

On equal protection and due process, that would mean that we would waive the entitlement, but hold the state accountable for its pledge to provide jobs by insisting that it abide by the relevant provisions of the Senate bill, which require states to treat families in an equitable manner and to give recipients a fair hearing after their benefits have been cut.

On time limits, we could grant the state's request, but spell out explicitly in the waiver that the state had the option to use federal money to provide vouchers beyond the time limit, as well as the option to exempt up to 20% of hardship cases.

Neither of these decisions will please HHS or completely placate Thompson, but they might allow us to grant the waiver with minimal backlash in conference. Before we proceed, however, we need to check with Hilley to make sure we haven't overlooked any unanticipated consequences. For example, Republicans might decide to add a rider to the conference report that deemed the entire Wisconsin waiver approved -- including the Medicaid provisions we don't support. That may be procedurally difficult, but if it's a real possibility, it's not worth the risk.

THE WHITE HOUSE  
WASHINGTON

August 11, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Welfare Reform -- Recess Strategy

Over the recess, we will be working with Democratic governors and key Senate allies to prepare for the Senate debate in September. Thompson and Romer are pushing hard for an NGA compromise, which could provide an opening for a truly bipartisan bill. But we have to monitor those talks closely to make sure they don't undermine our hand in the Senate, where we were poised to get much of what we wanted if the debate had taken place this week.

**I. Senate Update**

Until Senate Democrats agreed to Dole's request to put the bill off until September 6, we were in relatively good shape in the Senate. A pivotal bloc of moderate Republicans is holding out for significant improvements in the Dole bill, including a maintenance of effort requirement, more money for child care, and a performance bonus for states that move people to work. Dole put off the bill not because he couldn't find the votes (as the press reported), but because he knew he would have to come our way to get them. The Democrats went along because none of them wanted to be seen filibustering the bill and some on the left were afraid the Senate was about to pass a bill you could sign.

Dole's strategy over the recess will be to keep making modest concessions to the right and to the left until he can build a majority. With help from reasonable-sounding Republican governors like Thompson and Weld, he is putting intense pressure on the moderates to settle cheap -- maintenance of effort at 75% of current levels rather than 100%, an exemption for mothers with children under one rather than additional money for child care, etc. So far, they have stood up to the pressure and refused to sign onto his bill. But time is against us, and the more time Dole has to beat up the moderates, the worse off we will be.

The Daschle-Breaux-Mikulski bill has 30 cosponsors, and all the Democrats should vote for it except Baucus, who has signed onto Dole's bill. But moderate Republicans have decided to improve the Dole bill rather than cross over and support the Democratic substitute. If moderate Republicans succeed in getting sufficient improvements, between 10 and 20 Democrats (moderates as well as some liberals who are up for re-election in '96) will probably join them in supporting the Dole bill.

## II. Governors

Thompson has been pressing for a bipartisan NGA agreement on welfare reform since he took over as chair last month. In Vermont, he appointed a welfare reform committee that includes Democrats Carper, Romer, Chiles, Bayh, Bob Miller, and Dean, and Republicans Thompson, Engler, Weld, Allen, Branstad, and Sundquist. This week, Thompson told Dole that if the debate were delayed until next month, he could deliver the Democratic governors' support for something close to the Dole bill.

By most accounts, Thompson is eager to strike a deal in order to strengthen the NGA and boost his own profile on welfare reform. In initial discussions with Democratic governors this week, for example, he hinted that he would be willing to accept some provision on maintenance of effort. But Thompson will be under pressure from Dole (and his vice-presidential rival, Engler) to produce a deal that meets the Republicans' budget targets.

We have scheduled a conference call with Democratic governors next week to help them prepare for discussions over the recess. Their concerns are generally consistent with our SAP (attached): They intend to hold out for a substantial increase in funds for child care, a maintenance of effort requirement, and a real contingency fund that responds to population growth and economic downturn. Republican governors have resisted these provisions in the past. Our best hope is for Democratic governors to persuade their Republican colleagues to overlook Dole's budget problems and insist that Congress provide some real money. That would strengthen the welfare reform bill and strengthen the NGA's hand on the eve of the Medicaid battle.

Our signal to the Democratic governors will be to proceed with negotiations to see if they can get a deal that's a true blend of the Dole and Daschle bills and not just modest changes to Dole. But we will also warn them not to undercut us on issues we have a good chance to win in the Senate, like maintenance of effort, and to make sure they check with us before they sign onto any deal. We have to be particularly concerned in areas where their interests may be different from ours. For example, unless we convince them otherwise, Democratic governors are likely to endorse two elements of the Dole bill we would rather do without -- a state option to block grant food stamps and Kassebaum's training bill with no provision for skill grants.

Let us know if you feel we should send the governors a different signal. We will keep you posted on any progress they make.



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

August 5, 1995  
(Senate)

## STATEMENT OF ADMINISTRATION POLICY

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

S. 1120 - Work Opportunity Act of 1995  
(Dole (R) KS and 31 cosponsors)

The Administration opposes S. 1120 in its current form because it falls short of the central goal of real welfare reform -- moving people from welfare to work. The Administration strongly supports enactment of real and effective welfare reform that promotes the basic values of work and responsibility. The Administration, therefore, strongly supports S. 1117, the Daschle-Breaux-Mikulski substitute, which meets these objectives.

Over the past two and a half years, the President has been fighting for the basic principles of work and responsibility. Last year, the President proposed a sweeping welfare reform package that would: establish tough work requirements while providing child care for working people; impose tough child support enforcement measures; require teen mothers to live at home, stay in school, and identify their child's father; increase State flexibility and accountability; and provide basic protections for children. His economic plan expanded the earned income tax credit, which rewarded work over welfare and cut taxes for 15 million working families.

Last February, the President issued an Executive Order to crack down on Federal employees who owe child support. The Administration also has approved welfare reform experiments in 32 States and has pledged fast-track approval for other State demonstrations that pursue specified reform strategies. Such strategies include: (1) strengthening work requirements backed with child care; (2) limiting recipients' duration on welfare and cutting off people who refuse to work; (3) making parents pay child support or go to work; (4) requiring mothers who are minors to live at home and stay in school; and (5) using welfare and Food Stamp benefits as subsidies for employers who hire welfare recipients. The President has also directed that Federal regulations be changed to ensure that welfare recipients who refuse to work do not receive increased Food Stamp benefits to offset the decreases made in their welfare checks.

The welfare reform debate has come a long way in certain key areas since this Congress first took up the issue. Not so long ago, some in Congress were promoting orphanages as the solution to out-of-wedlock teen births. Now, S. 1120 includes provisions from the President's proposal requiring mothers who are minors to live at home and stay in school. Earlier this year, some in Congress wanted to exclude child support enforcement from the welfare reform debate. Now, there is bipartisan agreement on the toughest child support enforcement proposal ever, and both the House-passed H.R. 4 and S. 1120 include the President's major child support enforcement provisions. In addition, S. 1120 adopts the Administration's position that child protection programs for abused children must be protected and includes an important provision from the President's welfare reform plan requiring welfare recipients to sign personal responsibility contracts as a condition of assistance.

The key to successful welfare reform is moving people from welfare to work. S. 1120, however, does not put work first. It does not provide the level of child care resources necessary to support the imposition of tough work requirements. Indeed, it repeals critical child care programs now serving 640,000 children. It does not provide incentives for States to promote work. Instead, by allowing States to no longer contribute any of their own resources, the bill gives States an incentive to throw people off the welfare rolls rather than put them to work. It further undermines the goal of requiring work by shifting an enormous cost burden to States and localities and putting them at even greater risk during an economic downturn. No safeguards are provided for children whose families lose assistance through no fault of their own. More families may have to make do with less food on the table, if States opt for a Food Stamp block grant and then spend Food Stamp block grant funds on other programs. Finally, House and Senate Republican plans cut low-income programs too deeply, compromising their ability to protect children and promote work. The Administration supports real reform that saves taxpayer dollars by promoting independence -- moving people off welfare rolls and into work -- not by simply sending the welfare problem to the States with more mandates and less money.

The Administration's most significant concerns are discussed below. As the Administration continues its review of S. 1120, it may identify other troublesome issues and will work with Congress to address those concerns as well.

#### Moving People from Welfare to Work

Welfare reform will succeed only if its central goal is work. Work has always been at the heart of the President's approach to welfare reform. Work has provided the foundation for the welfare reform waivers the Administration has granted, including

innovative welfare-to-work programs in Oregon, Iowa, and dozens of other States. If a welfare system is to provide work-based incentives for States and welfare recipients, adequate resources for child care, training, and work must be available. State bureaucracies have to be rewarded for getting people into the workforce or preparing them to enter the workforce -- not for cutting them from the rolls.

Unlike the Daschle-Breaux-Mikulski substitute (S. 1117), which the Administration strongly supports, the Republican leadership bill would not end welfare as we know it by moving people from welfare to work. To promote work, the bill should be changed to:

- Require States to maintain their stake in moving people from welfare to work. S. 1120 would neither require nor encourage States to contribute resources to welfare reform. Many States could be expected to withdraw their own funds, cut benefits, purge large numbers of current recipients from the rolls, and avoid the burden of helping people become self-sufficient. In sum, there is a real danger that States would "race to the bottom" to save State dollars or to deter migrants from other States.
- Provide child care to move people from welfare to work and to keep people from going on welfare in the first place. It makes no sense to deny child care to people trying to leave welfare and to working people who are trying to stay off welfare. By aggregating funding for cash benefits, child care, and employment assistance into one block grant and cutting it across-the-board, S. 1120 provides no guarantee that States will put any money into child care and work programs that move people off welfare. The Administration recommends that the bill be modified to: (1) fund employment and child care for welfare recipients separately from cash benefits; and (2) ensure that people who can work, do so, and have the child care when they do.
- Provide incentives that reward States for putting more people to work, not for cutting them off. S. 1120 gives States an incentive to save money by throwing people off the rolls. To change the culture of welfare, the bill should be modified to reward success instead of the status quo. The Administration supports a performance bonus that would focus the welfare bureaucracy and recipients on the central goal of moving from welfare to work.
- Protect States and families in the event of economic downturn, so that welfare reform does not shift a huge burden onto State and local taxpayers, and States can afford to put people to work instead of putting poor families at risk. In contrast to current funding mechanisms, funding for temporary assistance to needy families under S. 1120

would not adjust adequately to cushion the impact of unemployment and economic stagnation. States in recession would encounter reduced revenues and increased caseloads. S. 1120 would provide a "rainy day" loan fund that would allow States to borrow additional money during economic downturns. In addition, extra funding would be available to States projected to have high population growth that meet certain criteria. There is no guarantee, however, that the finite amount that such States receive will be adequate. And if there is population growth in a majority of States, each will get a diminished share of the fixed dollars. The Administration recommends that the bill be changed to adjust for shifts in economic condition and population.

### Training People for the Future

The training provisions in S. 1120 include the consolidation of approximately 90 training programs. Given the need to build a comprehensive workforce development system to serve all Americans and the concerns expressed below, the Administration believes it is inappropriate to consider these provisions in the context of welfare reform legislation. Of paramount concern is the bill's insufficient funding for the consolidated programs. While the President's FY 1996 budget proposes to increase funding for training by \$1 billion over FY 1995, S. 1120 would cut funding by 15 percent. Not only is the plan's funding insufficient for the Nation's workforce needs as a whole, the consolidation of these programs means that billions of dollars less will be available to help people stay off welfare and to help others transition from welfare to work.

In addition, S. 1120 would not ensure proper accountability for \$8.2 billion in Federal training and vocational education funds. If the bill were adopted, the Federal Government could not assure taxpayers that States were spending Federal funds to achieve the national goals of improving workers' skills, facilitating individuals' transition from school to work, and helping severely disadvantaged people enter the education and work mainstream.

Unlike the President's job training proposal, S. 1120 would not require the use of skill grants for adult training. Thus, there would be no guarantee that training resources would be put directly into the hands of dislocated workers and low-income adults, so that they could make informed training choices. Other concerns about S. 1120 include its: (1) failure to target resources on those most in need; (2) devolution of the successful Job Corps program to the States; (3) elimination of the Summer Jobs, Trade Adjustment Assistance (TAA and NAFTA-TAA) training, Employment Service, and Senior Community Service Employment programs; (4) failure to assure permanent local workforce development boards with authority for local decision-making; (5) failure to provide a national reserve to aid victims of mass

layoffs and national disasters and for other purposes; and (6) creation of a complex new bureaucracy under the direction of a part-time board with uncertain accountability as the Federal governance structure.

In addition, the Administration supports the deletion of the provision in S. 1120 that modifies Davis-Bacon labor standards protections. Overall, Davis-Bacon reform is the appropriate avenue for addressing what changes should be made to Davis-Bacon requirements.

#### Protecting Children

Reduced spending for low-income programs is possible while still protecting the most vulnerable. The Administration has proposed \$38 billion in carefully tailored cuts for certain welfare programs over seven years; however, the magnitude of the cuts assumed in the congressional budget resolution -- approximately \$110 billion over seven years -- compromises the ability of these programs to protect children and promote work. This is exacerbated by the absence of maintenance-of-effort requirements on the States. It is not realistic to expect the States to compensate for the reduced Federal spending from their own revenues. Many will ultimately pass on the drastic cuts to children and families, who will endure future cuts or even losses in benefit eligibility. The proposal also eliminates benefits for approximately four million children even if their parents have done everything possible to find work.

The Administration supports the retention of Supplemental Security Income (SSI) cash benefits for eligible children provided by S. 1120. The plan, however, would apparently deny SSI benefits to more than 370,000 disabled children over the next five years. In addition, the bill would establish a mandatory five-year cut off of Temporary Assistance for Needy Families without regard to their circumstances. The bill would not provide any protection for children when their parents are unable to work due to illness, disability, the need to care for a disabled child, or high local unemployment. The Administration believes that such provisions are unduly harsh.

#### Preserving the Health and Nutrition of Adults and Children

The Administration is pleased that S. 1120 includes a number of provisions proposed by the Department of Agriculture to combat Food Stamp fraud. The Administration, however, opposes the Republican leadership plan to include an optional Food Stamp block grant. Providing the option of a Food Stamp block grant in its current form jeopardizes getting food to people who need it. It would sever the link between Food Stamps and nutrition; eliminate the program's economic responsiveness; end national eligibility and benefit standards; and ultimately divert support

away from food. The bill requires only 75 percent of the block grant funds to go to food assistance, a provision that could divert \$23 billion worth of food from children and families over the next five years. Furthermore, any State that exercises the block grant option will see its food assistance decline dramatically in the event of recession or population growth. The block grant option would threaten the national nutritional framework that has successfully narrowed the gap between the diets of low-income and other families.

The Administration is concerned about the severity of the cuts to the Food Stamp program in S. 1120. The Administration supports requiring Food Stamp recipients without children to go to work or train for work in return for their assistance. S. 1120 does not provide States with the resources to accomplish this goal. Rather than promoting work, the plan simply cuts a hole in the nutrition safety net.

#### Provisions Affecting Non-Citizens

S. 1120 should support fair treatment for legal immigrants. The Administration supports tightening sponsorship and eligibility rules for non-citizens and requiring sponsors of legal immigrants to bear greater responsibility for those whom they encourage to enter the United States. The Administration, however, strongly opposes the Republican leadership bill's unilateral application of new eligibility and deeming provisions to current recipients, including the disabled who are exempted under current law. ("Deeming" is the requirement that sponsors' income be counted when determining immigrants' eligibility for benefits.) The Administration also is deeply concerned about the bill's application of deeming provisions to Medicaid and other programs where deeming would adversely affect public health and welfare.

#### Daschle-Breaux-Mikulski Reform Proposal -- Real Welfare Reform

The Senate has the chance to enact real bi-partisan welfare reform. The Administration strongly supports S. 1117, the welfare reform proposal offered by Senators Daschle, Breaux, and Mikulski. Instead of maintaining the current welfare system -- which undermines our basic values of work, responsibility, and family -- this plan sends people to work so they can earn a paycheck, not a welfare check. Unlike S. 1120 and the House-passed H.R. 4, this proposal provides the child care for those transitioning from welfare to work and for those trying to avoid welfare in the first place. It holds State bureaucracies accountable for real results, and rewards them for putting people to work, not just removing people from the welfare rolls. It saves money by moving people to work, not by expecting the States to handle more problems with less money. It allows these programs to respond automatically to recessions, population growth, inflation, and other demographic changes. The

Administration urges Congress to agree on a bipartisan bill that addresses these critical elements of real welfare reform.

Pay-As-You-Go Scoring

S. 1120 would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The Office of Management and Budget's scoring estimate is currently under development.

\* \* \* \* \*

THE WHITE HOUSE  
WASHINGTON

April 5, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Secretary Shalala's Report on Welfare Reform

Following your recent conversation with Secretary Shalala about welfare reform, she has provided the attached summary of the impacts and implementation of reform. This report pulls together evidence from many of studies we have described before, providing a helpful comprehensive summary. The report urges you to make your FY 2000 budget and other proposals to help low income working families a high priority. Her key points include:

Research Evidence

- **Employment:** There is solid, consistent evidence -- both from evaluations of state welfare reform demonstrations and national data -- that welfare reform has led to increased employment and earnings for welfare recipients. State studies show employment increases between 7 and 29 percent, and earnings increases of 16 to 27 percent. The employment rate of previous-year AFDC adult recipients increased from 19 percent in 1992 to 25 percent in 1996, and jumped to 32 percent in 1997.
- **Family income:** When earnings are combined with the EITC and other benefits, families who go to work should have more income than if they remain on welfare. For example, in the average state, a women with two children would be better off working 20 hours a week than she would be on welfare. At the same time, there is some early evidence that some of the most disadvantaged families may be losing income.
- **Child outcomes:** There are no early indications that rates of foster care or child abuse have increased as a result of welfare reform. For example, a recent study from Wisconsin found 5 percent of former welfare recipients (19 families) had a child live with someone else because they couldn't care for them after leaving welfare, but almost as many respondents (16) said this had happened to them before they left welfare. Maryland found that only 3 children (all in one family) had been placed in foster care out of a sample of 1,810 children in families who had left welfare.
- **Food Stamps and Medicaid:** As you know, enrollment in Food Stamps and Medicaid has fallen recently for a variety of reasons. The memo reviews the possible explanations but does not have definitive explanations for these trends. We continue to work closely with HHS and USDA to better understand the factors contributing to these trends and to ensure that the federal and state agencies are doing everything possible to make sure those who are eligible for these benefits continue to receive them.

- Legal immigrants: The memo underscores the importance of our current budget initiatives to restore benefits to vulnerable legal immigrants.

#### State policy choices

- Across the country, there has been a strong and pervasive shift towards encouraging, requiring, and supporting work. Most states require parents to engage in some form of work sooner than the 24 month federal requirement -- 23 states require immediate participation in work -- but they have flexibility to define what counts as work for this purpose. The memo indicates that Pennsylvania is the only state that treats this work requirement as a strict time limit that could lead to terminating families from assistance.
- There is significant variation in state use of sanctions, time limits, and diversion. Thirty eight states terminate assistance for families not cooperating with work requirements (typically cutting off benefits after several infractions, and restoring benefits to those who subsequently comply), while the remainder reduce benefits. Eight states have chosen a lifetime time limit shorter than five years, while five states plan to use state funds to extend benefits beyond the federal five year time limit and another five plan to impose time limits on adults only. It is too early to determine the impact of time limits since only a small fraction of recipients have reached them. Many states are experimenting with a variety of strategies to divert families from receiving cash assistance by providing lump sum emergency payments and other supports and requiring an applicant to search for a job before receiving assistance.
- States are in varying stages of designing strategies for and making investments in helping long-term recipients move from welfare to work and succeed on the job. The challenge is to convince states to invest unspent TANF funds on these adults.

#### The Unfinished Agenda

To make work pay and ensure the long-term success of welfare reform, Secretary Shalala encourages you to focus on three issues:

- Help low income families retain their jobs and find better ones by: enacting your initiatives to expand child care, raise the minimum wage, and maximize access to Medicaid and CHIP; making Food Stamps more accessible for working families; and through the TANF rule, encouraging states to help working families with transportation, child care and other supports.
- Invest in all families, including the hard-to-serve by: reauthorizing DOL's Welfare-to-Work program, encouraging states to invest TANF funds in hard-to-serve populations as well as non-custodial fathers, and resisting efforts to cut the TANF block grant.
- Treat legal immigrants fairly by enacting our new proposals to restore additional disability, health and nutritional benefits and by releasing guidance on public charge.

THE WHITE HOUSE

WASHINGTON

October 21, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Andrea Kane

SUBJECT: Minority Welfare Caseloads

You asked us to evaluate recent reports that African-American and Hispanic families are leaving welfare more slowly than whites, and to consider what more we could do to ensure all welfare recipients are making the successful transition from welfare to work. Here is a brief summary of the trends, along with some new ideas we are developing for consideration in your FY 2000 budget.

**I. Caseload Trends**

We have worked closely with NEC, CEA, OMB, HHS, and the Census Bureau to examine the most recent welfare caseload data (generally through 1997). As detailed in the attached tables, the data show:

1. Most of the changes in the welfare caseload can be attributed to changes in the composition of the population as a whole -- specifically, population growth explains nearly two-thirds of the difference in caseload decline between Hispanics and whites and nearly half the difference between blacks and whites.

Since 1994, the *number* of welfare cases has indeed dropped more among whites (26 percent) than among blacks (18 percent) and Hispanics (9 percent). However, when population growth is taken into account, the difference narrows dramatically. The *rate* of welfare dependency has dropped sharply for all populations -- by 26 percent among whites, 21 percent among blacks, and 20 percent among Hispanics. In other words, minorities are leaving or staying off welfare at nearly the same rate as whites, but make up a growing share of the welfare population because they make up a growing share of the population as a whole. [See Table 1.]

2. The difference in caseload decline is even narrower among adults. Since 1994, the adult rate of welfare dependency has declined by 30% among whites, 26% among blacks, and 24% among Hispanics.

Child-only cases -- which are decreasing more slowly because they are not significantly affected by welfare reform efforts to move recipients from welfare to work -- are disproportionately minority. The child-only caseload includes citizen children born to illegal immigrants, children whose parents receive SSI, and children living with relatives who are not on welfare. [See Table 2.]

The composition of the welfare caseload has changed gradually over time, largely driven by population changes. The composition of the adult caseload has not changed significantly since 1994; the most recent national data shows it is now 37 percent white, 37 percent black, and 21 percent Hispanic. [See Table 3.]

3. There is encouraging evidence that the employment rates of minority welfare recipients are catching up with the employment rate for whites. Between 1996 and 1998, the percentage of all prior year welfare recipients who were employed in the next year increased by 28%. The increase was highest for Hispanics (49%), followed by blacks (44%) and whites (5%). [See Table 4.]
4. Recent trends in marriage and teen illegitimacy rates could exacerbate the increasing proportion of Hispanic families on welfare. While the proportion of never-married single mothers is increasing for the entire population, the rate of increase is largest for Hispanic women. Also, the birth rate to unmarried teenagers is increasing for Hispanics while declining for whites and blacks. [See Table 5.]
5. To keep racial disparities from emerging as a problem down the road, we should do all we can to break the cycle for long-term recipients, who are disproportionately minority. Minorities are more likely than whites to be on welfare in the first place, and more likely to end up as long-term recipients once they go on the rolls. Blacks and Hispanics on welfare tend to have lower educational levels, marriage rates, and larger families than whites, and are more than twice as likely to live in central cities and areas of concentrated poverty. Hispanics also have less recent work history than whites or blacks. [See Table 6.]

## II. What We Can Do

We will continue to monitor caseload trends and keep you informed. While initial press reports may have overstated disparities so far, these data underscore the importance of focusing our efforts on the hardest cases, which are disproportionately minority. Many of our existing welfare-to-work initiatives already target this population, but we also are developing some new proposals for your consideration in next year's budget.

### A. Current Initiatives

As you know, you have put forward many initiatives to help the hardest-to-serve welfare recipients and those living in concentrated areas of poverty. Many of these initiatives were implemented in 1998, too late to influence 1994-1997 trends outlined above.

- The \$3 Billion Welfare-to-Work Fund you fought for in the Balanced Budget Act is designed specifically to help long-term welfare recipients (and non-custodial parents) in high-poverty areas obtain jobs and move up a career ladder. While it is too early to have demographic data on the individuals served by these funds, the

distribution formula and individual eligibility criteria ensure that most of these funds will be spent on minorities. The first of these funds were awarded in January 1998 and are just now starting to provide individual services.

- Welfare to Work Transportation Funds enacted in the TEA-21 transportation reauthorization bill will help welfare recipients and low-income workers get to where the jobs are, often in suburban areas not served by public transportation. The omnibus budget bill includes \$75 million for this year.
- Welfare-to-Work Housing Vouchers we've proposed will help families in isolated urban or rural areas move closer to job opportunities. Congress has funded our request for 50,000 vouchers.
- Community Empowerment Initiatives. The Administration's Community Empowerment initiatives -- empowerment zones, enterprise communities, Brownfields, CDFIs -- will spur economic development and job creation in distressed neighborhoods and help address the geographic isolation faced by minorities on welfare.

#### **B. New Initiatives**

In preparation for next year's budget, we are developing a number of options to address the particular challenges faced by minorities in making the transition from welfare to work:

- Increasing Investments in English-Language and Literacy Training. We hope to recommend targeted new investments in two areas that directly affect minority and long-term recipients: learning English and learning to read. This could be done by expanding existing Department of Education adult education programs, or better yet, by dedicating Welfare-to-Work funds for job-related literacy and ESL programs, provided either in the workplace or by community organizations preparing individuals for employment.
- Expanding Work-Related Drug Treatment. Since many of those remaining on welfare suffer from drug or alcohol dependencies, we are exploring ways to provide drug treatment for those who agree to go to work.
- Targeting Welfare-to-Work Funds to the Toughest Areas. While the current Welfare-to-Work formula favors high-poverty areas, we are going to examine whether the funds could be even more targeted.
- Increasing Work and Child Support Among Noncustodial Fathers. We may be able to attract bipartisan support for an effort to help states increase the employment and child support payments of noncustodial parents.

## Minority Caseloads Analysis and Tables

Table 1: Population-Adjusted Change in Rate of Welfare Dependency

Since 1994, the *number* of welfare cases has dropped more among whites (26 percent) than among blacks (18 percent) and Hispanics (9 percent). However, when population growth is taken into account, the difference narrows dramatically. The *rate* of welfare dependency has dropped sharply for all populations -- by 26 percent among whites, 21 percent among blacks, and 20 percent among Hispanics. Specifically, population growth explains nearly two-thirds of the difference in caseload decline between Hispanics and whites and nearly half the difference between blacks and whites.

Table 1: Change from 1994 to 1997\*

Race/Ethnicity	Number of Welfare Cases	Population Aged 15-49	Rate of Welfare Dependency (caseload adjusted for population)
White	-26%	-0.1%	-26%
Black	-18%	4.4%	-21%
Hispanic	-9%	13.0%	-20%

\* National data is only available through June 1997. We do not yet have more recent data, or state-specific data, that we consider accurate. In July, *The New York Times* reported more recent data provided by some states, but HHS believes that data, particularly for New York and California, may contain significant reporting errors due to states implementation of the new TANF data reporting system. The trends in population aged 15-49 are used here because this is the population group most likely to be a welfare head of household, whose race/ethnicity would be counted when tallying the case demographics.

Table 2: Population-Adjusted Adult Rate of Decline

The difference in caseload decline among groups is even narrower for adults. Child-only cases are decreasing more slowly than the overall welfare caseload and are disproportionately minority; in fact, between 1994 and 1997 they increased (though they declined slightly between 1996 and 1997). Child-only cases are those in which the parent or adult is not part of the case, (e.g., adult is not a citizen but the child is; child is being cared for by a relative who is not part of the case; parent receives SSI rather than welfare). Therefore, child-only cases are not significantly affected by welfare to work efforts. After adjusting for population growth, the rate of welfare dependency for adults (percent of 15-49 year old population on welfare) has declined 30% among whites, 26% among blacks, and 24% among Hispanics.

**Table 2: Population-Adjusted Rate of Decline in Adult Welfare Dependency: 1994 - 1997\***

	Rate of decline for all cases	Rate of increase for child-only cases	Rate of decline for adult-headed cases	Population-adjusted rate of welfare dependency for adult cases
White	- 26%	7%	- 30%	- 30%
Black	- 18%	3%	- 23%	- 26%
Hispanic	- 9%	9%	- 15%	- 24%

\*National data is only available through June 1997.

**Table 3: Racial Breakdown of Adult Cases**

The composition of the welfare caseload have changed gradually over the past 25 years, driven largely by population changes. Despite differing rates of caseload decline since 1994, the composition of the adult welfare caseload has remained relatively constant.

**Table 3: Racial Breakdown of Adult Cases**

Race/Ethnicity	1994	1997*
White	40%	37%
Black	36%	37%
Hispanic	19%	21%

Asians, Native Americans, and those designated "Unknown" comprise the rest of the caseload.

\*National data is only available through June 1997.

**Table 4: Employment Rate of Welfare Recipients**

There is encouraging evidence that the employment rates of minority welfare recipients (people on welfare in one year who were working the following year) are catching up with the employment rate for whites.

**Table 4: Employment Rate of Welfare Recipients: 1996-98**

Race/Ethnicity	1996	1998	Percent Change 96-98
White	36 %	38 %	+5%
Black	23 %	33 %	+44%
Hispanic	19 %	29 %	+49%
All Recipients	27%	34%	+28%

**Table 5: Trends in Marriage Rates and Births**

The trends in marriage rates and births to unmarried women could exacerbate the increasing proportion of Hispanic families on welfare. While the proportion of never-married single mothers is increasing for the entire population, the rate of increase is largest for Hispanic women. Also, the birth rate to unmarried teenagers remains much higher for blacks and Hispanics than for whites. While the rate is decreasing for blacks and slightly for whites, it continues to increase for Hispanics. For example, between 1991 and 1996, the rate of births to unmarried teenagers decreased 18% for blacks and 4% for whites, but increased 3% for Hispanics.

	1992	1997	% Change
% of all single mothers who were never married	30%	35%	+17%
Never-married single mothers by race/ethnicity:			
White	17%	21%	+24%
Black	51%	55%	+8%
Hispanic	33%	42%	+27%

**Table 6: Characteristics of Minorities on the Caseload**

Minorities on welfare are more likely to have characteristics associated with long-term welfare reciprocity. Blacks and Hispanics on welfare tend to have lower educational levels, marriage rates, and larger families than whites, and are more than twice as likely to live in central cities and areas of concentrated poverty. Hispanics also have less recent work history than whites or blacks.

**Table 6: Characteristics of AFDC/TANF Recipients by Race/Ethnicity\***

	TOTAL	WHITE	BLACK	HISPANIC
% without HS diploma	43%	30%	43%	64%
% never married	47%	33%	69%	43%
> 2 children	29%	20%	33%	39%
Worked during the year	45%	49%	48%	33%
Live in area w/ poverty rate > 20%	48%	29%	67%	58%
Live in central city	49%	29%	68%	60%

\*These data are from the March 1998 Current Population Survey, showing characteristics of recipients in 1997.

Minorities are more likely to be long-term welfare recipients. For example, in 1997, 20 percent of blacks on welfare had been on the rolls for at least five continuous years, compared to 19 percent for Hispanics and 14 percent for whites.

WJ

**THE WHITE HOUSE**

WASHINGTON

February 5, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: SECRETARY SHALALA'S REPORT ON WELFARE REFORM

The attached memo from Secretary Shalala provides a good update on welfare reform.

Among the most interesting findings:

- The stunning caseload drop continues -- 2.4 million in the first 13 months of the new law. Twenty one states have dropped by 25 percent or more in that time.
- There has been no "race to the bottom" -- states are spending more per recipient than in 1994. All states are meeting the maintenance of effort requirement we fought for in the welfare law, and 20 states are exceeding it.
- Many more recipients are now working. State evaluations show a substantial increase in the share of people who leave welfare for work (from 45-50 percent under AFDC to up to 60 percent now), even as record numbers leave the rolls.
- There is little evidence of hardship among those who are sanctioned for not meeting program rules. Only nine states have adopted lifetime limits of less than five years.
- Forty states have enacted policies to make work pay, generally by increasing earnings disregards so families can keep their welfare subsidy while earning more.
- About a half dozen states (CA, NY, MD, OH, FL, CO, NC) are devolving key decisions to the counties.

Something not mentioned in the memo, but discovered from the new state financial data, is that seventeen states have created state-only welfare programs to which TANF work requirements and time limits don't apply.

JAN 27 1998



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

## MEMORANDUM FOR THE PRESIDENT

The purpose of this memo is to outline the information we have so far on the impacts of changes in welfare programs. The information is still quite preliminary, but some conclusions are emerging. These include:

- o The total number of welfare recipients has fallen below 10 million for the first time since 1971. Caseloads have fallen by more than 30 percent since their peak in 1994.
- o Many more recipients are now working, and the proportion of former recipients at work after leaving welfare appears to be somewhat higher than in the past.
- o States are making very serious efforts to move recipients into work, both by mandating work programs and sanctioning those who do not comply, and by increasing the benefits of working through simpler and higher earnings disregards and on-going supports such as child care.
- o As we found with AFDC waivers, States are adopting common approaches but with many variations in specifics. Several large States are devolving key policy decisions to the county level.
- o There has been no "race to the bottom" in State welfare benefits; States are spending more per recipient than in 1994 across TANF and related programs, and State maximum benefit levels are generally unchanged.
- o So far there is little evidence of extreme hardship among those who leave welfare as a result of sanctions, although many do experience fairly large declines in income. Overall, however, half or more of former recipients appear to increase their incomes after leaving welfare.
- o Even when recipients move to work and improve their incomes, they are still likely to have total incomes below the poverty line.

This memo looks first at what the States are doing, in terms of both spending choices and broader policy choices. It then turns to impacts on recipients, assessing both results from evaluations of State waivers similar to current State policies and the very early results from State surveys of recipients and former recipients. Finally, the implications of these findings for Federal and State policy choices are briefly discussed.

## State Responses to Welfare Reform

Welfare caseloads have declined dramatically since their peak of 14.4 million recipients in March 1994. Overall, the number of people receiving aid had declined by more than 30 percent to 9.8 million recipients by September 1997 (the most recent monthly report available). This decline has continued at an even more rapid pace since the enactment of welfare reform in August 1996. In the first year of welfare reform alone, almost 2 million recipients left the rolls. As Chart 1 (attached) shows, these declines are spread across almost all of the States.

Changes in State Spending on Welfare Programs. There has been no "race to the bottom" in State welfare spending. Because there are now fewer recipients, total State spending on welfare programs has declined since 1994. On average, however, States are spending somewhat more per recipient than they did in 1994—reported State spending on welfare and related programs is about 18 percent below the level seen in 1994, while caseloads have declined by more than 30 percent. This increased spending has not affected direct payments to recipients, which remain very close to the levels seen in both 1994 and 1996 (about \$370 per family per month on average.) In all, four States have increased maximum benefit levels since the enactment of TANF, while five States have decreased maximum benefits for at least some categories of recipients.

States are reporting that they are meeting their Maintenance of Effort (MOE) requirements under welfare reform. They are required to spend 80 percent of previous (generally 1994) levels, or 75 percent if they meet the minimum participation requirements, and 20 States report exceeding that goal, some by considerable amounts (see Chart 2). Further, reported spending may understate actual amounts spent, since there are no incentives for States to report additional spending once their MOE requirements have been met. There is little in these data to suggest declines in spending levels—rather, States appear to be using at least some of their own money to provide services such as child care and job training and placement and to increase work incentives.

Changing State Policies. A focus on work is a major theme in State welfare policies, although there is considerable variation in plan specifics and in implementation across States. The following key points emerge from an overview of State policies:

1. States are focusing on encouraging and requiring work.
  - o 40 States have enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. (See Chart 3.) Connecticut, for example, now disregards all earnings up to the poverty level. Most States have also simplified the treatment of earnings compared to the AFDC treatment, with the result that recipients can see more clearly how even a low-wage job will make them better off.

- o 44 States have raised the level of resources and/or the maximum value of a vehicle allowed to welfare recipients. (See Chart 4.) This will make it easier for recipients to get to work and to accumulate savings that might lead to self-sufficiency.
- o Almost all of the States have moved to "Work First" models in their welfare programs, requiring recipients to move quickly into available jobs. Virtually every State has instituted "social contracts" or other personal responsibility agreements in which recipients commit to specific steps toward self-sufficiency. States are enforcing these contracts, sanctioning people who fail to sign or live up to their agreements.

2. Family violence issues and choices about exemptions for parents of very young children are being addressed by the States.

- o 24 jurisdictions have elected to screen for, provide appropriate services, and waive requirements where needed to ensure the safety of victims of domestic violence through the Family Violence Option (See Chart 5.) Additional States, including California, are expected to implement this option in the coming months.
- o As indicated in Chart 6, most States have chosen to exempt parents of infants under one year of age from work requirements. 16 States have chosen shorter exemptions (the law allows States to require parents with children over 12 weeks to work.)

3. State policies regarding time limits are varied and complex.

- o Chart 7 shows that eleven States have chosen "intermittent" time limits that limit the total months of reciprocity allowed within a longer time period (for example, Virginia limits TANF receipt to 24 months in any 60 month period). Nine States have chosen lifetime limits of less than five years. Both of these types of time limits often allow exceptions or exemptions. 27 States have chosen the Federal limit of 60 months. Four States have chosen other options involving supplements from State welfare programs for those reaching the Federal time limits.
- o Evaluation and survey data find that recipients are often unclear about the specifics of time limits (and other reform policies) that apply to them, although they do know that the nature of welfare has changed.
- o Few recipients have reached State time limits so far.

4. State plans vary considerably in their specifics and in their timing.

- o A few States are making choices that appear to have little to do with work, such as counting the SSI income of disabled children and adults in computing TANF benefits without taking into account the added costs of disability.
- o The amount of time that elapses between the determination of policy choices and their actual implementation varies greatly across States, usually based on whether, when and how extensively they undertook reforms through waivers. Many States have not completed the process of implementing proposed policy changes.

5. Finally, California, New York and several other states are devolving key decisions to counties.

- o Other States in the process of devolving include Maryland, Ohio, Florida, Colorado and North Carolina.
- o These States are devolving decisions about work activities, post-employment supports and, in some cases, sanctions; Colorado and North Carolina are also passing on decisions about other factors including eligibility. Benefit levels will still be determined at the State level, although in some cases the State will mandate only a floor which the counties can choose to exceed.

Impacts of Welfare Reform on Recipients

Moving recipients and potential recipients into work has been the focus of most State policies, and there is some preliminary evidence that employment levels are rising as caseloads decline. Evidence on the impacts of other aspects of the changes on recipients and would-be recipients is somewhat more mixed. Are they indeed better off in economic terms? What has happened to those who haven't gotten jobs? It is still very early to answer those questions, but we have some preliminary data that give a few indications.

Our preliminary data generally relate to the situations found in specific states. Thus, this report draws upon preliminary program evaluation reports of waiver-based policies from Michigan, Iowa, Minnesota, Delaware, and Florida, and on surveys of welfare recipients and people who have left welfare rolls in Massachusetts, Iowa, Wisconsin, Indiana, Maryland, South Carolina and Tennessee. The early stories emerging from these studies appear to be fairly consistent across those states. Although we are beginning to have some evaluation evidence on the impacts of policy changes as opposed to the strong economy, it is very difficult to sort out the relative importance of policy and economic factors at the National level.

Sanctions. States are generally working harder to enforce mandatory work requirements, and sanctions rose by about 30 percent nationally between 1994 and the end of 1996. Anecdotal evidence implies that these rates are still increasing. In the studies of specific States, sanction

rates of as high as 50 percent are seen, with rates in the 25 percent to 30 percent range not unusual. Sanctions may result in either a complete or partial loss of benefits. Across States we find that the majority of sanctions occur because recipients fail to show up for initial appointments. Far fewer families have been sanctioned for refusal to comply with work assignments. Sanctioned families may include many who are already working or who have good job opportunities; in Iowa, for example, families that did not comply with the State's Family Investment Plan tended to be more job-ready than the average.

Employment. Perhaps partly because of stricter work policies as well as the robust economy, more recipients and former recipients are now employed. Evaluations of specific State programs show policy-related increases in employment in the range of 8 percent to 15 percentage points. Surveys of people who have left welfare imply that 50 percent to 60 percent are working in the period following welfare reciprocity (with the remainder not employed). This is comparable to or slightly higher than the 45 percent to 50 percent of welfare exiters who worked after leaving AFDC. Some of this increase in work may result from the strong economy as well as from policy changes.

Incomes. While there do not appear to be dramatic changes so far in the average incomes of welfare recipients and those leaving the welfare rolls, these averages hide a great deal of variation. Among those leaving the program, incomes in the follow up period are very mixed. Generally, about half of former recipients saw increases in their incomes, while half experienced declines. There is some evidence that those who leave the program voluntarily are more likely to have increased incomes, although in both South Carolina and Iowa about 40 percent of those who left because of sanctions also experienced income increases.

There is little evidence at this point of extreme hardship even among families losing benefits altogether as a result of sanctions or time limits. However, events such as homelessness or entry of children into foster care are sometimes hard to observe in evaluations and follow up studies, which are usually unable to trace some proportion of former recipients. In the short run, many families experiencing large income losses appear to rely on help from friends and extended family. It should be noted also that even families whose incomes rise as a result of higher earnings and/or changes in State policies typically still do not have above-poverty level incomes while on TANF or in the period immediately after leaving the program.

Other Benefits. Families who leave TANF are often eligible to continue receiving benefits from other social support programs such as the Food Stamp Program, Medicaid, Supplemental Security Income (SSI) and housing programs. However, relatively low take-up rates for some of these benefits suggest that many former recipients may be unaware of their continued eligibility for other programs such as Medicaid, or that administrative barriers may be preventing some eligible families from participating in these programs. In both South Carolina and Indiana, for example, about half of the adults who were no longer receiving cash assistance reported that they did not have any health insurance.

## Policy Implications and Next Steps: Supporting Low-Income Workers

These early results suggest that real progress is being made in focusing recipients on work and in moving them into employment. This is a significant and critical step on the path to reforming welfare. I believe that further steps need to be taken to consolidate and build on this accomplishment. In particular, we need to ensure that low-income working families, whether they are former welfare recipients or not, can continue to work and to earn enough to raise their families, weathering unemployment and other temporary setbacks without relying on long-term welfare receipt. In pursuing this goal, we would be building on the Administration's many achievements for working families, including expansion of the EITC, increasing the minimum wage, expanding health care coverage for children, enacting parental leave, and the introduction of this year's pathbreaking child care initiative. And we would also be building on the widespread and increasing interest of the States, which are starting to grapple with the question of what happens after welfare parents take their first jobs.

Both researchers and practitioners are telling us that when such parents move to work, most are likely to need continuing support in order to keep their jobs, support their families, improve their incomes over time, and avoid going back onto the welfare rolls. These supports can take many forms, from the EITC or increased earnings disregards to services such as child care, health care, transportation and mentoring. Currently, States have resources available to them through the TANF block grant and their Maintenance of Effort funds, as well as through other State resources that have been freed up as a result of declining caseloads. We can make progress on this agenda by challenging States to make key investments, showcasing effective practices and encouraging State innovation as well as by shaping a National agenda to help low-wage workers and their families.

A successful strategy to support low-income workers and their families would involve several components at both the State and National levels. These could include:

1. Raising the incomes of low-wage workers. Most welfare recipients moving into their first jobs continue to earn below-poverty level incomes. The major 1993 expansion of the EITC does a great deal for these families, and it must be protected. In addition, we could challenge States to expand State EITC's and to increase earnings disregards and other programs for low-wage workers. For example, Wisconsin has used TANF MOE funds to expand both its EITC and housing subsidies for low-income owners and renters. At the National level, policies such as a further increase in the minimum wage or tax incentives for employers to promote jobs and higher wages for low-skilled workers could be explored.
2. Providing other job supports. We must ensure that other critical job supports, such as health care, child care, transportation, and mentoring, are available for working families who need them. The Administration's new child care initiative is of course critical to this strategy, and the newly enacted Child Health Insurance Program should go a long way toward ensuring health care coverage for the children of low-wage workers. We need to

continue outreach efforts to make sure that low-income working families are aware of their potential eligibility for Medicaid. The Vice President's work on mentoring provides a valuable example, and States must be encouraged to continue to invest in these programs and other supports.

3. Ensuring that low-wage workers improve skills and earnings over time. Many States are beginning to grapple with the best way to promote growth in skills and earnings over time for former welfare recipients. Over the longer term, such growth will be necessary to meet both the needs of families and the needs of the economy as a whole. We should be challenging States to put together creative strategies and showcasing those that do. These strategies can involve linkages among workforce development, higher education, and welfare systems, as well as work with specific private employers. At the National level, strategies to increase educational opportunities for low-income families are a key to increasing skills and earnings over time.
4. Maintaining the safety net for workers. If a temporary setback is not to result in a return to welfare dependency, the safety net for low-wage workers must be maintained. At the National level, changes could be made in the Unemployment Insurance program to increase the probability that low-wage workers will earn coverage, as is now being discussed within the Administration. At the State level, we should showcase States that are implementing post-employment services and other strategies to address the fact that low-income workers are likely to experience considerable job turnover and some periods of unemployment. We should challenge States to invest in approaches that combine reliable short-term assistance with rapid re-employment help.

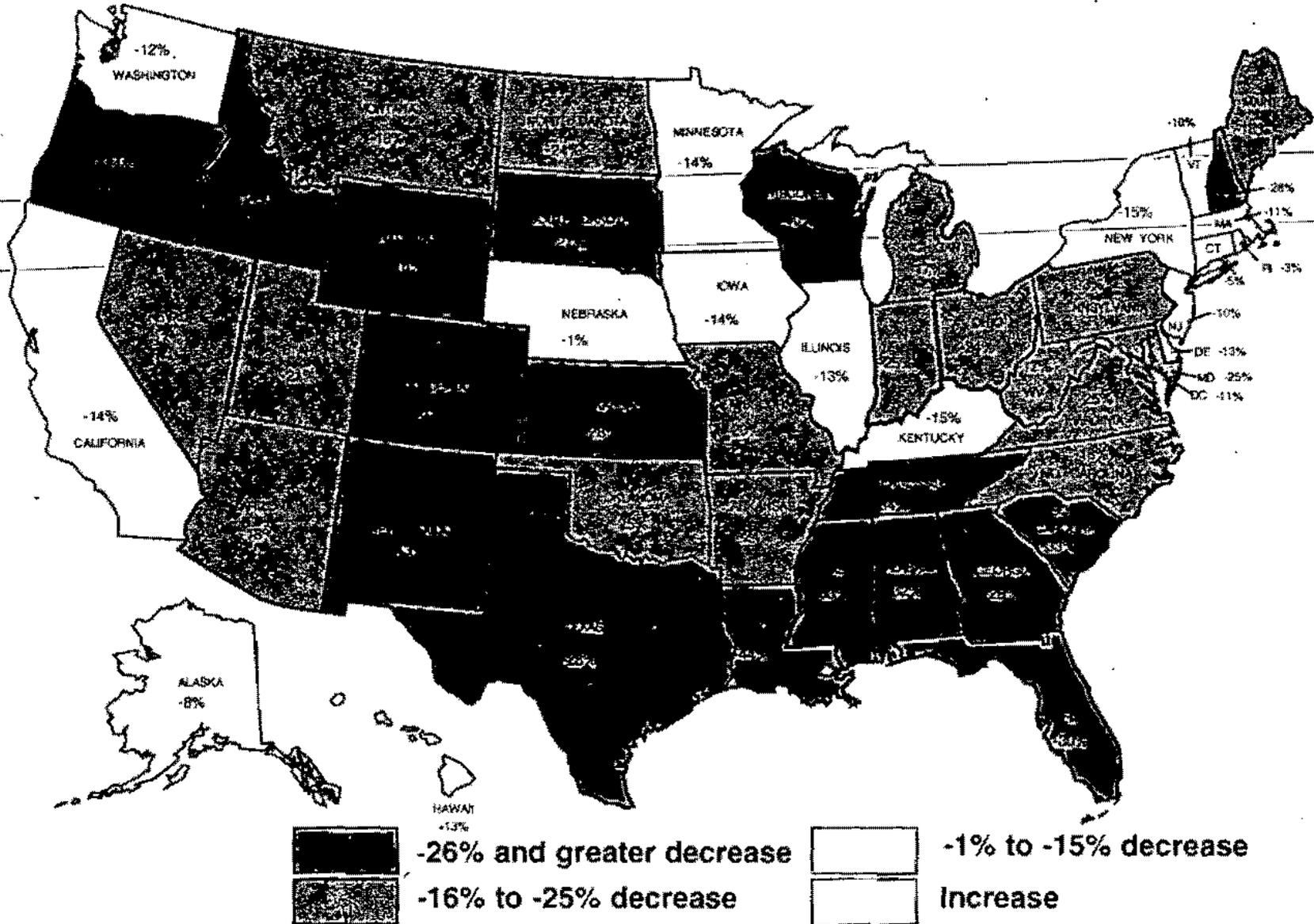
In summary, we must build upon and continue our efforts on behalf of low income workers. I look forward to further discussions with you regarding these important issues. Please let me know if you would like a briefing or further information.



Donna E. Shalala

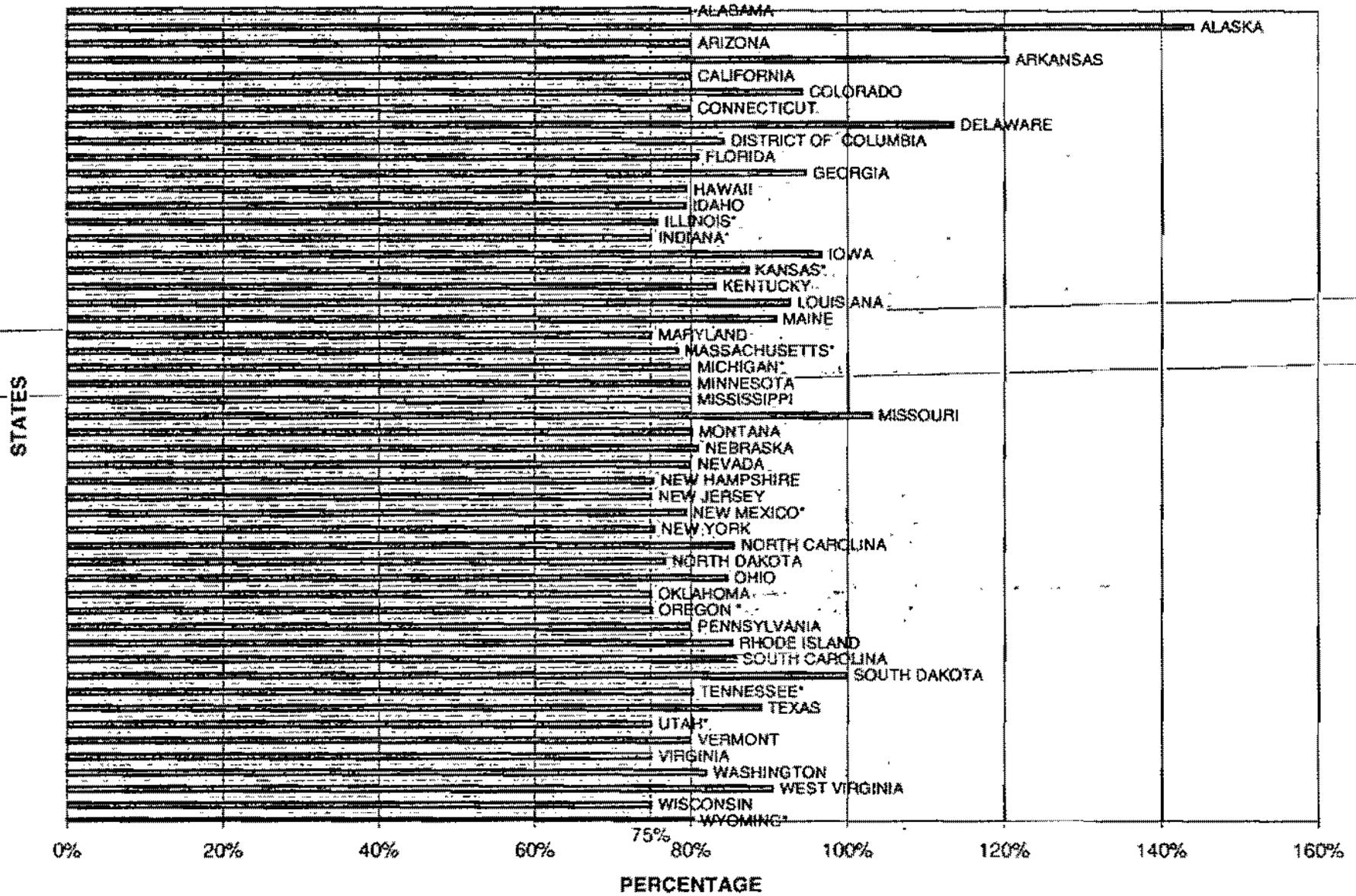
Attachments

# Chart 1: RECIPIENT COUNT DOWN 2.4 MILLION SINCE ENACTMENT OF NEW WELFARE LAW (August 1996-September 1997)



# TANF PROGRAM

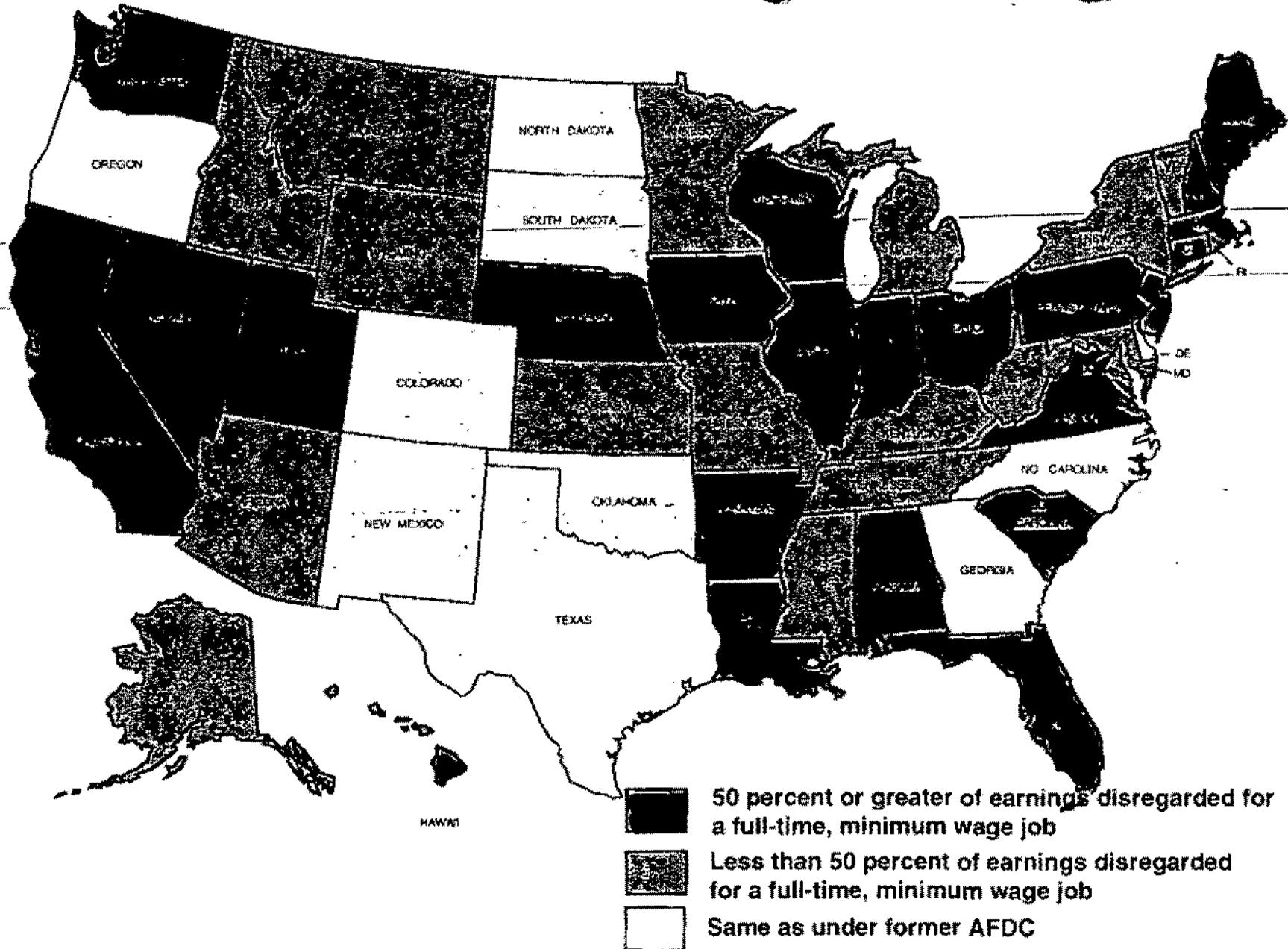
Chart 2: EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of January 23, 1998

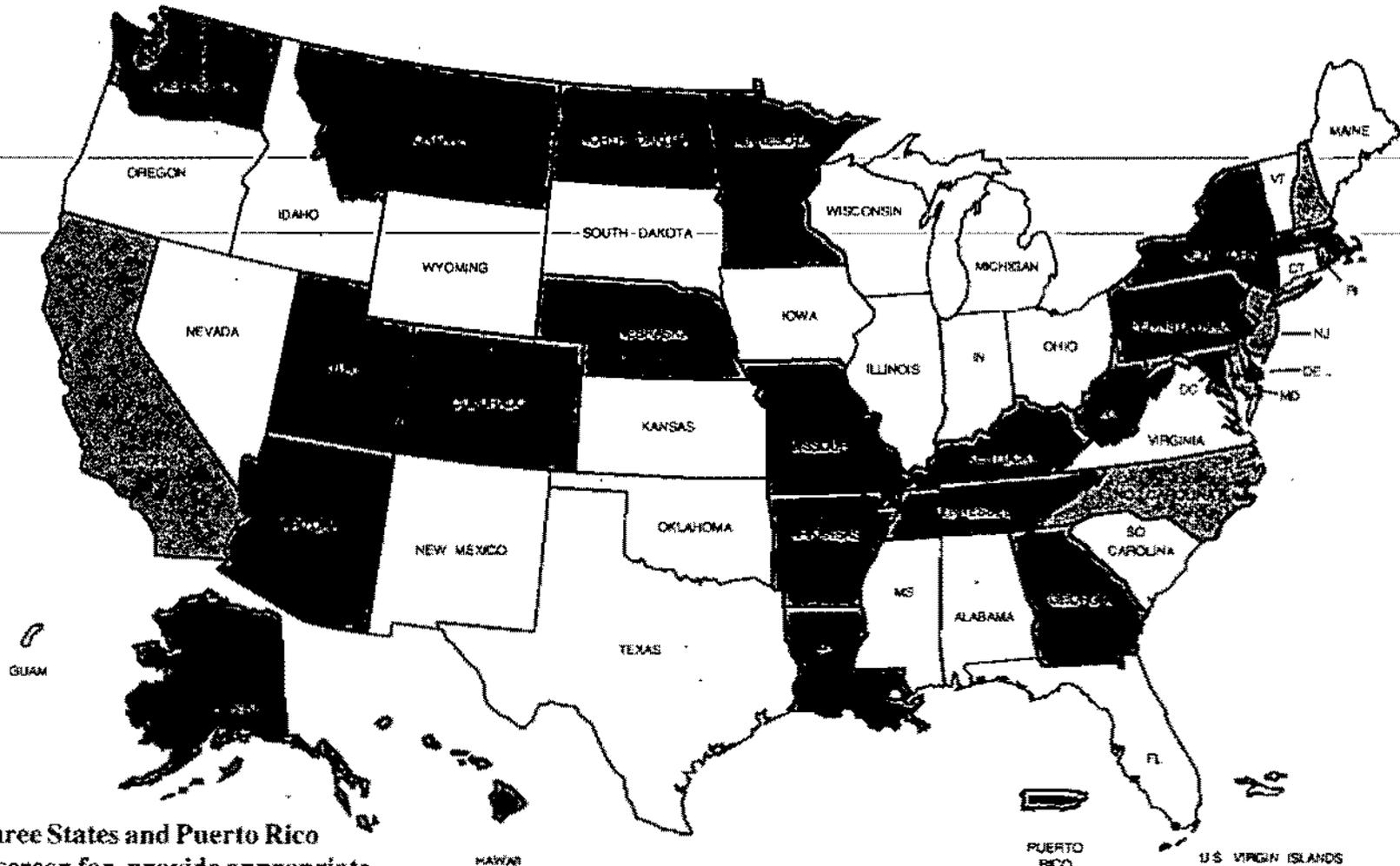
Chart prepared by U.S. Dept. of Health and Human Services  
Administration for Children and Families

# Chart 3: Earnings Disregards





# Chart 5: States Selecting Family Violence Option



Twenty-three States and Puerto Rico elected to screen for, provide appropriate services, and waive requirements where needed to ensure safety.

 Optional Certification  
 Developing Standards

# Chart 6: Age of Youngest Child Exemption from Work Requirement



12 months old



Younger than 12 months old





DEPARTMENT OF HEALTH & HUMAN SERVICES

Chief of Staff

Washington, D.C. 20201

JAN 27 1998

MEMORANDUM FOR ANNE MCGUIRE

Attached is a memorandum for the President from Secretary Donna Shalala regarding the latest information on welfare reform.

A handwritten signature in cursive script, appearing to read "William V. Corr".

William V. Corr

Attachment

JAN 27 1998

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WASHINGTON, D.C. 20201

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- o These States are devolving decisions about work activities, post-employment supports and, in some cases, sanctions; Colorado and North Carolina are also passing on decisions about other factors including eligibility. Benefit levels will still be determined at the State level, although in some cases the State will mandate only a floor which the counties can choose to exceed.

Impacts of Welfare Reform on Recipients

Moving recipients and potential recipients into work has been the focus of most State policies, and there is some preliminary evidence that employment levels are rising as caseloads decline. Evidence on the impacts of other aspects of the changes on recipients and would-be recipients is somewhat more mixed. Are they indeed better off in economic terms? What has happened to those who haven't gotten jobs? It is still very early to answer those questions, but we have some preliminary data that give a few indications.

Our preliminary data generally relate to the situations found in specific states. Thus, this report draws upon preliminary program evaluation reports of waiver-based policies from Michigan, Iowa, Minnesota, Delaware, and Florida, and on surveys of welfare recipients and people who have left welfare rolls in Massachusetts, Iowa, Wisconsin, Indiana, Maryland, South Carolina and Tennessee. The early stories emerging from these studies appear to be fairly consistent across those states. Although we are beginning to have some evaluation evidence on the impacts of policy changes as opposed to the strong economy, it is very difficult to sort out the relative importance of policy and economic factors at the National level.

Sanctions. States are generally working harder to enforce mandatory work requirements, and sanctions rose by about 30 percent nationally between 1994 and the end of 1996. Anecdotal evidence implies that these rates are still increasing. In the studies of specific States, sanction

rates of as high as 50 percent are seen, with rates in the 25 percent to 30 percent range not unusual. Sanctions may result in either a complete or partial loss of benefits. Across States we find that the majority of sanctions occur because recipients fail to show up for initial appointments. Far fewer families have been sanctioned for refusal to comply with work assignments. Sanctioned families may include many who are already working or who have good job opportunities; in Iowa, for example, families that did not comply with the State's Family Investment Plan tended to be more job-ready than the average.

Employment. Perhaps partly because of stricter work policies as well as the robust economy, more recipients and former recipients are now employed. Evaluations of specific State programs show policy-related increases in employment in the range of 8 percent to 15 percentage points. Surveys of people who have left welfare imply that 50 percent to 60 percent are working in the period following welfare reciprocity (with the remainder not employed). This is comparable to or slightly higher than the 45 percent to 50 percent of welfare exiters who worked after leaving AFDC. Some of this increase in work may result from the strong economy as well as from policy changes.

Incomes. While there do not appear to be dramatic changes so far in the average incomes of welfare recipients and those leaving the welfare rolls, these averages hide a great deal of variation. Among those leaving the program, incomes in the follow up period are very mixed. Generally, about half of former recipients saw increases in their incomes, while half experienced declines. There is some evidence that those who leave the program voluntarily are more likely to have increased incomes, although in both South Carolina and Iowa about 40 percent of those who left because of sanctions also experienced income increases.

There is little evidence at this point of extreme hardship even among families losing benefits altogether as a result of sanctions or time limits. However, events such as homelessness or entry of children into foster care are sometimes hard to observe in evaluations and follow up studies, which are usually unable to trace some proportion of former recipients. In the short run, many families experiencing large income losses appear to rely on help from friends and extended family. It should be noted also that even families whose incomes rise as a result of higher earnings and/or changes in State policies typically still do not have above-poverty level incomes while on TANF or in the period immediately after leaving the program.

Other Benefits. Families who leave TANF are often eligible to continue receiving benefits from other social support programs such as the Food Stamp Program, Medicaid, Supplemental Security Income (SSI) and housing programs. However, relatively low take-up rates for some of these benefits suggest that many former recipients may be unaware of their continued eligibility for other programs such as Medicaid, or that administrative barriers may be preventing some eligible families from participating in these programs. In both South Carolina and Indiana, for example, about half of the adults who were no longer receiving cash assistance reported that they did not have any health insurance.

### Policy Implications and Next Steps: Supporting Low-Income Workers

These early results suggest that real progress is being made in focusing recipients on work and in moving them into employment. This is a significant and critical step on the path to reforming welfare. I believe that further steps need to be taken to consolidate and build on this accomplishment. In particular, we need to ensure that low-income working families, whether they are former welfare recipients or not, can continue to work and to earn enough to raise their families, weathering unemployment and other temporary setbacks without relying on long-term welfare receipt. In pursuing this goal, we would be building on the Administration's many achievements for working families, including expansion of the EITC, increasing the minimum wage, expanding health care coverage for children, enacting parental leave, and the introduction of this year's pathbreaking child care initiative. And we would also be building on the widespread and increasing interest of the States, which are starting to grapple with the question of what happens after welfare parents take their first jobs.

Both researchers and practitioners are telling us that when such parents move to work, most are likely to need continuing support in order to keep their jobs, support their families, improve their incomes over time, and avoid going back onto the welfare rolls. These supports can take many forms, from the EITC or increased earnings disregards to services such as child care, health care, transportation and mentoring. Currently, States have resources available to them through the TANF block grant and their Maintenance of Effort funds, as well as through other State resources that have been freed up as a result of declining caseloads. We can make progress on this agenda by challenging States to make key investments, showcasing effective practices and encouraging State innovation as well as by shaping a National agenda to help low-wage workers and their families.

A successful strategy to support low-income workers and their families would involve several components at both the State and National levels. These could include:

1. Raising the incomes of low-wage workers. Most welfare recipients moving into their first jobs continue to earn below-poverty level incomes. The major 1993 expansion of the EITC does a great deal for these families, and it must be protected. In addition, we could challenge States to expand State EITC's and to increase earnings disregards and other programs for low-wage workers. For example, Wisconsin has used TANF MOE funds to expand both its EITC and housing subsidies for low-income owners and renters. At the National level, policies such as a further increase in the minimum wage or tax incentives for employers to promote jobs and higher wages for low-skilled workers could be explored.
2. Providing other job supports. We must ensure that other critical job supports, such as health care, child care, transportation, and mentoring, are available for working families who need them. The Administration's new child care initiative is of course critical to this strategy, and the newly enacted Child Health Insurance Program should go a long way toward ensuring health care coverage for the children of low-wage workers. We need to

continue outreach efforts to make sure that low-income working families are aware of their potential eligibility for Medicaid. The Vice President's work on mentoring provides a valuable example, and States must be encouraged to continue to invest in these programs and other supports.

3. Ensuring that low-wage workers improve skills and earnings over time. Many States are beginning to grapple with the best way to promote growth in skills and earnings over time for former welfare recipients. Over the longer term, such growth will be necessary to meet both the needs of families and the needs of the economy as a whole. We should be challenging States to put together creative strategies and showcasing those that do. These strategies can involve linkages among workforce development, higher education, and welfare systems, as well as work with specific private employers. At the National level, strategies to increase educational opportunities for low-income families are a key to increasing skills and earnings over time.
4. Maintaining the safety net for workers. If a temporary setback is not to result in a return to welfare dependency, the safety net for low-wage workers must be maintained. At the National level, changes could be made in the Unemployment Insurance program to increase the probability that low-wage workers will earn coverage, as is now being discussed within the Administration. At the State level, we should showcase States that are implementing post-employment services and other strategies to address the fact that low-income workers are likely to experience considerable job turnover and some periods of unemployment. We should challenge States to invest in approaches that combine reliable short-term assistance with rapid re-employment help.

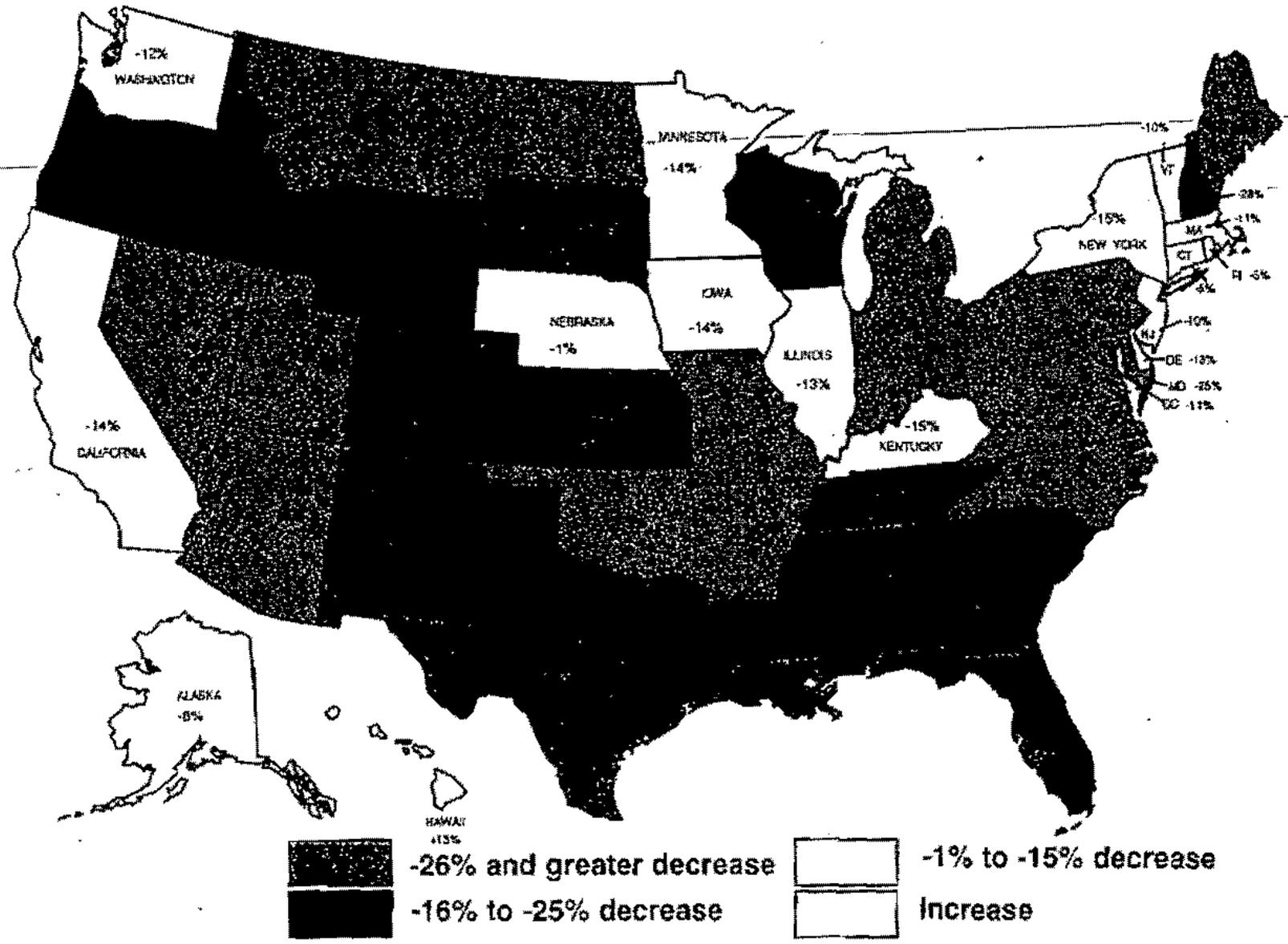
In summary, we must build upon and continue our efforts on behalf of low income workers. I look forward to further discussions with you regarding these important issues. Please let me know if you would like a briefing or further information.



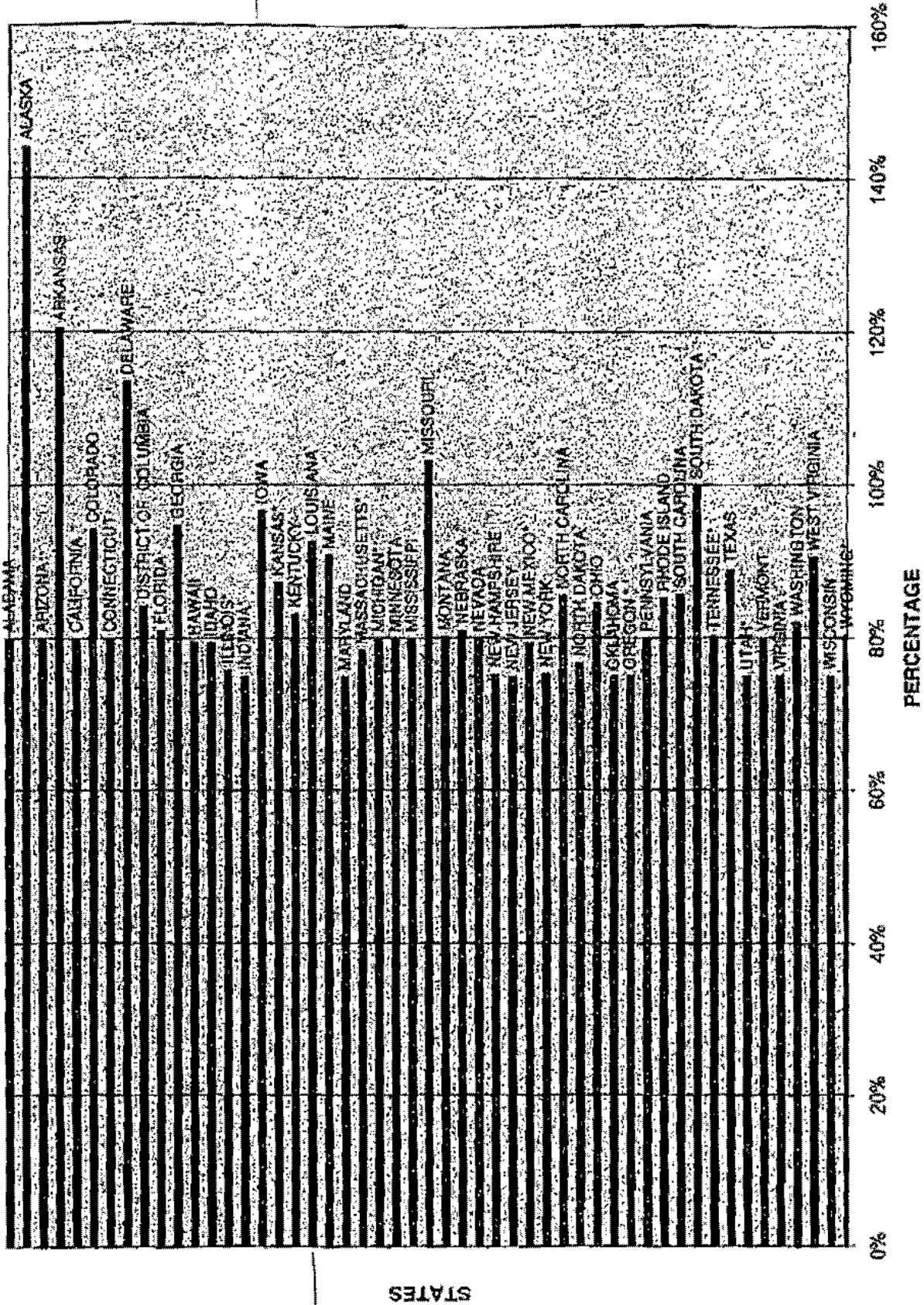
Donna E. Shalala

Attachments

# Chart 1: RECIPIENT COUNT DOWN 2.4 MILLION SINCE ENACTMENT OF NEW WELFARE LAW (August 1996-September 1997)



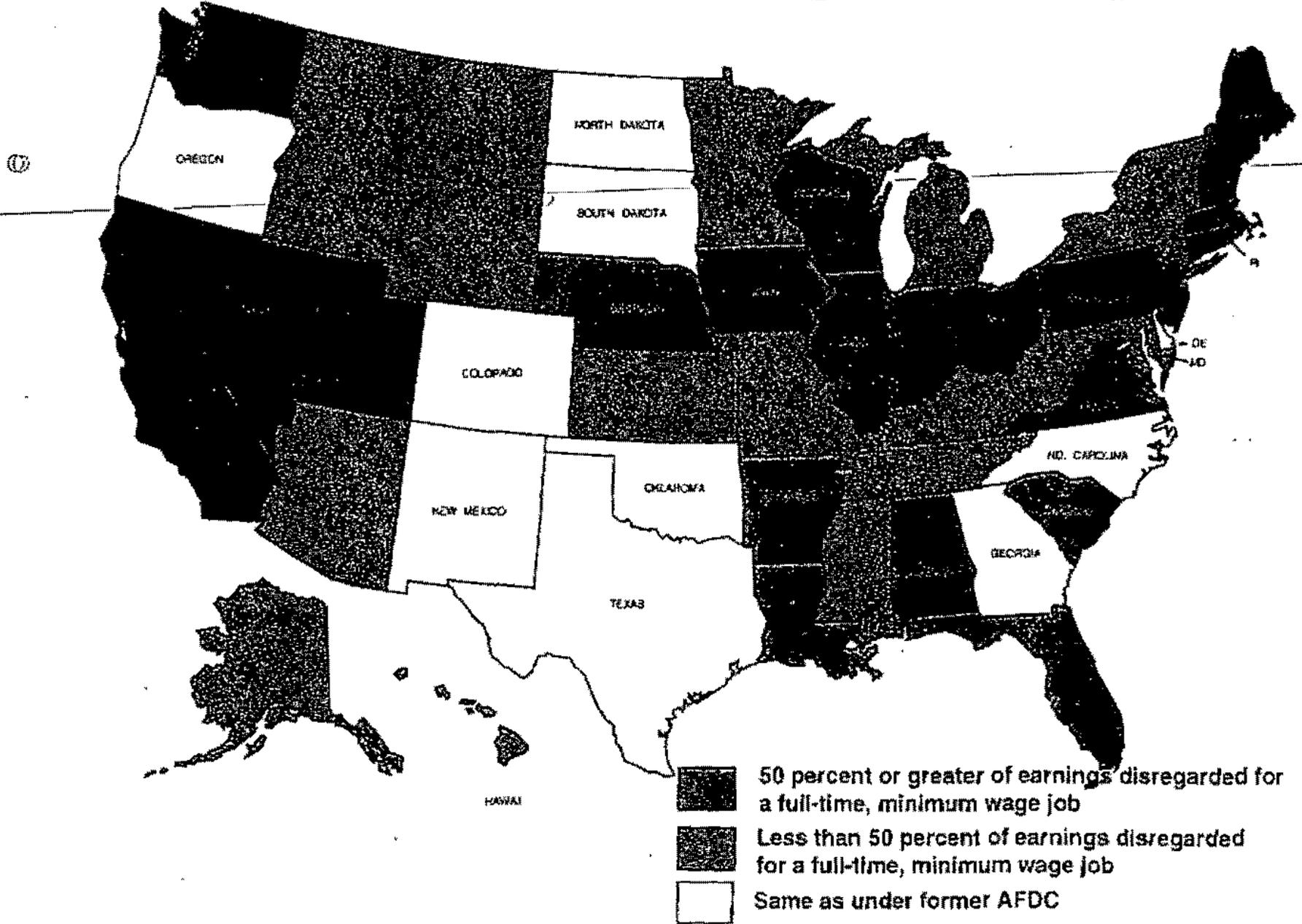
TANF PROGRAM  
 Chart 2: EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of January 23, 1998

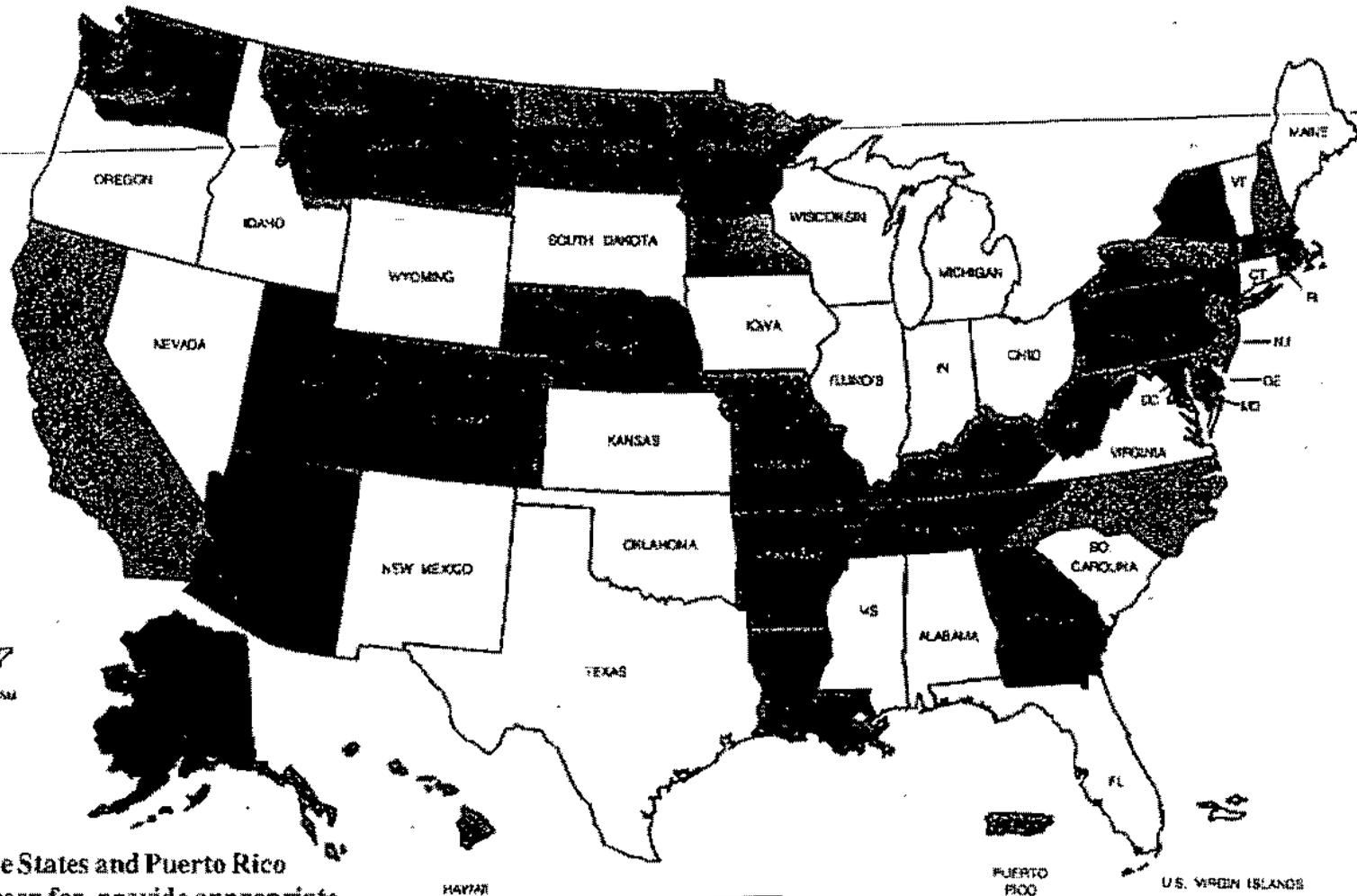
Chart prepared by U.S. Dept. of Health and Human Services  
 Administration for Children and Families

# Chart 3: Earnings Disregards





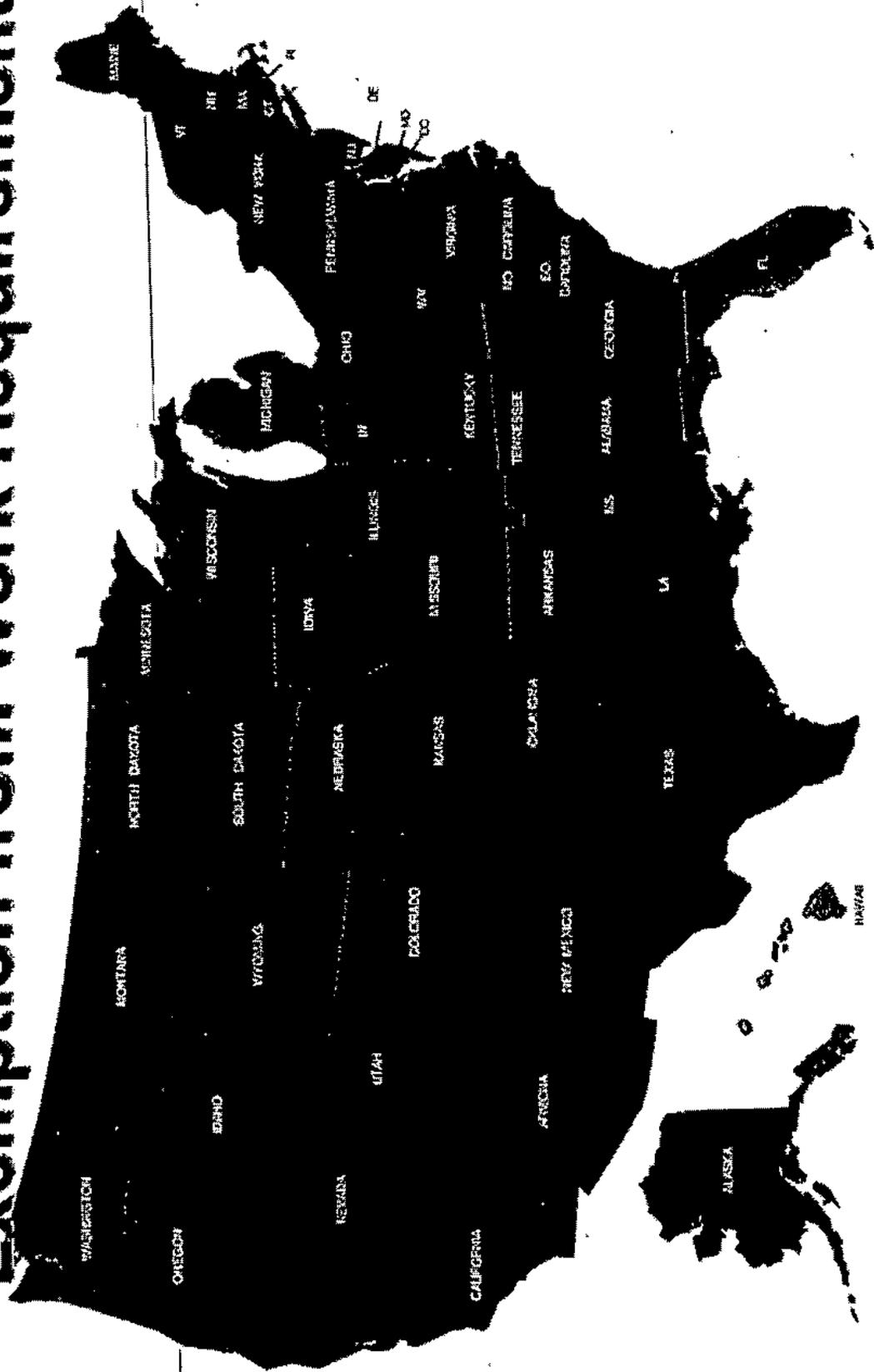
# Chart 5: States Selecting Family Violence Option



Twenty-three States and Puerto Rico elected to screen for, provide appropriate services, and waive requirements where needed to ensure safety.

-  Optional Certification
-  Developing Standards

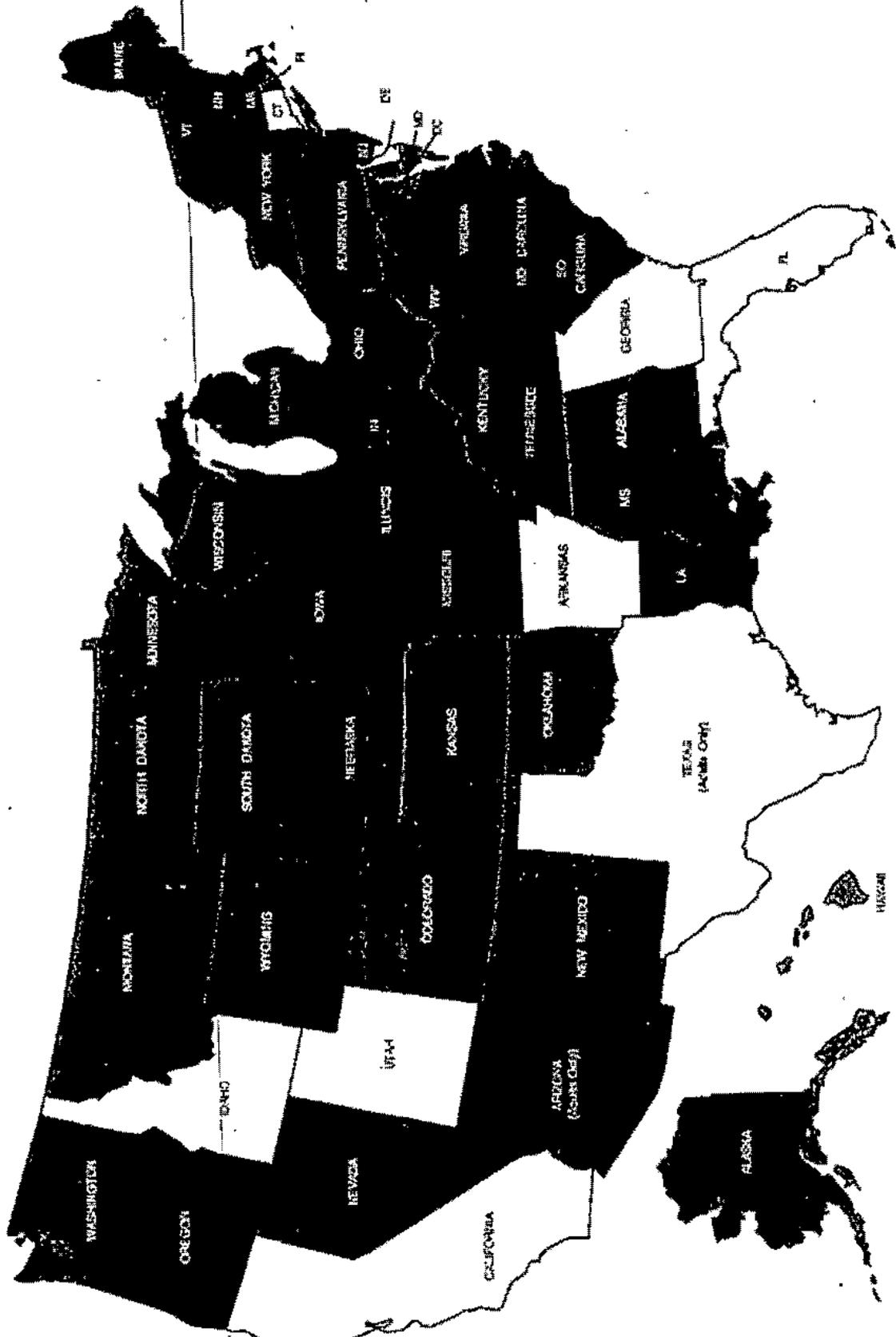
# Chart 6: Age of Youngest Child Exemption from Work Requirement



Younger than 12 months old

12 months old

# Chart 7: Time Limit Choices



60 months
  Intermittent with 60 month lifetime
  Less than 60 months
  Other

THE WHITE HOUSE  
WASHINGTON

July 24, 1997

STATUS  
- Look

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
CYNTHIA RICE

SUBJECT: NEXT WEEK'S SPEECH ON STATE WELFARE REFORM EFFORTS

On Monday, July 28th, you will speak to the National Governors' Association in Las Vegas. We believe your speech is an opportunity to make a major statement on welfare reform one year after you signed the new law into effect and four years after you began to reform welfare by granting waivers to the states. You are scheduled to follow this speech with a Welfare to Work Partnership event on August 12th with several hundred business leaders in St. Louis who will accept your challenge to hire welfare recipients.

We thought that in the NGA speech you could provide a statement of the principles and values that have guided welfare reform. You could discuss the importance of work and responsibility, of requiring both parents to support their children, and also of teaching teenagers that staying in school and avoiding parenthood are the right things to do. You could talk about the new role of welfare workers: not to dole out checks, but to assist welfare recipients in meeting the challenge of joining the workforce. And you could talk about the need to support work -- to make sure it pays better than welfare -- through the minimum wage, EITC, child support, and investments in health care, child care, and transportation.

We also thought that in the NGA speech you could turn the spotlight on the states: to underscore the successes -- but also point out some of the shortcomings -- of state welfare reform efforts. You could emphasize that while we have much to be proud of, we cannot rest on our laurels. Instead, states must seize the opportunity to use savings from declining caseloads and the growing economy to put even more people to work. Many states are investing new funds in child care, transportation, and other welfare-to-work efforts; others are diverting savings to other parts of their budgets. We thought you could praise those who are doing the right thing, and scold, though not by name, those who are not. Overall, we hope in this speech that you could send a signal that we intend to hold states accountable for their actions.

Finally, you could include an update on education standards in the speech, probably referring to the announcements you will have made on Friday of the big city school districts that have agreed to adopt the new tests.

## The State of the States

As you know, welfare reform began long before last August, with the waivers we granted to 43 states to allow them to impose tough work requirements and time limits and provide incentives to make work pay better than welfare. Under the new law, nearly 90 percent of these states have chosen to continue or build upon their waivers. Many of these states have intensified their efforts, either expanding small demonstration projects state-wide or leveraging additional financial or community resources for welfare to work efforts. Other states are simply in a holding pattern, postponing changes because of political conflict (i.e., New York and California) or for other reasons. Here's a summary of some of the interesting trends we've uncovered.

Child Care: Efforts to expand child care are widespread. Because of the additional \$4 billion we secured in the welfare law, all states are receiving more federal funds, which they must match with their own dollars. About half the states are increasing their spending beyond what is needed to match the new federal funds. Some states are adding quite a bit more: Wisconsin is adding \$160 million, Illinois is adding \$100 million, and Florida is adding \$23 million in new funds and shifting \$60 million from the welfare block grant to child care. A new paper by the Progressive Policy Institute praises Illinois, Michigan, and Washington for establishing "seamless" child care systems which provide subsidies for all workers below a certain income, whether they've been on welfare or not. (There's a growing concern that some states are short-changing the working poor by giving former welfare recipients priority for child care subsidies. Creating a universal, income-based system avoids that problem.)

Transportation: Several states have developed strategies to ensure welfare recipients have the transportation they need to get to work. Kentucky is now implementing an initiative to ensure that transportation is available in all areas of the state. Connecticut is earmarking \$2.2 million of its TANF funds for new transportation services for welfare recipients. New Jersey has announced a \$3.7 million initiative to move *Work First New Jersey* participants to work. In May, the Department of Transportation worked with NGA to award planning grants to help 24 states develop transportation strategies to support their welfare to work efforts.

Welfare to Work Programs: Nearly all state welfare-to-work programs include the traditional elements: job search, training, education, community work experience, and placement in unsubsidized jobs. But now, according to a new survey by NGA, 36 states are using welfare checks to subsidize private jobs, although mostly on a small scale. Twenty-seven states have "upfront diversion" programs which provide job search assistance or emergency cash grants to help prevent people from going on welfare. Several states (Maryland, Pennsylvania, Florida) provide tax incentives to companies that hire welfare recipients. In many states, the governor and other elected officials are reaching out to the business community to forge new partnerships. In Nevada, the state has set a goal for new casinos to set aside 10 percent of all positions for former welfare recipients.

Diverting Welfare Savings for Other Uses: Not all states are investing welfare savings in child care, transportation, or other welfare to work efforts. According to the Progressive Policy Institute, Ohio is actually cutting state spending on child care and is using some of its savings from lower welfare caseloads for tax cuts (the state protests that, with the infusion of federal dollars, it is still spending more overall on child care than before). In Connecticut, the governor proposed and the legislature enacted a plan which uses federal TANF dollars to replace existing state social services spending. In Texas, the state spent less than one-third of its surplus from declining caseloads on welfare to work programs; the rest was used on state programs previously funded by state dollars.

Child Support Enforcement: As you know, we have made progress in child support enforcement, increasing collections by 50% from 1992 to 1996. Last year's welfare law included tough new measures to help states track deadbeat parents across states lines. To date, however, many states have not enacted all the state laws needed to put these tough new measures into place. According to HHS, one state -- Idaho -- has not enacted any of the new child support provisions required by the new federal law. Moreover, nine states -- including California, which has 22% of the nation's welfare caseload -- will likely not make this October's deadline to put in place new child support computer systems. We think that in your speech you should underscore the need for prompt state action in these areas.

THE WHITE HOUSE

WASHINGTON

February 17, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
LYN HOGAN

SUBJECT: Welfare Caseload Statistics

We have been working with HHS to compile a series of estimates which you may find useful as you talk about the challenges ahead in welfare reform. The numbers are daunting, but not as impossible as you might think.

**I. Caseload Reduction, 1993-96**

When you took office, there were 14.1 million people on welfare, including nearly 5 million adults. By October 1996 (the latest figures available), the caseload had dropped to 11.9 million people, fewer than 4.3 million of them adults. The 2.25 million decline (a 16% decrease) is the largest caseload drop in history.

The decline is even more striking when you consider that the caseload did not peak until March 1994, when it reached 14.4 million (5.1 million adults). The caseload dropped 18% between March 1994 and October 1996.

If these trends hold, the total decline from January 1993 to January 1997 should be more than 2.5 million people and between 900,000 and 1 million adults.

No studies have been done to determine how much of the recent caseload decline is due to a good economy and how much to state welfare reforms. Historically, the food stamp caseload has closely tracked the business cycle, but the welfare caseload has not. More than half the welfare caseload has never worked; an economic downturn is not what landed them on welfare. A CRS study of the surge in welfare rolls during the Bush years attributed most of the increase to the rising number of births to never-married mothers, not the 1990 recession.

Over the last four years, the largest drops have come in states with the most aggressive welfare reform experiments -- including 40% declines in Wisconsin and Indiana. The past four years have been a time of unprecedented state experimentation in welfare reform, and all the tough talk from Washington on down has probably had some behavioral impact as well. (The caseload drop was sharpest during the three-month period around the signing of the welfare law, even though no recipient was affected by the new law during that period.)

Still, it would be a mistake to give welfare reform all the credit for caseload changes over the past four years. Virtually every state with a vigorous statewide effort has cut caseload by a quarter or more. But some states did little or nothing to reform their welfare systems, and others experimented in only a few counties.

Four states had caseload increases between January 1993 and October 1996: Alaska, Hawaii, New Mexico, and most important, California, which has 20% of the national caseload. In each state, a mix of factors is at work: None of them has done much statewide on welfare reform, and each has experienced population growth. California was late to join the economic recovery, and leads the nation in child-only cases -- U.S.-citizen children of illegal immigrants who are eligible for welfare because they were born here.

## **II. Key Facts about the Caseload**

Family Size: The average size of a welfare family is 2.8 people. Moving 360,000 adults off welfare will reduce the caseload by 1 million people.

Able-Bodied Recipients: HHS estimates that 80-90% of adult welfare recipients are capable of joining the workforce. The other 10-20% are considered unable to work because of health, age, or severe mental or physical disabilities.

## **III. Meeting the New Work Requirements**

Under the new welfare law, every able-bodied adult is supposed to work within 2 years of receiving benefits. (About 35% of current recipients have been on the rolls less than 2 years.) It is up to the states whether to enforce that requirement. The only enforceable federal requirements are the 5-year lifetime limit on federal benefits and the work participation rates.

Time Limits: Every welfare recipient now has a 5-year lifetime clock, which begins ticking when a state's new plan is certified complete, and stops every time the recipient goes off welfare. States can exempt 20% of the caseload from the 5-year limit, and use state dollars to exempt others if they choose. Most recipients will take longer than 5 years to reach the 5-year limit, because all but the permanent underclass (about a quarter of recipients) cycle on and off the caseload. Until we have a national time clock -- which was envisioned in our 1994 bill, but not

included in the final law -- some recipients also may be able to circumvent the lifetime limit by moving from state to state.

Work Participation Rates: Under the new welfare law, states must have 25% of their adult caseload in work activities in 1997, 30% in 1998, 35% in 1999, 40% in 2000, 45% in 2001, and 50% in 2002 and beyond. But states get credit for people they move off welfare altogether in the meantime. If a state's caseload has dropped since FY1995, the state's work participation rate is reduced accordingly. Effective work rates for this year and beyond have already been reduced 8% nationwide by recent declines in the caseload. (Many states have lowered their caseloads and their effective work rates by twice that much. A few haven't lowered their caseloads at all.)

The following projections were calculated by HHS but are considered preliminary and are under review. About a quarter of the adult caseload is exempt for a variety of reasons, primarily the exemption for parents with children under one. By these estimates, states will be required to put 1 million adults into work activities by the year 2000, and 1.1 million by the year 2002. That number will be lower if caseload declines are greater than projected. (The current caseload is already slightly smaller than the FY2000 projection.)

	FY 95	FY 96	FY 2000 (projected)	FY 2002 (projected)
Average monthly caseload	4.9 million	4.5 million	4.3 million	4.0 million
<b>Non-exempt adult caseload</b>		<b>3.3 million</b>	<b>3.2 million</b>	<b>2.9 million</b>
Work participation rate			40%	50%
Caseload reduction from '95		6.7%	8%	12%
Effective work participation rate (minus caseload reduction)			32%	38%
<b>Total number of adults required to work</b> (Effective work rate multiplied by non-exempt caseload)			<b>1 million</b>	<b>1.1 million</b>

Only a portion of the 1 million would be in subsidized work programs in the private or public sector. States can count vocational education as "work" toward a fifth of its participation requirement. Several states may raise their earnings disregards so that they can count more of the working poor toward their participation rates.

We will ask HHS to run these numbers on a state-by-state basis as well. By these estimates, New York State, with more than 9% of the national caseload, will have to place around 100,000 in work by the year 2000.

#### **IV. Hiring Power in the U.S.**

There are 826,000 U.S. businesses with more than 20 employees.

There are 135,119 congregations with more than 200 members, and 205,583 congregations with more than 100 members.

There are 1.1 million nonprofit organizations (not including congregations).

We will run these numbers on a state-by-state basis as well.

#### **V. Miscellaneous Statistics**

State Plans: So far, 42 states have submitted their new state plans to HHS under the new law. Of the 42, HHS has certified 35 complete (including New York).

Work Supplementation: As of August 22, 1996, when you signed the welfare law, 11 states had received waivers to modify work supplementation rules. Oregon and Missouri pioneered this concept. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs.

Out-of-Wedlock Births: The birth rate for unmarried women dropped 4% in 1995, the first decline in 19 years. The proportion of all births to unmarried mothers declined slightly to 32.0% in 1995, from 32.6% in 1994. Three years ago, Senator Moynihan predicted that the ratio would rise to 40% or even 50% over the next decade.

Teen Pregnancy: The teen birth rate has declined four years in a row by a total of 8% between 1991 and 1995. Half a million teenagers 15-19 give birth every year. Moynihan wrote an op-ed last month criticizing us for taking credit for reducing teen pregnancy when the illegitimacy ratio for teenagers actually rose (from 70% in 1992 to 72% in 1995). But the teen birth rate fell faster than the teen illegitimacy ratio went up, and the overall illegitimacy ratio has stopped rising.

Child Support: Child support collections increased 50%, from \$8 billion in 1992 to \$12 billion in 1996.

Paternity Establishment: Paternity establishments have increased under the Clinton

Administration from 554,637 in 1993 to 903,000 in 1995.

Poverty: The number of people in poverty dropped by 2.9 million between 1993 and 1995, after four straight years of increases.

## **VI. Other Questions**

Childless Adults: Most states do not provide welfare benefits for single, childless adults. This population will be hit hard by the 3-month time limit on food stamps. Our budget would restore their eligibility (unless they turn down a work slot), provide states with funds for 380,000 new work slots, and make childless adults eligible for our expanded Work Opportunities Tax Credit, which gives employers a 50% credit on the first \$10,000 in annual wages.

Organizing CEOs: Eli Segal has drafted a strategic plan for a non-profit organization to recruit businesses to hire people off welfare. He will send us a copy after his board approves it next week. Eli will probably serve as president of the organization, with most of the CEOs you met as a governing board.

Organizing Non-Profits and Religious Organizations: We have spoken with Maria Echaveste about the need for a full-time staffer in Public Liaison to organize religious institutions, non-profits, and businesses to move people from welfare to work.

File:  
① ~~Welfare~~ Points memo  
② WR - Exec Action

June 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Rahm Emanuel

SUBJECT: Background on Tuesday's Welfare Reform Executive Actions

In Tuesday's speech to the American Nurses Association, you will announce executive actions to reform welfare and strengthen child support enforcement. These steps will add to pressure on the Congressional leadership to stop holding welfare reform hostage. On Saturday, Arney hinted that Republicans might abandon their Medicaid poison pill strategy and send you a stand-alone welfare bill.

You are taking executive action to carry out two important child support enforcement measures that have always been part of your welfare reform legislation: First, a new program to check new-hire information from 25 states to catch deadbeats who move from job to job or state to state; and second, a new regulation requiring mothers to name the father before they can receive welfare. The Administration will also grant a waiver to New Hampshire, which means that 40 out of 50 states have received a welfare reform waiver on your watch.

**Tracking Deadbeats Across State Lines and from Job to Job:** As you know, 30 percent of child support cases cross state lines -- and the easiest way to get out of paying child support is to move from state to state and job to job. Twenty-five states already require employers to report new hires, and use the information to catch parents who owe child support. In Washington state, this program leads to \$20 in child support collections for every dollar spent. Under our new program, those 25 states can send us new hire information, and we will match it against a list of delinquent parents from all 50 states. If Congress passes welfare reform, new hire reporting will become the law nationwide -- a provision which has always been in our welfare bill.

**Stricter Paternity Cooperation Requirement:** You are directing HHS to issue new regulations requiring welfare recipients to identify and help locate the father before they can receive welfare. The new regulation requires mothers to name the father and provide one piece of identifying information, and requires states to refer applicants to the child support agency within two days to begin paternity establishment efforts. It includes a good cause exemption in cases of rape or threat to the mother's safety. Under current law, the standard of cooperation is much lower, and rarely enforced. This provision has always been in our welfare bill as well, and builds on the 1993 in-hospital paternity establishment program -- which nurses have run with great success.