

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. The Democratic governors' 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 (which doesn't bother us that much, as budget cuts go), and eliminating the shelter deduction for Food Stamps.

We want the Democratic governors to cry foul on Medicaid and suggest that we're within striking distance of bipartisan agreement 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 Medicaid poison pill is gone. Once we get into a debate on a stand-alone welfare reform bill where the underlying objective is to pass a bill into law instead of simply forcing a veto, we'll have a chance to sort out those details. But we have to get rid of the big poison pill first.

THE WHITE HOUSE

WASHINGTON

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.

File under:  
1) POTUS memos  
2) WR-NGA plan

THE WHITE HOUSE  
WASHINGTON

February 2, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
SUBJECT: NGA and Welfare Reform

By Monday, the governors may have reached a bipartisan agreement on welfare reform that would call for improving the Senate bill in key areas -- more money for child care, a better contingency fund, and fewer cuts in benefits for legal immigrants. This agreement would make it easier for moderate Republicans and Democrats in Congress to pass those changes if the Republican Congressional leadership gives us another shot at a welfare bill.

**I. Update**

Congressional Republicans remain divided over whether to pass another welfare bill or take the issue to the election. For now, they are leaning toward sending you the Senate bill with no changes. Senate moderates would like to amend the Senate bill along the lines of what was discussed in the budget talks, but they will do whatever Dole tells them. Blue Dogs and the Chafee-Breaux coalition are pushing for similar changes in any budget deal. But unless there is a budget deal, we're likely to see either the Senate bill or no bill at all.

An NGA agreement with the backing of Thompson and Engler might give Dole an excuse to allow a few changes in our direction. Engler (the lead Republican for the NGA on welfare) has been uncharacteristically eager to reach an agreement. He and Carper (the lead Democrat) have reached tentative agreement on an improved block grant that we could generally support: more child care money than the Senate bill; a \$2 billion contingency fund (double the Senate's) with a more flexible trigger; exempting the elderly and the disabled from the SSI ban for legal immigrants (a substantial movement in our direction); a \$1-2 billion performance bonus to reward states for job placement; guaranteed health coverage for recipients; and a maintenance of effort requirement of 75-80% (a first for NGA). They will also oppose the cap on food stamp growth, and limit the food stamp block grant state option to the conference approach, which is better than the Senate version.

The agreement could still fall apart if Dole raises strong objections, although Engler and Thompson probably would not have gone this far without Dole's permission. It might also become part of the more significant negotiations over Medicaid, with Democrats agreeing to an AFDC block grant in return for Republican acquiescence in a Medicaid per capita cap.

## II. Monday's Discussion

Engler and Carper (and others) are likely to bring up welfare reform in Monday's roundtable. You may not want to explicitly endorse the details of their agreement, if only because too much enthusiasm from us might scare the Republicans away from it. But you can certainly indicate that it is in keeping with the kinds of improvements you and the Republican leadership discussed in the budget talks.

If you get asked again whether you would sign the Senate bill, you should repeat that you don't answer hypotheticals -- you're not drawing lines in the sand, you just want the best possible bill.

HHS will announce two waivers Monday afternoon -- North Carolina and Mississippi. Two others could be ready the following day -- Illinois and Louisiana. If those last two take place, our total would be 54 waivers to 37 states. The most significant outstanding waivers are New Hampshire (where HHS and Merrill are at odds over the need for a control group) and California (where HHS and Wilson are at odds over how far he can go in cutting benefits). Gov. Whitman announced a sweeping plan last week that is consistent with our overall approach (five-year lifetime limit, child care, family cap), but she has not yet submitted a waiver request.

March 2, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

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

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

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

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

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

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

## WELFARE REFORM

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

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

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

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

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

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

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

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

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

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

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

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

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

THE WHITE HOUSE

WASHINGTON

March 2, 1995

Dear Mr. Chairman,

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

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

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

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

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

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

With best wishes,

Sincerely,

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

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

THE WHITE HOUSE  
WASHINGTON, D.C.

April 4, 1995

MEETING WITH DEMOCRATIC SENATORS ON WELFARE REFORM

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

I. PURPOSE

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

II. BACKGROUND

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

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

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

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

### III. PARTICIPANTS

See attached.

### IV. PRESS PLAN

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

### V. SEQUENCE OF EVENTS

As usual.

### VI. REMARKS

Suggested talking points are attached.

PARTICIPANTS FOR MEETING WITH DEMOCRATIC SENATORS

PARTICIPANTS:

POTUS  
VPOTUS  
Secy. Shalala

MEMBERS:

Sen. Tom Daschle  
Sen. Daniel Patrick Moynihan  
Sen. John Breaux  
Sen. Chris Dodd  
Sen. Ted Kennedy  
Sen. Patrick Leahy  
Sen. Barbara Mikulski  
Sen. Carol Moseley-Braun  
Sen. Jay Rockefeller

STAFF:

Leon Panetta  
Pat Griffin  
Carol Rasco  
Harold Ickes  
Erskine Bowles  
George Stephanopoulos  
Rahm Emanuel  
Bruce Reed  
Paul Carey  
Susan Brophy

## SUGGESTED TALKING POINTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

File:  
Memos to  
POTUS

THE WHITE HOUSE  
WASHINGTON

February 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
SUBJECT: Welfare Reform Update

**I. House Republican Bill**

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

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

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

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

**II. Democratic Alternatives**

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

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

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

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

# SHAW BILL

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

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

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

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

2

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

ONE HUNDRED FORTY CONGRESS  
NINTH HUNDRED YEARS OBSERVED

PAUL M. CRANE, ILLINOIS  
PAT THOMAS, CALIFORNIA  
J. CLAY SHAW, JR., FLORIDA  
MURPHY J. JOHNSON, CONNECTICUT  
JIM BUNNING, KENTUCKY  
ANDREW COVATTA, NEW YORK  
WALLY HERBERT, CALIFORNIA  
JIM MCCARTHY, LOUISIANA  
ANDY MARSH, MISSOURI  
DICK CANNON, MICHIGAN  
JIM BARTON, MINNESOTA  
DICK GUMMER, NEW YORK  
JIM ROSS, OHIO  
JIM SCHWAB, TEXAS  
JIMMY DUNN, WASHINGTON  
MAC COLLINS, GEORGIA  
BOB ROY, OHIO  
WILLIE E. MILLER, PENNSYLVANIA  
JOHN ENGLISH, MINNAPOTA  
JIM CHRISTENSEN, NEBRASKA

BOB D'AMICO, FLORIDA  
CHARLES E. WALKER, NEW YORK  
ROBERT W. STEVENS, CALIFORNIA  
ANTHONY DINO, ILLINOIS  
WALTER T. PETERSON, TENNESSEE  
ROBERT M. PATTERSON, CALIFORNIA  
SPEAKER B. BONIOR, CONNECTICUT  
WILLIAM J. BROWN, PENNSYLVANIA  
TANDEM M. LEVIN, MICHIGAN  
BENJAMIN CARSON, MISSISSIPPI  
ANDERSON, WASHINGTON  
GEO. D. ALLEN, WISCONSIN  
JOHN LINDSAY, GEORGIA  
LE ROY WATSON  
MICHAEL MIA, MASSACHUSETTS

### COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-3148  
February 9, 1995

FRANK R. WOODS, JR., CHIEF OF STAFF

GENIE WATSON, CHIEF COUNSEL

#### MEMORANDUM

TO: Members, Committee on Ways and Means

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

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

Here is an outline of the plan we have developed:

#### Cash Welfare Block Grant

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

#### Child Care Block Grant

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

#### Child Welfare Block Grant

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

- 2 -

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

#### Reducing Welfare Rolls

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

# MAINSTREAM FORUM BILL

## Individual Responsibility Act of 1995 - Summary

### Outline of Welfare Reform Bill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WR- Pops  
memos

THE WHITE HOUSE  
WASHINGTON

December 12, 1994

MEMORANDUM TO THE PRESIDENT

FROM: CAROL H. RASCO *CHR*  
THROUGH: LEON PANETTA  
SUBJECT: WORKING MEETING ON WELFARE REFORM

Following up your announcement of a working session on welfare reform with a bipartisan group of elected officials, we need to make a series of decisions about the meeting's structure and format. The plan sketched out below envisions a true working session, held at Camp David, with minimal press coverage other than statements by participants at the close of the meeting.

Decisions

1. Where

We recommend holding the summit at Camp David rather than the White House. The atmosphere is more relaxed, access to the press is more controlled, and the setting is more Presidential.

\_\_\_\_\_ Approve                      \_\_\_\_\_ Disapprove                      \_\_\_\_\_ Discuss

If you do not wish to use Camp David, we recommend using White House facilities, either around the House itself (although that may be impossible due to renovations) or at the Jackson Place Conference Center.

2. When

Our first choice for a date would be Friday and Saturday, January 13-14, which would give us a way to get into the middle of the political debate before the State of the Union. We are working with NGA to finalize the date today or tomorrow.

### 3. Who

In keeping with the goal of having a working session, we will keep the number of invitations small. In discussions with Pat Griffin and Marcia Hale, we have tentatively agreed to the following invitation list:

- 6 Governors -- NGA Chair and Vice Chair  
NGA Welfare leads (D and R)  
NGA Human Resources Chair and Vice Chair
- 6 Senators and 6 members of the House  
-- Pat will work with the majority and minority leaderships to determine representation
- 4 local elected officials  
-- We will invite 2-3 Mayors and 1-2 county or other local officials. Marcia will coordinate these invitations.
- 4 representatives of the Administration  
-- Yourself, the Vice President, Secretary Shalala, and Alice Rivlin

A minimal number of other staff including, Leon Panetta, myself, Bruce Reed and other staff as appropriate.

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Discuss

### 4. Format/Schedule

We envision the following schedule:

Friday evening	6:00	Arrival
	6:30	Dinner
	8:30	Introductory Discussion
	9:30	Movie/Other entertainment
Saturday	8:00	Breakfast
	8:30	Working Sessions
		Working Lunch
	2:00	Conclusion/Press statement

The discussion sessions on Friday and Saturday would be structured thematic conversations perhaps based on materials circulated in advance. We do not envision in-depth presentations, rather free-flowing dialogue and discussion structured around our key themes.

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Discuss

### 5. Goals

We should be realistic about what we can accomplish at a summit with such a broad range of leaders. This is not the place to agree on financing or draft legislation. Our objectives should be more like the Education Summit -- to reach agreement on broad goals and principles. The summit could be organized around a few themes -- work, responsibility, family -- that would lead the discussion toward agreement on our key principles.

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Discuss

### 6. Next Steps

To put this plan in motion, we would like to announce on Wednesday the date and place for the working session, in conjunction with granting the Indiana welfare reform waiver.

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Discuss

Based on your approval of the general framework outlined above, I will work with Pat and Marcia to begin outreach to NGA and congressional staff to put the planning into motion. We plan to conduct extensive staff work between now and the meeting and need to get started as soon as possible.

We have a meeting scheduled with you for Friday, at which time we can discuss the session with you in more detail.

cc: George Stephanopolous  
Pat Griffin  
Marcia Hale  
Bruce Reed  
Rahm Emanuel

**DRAFT**

THE WHITE HOUSE  
WASHINGTON

June 24, 1994

*OK by me*  
*Bruce -*  
*Thanks!*  
*Here's the*  
*revision. (Good*  
*Bill being signed off a week*  
*talk w/ Alexis as you'll see, we*  
*decided on red*  
*name. .... "private*  
*entity" .... (you haven't*  
*liked any names yet, so*  
*we can let someone else*  
*propose something!)*  
*PS*

MEMORANDUM FOR THE PRESIDENT

FROM: BILL GALSTON  
BRUCE REED  
GENE SPERLING  
PAUL DIMOND

SUBJECT: TEEN PREGNANCY PREVENTION CAMPAIGN--  
A Private, Non-Profit Entity to Assist in Mobilizing Private

CC: ALEXIS HERMAN  
CAROL RASCO  
BOB RUBIN

**Background.** As a major component of the Welfare Reform proposal, you announced the need for a national campaign to prevent teen pregnancy. You noted that this is an American challenge -- one that can be met only if families, businesses, churches, youth groups and civic organizations, and peers join together in a parallel effort with your legislative proposals and Presidential leadership to provide a guiding hand to youth in communities all across the country. Due to the substantial press coverage, many prominent leaders of business, churches, youth and civic groups, foundations, entertainment, sports and the media have expressed a willingness to support a privately funded, non-profit organization ("private entity") to assist in mobilizing such a concerted national campaign.

**Recommendation.** With the full support of the Welfare Reform Working Group, including the National Service Corporation, we recommend that you bless such a welcome response to your call once such a private entity is properly formed as set forth below.

**Form of Private Entity.** Pursuant to our consultation with the White House Counsel's office (memorandum attached), we strongly support the recommendation of the Working Group that this entity take the form of a privately funded, non-profit corporation with an independent board of directors, modelled after the Lawyers' Committee for Civil Rights under Law or the Partnership for a Drug-Free America, rather than a federal advisory commission modelled after the President's Council on Physical Fitness with a board appointed by the President and funding from appropriations. The greater flexibility, independence and proven effectiveness of the independent private entity model better meets the need for mobilizing the media and all parts of the private sector in communities all across the country than the more cumbersome and restrictive federal advisory committee model.

**Mission of Private Entity.** Such a private entity can assist in leading a teen pregnancy prevention campaign, focussed on youth ages 10-18, by: (1) proposing national youth goals to complement the National Education Goals, starting with teen pregnancy prevention; (2) leading an on-going campaign in the media, schools, churches, and youth centers to inform youth of the real risks and severe damage to life chances of teen pregnancy, violence, and dropping out of school and the real opportunities and rewards for learning, advancing from school to work and college, and supporting your own family; and (3) engaging all segments of the private sector in sustained, local efforts to establish on-going partnerships with youth by providing continuing coaching, mentoring, parent-youth and peer-group participation in community service, learning, recreation, apprenticeship, internship, and work opportunities.

**Next Steps.** To avoid inadvertently subjecting such a private entity to the restrictions of the Federal Advisory Committee Act, we must proceed with care to contact persons who have expressed an interest in assisting in leading a national campaign against teen pregnancy.

The first step is to explore whether there should be honorary chairs: for example, can one or more former First Families serve in such a capacity? The next step is to explore how a small group of independent volunteers -- a steering committee if you will -- wishes to form, define, and govern such a private entity. Finally, assuming the private entity forms in a manner and pursuant to a mission that will help to answer your call on the private sector, you may convene the directors of the newly formed entity at an appropriate ceremony in the White House, much as President Kennedy did in 1963 in recognizing the formation of the Lawyers' Committee.

We recommend that Alexis Herman lead these exploratory discussions, assisted by DPC and NEC staff, with the advice of the White House Counsel. We believe that the necessary preparatory work can be completed so that you can recognize such a newly formed private entity within 45 days.

\_\_\_\_\_ APPROVE  
\_\_\_\_\_ DISAPPROVE  
\_\_\_\_\_ DISCUSS FURTHER

*WR - Memo to President  
for your review  
Jennifer*

TO: Bruce Reed  
Kathi Way  
Jeremy Ben-Ami

FROM: Mary Jo Bane  
David Ellwood  
Wendell Primus

SUBJECT: White House Comments on Memo for the President

---

In the following memo, we will address the concerns you raise in your April 20 memo about the presidential memo of April 12.

Revised First Paragraph:

We have constructed 2 core options for welfare reform, one which corresponds to a \$9.5 billion financing option, and one which corresponds to a \$12.6 billion option. The summary table shows federal cost figures in FY 1999 and five year totals for each option. The detailed tables for Packages 1 and 2 provide further information on each option including federal and state total costs, and 10 year costs.

Cost Sharing:

The 80/20 federal match only applies to services, like JOBS, WORK, and Child Care. Everything is matched at 80/20 except for the following:

- benefits are matched at the current match rate (55% for AFDC and 100% for Food Stamps);
- child support is matched at the rates specified in the hypothetical plan;
- comprehensive grants are matched at 100%.

Revised Working Poor Child Care Paragraph:

Extending to working poor families child care subsidies that are equivalent to those available to welfare recipients would cost an estimated \$2.5 billion per year above current spending. Neither plan proposes an uncapped entitlement to child care for the working poor, nor does either propose a capped entitlement sufficient to meet estimated needs. Package 1 proposes very modest additional spending for child care for the working poor of \$900 million per year when fully phased in with a federal share of \$720 million. This would represent an important expansion from current expenditures of approximately \$1.0 billion, but it would still meet only about 35% of the estimated need. Package 2 includes additional spending of approximately \$1.9 billion per year, federal share of \$1.5 billion. This would be sufficient to meet about three-quarters of the estimated child care needs of families with incomes below 130 percent of the poverty line.

### The Deferral Group

The deferral group is 29 percent of the entire phased-in population, including the 11 percent who are off of welfare as a result of the reforms. The group starts out as 25 percent of the population but increases to 29 percent as a result of the assessment after two years in the WORK program.

### JOBS-PREP

If States wanted to do self-reporting for their deferred group, there would be nothing in the legislation to prohibit them from doing so.

### Child Care Cost Sharing

See above for explanation of cost sharing and working poor child care. For both packages 1 and 2, the federal state split in five and ten year costs is 80-20.

WR-~~CONFIDENTIAL~~  
Memor to  
Pres.

MEMO TO THE PRESIDENT

RE: WELFARE REFORM COST PACKAGES

We have constructed 2 core options for welfare reform, one which corresponds to a \$9.5 billion financing option, and one which corresponds to a \$12.6 billion option. Table 1 shows federal cost figures in FY 99 and five year totals for each option. Tables 2 and 3 provide further information on each option, including federal and state total costs, and 10 year costs.

Each table shows costs for six components:

- o Parental responsibility
- o Transitional assistance followed by work
- o Working poor child care
- o Removal of restrictions on benefits to two-parent families
- o Special initiatives and demonstrations of prevention, child support, and asset development initiatives
- o Measures to simplify, coordinate and improve the delivery of government assistance.

Both packages include the costs of the core initiatives in parental responsibility, transitional assistance followed by work, and a state option for removal of the restrictions on benefits to two-parent families. Both packages assume federal-state cost sharing of 80 percent/20 percent. The packages differ primarily in the amounts they invest in child care for the working poor, but there are also differences in demonstrations and in improvements of government assistance. The primary decision to be made in assessing the two packages is how much to invest in child care for the working poor.

### Parental Responsibility

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. Both packages reflect net savings from child support enforcement, which result from investments in systems and staff that generate substantial savings.

Both packages also reflect estimated savings from a requirement that minor parents live at home, and from a state option to deny benefit increases when additional children are conceived by parents on welfare. Both these proposals, especially the family cap, are quite

controversial. A decision to remove both of these provisions from the plan would increase the cost of both packages by \$250 million in five year cost.

### **Transitional Assistance Followed by Work.**

The core of our welfare reform plan is the transformation of the welfare system into a system of transitional assistance followed by work. Both cost packages reflect the plan's proposals for dramatically increased participation in education, training and job placement activities during the first two years of any recipient's stay on welfare, and for the provision of work slots for those who are unable to obtain unsubsidized jobs before hitting the two year time limit. Both packages reflect the tight deferral and extension proposals in the plan.

Both packages assume state implementation in 1996, and both assume that the caseload will be phased in by enrolling into the new regime all applicants and recipients born after 1971. This schedule implies that by the year 2000, 46 percent of projected welfare recipients absent reform will be phased in. Of the phased in group, 11 percent would be off welfare, 25 percent would be working with some form of subsidy, and 35 percent would be in a mandatory education or training program. The final 29 percent would be in a deferred status due to a disability or because they are caring for a severely disabled child or a child under 1.

The only difference in this element between the two packages concerns the deferred group. Our goal is to send the signal that everyone has something to contribute, and that something can be expected even of those in the deferred status. Starting with similar objectives, APWA's bipartisan task force called for creating a special "JOBS- prep" category for those who are not immediately subject to the time limit whereby deferred persons would still be expected to do some things to help themselves or their children. We adopted this idea in Package 2 and included \$390 million to provide some services to and monitor participation from those recipients who are not immediately subject to the time-limit. Package 1 eliminates the JOBS-prep program, and assumes that persons who are deferred incur no additional costs relative to the current system.

### **Child Care for the Working Poor**

The promise to "make work pay" is a major underlying premise of this administration's approach to welfare reform. With the expansion of the earned income tax credit for working families and the commitment to guaranteed health insurance, the major missing piece of the make work pay agenda is subsidized child care for low income families.

Most members of the working group and the Cabinet believed that child care for the working poor was critical to the success of the program. In focus groups, recipients indicated that concerns with child care ranked second only to fears about losing health insurance in deterring them from leaving welfare for work. Moreover, there are critical equity problems. Under any scenario, our proposal would provide child care for those in the JOBS and WORK programs, and for one year after people leave welfare for work. Unless we significantly

expand child care to the working poor, we will be left with a situation whereby those getting welfare or subsidized work would qualify for child care, while those who have not been on welfare recently are eligible for very little support.

Extending to working poor families child care subsidies that are equivalent to those available to welfare recipients would cost an estimated \$3.8 billion more per year above current spending. Neither plan proposes an uncapped entitlement to child care for the working poor, nor does either propose a capped entitlement sufficient to meet estimated needs. Package 1 proposes very modest additional spending for child care for the working poor of \$750 million per year when fully phased in, with a federal share of \$600 million. This would represent an important expansion from current expenditures of approximately \$1.0 billion, but it would still meet only about 20% of the estimated need. Package 2 includes additional spending of approximately \$1.75 billion per year, federal share \$1.4 billion. This would be sufficient to meet about half the estimated child care needs of families with incomes below 130 percent of the poverty line.

### **Removing Restrictions on Benefits for Two-Parent Families**

Supporting two-parent families by permitting them to receive benefits under the same rules as single parent families is an important signal about the importance of both parents in our approach to welfare reform. Ideally we would like to legislate an end to all provisions which treat two-parent families in a discriminatory fashion nationwide. Requiring all states to adopt such provisions would cost the federal government at least \$830 million over 5 years and states would be required to pay an additional \$675 million.

Because of the cost and to keep unfunded state mandates to a minimum, we chose instead to give states the option to remove all or a part of the current two-parent restrictions rather than requiring them to do so. Based on our experience with waiver requests, we estimate that states serving roughly half of the caseload would take this option. The federal cost would be roughly \$495 million. The packages do not differ in this element.

### **Special Initiatives**

One of the most important lessons of the past decade is that welfare reform must be an ongoing learning process. Many of the elements we propose for our current plan were tried on a smaller scale initially. In five critical areas, we propose money for special initiatives and demonstrations which seem likely to point the way for future reforms and innovations.

These include:

**Teen Pregnancy and Prevention Grants**--These monies would go to fund a series of efforts in the schools to reduce teen pregnancy, including mentoring programs, private partnerships, comprehensive community support programs, and other demonstrations designed to reduce teen pregnancy and reverse the alarming increase in out-of-wedlock childbearing.

Proponents note that if we cannot find strategies which help prevent children from having children, we will never really solve the welfare problem. Skeptics point out that we don't have many proven solutions. Hence, the focus on special initiatives and demonstrations. (Package 1: \$200 million; Package 2: \$200 million)

*Non-Custodial Parent JOBS/WORK Programs*--Logically whatever we expect of mothers, we ought also to expect of fathers. Some very small scale programs are now being tried whereby men who are unable or unwilling to pay child support are placed in training or work programs. These programs seem to both "smoke-out" some men who really can pay as well as give an opportunity to young men to take some responsibility. Unfortunately these programs have not been tried at any real scale to date. And our experience with existing work and training programs for young men generally (versus fathers specifically) has shown very few payoffs. But there is reason to believe programs for young fathers, with the carrots and sticks that child support can offer, could be much more successful. (Package 1: \$130 million; Package 2: \$390 million)

*Access Grants and Parenting Demonstrations*--Too often the role of non-custodial parents is negligible both in nurturing and providing for their children. Our policies will significantly increase the responsibilities of absent parents to provide financial support for their children. But too little has been done to encourage non-custodial parents to play a more positive role in raising and nurturing their children. These monies would be designed to explore a series of strategies to enhance positive access and parenting skills in parents living apart from their children. (Package 1: \$30 million; Package 2: \$70 million)

*Child Support Enforcement and Assurance (CSEA)*--Support from two parents is needed to adequately provide for a child. But often the state fails to collect money that is owed, or the absent parent is unemployed or underemployed and in a poor position to provide support. CSEA would guarantee some minimum level of child support to children for whom awards are in place. CSEA payments would be deducted dollar for dollar against welfare payments, but would be retained when someone went to work, serving as a work incentive. Proponents argue this will increase child support awards, increase work, reduce welfare use, and reduce child poverty. Critics worry that it will be seen as welfare by another name, and could lead to less pressure to collect child support. (Package 1: \$120 million; Package 2: \$290 million)

*Individual Development Accounts (IDA) and Microenterprise Projects*--In the long run, families which build assets and equity are in a far better position to achieve real independence. Both IDAs and microenterprise programs are seen as powerful tools for stimulating savings and job creation among the poor. IDAs encourage savings by providing a match for every dollar saved. Microenterprise programs help welfare recipients and others to start their own businesses. Supporters see these as sending a clear rewards for everyone to accumulate and join the mainstream. Critics wonder about the cost of subsidizing IDAs and about the number of welfare recipients who really could succeed as entrepreneurs. (Package 1: \$60 million; Package 2: \$145 million)

Each initiative has strong support among some members of the working group. The two packages differ in their level of support for each of these initiatives. Package 1 allocates

\$540 million over 5 years, while Package 2 allocates \$1.1 billion. Note that even at \$1.1 billion, the proposals are still much more modest than most proponents would like.

### Improving Government Assistance

The plan envisions a variety of initiatives to coordinate and simplify the system through which government assistance is delivered, to improve the incentives for work and savings, to manage the system through performance measures, and to improve accountability and program integrity. Most of these initiatives can be done without legislation, and most of either cost nothing or generate savings. Because it is difficult to quantify and get CBO to score savings from these measures, we have not included administrative savings in our cost estimates.

We have, however, included several initiatives that incur a modest cost. Package 1 includes the costs of a state option to vary the disregards for work and child support in order to provide better incentives to families. Our experience with state waiver requests suggests that many states may take advantage of this option through incentive schemes of relatively modest costs. Package 2 includes this option, and also includes an increase of 50 percent in the funds available to Puerto Rico and the territories. The benefit cap for Puerto Rico and the territories has been increased only once in 15 years. In addition, package 2 includes the costs associated with conforming the AFDC and Food Stamps asset rules, which would provide a modest incentives for savings by AFDC recipients.

### Discussion

These two packages reflect our best assessments of how to allocate limited resources at two different levels. Other packages clearly could be devised. One could do more in child care and less in special initiatives in either package. An intermediate alternative could also be chosen. Still in the end, the major cost/financing decisions revolve around child care for the working poor. We do not believe that the parental responsibility or the transitional assistance programs can be reduced much further while still meeting the commitment to end "welfare as we know it." The limited benefit expansions for two-parents and work incentives, which are in both packages as state options, send very important signals about work and family. The demonstrations included in both packages are relatively modest. Thus the most critical question involves how much of a commitment we should make to working poor child care at this time. There are both policy and political implications of this decision, which many participants in the debate have strong feelings about. We look forward to discussing it with you.

04/12/94

TABLE 1 -- PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

	5 Year Federal Package 1	5 Year Federal Package 2
<b>PARENTAL RESPONSIBILITY</b>		
Minor Mothers	(30)	(30)
No Additional Benefits for Additional Children	(220)	(220)
Child Support Enforcement		
Paternity Establishment (Net)	(90)	(90)
Enforcement (Net)	(160)	(160)
Computer Costs	370	370
<b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>	<b>(130)</b>	<b>(130)</b>
<b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>		
JOBS-Prep	0	300
Additional JOBS Spending	2,295	2,295
Additional Child Care for JOBS	1,610	1,610
WORK Program	1,330	1,330
Additional Child Care for WORK	610	610
Savings from Child Care and Other Expansion	(100)	(100)
Transitional Child Care	445	445
Enhanced Teen Case Management	170	170
Savings - Caseload Reduction	(215)	(215)
ADP Federal and State Systems/Admin Efficiency	545	545
<b>SUBTOTAL, JOBS/WORK</b>	<b>6,690</b>	<b>6,990</b>
<b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>	<b>6,560</b>	<b>6,860</b>
<b>WORKING POOR CHILD CARE</b>	<b>1,500</b>	<b>3,500</b>
<b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>	<b>495</b>	<b>495</b>
Comprehensive Grants	200	200
Non-Custodial Parent JOBS/WORK Programs	130	390
Access Grants and Parenting Demonstrations	30	70
Child Support Assurance Projects	120	290
IDA and Microenterprise Projects	60	145
<b>SUBTOTAL SPECIAL INITIATIVES</b>	<b>540</b>	<b>1,095</b>
<b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>		
State Flexibility on Earned Income and Child Support Disregards	385	385
Generally Conform Assets to Food Stamps	0	100
Increase Territories' Caps	0	185
All Others	(5)	(5)
<b>SUBTOTAL IGA</b>	<b>380</b>	<b>665</b>
<b>GRAND TOTAL</b>	<b>9,475</b>	<b>12,615</b>

President's Table with Full Phase-In in FY 1996 with Further Adjustments  
in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent  
Provision as State Option. Comparisons between Package 1 and Package 2

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

04/12/94

**SUMMARY OF COSTS FOR WELFARE REFORM PACKAGES**  
(Dollars in Millions)

PACKAGE 1 COSTS	FY 1999	5 Year			10 Year		
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,305	8,170	6,690	1,480	25,185	22,030	3,155
WORKING POOR CHILD CARE	900	1,875	1,500	375	6,930	5,545	1,385
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	265	635	380	255	2,060	845	1,215
<b>TOTAL COSTS FOR PACKAGE 1</b>	<b>4,445</b>	<b>10,980</b>	<b>9,475</b>	<b>1,505</b>	<b>30,825</b>	<b>29,550</b>	<b>1,275</b>
PACKAGE 2 COSTS	FY 1999	5 Year			10 Year		
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,415	8,545	6,990	1,555	26,555	23,125	3,430
WORKING POOR CHILD CARE	1,875	4,375	3,500	875	14,945	11,955	2,990
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	505	1,315	1,095	220	3,945	3,225	720
IMPROVING GOVERNMENT ASSISTANCE	400	1,085	665	420	3,250	1,620	1,630
<b>TOTAL COSTS</b>	<b>5,945</b>	<b>14,995</b>	<b>12,615</b>	<b>2,380</b>	<b>43,515</b>	<b>39,525</b>	<b>3,990</b>

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

TABLE Package 1 - DETAILED SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

	5 Year Total	5 Year Federal	10 Year Total	10 Year Federal
<b>PARENTAL RESPONSIBILITY</b>				
Minor Mothers	(85)	(30)	(210)	(85)
No Additional Benefits for Additional Children	(660)	(220)	(2,150)	(810)
Child Support Enforcement				
Paternity Establishment (Net)	(535)	(90)	(2,080)	(400)
Enforcement (Net)	(405)	(160)	(4,700)	(1,535)
Computer Costs	465	370	1,085	870
<b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>	<b>(1,220)</b>	<b>(130)</b>	<b>(8,055)</b>	<b>(1,980)</b>
<b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>				
JOBS-Prep	0	0	0	0
Additional JOBS Spending	2,870	2,295	7,110	5,690
Additional Child Care for JOBS	2,010	1,610	4,910	3,930
WORK Program	1,660	1,330	11,490	9,190
Additional Child Care for WORK	760	610	5,240	4,190
Savings from Child Care and Other Expansion	(185)	(100)	(1,480)	(815)
Transitional Child Care	555	445	2,565	2,050
Enhanced Teen Case Management	210	170	595	475
Savings - Caseload Reduction	(390)	(215)	(6,070)	(3,340)
ADP Federal and State Systems/Admin Efficiency	680	545	825	660
<b>SUBTOTAL, JOBS/WORK</b>	<b>8,170</b>	<b>6,690</b>	<b>25,185</b>	<b>22,030</b>
<b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>	<b>6,950</b>	<b>6,560</b>	<b>17,130</b>	<b>20,050</b>
WORKING POOR CHILD CARE (Capped at \$900 million in net spending).	1,875	1,500	6,930	5,545
REMOVE TWO PARENT (UP) RESTRICTIONS	895	495	2,875	1,580
Comprehensive Grants	200	200	350	350
Non-Custodial Parent JOBS/WORK Programs	165	130	815	650
Access Grants and Parenting Demonstrations	35	30	78	60
Child Support Assurance Projects	150	120	415	330
IDA and Microenterprise Projects	75	60	175	140
<b>SUBTOTAL SPECIAL INITIATIVES</b>	<b>625</b>	<b>540</b>	<b>1,830</b>	<b>1,530</b>
<b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>				
State Flexibility on Earned Income and Child Support Disregards Generally Conforms (but not increase)	710	385	2,225	850
Assets to Food Stamps	0	0	0	0
All Others	(75)	(5)	(165)	(5)
<b>SUBTOTAL IGA</b>	<b>635</b>	<b>380</b>	<b>2,060</b>	<b>845</b>
<b>GRAND TOTAL</b>	<b>10,980</b>	<b>9,475</b>	<b>30,825</b>	<b>29,550</b>

President's Table with Full Phase-in in Fy 1996 with Further Adjustments in IGA, Working Poor  
Child Care, and Demonstrations; UP Two-Parent Provision as State Option; Eliminate Increase  
in Territories' Cap; Conform Asset Rules to Food Stamps but no Increase in Limits.

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for  
the following: benefits are at current match rates; child support is matched at rates  
specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

Source: HHS/ASPH staff estimates. These estimates have been shared with staff within HHS and OMB but  
have not been officially reviewed by OMB. The policies do not represent a consensus recommendation  
of the Working Group Co-Chairs.

TABLE Package 2 - DETAILED SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

	5 Year Total	5 Year Federal	10 Year Total	10 Year Federal
<b>PARENTAL RESPONSIBILITY</b>				
Minor Mothers	(85)	(30)	(210)	(85)
No Additional Benefits for Additional Children	(660)	(220)	(2,150)	(810)
Child Support Enforcement				
Paternity Establishment (Net)	(535)	(90)	(2,080)	(400)
Enforcement (Net)	(405)	(160)	(4,700)	(1,555)
Computer Costs	465	370	1,085	870
<b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>	<b>(1,220)</b>	<b>(130)</b>	<b>(8,055)</b>	<b>(1,980)</b>
<b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>				
JOBS-Prep	375	300	1,370	1,095
Additional JOBS Spending	2,870	2,295	7,110	5,690
Additional Child Care for JOBS	2,010	1,610	4,910	3,930
WORK Program	1,660	1,330	11,490	9,190
Additional Child Care for WORK	760	610	5,240	4,190
Savings from Child Care and Other Expansion	(185)	(100)	(1,480)	(815)
Transitional Child Care	555	445	2,565	2,050
Enhanced Teen Case Management	210	170	595	475
Savings - Caseload Reduction	(390)	(215)	(6,070)	(3,340)
ADP Federal and State Systems/Admin Efficiency	680	545	825	660
<b>SUBTOTAL, JOBS/WORK</b>	<b>8,545</b>	<b>6,990</b>	<b>26,555</b>	<b>23,125</b>
<b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>	<b>7,325</b>	<b>6,860</b>	<b>18,500</b>	<b>21,145</b>
<b>WORKING POOR CHILD CARE (Capped at \$1.9 billion in net spending).</b>				
REMOVE TWO PARENT (UP) RESTRICTIONS	4,375	3,500	14,945	11,955
	895	495	2,875	1,580
Comprehensive Grants	200	200	350	350
Non-Custodial Parent JOBS/WORK Programs	490	390	2,000	1,600
Access Grants and Parenting Demonstrations	85	70	180	145
Child Support Assurance Projects	360	290	995	795
IDA and Microenterprise Projects	180	145	420	335
<b>SUBTOTAL SPECIAL INITIATIVES</b>	<b>1,315</b>	<b>1,095</b>	<b>3,945</b>	<b>3,225</b>
<b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>				
State Flexibility on Earned Income and Child Support Disregards	710	385	2,225	850
Generally Conform Assets to Food Stamps	265	100	655	240
Increase Territories' Caps	185	185	535	535
All Others	(75)	(5)	(165)	(5)
<b>SUBTOTAL IGA</b>	<b>1,085</b>	<b>665</b>	<b>3,250</b>	<b>1,620</b>
<b>GRAND TOTAL</b>	<b>14,995</b>	<b>12,615</b>	<b>43,515</b>	<b>39,525</b>

President's Table with Full Phase-In in FY 1996 with Adjustments in IGA, Working Poor Child Care, Demonstrations; UP Parent Provision as State Option.

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

## MEMORANDUM TO THE PRESIDENT

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

**SUBJECT:** Welfare Reform Packages

**DATE:** April 26, 1994

We have constructed 2 core options for welfare reform, one which corresponds to a \$9.5 billion financing option, and one which corresponds to a \$12.2 billion option. The packages differ primarily in the amounts they invest in child care for the working poor, but there are also differences in demonstrations and in improvements of government assistance.

The accompanying memo from OMB indicates revenue sources for financing the \$9.5 billion package. The gambling tax would have allowed funding the \$12.2 billion package. Unless some new financing source is found, we cannot pay for the larger package. Thus the decision on a gambling tax was implicitly a decision to do less child care for the working poor. We include the \$12.2 billion option to indicate what could be achieved if more financing were available.

In our view, there is relatively little remaining flexibility within the core \$9.5 billion option. The only major decision is whether or not to include a state option for family caps. If a state option is included, benefit savings would fund slightly more child care for the working poor. We illustrate the tradeoffs with two versions (1A and 1B) of the \$9.5 billion option.

Table 1 shows federal cost figures in FY 99 and five year totals for each option. Tables 2 provides further information on each option, including federal and state total costs, and 10 year costs. (Note: These estimates have been closely shared within HHS and OMB, but minor changes are likely to be made, and they have not been officially cleared by OMB.)

Each table shows costs for six components:

- o Parental responsibility
- o Transitional assistance followed by work
- o Working poor child care
- o Removal of restrictions on benefits to two-parent families
- o Special initiatives and demonstrations of prevention, child support, and asset development initiatives
- o Measures to simplify, coordinate and improve the delivery of government assistance.

All packages assume the following federal-state cost sharing:

- All new JOBS, WORK, Child Care, special initiatives (except teen pregnancy prevention grants) , and systems development money is matched at 80/20.
- Benefit expansions and savings are shared according to current federal/state matching rates (55% for AFDC, and 100% for Food Stamps)
- Teen pregnancy prevention grants are given without state match.

### **Parental Responsibility**

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. All three packages reflect net savings from child support enforcement, which result from investments in systems and staff that generate substantial savings. All packages also reflect estimated savings from a requirement that minor parents live at home, a proposal which is troubling to some advocates, but strongly supported by the Working Group.

The most controversial element of the parent responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap is opposed on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is little evidence that failing to provide a \$60 increase in benefits will influence behavior. And a number of states are already experimenting with the idea. Those who support the idea note that workers don't get a pay raise when they have additional children. They argue the signal is important about responsible childbearing. Such a provision saves \$220 million over 5 years, money which can be spent on child care. The idea is popular with the public, strongly supported by the right and vehemently opposed by the left.

An alternative to including the family cap would be to announce at the time of announcing welfare reform that the administration would accept a certain number of additional waiver requests. It would not be included in welfare reform on the basis that we intend to await the results of these demonstrations to see whether the plans were effective in reducing fertility before deciding whether to make it a state option or mandate a family cap nationwide. Alternatively one could also make family caps an explicit demonstration under the welfare reform proposal and limit the number of states allowed to do it.

### **Transitional Assistance Followed by Work**

The core of our welfare reform plan is the transformation of the welfare system into a system of transitional assistance followed by work. All three cost packages reflect the plan's proposals for dramatically increased participation in education, training and job placement activities during the first two years of any recipient's stay on welfare, and for the provision of work slots for those who are unable to obtain unsubsidized jobs before hitting the two year time limit. All options reflect the tight deferral and extension proposals in the plan.

These packages assume state implementation in 1996 and assume that the caseload will be phased in by enrolling into the new regime all applicants and recipients born after 1971. This schedule implies that by the year 2000, 46 percent of projected welfare recipients absent reform will be phased in. Of the phased in group, 11 percent would be off welfare, 25 percent would be working with some form of subsidy, and 35 percent would be in a mandatory education or training program. The final 29 percent would be in a deferred status due to a disability or because they are caring for a severely disabled child or a child under 1.

### **Child Care for the Working Poor**

The promise to "make work pay" is a major underlying premise of this administration's approach to welfare reform. With the expansion of the earned income tax credit for working families and the commitment to guaranteed health insurance, the major missing piece of the make work pay agenda is subsidized child care for low income families.

Most members of the Working Group and the Cabinet believed that child care for the working poor was critical to the success of the program. In focus groups, recipients indicated that concerns with child care ranked second only to fears about losing health insurance in deterring them from leaving welfare for work. Moreover, there are critical equity problems. Under any scenario, our proposal would provide child care for those in the JOBS and WORK programs, and for one year after people leave welfare for work. Unless we significantly expand child care to the working poor, we will be left with a situation whereby those getting welfare or subsidized work would qualify for child care, while those who have not been on welfare recently are eligible for less certain support.

Providing working families below 130% of poverty (sliding scale fee) child care subsidies that are equivalent to those available to welfare recipients would cost an estimated \$4.0 billion per year. We currently spend \$1.5 billion (in the Child Care Development Block Grant and IV-A At-Risk child care combined.) Thus we are currently meeting roughly 38% of the estimated need. Neither plan proposes an uncapped entitlement to child care for the working poor, nor does either propose a capped entitlement sufficient to meet estimated needs. Package 1A proposes additional state and federal spending of roughly \$.9 billion (\$.72 billion federal) which would allow meeting roughly 60% of the estimated need. Package 1B to \$1 billion and meets 63% of need. Package 2 ups child care to \$1.9 billion and meets roughly 85% of need. It should be noted that estimates of the potential need are extremely uncertain, and some estimates of the projected need are considerably higher, while others are lower.

### **Removing Restrictions on Benefits for Two-Parent Families**

Supporting two-parent families by permitting them to receive benefits under the same rules as single parent families is an important signal about the importance of both parents in our approach to welfare reform. Ideally we would like to legislate an end to all provisions which treat two-parent families in a discriminatory fashion nationwide. Requiring all states to adopt such provisions would cost the federal government at least \$830 million over 5 years and states would be required to pay an additional \$675 million.

Because of the cost and to keep unfunded state mandates to a minimum, we chose instead to give states the option to remove all or a part of the current two-parent restrictions rather than requiring them to do so. Based on our experience with waiver requests, we estimate that states serving roughly half of the caseload would take this option. The federal cost would be roughly \$495 million. The packages do not differ in this element.

### Special Initiatives

One of the most important lessons of the past decade is that welfare reform must be an on-going learning process. Many of the elements we propose for our current plan were tried on a smaller scale initially. In five critical areas, we propose money for special initiatives and demonstrations which seem likely to point the way for future reforms and innovations. These include:

*Teen Pregnancy and Prevention Grants*--These monies would go to fund a series of efforts in the schools to reduce teen pregnancy, including mentoring programs, private partnerships, comprehensive community support programs, and other demonstrations designed to reduce teen pregnancy and reverse the alarming increase in out-of-wedlock childbearing. Proponents note that if we cannot find strategies which help prevent children from having children, we will never really solve the welfare problem. Skeptics point out that we don't have many proven solutions. Hence, the focus on special initiatives and demonstrations. Those who argue for a larger amount note that only with a serious commitment of resources can we produce a genuine nationwide mobilization. For the larger figure, one might create a national initiative aimed at 500 to 1,000 of the nation's highest risk schools. (Package 1A and 1B: \$200 million; Package 2: \$400 million).

*Non-Custodial Parent JOBS/WORK Programs*--Logically whatever we expect of mothers, we ought also to expect of fathers. Some very small scale programs are now being tried whereby men who are unable or unwilling to pay child support are placed in training or work programs. These programs seem to both "smoke-out" some men who really can pay as well as give an opportunity to young men to take some responsibility. Unfortunately these programs have not been tried at any real scale to date. And our experience with existing work and training programs for young men generally (versus fathers specifically) has shown very few payoffs. But there is reason to believe programs for young fathers, with the carrots and sticks that child support can offer, could be much more successful. (Package 1A and 1B: \$130 million; Package 2: \$390 million).

*Access Grants and Parenting Demonstrations*--Too often the role of non-custodial parents is negligible both in nurturing and providing for their children. Our policies will significantly increase the responsibilities of absent parents to provide financial support for their children. But too little has been done to encourage non-custodial parents to play a more positive role in raising and nurturing their children. These monies would be designed to explore a series of strategies to enhance positive access and parenting skills in parents living apart from their children. (Package 1A and 1B: \$30 million; Package 2: \$70 million).

*Child Support Enforcement and Assurance (CSEA)*--Support from two parents is needed to adequately provide for a child. But often the state fails to collect money that is owed, or the absent parent is unemployed or underemployed and in a poor position to provide support. CSEA would guarantee some minimum level of child support to children for whom awards are in place. CSEA payments would be deducted dollar for dollar against welfare payments, but would be retained when someone went to work, serving as a work incentive. Proponents argue this will increase child support awards, increase work, reduce welfare use, and reduce child poverty. Critics worry that it will be seen as welfare by another name, and could lead to less pressure to collect child support. (Package 1A and 1B: \$120 million; Package 2: \$290 million).

*Individual Development Accounts (IDA) and Microenterprise Projects*--In the long run, families which build assets and equity are in a far better position to achieve real independence. Both IDAs and microenterprise programs are seen as powerful tools for stimulating savings and job creation among the poor. IDAs encourage savings by providing a match for every dollar saved. Microenterprise programs help welfare recipients and others to start their own businesses. Supporters see these as sending a clear rewards for everyone to accumulate and join the mainstream. Critics wonder about the cost of subsidizing IDAs and about the number of welfare recipients who really could succeed as entrepreneurs. (Package 1A and 1B: \$60 million; Package 2: \$145 million).

Each initiative has strong support among some members of the working group. The two packages differ in their level of support for each of these initiatives. Package 1 allocates \$540 million over 5 years, while Package 2 allocates \$1.1 billion. Note that even at \$1.1 billion, the proposals are still much more modest than most proponents would like.

### **Improving Government Assistance**

The plan envisions a variety of initiatives to coordinate and simplify the system through which government assistance is delivered, to improve the incentives for work and savings, to manage the system through performance measures, and to improve accountability and program integrity. Most of these initiatives can be done without legislation, and most of either cost nothing or generate savings. Because it is difficult to quantify and get CBO to score savings from these measures, we have not included administrative savings in our cost estimates.

We have, however, included several initiatives that incur a modest cost. Packages 1A and 1B include the costs of a state option to vary the disregards for work and child support in order to provide better incentives to families. Our experience with state waiver requests suggests that many states may take advantage of this option through incentive schemes of relatively modest costs. Package 2 includes this option, and also includes an increase of 50 percent in the funds available to Puerto Rico and the territories. The benefit cap for Puerto Rico and the territories has been increased only once in 15 years. In addition, package 2 includes the costs associated with conforming the AFDC and Food Stamps asset rules, which would provide a modest incentives for savings by AFDC recipients.

### **Discussion**

These packages reflect our best assessments of how to allocate limited resources at different levels. Other packages clearly could be devised. One could do more in child care and less in special initiatives in any package. An intermediate alternative could also be chosen. Still in the end, the major cost/financing decisions revolve around child care for the working poor. We do not believe that the parental responsibility or the transitional assistance programs can be reduced much further while still meeting the commitment to end "welfare as we know it." The limited benefit expansions for two-parents and work incentives, which are in both packages as state options, send very important signals about work and family. The demonstrations included in both packages are relatively modest.

Assuming the budget is set at \$9.5 billion, the major question is whether to allow states the option of a family cap or not.

04/26/94

**TABLE 1 - PRELIMINARY SUMMARY FEDERAL COST ESTIMATES  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)

	5 Year Federal Package 1A	5 Year Federal Package 1B	5 Year Federal Package 2
<b>PARENTAL RESPONSIBILITY</b>			
Minor Mothers	(30)	(30)	(30)
No Additional Benefits for Additional Children	0	(220)	(220)
Child Support Enforcement			
Paternity Establishment (Net)	(90)	(90)	(90)
Enforcement (Net)	(160)	(160)	(160)
Computer Costs	370	370	370
<b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>	90	(130)	(130)
<b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>			
Additional JOBS Spending	2,195	2,195	2,195
Additional Child Care for JOBS	1,610	1,610	1,610
WORK Program	1,330	1,330	1,330
Additional Child Care for WORK	610	610	610
Savings from Child Care and Other Expansion	(100)	(100)	(100)
Transitional Child Care	225	225	225
Enhanced Teen Case Management	170	170	170
Savings - Caseload Reduction	(215)	(215)	(215)
ADP Federal and State Systems/Admin Efficiency	545	545	545
<b>SUBTOTAL, JOBS/WORK</b>	6,370	6,370	6,370
<b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>	6,460	6,240	6,240
<b>WORKING POOR CHILD CARE</b>	1,500	1,720	3,500
<b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>	495	495	495
Teenage Pregnancy Prevention Grants	200	200	400
Non-Custodial Parent JOBS/WORK Programs	130	130	390
Access Grants and Parenting Demonstrations	30	30	70
Child Support Assurance Projects	120	120	290
IDA and Microenterprise Projects	60	60	145
<b>SUBTOTAL SPECIAL INITIATIVES</b>	540	540	1,295
<b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>			
State Flexibility on Earned Income and Child Support Disregards	385	385	385
Generally Conform Assets to Food Stamps	100	100	100
Increase Territories' Caps	0	0	185
All Others	(5)	(5)	(5)
<b>SUBTOTAL IGA</b>	480	480	665
<b>GRAND TOTAL</b>	<b>9,475</b>	<b>9,475</b>	<b>12,195</b>

President's Table with Full Phase-In in FY 1996 with Further Adjustments  
in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent  
Provision as State Option. Comparisons between Packages 1A and 1B and Package 2.

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent 80% of all expenditures except for the following:  
benefits are at current match rates; child support is matched at rates specified in the  
hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Sources: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but  
have not been officially reviewed by OMB. The policies do not represent a consensus recommendation  
of the Working Group Co-Chairs.

TABLE 2 - SUMMARY OF COSTS FOR PRELIMINARY WELFARE REFORM PACKAGES  
(Dollars in Millions)

PACKAGE 1A COSTS	FY 1999	5 Year			10 Year		
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(360)	(560)	90	(650)	(5,905)	(1,170)	(4,735)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,465	20,655	2,810
WORKING POOR CHILD CARE	900	1,875	1,500	375	6,930	5,545	1,385
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	335	900	480	420	2,715	1,085	1,630
<b>TOTAL COSTS FOR PACKAGE 1A</b>	<b>4,700</b>	<b>11,505</b>	<b>9,475</b>	<b>2,030</b>	<b>31,910</b>	<b>29,225</b>	<b>2,685</b>
PACKAGE 1B COSTS	FY 1999	5 Year			10 Year		
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,465	20,655	2,810
WORKING POOR CHILD CARE	1,000	2,150	1,720	430	7,780	6,225	1,555
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	335	900	480	420	2,715	1,085	1,630
<b>TOTAL COSTS</b>	<b>4,535</b>	<b>11,120</b>	<b>9,475</b>	<b>1,645</b>	<b>30,610</b>	<b>29,095</b>	<b>1,515</b>

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

TABLE 2 - SUMMARY OF COSTS FOR PRELIMINARY WELFARE REFORM PACKAGES  
(Dollars in Millions)

04/26/94

PACKAGE 2 COSTS	FY 1999	5 Year		10 Year			
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,465	20,655	2,810
WORKING POOR CHILD CARE	1,875	4,375	3,500	875	14,945	11,955	2,990
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	555	1,515	1,295	220	4,095	3,375	720
IMPROVING GOVERNMENT ASSISTANCE	400	1,085	665	420	3,250	1,620	1,630
<b>TOTAL COSTS FOR PACKAGE 2</b>	<b>5,885</b>	<b>14,420</b>	<b>12,195</b>	<b>2,225</b>	<b>40,575</b>	<b>37,205</b>	<b>3,370</b>

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

010/010

HHS OS ASPE 415F KATHI WAY

7383

202 890

18:42

04/26/94

## MEMORANDUM TO THE PRESIDENT

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

**SUBJECT:** Welfare Reform Packages

**DATE:** April 26, 1994

**DRAFT**

We have constructed 2 core options for welfare reform, one which corresponds to a \$9.5 billion financing option, and one which corresponds to a \$12.2 billion option. The packages differ primarily in the amounts they invest in child care for the working poor, but there are also differences in demonstrations and in improvements of government assistance.

The accompanying memo from OMB indicates revenue sources for financing the \$9.5 billion package. The gambling tax would have allowed funding the \$12.2 billion package. Unless some new financing source is found, we cannot pay for the larger package. Thus the decision on a gambling tax was implicitly a decision to do less child care for the working poor. We include the \$12.2 billion option to indicate what could be achieved if more financing were available.

In our view, there is relatively little remaining flexibility within the core \$9.5 billion option. The only major decision is whether or not to include a state option for family caps and to use the savings generated by limiting benefit increases to fund slightly more child care for the working poor. We illustrate the tradeoffs with two versions (1A and 1B) of the \$9.5 billion option.

Table 1 shows federal cost figures in FY 99 and five year totals for each option. Tables 2 provides further information on each option, including federal and state total costs, and 10 year costs. (Note: These estimates have been closely shared within HHS and OMB, but minor changes are likely to be made, and they have not been officially cleared by OMB.)

Each table shows costs for six components:

- o Parental responsibility
- o Transitional assistance followed by work
- o Working poor child care
- o Removal of restrictions on benefits to two-parent families
- o Special initiatives and demonstrations of prevention, child support, and asset development initiatives
- o Measures to simplify, coordinate and improve the delivery of government assistance.

All packages assume the following federal-state cost sharing:

- All new JOBS, WORK, Child Care, special initiatives (except teen pregnancy prevention grants) , and systems development money is matched at 80/20.
- Benefit expansions and savings are shared according to current federal/state matching rates (55% for AFDC, and 100% for Food Stamps)
- Teen pregnancy prevention grants are given without state match.

### **Parental Responsibility**

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. All three packages reflect net savings from child support enforcement, which result from investments in systems and staff that generate substantial savings. All packages also reflect estimated savings from a requirement that minor parents live at home, a proposal which is troubling to some advocates, but strongly supported by the Working Group.

The most controversial element of the parent responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap is opposed on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is little evidence that failing to provide a \$60 increase in benefits will influence behavior. And a number of states are already experimenting with the idea. Those who support the idea note that workers don't get a pay raise when they have additional children. They argue the signal is important about responsible childbearing. Such a provision saves \$220 million over 5 years, money which can be spent on child care. The idea is popular with the public, strongly supported by the right and vehemently opposed by the left.

An alternative to including the family cap would be to announce at the time of announcing welfare reform that the administration would accept a certain number of additional waiver requests. It would not be included in welfare reform on the basis that we intend to await the results of these demonstrations to see whether the plans were effective in reducing fertility before deciding whether to make it a state option or mandate a family cap nationwide. Alternatively one could also make family caps an explicit demonstration under the welfare reform proposal and limit the number of states allowed to do it.

### **Transitional Assistance Followed by Work**

The core of our welfare reform plan is the transformation of the welfare system into a system of transitional assistance followed by work. All three cost packages reflect the plan's proposals for dramatically increased participation in education, training and job placement activities during the first two years of any recipient's stay on welfare, and for the provision of

work slots for those who are unable to obtain unsubsidized jobs before hitting the two year time limit. All options reflect the tight deferral and extension proposals in the plan.

These packages assume state implementation in 1996 and assume that the caseload will be phased in by enrolling into the new regime all applicants and recipients born after 1971. This schedule implies that by the year 2000, 46 percent of projected welfare recipients absent reform will be phased in. Of the phased in group, 11 percent would be off welfare, 25 percent would be working with some form of subsidy, and 35 percent would be in a mandatory education or training program. The final 29 percent would be in a deferred status due to a disability or because they are caring for a severely disabled child or a child under 1.

### **Child Care for the Working Poor**

The promise to "make work pay" is a major underlying premise of this administration's approach to welfare reform. With the expansion of the earned income tax credit for working families and the commitment to guaranteed health insurance, the major missing piece of the make work pay agenda is subsidized child care for low income families.

Most members of the Working Group and the Cabinet believed that child care for the working poor was critical to the success of the program. In focus groups, recipients indicated that concerns with child care ranked second only to fears about losing health insurance in deterring them from leaving welfare for work. Moreover, there are critical equity problems. Under any scenario, our proposal would provide child care for those in the JOBS and WORK programs, and for one year after people leave welfare for work. Unless we significantly expand child care to the working poor, we will be left with a situation whereby those getting welfare or subsidized work would qualify for child care, while those who have not been on welfare recently are eligible for less certain support.

Providing working families below 130% of poverty (sliding scale fee) child care subsidies that are equivalent to those available to welfare recipients would cost an estimated \$4.0 billion per year. We currently spend \$1.5 billion (in the Child Care Development Block Grant and IV-A At-Risk child care combined.) Thus we are currently meeting roughly 38% of the estimated need. Neither plan proposes an uncapped entitlement to child care for the working poor, nor does either propose a capped entitlement sufficient to meet estimated needs. Package 1A proposes additional state and federal spending of roughly \$9 billion (\$7.2 billion federal) which would allow meeting roughly 60% of the estimated need. Package 1B to \$1 billion and meets 63% of need. Package 2 ups child care to \$1.9 billion and meets roughly 85% of need. It should be noted that estimates of the potential need are extremely uncertain, and some estimates of the projected need are considerably higher, while others are lower.

### **Removing Restrictions on Benefits for Two-Parent Families**

Supporting two-parent families by permitting them to receive benefits under the same rules as single parent families is an important signal about the importance of both parents in our approach to welfare reform. Ideally we would like to legislate an end to all provisions which

treat two-parent families in a discriminatory fashion nationwide. Requiring all states to adopt such provisions would cost the federal government at least \$830 million over 5 years and states would be required to pay an additional \$675 million.

Because of the cost and to keep unfunded state mandates to a minimum, we chose instead to give states the option to remove all or a part of the current two-parent restrictions rather than requiring them to do so. Based on our experience with waiver requests, we estimate that states serving roughly half of the caseload would take this option. The federal cost would be roughly \$495 million. The packages do not differ in this element.

### Special Initiatives

One of the most important lessons of the past decade is that welfare reform must be an ongoing learning process. Many of the elements we propose for our current plan were tried on a smaller scale initially. In five critical areas, we propose money for special initiatives and demonstrations which seem likely to point the way for future reforms and innovations. These include:

*Teen Pregnancy and Prevention Grants*--These monies would go to fund a series of efforts in the schools to reduce teen pregnancy, including mentoring programs, private partnerships, comprehensive community support programs, and other demonstrations designed to reduce teen pregnancy and reverse the alarming increase in out-of-wedlock childbearing. Proponents note that if we cannot find strategies which help prevent children from having children, we will never really solve the welfare problem. Skeptics point out that we don't have many proven solutions. Hence, the focus on special initiatives and demonstrations. Those who argue for a larger amount not that only with a serious commitment of resources can we produce a genuine nationwide mobilization. For the larger figure, one might create a national initiative aimed at 500 to 1,000 of the nation's highest risk schools. (Package 1A and 1B: \$200 million; Package 2: \$400 million).

*Non-Custodial Parent JOBS/WORK Programs*--Logically whatever we expect of mothers, we ought also to expect of fathers. Some very small scale programs are now being tried whereby men who are unable or unwilling to pay child support are placed in training or work programs. These programs seem to both "smoke-out" some men who really can pay as well as give an opportunity to young men to take some responsibility. Unfortunately these programs have not been tried at any real scale to date. And our experience with existing work and training programs for young men generally (versus fathers specifically) has shown very few payoffs. But there is reason to believe programs for young fathers, with the carrots and sticks that child support can offer, could be much more successful. (Package 1A and 1B: \$130 million; Package 2: \$390 million).

*Access Grants and Parenting Demonstrations*--Too often the role of non-custodial parents is negligible both in nurturing and providing for their children. Our policies will significantly increase the responsibilities of absent parents to provide financial support for their children. But too little has been done to encourage non-custodial parents to play a more positive role in

raising and nurturing their children. These monies would be designed to explore a series of strategies to enhance positive access and parenting skills in parents living apart from their children. (Package 1A and 1B: \$30 million; Package 2: \$70 million).

*Child Support Enforcement and Assurance (CSEA)*--Support from two parents is needed to adequately provide for a child. But often the state fails to collect money that is owed, or the absent parent is unemployed or underemployed and in a poor position to provide support. CSEA would guarantee some minimum level of child support to children for whom awards are in place. CSEA payments would be deducted dollar for dollar against welfare payments, but would be retained when someone went to work, serving as a work incentive. Proponents argue this will increase child support awards, increase work, reduce welfare use, and reduce child poverty. Critics worry that it will be seen as welfare by another name, and could lead to less pressure to collect child support. (Package 1A and 1B: \$120 million; Package 2: \$290 million).

*Individual Development Accounts (IDA) and Microenterprise Projects*--In the long run, families which build assets and equity are in a far better position to achieve real independence. Both IDAs and microenterprise programs are seen as powerful tools for stimulating savings and job creation among the poor. IDAs encourage savings by providing a match for every dollar saved. Microenterprise programs help welfare recipients and others to start their own businesses. Supporters see these as sending a clear rewards for everyone to accumulate and join the mainstream. Critics wonder about the cost of subsidizing IDAs and about the number of welfare recipients who really could succeed as entrepreneurs. (Package 1A and 1B: \$60 million; Package 2: \$145 million).

Each initiative has strong support among some members of the working group. The two packages differ in their level of support for each of these initiatives. Package 1 allocates \$540 million over 5 years, while Package 2 allocates \$1.1 billion. Note that even at \$1.1 billion, the proposals are still much more modest than most proponents would like.

### **Improving Government Assistance**

The plan envisions a variety of initiatives to coordinate and simplify the system through which government assistance is delivered, to improve the incentives for work and savings, to manage the system through performance measures, and to improve accountability and program integrity. Most of these initiatives can be done without legislation, and most of either cost nothing or generate savings. Because it is difficult to quantify and get CBO to score savings from these measures, we have not included administrative savings in our cost estimates.

We have, however, included several initiatives that incur a modest cost. Packages 1A and 1B include the costs of a state option to vary the disregards for work and child support in order to provide better incentives to families. Our experience with state waiver requests suggests that many states may take advantage of this option through incentive schemes of relatively modest costs. Package 2 includes this option, and also includes an increase of 50 percent in the funds available to Puerto Rico and the territories. The benefit cap for Puerto Rico and the territories has been increased only once in 15 years. In addition, package 2 includes the costs

associated with conforming the AFDC and Food Stamps asset rules, which would provide a modest incentives for savings by AFDC recipients.

### Discussion

These packages reflect our best assessments of how to allocate limited resources at different levels. Other packages clearly could be devised. One could do more in child care and less in special initiatives in any package. An intermediate alternative could also be chosen. Still in the end, the major cost/financing decisions revolve around child care for the working poor. We do not believe that the parental responsibility or the transitional assistance programs can be reduced much further while still meeting the commitment to end "welfare as we know it." The limited benefit expansions for two-parents and work incentives, which are in both packages as state options, send very important signals about work and family. The demonstrations included in both packages are relatively modest.

Assuming the budget is set at \$9.5 billion, the major budget question is whether to allow states the option of a family cap or not. The waiver process already allows some flexibility, but the state option would give even more flexibility and would generate savings from reduced benefits to families. The decision has important moral/values and political implications.

04/26/94

**TABLE 1 - PRELIMINARY SUMMARY FEDERAL COST ESTIMATES  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL.**  
(By fiscal year, in millions of dollars)

	5 Year Federal Package 1A	5 Year Federal Package 1B	5 Year Federal Package 2
<b>PARENTAL RESPONSIBILITY</b>			
Minor Mothers	(30)	(30)	(30)
No Additional Benefits for Additional Children	0	(220)	(220)
Child Support Enforcement			
Paternity Establishment (Net)	(90)	(90)	(90)
Enforcement (Net)	(160)	(160)	(160)
Computer Costs	370	370	370
<b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>	90	(130)	(130)
<b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>			
Additional JOBS Spending	2,195	2,195	2,195
Additional Child Care for JOBS	1,610	1,610	1,610
WORK Program	1,330	1,330	1,330
Additional Child Care for WORK	610	610	610
Savings from Child Care and Other Expansion	(100)	(100)	(100)
Transitional Child Care	225	225	225
Enhanced Teen Case Management	170	170	170
Savings - Caseload Reduction	(215)	(215)	(215)
ADP Federal and State Systems/Admin Efficiency	545	545	545
<b>SUBTOTAL, JOBS/WORK</b>	6,370	6,370	6,370
<b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>	6,460	6,240	6,240
<b>WORKING POOR CHILD CARE</b>	1,500	1,720	3,500
<b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>	495	495	495
Teenage Pregnancy Prevention Grants	200	200	400
Non-Custodial Parent JOBS/WORK Programs	130	130	390
Access Grants and Parenting Demonstrations	30	30	70
Child Support Assurance Projects	120	120	290
IDA and Microenterprise Projects	60	60	145
<b>SUBTOTAL SPECIAL INITIATIVES</b>	540	540	1,295
<b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>			
State Flexibility on Earned Income and Child Support Disregards	385	385	385
Generally Conform Assets to Food Stamps	100	100	100
Increase Territories' Caps	0	0	185
All Others	(5)	(5)	(5)
<b>SUBTOTAL IGA</b>	480	480	665
<b>GRAND TOTAL</b>	9,475	9,475	12,195

President's Table with Full Phase-In in FY 1996 with Further Adjustments

in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent

Provision as State Option. Comparisons between Packages 1A and 1B and Package 2.

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent 80% of all expenditures except for the following:  
benefits set at current match rates; child support is matched at rates specified in the  
hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but  
have not been officially reviewed by OMB. The policies do not represent a consensus recommendation  
of the Working Group Co-Chairs.

**TABLE 2 - SUMMARY OF COSTS FOR PRELIMINARY WELFARE REFORM PACKAGES**  
(Dollars in Millions)

PACKAGE 1A COSTS	FY 1999	5 Year		10 Year			
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(360)	(560)	90	(650)	(5,905)	(1,170)	(4,735)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,435	20,655	2,810
WORKING POOR CHILD CARE	900	1,875	1,500	375	6,930	5,545	1,385
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	335	900	480	420	2,715	1,085	1,630
<b>TOTAL COSTS FOR PACKAGE 1A</b>	<b>4,700</b>	<b>11,505</b>	<b>9,475</b>	<b>2,030</b>	<b>31,910</b>	<b>29,225</b>	<b>2,685</b>
PACKAGE 1B COSTS	FY 1999	5 Year		10 Year			
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,465	20,655	2,810
WORKING POOR CHILD CARE	1,000	2,150	1,720	430	7,780	6,225	1,555
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	335	900	480	420	2,715	1,085	1,630
<b>TOTAL COSTS</b>	<b>4,535</b>	<b>11,120</b>	<b>9,475</b>	<b>1,645</b>	<b>30,610</b>	<b>29,095</b>	<b>1,515</b>

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

**TABLE 2 - SUMMARY OF COSTS FOR PRELIMINARY WELFARE REFORM PACKAGES**  
(Dollars in Millions)

04/26/94

PACKAGE 2 COSTS	FY 1999	5 Year		10 Year			
	Total	Total	Federal	State	Total	Federal	State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,225	7,770	6,370	1,400	23,465	20,655	2,810
WORKING POOR CHILD CARE	1,875	4,375	3,500	875	14,945	11,955	2,990
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	555	1,515	1,295	220	4,095	3,375	720
IMPROVING GOVERNMENT ASSISTANCE	400	1,085	665	420	3,250	1,620	1,630
<b>TOTAL COSTS FOR PACKAGE 2</b>	<b>5,805</b>	<b>14,420</b>	<b>12,195</b>	<b>2,225</b>	<b>40,575</b>	<b>37,205</b>	<b>3,370</b>

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and teenage pregnancy prevention grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

04/26/94

15:38

202 690 7383

HHS OS ASPE 115F BRICE NEED

October 18, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: New York Welfare Reform Waiver

**A. The Clinton Record on Welfare Reform Waivers**

**1. 19th State:** New York is the 19th state to receive a welfare reform waiver since you took office. In 20 months, you have awarded welfare reform waivers to more than twice as many states as Bush did in four years (he gave waivers to 9 states) and more even than Reagan did in 8 years (his total was 16 states).

**2. Bipartisan Approach:** You have awarded these waivers without regard to party. In 8 of the 19 states, the governor who requested the waiver was not a Democrat (7 GOP, 1 Independent -- Weicker). In other words, you have already given out nearly as many waivers to governors outside your party (8) as Bush did in his entire term (9).

**B. The New York Waiver**

This waiver will allow New York to conduct a four-county demonstration of its "Jobs First Strategy," which will test new ways to steer new applicants toward work instead of welfare. This program will offer applicants the choice of child care in lieu of welfare, so they can go to work instead of going on welfare. Like our welfare reform plan, it will increase asset limits for people who work or start a small business. It encourages people to cooperate with child support by providing a year of transitional child care for recipients who leave the welfare rolls because of child support payments. It encourages marriage and family by expanding eligibility for needy two-parent families, and by extending two years of Medicaid coverage for children whose parent marries but remains below 150% of poverty.

Like our plan, the New York demonstration is designed to change the culture of the welfare office by steering people immediately toward work, and by helping them make it in the workplace -- where they can earn a paycheck, not a welfare check. Although their plan does not include a time limit or work requirement -- you may recall some exchanges on that issue during the campaign -- it promotes the same basic themes as ours: work, responsibility, and family. When we introduced the Work and Responsibility Act, Cuomo sent you a letter praising it as "a laudable proposal for achieving our shared goals."

In New York City, Giuliani has just announced a major workfare program for Home Relief recipients. It would detract from Cuomo's event to mention Giuliani's somewhat controversial proposal, but you should praise him for his bipartisan interest in welfare reform.

One other New York note: Moynihan has called on two separate occasions to stress that the out-of-wedlock birth rate is expected to grow from 30% to 40% over the next decade -- not 50%, as you have sometimes said. If the rate continues to grow exponentially, it may well go that high over the next decade, but since no expert in the field is currently projecting that to happen, Moynihan would prefer you to stick to the defensible 40% rather than the theoretical 50% figure.

JUN 17 '94 17:46 NYS OFF FED AFFAIRS

P.2



STATE OF NEW YORK  
EXECUTIVE CHAMBER  
ALBANY 12224

MARIO M. CUOMO  
GOVERNOR

June 14, 1994

Mr. President:

I commend you for making welfare reform one of your Administration's top priorities and for tackling this complex and critical issue. Many of the themes and principles embodied in your proposal are consistent with New York's own welfare reform initiatives, and I support your efforts to promote the value of work, responsibility and self-sufficiency. I share your aim to make public assistance transitional, with its primary focus on jobs.

The program that you have outlined is certainly a laudable proposal for achieving our shared goals. Although there are certain fiscal and program issues of concern to New York, we plan to work with members of your Administration and the Congress to resolve them.

I look forward to working with you to address these matters and to meet the goal of reforming the welfare system.

Respectfully,

*Mario M. Cuomo*

The President  
The White House  
Washington, D.C. 20500

THE PRESIDENT HAS SEEN

6/15

WR-POTUS  
memos

Copy Bruce

May 30, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: The Politics of Welfare Reform

Just for

This memo includes an update on the political and legislative landscape for welfare reform, and some thoughts on how to talk about our plan, as you requested. We are also working with Rahm and others on a rollout schedule, and have attached a separate briefing from Stan on his most recent findings.

### I. Political and Legislative Update

As we have discussed before, there is a broad and powerful consensus (with exceptions on the extreme right and left) for the basic elements of our welfare reform plan. Support for time limits, work programs, and tougher child support enforcement exceeds 80-90%, with little variation across race, class, or party. Even on the issues that the Republicans think work for them -- cutting off benefits for legal immigrants and unwed mothers -- people prefer our alternatives by two- and three-to-one margins.

The current lull in the health care debate gives you an opportunity to speak out on these issues, at a time when Americans are united in believing the country has a welfare crisis and Republicans (for a change) are the ones divided over what to do about it. Recent developments in both parties have left you a good opening to dominate the debate.

#### A. The Republicans

Republicans are now at war with one another over whether to back the original House Republican welfare reform bill or go further, and seek to cut off unwed mothers under 21 altogether. Gingrich and many other Republicans in the House want to stick with their original bill, which has 162 of 175 House Republicans as co-sponsors and would enable them

to share credit for whatever passes, since the biggest differences between our plan and theirs are over how quickly to phase in and how much to cut benefits for immigrants. Bennett and Kemp sent out another William Kristol memo last month arguing the original House bill plays into your hands, and that Republicans should insist instead on a purist, Charles Murray approach that enables them to hang onto the welfare issue. According to Fred Barnes, Kemp thought the new proposal was a bad idea, and only signed on after they promised to include \$75 billion in unpaid-for tax cuts.

Once again, you have put Republicans in an awkward position. Either they push to get something done, help you accomplish what they've spent their careers crying out for, and risk losing a favorite wedge issue, or they change their tune, move to the right, and run the risk that they'll look like obstructionists and box themselves into a position with little popular support. The Kemp-Bennett-Kristol about-face is not only the worst kind of political posturing; it is also bad politics. A recent Los Angeles Times poll found overwhelming support for our approach over Murray's: 70% favored requiring people on welfare to work, versus 25% who favored cutting off benefits for young mothers.

The Republican infighting should help us in several ways. First, it marginalizes conservatives like Bennett and Kemp (who have their own aspirations), and makes them look blatantly political. The same thing happened to Republicans on crime: you said "three strikes," they said "two strikes"; you said "boot camps," they said "stockades" -- and they looked silly in the process. On this issue, they would rather play politics than fix what everyone agrees is a welfare system in crisis.

Second, it takes attention away from the divisions within our own party and pushes moderate Republicans closer to us. Rick Santorum, the lead House sponsor, now spends as much time attacking opponents on the right as he used to spend attacking us. When the House held an Oxford-style debate on welfare reform last month, all the Republicans who spoke distanced themselves from the Charles Murray approach.

Finally, the Republican schism is yet another reason for Republican governors to prefer our plan. Most governors view the Murray approach as a direct cost shift to states and communities, who will still have to provide for young mothers in some way. In addition, they are worried that the House Republican phase-in would impose massive new costs on the states, and do nothing to sweeten their JOBS matching rate. Our plan phases in sensibly and enables states to recoup most or all of their new costs through tougher child support enforcement, caseload savings, and an increased federal match. The House Republican financing scheme also would shift the cost of providing immigrants with health care and other services almost entirely to the states. Pete Wilson has already complained that such provisions would leave California, with 40% of the immigrant population, paying 40% of the tab for welfare reform, even though the state has only 20% of the welfare caseload. Our deceming provision shifts the costs of supporting immigrants to the families who sponsor them to come into this country; it may actually save states a little money in AFDC and food stamps.

None of this means that it will be easy to get Republican votes in the House. In the end, they will have to confront the same choice they have faced on crime and NAFTA. We ought to be able to pick up 60-100 Republican votes for welfare reform, but we will only do so if Mack, David Gergen, Pat Griffin, and others reach out to Gingrich and company to let them know we're genuinely interested in a bipartisan bill. That will become even more important if Congress doesn't finish welfare reform this year.

## B. The Democrats

Several Democrats have put forward their own welfare reform bills, some consistent with our approach and others not. The Mainstream Forum introduced legislation that borrows heavily from our plan. Their bill adopts the same phase-in (starting with those born after 1971) and similar provisions on time limits, work requirements, child support, etc. The most significant difference between our bill and theirs is that they propose the same immigrant financing scheme as the Republicans (although McCurdy has said he might be flexible on the Medicaid part of it).

Liberal Democrats have been relatively quiet. Tom Harkin introduced a bill with flexible time limits (6 months for some people; longer than 2 years for others). Eleanor Holmes Norton wrote an outstanding Washington Post op-ed last month on the importance of work as the unifying principle for welfare reform. Bob Matsui and Patsy Mink have each introduced bills which expand the JOBS program but do not include time limits or serious work requirements.

We have met several times with Moynihan, who seems happy with our general direction but has not tipped his hand on many specific details. In the House, Harold Ford is eager to make his mark with this issue, although from time to time he suggests giving everyone on welfare jobs that pay \$9 an hour. If Ways and Means is slow to take up welfare reform, moderate Democrats could join Republicans in a discharge petition, but so far we've persuaded them to keep their powder dry.

There is a chance Ways and Means could take up welfare reform sooner than they might like because Rostenkowski promised them a vote on cutting immigrant benefits. Earlier this month, Santorum tried to attach an amendment to the Social Security bill that would have eliminated all benefits for all non-citizens. It was narrowly defeated by a vote of 20-16, with Harold Ford voting present. The only way we talked Ford and other Democrats out of voting for that amendment was by pleading with them to wait until we introduce our bill, so that at least they could use whatever money they squeeze out of immigrants to pay for welfare reform rather than deficit reduction.

We have been working hard to line up support from outside groups. We hope to get a DGA endorsement, and a strong statement from the NGA is not out of the question. The DLC will say nice things about our bill and the Mainstream Forum's bill; they agree with us

that welfare reform should be paid for through budget cuts, not just cuts in immigrant benefits. We have probably met enough of AFSCME's concerns about displacement to keep them from opposing our plan, but like the advocacy groups, they still wish the issue would just go away.

## II. Highlights of Our Welfare Reform Plan

As you well know, the welfare debate is less about policy and politics than it is about values. The trouble with the current welfare system is that it undermines the values that matter most -- work, responsibility, family. The current system makes welfare more attractive than work, and lets too many parents avoid responsibility for supporting their children.

Our welfare reform plan is based on the basic values and principles you outlined in the campaign: No one who works full-time with a child at home should be poor, but no one who can work should stay on welfare forever. We need to make welfare what it used to be -- a second chance, not a way of life. The ones who hate the welfare system most are the people who are trapped by it. Governments don't raise children; people do. People who bring children into this world should take responsibility for them. Government has to do all it can to expand opportunity, but people have a responsibility to make the most of it. We could have all the programs and spend all the money in the world and it won't do a bit of good if people don't do right. And so on.

The attached talking points outline the highlights of our plan. (We will give you complete information on costs and financing when you return from Europe.) There is plenty to talk about in an initiative that costs \$10 billion over 5 years and \$30 billion over 10. But it is easy to get lost in the details. The two values most on people's minds are work and responsibility. As you said to the DLC in Cleveland in 1991, work is the best social program this country has ever devised.

## HIGHLIGHTS OF OUR WELFARE REFORM PLAN

### I. THE ADMINISTRATION'S RECORD ON WELFARE REFORM

**1. EITC:** Last year's economic package went a long way toward ending welfare by giving 15 million working families a tax cut through the EITC. The EITC turns a minimum wage, \$4.25 an hour job into a \$6 an hour job. With the EITC and health reform, any job is a good job.

**2. Health Reform:** Health reform will move an estimated one million women and children off welfare. A recent survey of welfare recipients in Charleston and Nashville found that 83% would take a minimum wage job if it offered health coverage for them and their families. Another study found that only 8% of people who leave welfare for work get jobs that provide health insurance.

**3. Waivers:** Since January 1993, the Administration has granted waivers to 14 states to try new initiatives on time limits, assistance for two-parent families, limiting additional benefits for additional children, and so on.

### II. TIME-LIMITING WELFARE AND REQUIRING WORK

**1. Two-Year Time Limit:** Everyone who can work will be expected to go to work within two years. To the poor and those outside the economic mainstream, we say two things: No one who works full-time with a child at home should be poor, and no one who can work should stay on welfare forever.

\* A new social contract: Everyone will be required to sign a Personal Responsibility Agreement that spells out what they can expect and what is expected of them in return. This agreement will include the two-year time limit as well as other state measures to encourage responsible behavior, such as requiring immunizations, denying benefits for additional children born on welfare, requiring mothers to name and help find the father as a condition of eligibility, etc.

\* Fewer exemptions: Our plan cuts the number of exemptions in current law by half. Current law exempts mothers with children under 3; our plan limits that exemption to mothers with children under 1. The exemption for teen mothers and mothers who conceive additional children while on welfare will last only 3 months.

\* No more something for nothing: From day one, everyone will be required to do something in return for receiving assistance. Even those who are exempted from JOBS participation will be expected to take part in parenting, community service, or other activities.

\* This is not an entitlement to two years of training: Most people will be expected to enter employment well before the two years are up. States can also design shorter time limits for people who are job-ready, and require them to work sooner.

\* A lifetime limit: People should have an incentive to leave welfare quickly and not use up their precious months of welfare eligibility. Recipients who use up their 24 months will no longer be eligible unless they enter the work program. The time limit is a lifetime limit: people who have been off welfare for long periods of time will be able to get a few months of assistance to tide them over in emergencies, but they will not be able to start over with a new 2-year clock. This will make welfare what it was meant to be -- a second chance, not a way of life.

**2. Work, Not Welfare:** We need to change the culture of the welfare office to focus on helping people find and keep jobs, not just writing them checks for life.

\* Job search first: Job search will be required immediately of anyone who can work. Anyone offered a private sector job will be required to take it or get thrown off the rolls.

\* A clear focus on employment: We will push states to shift their JOBS programs away from classroom training and toward job placement and on-the-job training. Many people on welfare are there because they failed in the classroom; it makes no sense to send them to another classroom when what they really need is help in getting and holding down a job. The best job training program is a job.

**3. Requiring and Providing Work:** Anyone who can work will have to go to work within 2 years, in the private sector if possible, in community service if necessary.

\* Work for wages, not workfare: People will work for a paycheck, not a welfare check. If you don't show up for work, you won't get paid. There will also be strong, escalating sanctions for people who quit or get fired.

\* State and local flexibility, with an emphasis on the private sector: States will be able to use the money they would otherwise spend on welfare to create subsidized, non-displacing jobs in the private sector, with non-profits, or in public service employment. Communities will be encouraged to build strong links to the private sector, and can hire placement firms like America Works to help people find and keep jobs. We've worked closely with the business community to design a flexible program without red tape.

\* This is a transitional program, designed to constantly push people toward unsubsidized work in the private sector: People will be required to go through extensive job search before entering the work program, and after each work assignment. No work assignment will last more than 12 months. No one will receive the EITC unless they leave the program and take an unsubsidized job. Anyone who turns down a private sector job will be kicked off the program. So will people who refuse to make a good faith effort to find a job when jobs they could get are available.

\* No one who can work should stay on welfare forever: This is not a guaranteed-jobs-for-life program. At the end of two years in the WORK program, everyone will go through an intensive assessment. If they're playing by the rules, able to work, and no private jobs are available, they'll get another WORK assignment. If they're unable to work, they can be exempted or reassigned to get more training. If they're not playing by the rules, and if a state determines that they have not made a good faith effort to find available work, the state can opt to remove them from the rolls.

\* Real, meaningful work: Communities will have broad flexibility in deciding what kinds of jobs to subsidize or create. We expect these to be non-displacing minimum-wage jobs that represent meaningful work. Business, union, and community leaders will have a say in the process. Many of the most promising entry-level jobs are in growth areas related to welfare reform and other Clinton initiatives. For example, our plan will increase the demand for child care workers in many communities. We expect 10% of the WORK slots to be in child care. Other promising fields include home health aides, teachers aides, child support caseworkers, public housing rehabilitation, and public safety.

\* Where the jobs are: You may be asked how we expect to find jobs for people on welfare when millions of Americans are already out of work. First of all, our plan is primarily about job creation -- most of the money goes to create and subsidize jobs, and to make it possible for individuals to take them. Our plan will create 400,000 jobs by the year 2000. Second, there is no shortage of entry-level jobs in this country. McDonald's alone has more job openings every year through normal turnover than will hit the two-year time limit anytime in the next 10 years. Moreover, the Clinton economy is generating 2 million new jobs a year. Third, even under the current system, most welfare recipients are able to *find* jobs; they have trouble *keeping* them. 70% of recipients leave welfare within two years, but most of them come back. That's why it's so important to make work pay better than welfare (EITC, health care, child care, child support enforcement), and to focus the welfare system on helping people make it in the workforce (on-the-job training, job search assistance).

### III. PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

**1. National Campaign Against Teen Pregnancy:** The number of births to unwed mothers has quadrupled in the last 30 years from 92,000 in 1960 to 368,000 in 1991. Unwed mothers (teen and older) accounted for 80% of the growth in the welfare caseload over the last decade, when the number of families on welfare rose from 3.9 million in 1983 to 5 million families last year.

\* A national effort in 1,000 schools: We will launch school-based prevention programs in 1,000 schools across the country with the worst teen pregnancy problems. In each of these schools, National Service volunteers will work with community groups, churches, and business leaders to mentor young people on the importance of delaying sexual activity and parenthood.

\* A strong message from the Bully Pulpit that it is wrong to have children outside marriage: Unwed teen mothers who drop out of school are 10 times more likely to raise a child in poverty than young people who finish school, get married, and wait until their twenties to have children. We are planning a broad-based campaign that involves the media, the private sector, churches, schools, and other groups.

\* Every state will set clear goals for reducing unwed teen births: We will set up a national clearinghouse on teen pregnancy to identify successful programs and help replicate them elsewhere. We will also target a handful of at-risk neighborhoods for intensive prevention efforts.

\* Children who have children should live at home and finish school as a condition for benefits: Our plan will require minor mothers under 18 to live with their parents or a responsible adult and finish high school. They will no longer be able to set up a separate household and receive a separate check.

**2. The Toughest Child Support Laws Ever Proposed:** Our plan includes the toughest, most comprehensive child support enforcement provisions ever proposed. We can move and keep thousands of families off welfare by closing the \$34 billion child support gap between what absent parents should owe and what is actually collected. If you're not paying your child support, we'll garnish your wages, suspend your license, track you across State lines, and even make you work off what you owe.

\* Establish paternity for all out-of-wedlock births: Last year's economic plan included measures to expand voluntary paternity establishment in hospitals, when fathers are most likely to be present. Our welfare reform plan will require mothers to

name the father as a condition of receiving welfare, and push states to establish paternity more quickly. We want to make fathers part of the safety net again.

\* Tracking down deadbeats: Every state will establish a central state registry to track payments and take prompt action when money isn't paid. A national registry of new hires will use W-4 reporting to track delinquent parents who have switched jobs or crossed state lines.

\* License suspension: States will be able to use the threat of revoking driver's, professional, and commercial licenses to make delinquents pay. This threat has been extraordinarily successful in Maine, California, and other states.

\* Work programs: States will be able to run programs that require men to do community service to work off the child support they owe. We will also run demonstration programs that require delinquent parents with no skills to get training. These programs should pay for themselves. Wisconsin's work program for fathers has produced a phenomenal smokeout effect: 75% pay their support rather than do court-ordered community service.

\* Limited demonstration of child support assurance: The plan allows for 3 states to run demonstrations in providing guaranteed child support to families where the absent parent doesn't pay.

**3. State Option to Limit Additional Benefits for Additional Children Conceived on Welfare:** States that want to impose family caps will have the option to do so. Some states see this as a way to deter additional pregnancies; others believe the welfare system needs to do everything it can to instill responsibility in parents who already have children they cannot support. Early results from New Jersey show a 9% reduction in additional births to women on welfare, but it is too early to draw many conclusions. We also need to make sure that family planning is available to adults on welfare. Welfare recipients don't have more children on average than other women, but many of those who do consign themselves and their families to lives of poverty and dependency.

**4. Keeping People from Going on Welfare in the First Place by Providing Child Care for the Working Poor:** In addition to providing child care for people on welfare and in the work program, our plan calls for a substantial increase in child care for the working poor. The Administration's FY95 budget also seeks hefty increases in Head Start (21%) and the Child Care Development Block Grant (22%).

\* Our plan will nearly double the amount of available child care for the working poor: The plan includes \$1.7 billion over 5 years and \$6 billion over 10 to expand the At-Risk program from \$300 million annually to nearly \$1 billion.

\* This program preserves flexibility and choice: States can use the money as they choose to provide child care vouchers or pay providers directly.

#### **IV. GIVING STATES FLEXIBILITY TO INNOVATE**

**1. A Plan That Works for States:** To give states a chance to do this right, our plan is phased in beginning with those born after 1971 -- anyone 25 and under by late 1996, when states begin to implement the program. That represents a third of the adult caseload initially, and will grow steadily to include nearly two-thirds by 2004.

\* Young people will think twice before coming on welfare: We're ending welfare for the next generation. One problem with the Family Support Act has been that few recipients know whether they will be subject to its requirements or not. Under our plan, anyone born after 1971 will know that the world has changed, and that welfare can no longer be a way of life. Almost any other phase-in would be subject to gaming, but it is hard to change to change your date of birth.

\* If we phased in everyone at once, the program would fail: Even if we had the money for it (which we don't, and neither do the states), a rapid phase-in would overwhelm state capacity, and force them to create massive public jobs programs instead of reaching out to the private sector. The best example is CETA, which grew to 750,000 jobs overnight, and was dismantled nearly as quickly as a result.

\* This is still a very ambitious phase-in: Under our plan, more than 400,000 people will have hit the time limit and be working in the WORK program by the year 2000. Today, fewer than 15,000 welfare recipients are required to work.

\* States can phase in faster if they want: States will have the option of phasing in other cohorts in addition to those born after 1971 (e.g., all new applicants, all out-of-wedlock births, etc.). We will also make funds available so that they can finish serving those currently in their JOBS programs, as well as older recipients who volunteer.

\* States prefer our phase-in: The House Republican bill phases in more quickly, starting with all new applicants and reaching 90% of the non-exempt caseload 2002. This would impose billions in new costs on the states. According to a recent NGA survey, most states like our phase-in. This phase-in was first proposed in a New Republic article by Moynihan's chief welfare aide, Paul Offner.

**2. States Will Have Unprecedented Flexibility to Design Their Own Approach to Ending Welfare:** Our plan gives states broad flexibility to try new things, because one thing

we've learned in the last 30 years is that Washington doesn't have all the answers. Much of what once required waivers will become available to states as state options:

- \* Extending assistance to two-parent families: States will be able to waive the 100-hour rule and let two-parent families stay together.

- \* Rewards and sanctions to keep teen parents in school: States will be able to design their own monetary incentive programs like the LEAP program in Ohio.

- \* No additional benefits for additional children born on welfare: The Administration has already granted waivers to Georgia and Arkansas; this measure will now be a state option.

- \* Incentives to work and save: States can encourage work through higher earnings disregards and saving through Individual Development Accounts.

- \* Advance payment of the EITC: States will be able to work with the Treasury Department to develop plans to get the EITC out on a monthly basis.

- \* Faster phase-in: States that want to do more will be free to phase in other cohorts in addition to recipients born after 1971.

- \* Setting shorter time limits, and requiring people to work sooner: States that want to move recipients into work more quickly can do so. The JOBS program allows states to require CWEP or subsidized private sector work at any time.

- \* Experiment with a host of demonstration programs: Our plan includes funds for demonstrations of Individual Development Accounts, child support assurance, teen pregnancy prevention, work and training programs for non-custodial parents, and many other ideas worth testing.

- \* Continued waiver authority: We will help states with existing waivers to adapt them once the new law passes. The broad waiver authority in current law will continue.

**3. No Unfunded Mandates:** Our plan will not impose major new costs upon the states. Over time, in fact, they should save money from increased child support collections and reduced welfare caseloads.

- \* Enhanced federal match: States have had trouble implementing the Family Support Act because of its relatively low federal match (in general, 60-40 federal). Our plan increases the federal share to around 67% (higher in some states), which means that the federal government is actually picking up 80% of the new spending.

\* States can spend at their own pace: Instead of imposing costly new mandates, we give states considerable flexibility in how much to spend beyond the basic plan. States willing to spend more can choose to expand eligibility for two-parent families, offer higher earnings disregards, or phase in more of their caseload.

\* Savings through caseload reduction, child support enforcement, and fraud detection: These programs will pay off in considerable savings from increased child support collection, reduced welfare caseloads, and improved detection of welfare fraud. The computer systems needed to keep track of time limits and track deadbeat parents, along with other measures such as Electronic Benefits Transfer and improved monitoring of the EITC, will enable us to wage a national assault on welfare fraud.

**4. Demonstrations to See What Works:** Many of the reforms in our plan are based on successful experiments pioneered by the states. We want this innovation to continue. In addition to continued broad waiver authority for state demonstrations, our plan authorizes a number of specific demonstrations for states that are eager to try new things:

\* **Building Assets:** As you promised in the campaign, we have taken a number of steps to help people to build assets as one way out of poverty: allowing people to save some money for a home, business or education without losing their eligibility for help; allowing people to own a car of reasonable value so they can find a job and get to work; and giving them the opportunity to become self-employed or start a microenterprise.

\* **Individual Development Accounts:** Current welfare rules force recipients to spend their welfare check, and penalize them for savings. Our plan will waive those rules to allow people to set money aside in Individual Development Accounts to buy a home, start a business, or provide for college. States will also be able to run demonstrations in which the government matches those savings.

\* **Microenterprise:** In some communities, the absence of economic activity makes it difficult to leave welfare. We want to make it easier for people to start small businesses that enable them to become self-sufficient. Our plan provides for a nationwide demonstration of microloans, which will provide small amounts of money for welfare clients to launch small businesses.

\* **Mandatory Work Programs for Deadbeat Parents:** States will be able to use up to 10% of their JOBS and WORK money to run work and training programs for non-custodial parents. We estimate that these programs will recoup 80% of their costs through increased child support collections.

\* **Job Placement Bonuses:** We will encourage states to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

\* **Charter Welfare Offices:** States will also be able to encourage competition and accountability by experimenting with chartering job placement firms, such as America Works, to run their JOBS program. (The Reemployment Act has similar provisions for job training.)

## V. HOW THIS PLAN "ENDS WELFARE AS WE KNOW IT"

Our plan spends \$10 billion over 5 years and \$30 billion over 10 years, and maps out a rapid revolution in expectations for people on welfare. But because we can't afford and the states couldn't manage ending welfare for everyone at once, Republicans and some in the press will inevitably charge that we have "scaled back" our plan and fallen short of the campaign pledge to end welfare. We need to refute these skeptics by repeatedly stressing how bold our plan really is.

**1. The Most Sweeping Work Requirements in the History of Welfare:** Our plan will turn a system based on welfare into a system based on work — because work is the best social program this country has ever devised. Today, fewer than 15,000 welfare recipients in America are required to work. Under our plan, an estimated 400,000 people will be in mandatory work programs by the year 2000. We require people who come on welfare to start looking for work from day one. Everyone who can work will have to do so within two years, or sooner if their state says so. We cut the number of exemptions in half, so that no one who is able to work can avoid it. And we'll move families off welfare by making fathers who are behind in their child support work off what they owe.

**2. The Toughest Child Support Crackdown Ever Proposed:** The child support enforcement measures in our welfare reform plan are by far the toughest any Administration has ever put forward. For the first time, government will hold both parents responsible for raising their children. Mothers won't be able to get welfare if they refuse to name the father. Absent parents who owe child support will face the most serious penalties ever: wage withholding, credit reporting, the threat of license revocation, a national registry of new hires to track them wherever they go, and mandatory work programs to make them work off what they owe. If this country did a better job of enforcing child support, we wouldn't need a welfare system. Every five deadbeats we catch will mean one fewer family on welfare.

**3. A New Social Contract — No More Something for Nothing:** After decades of unchecked growth in government social programs, this is the first Administration in either party to ask something in return. In the campaign, you promised a new social contract of more opportunity in return for more responsibility. As you said at Georgetown, "We must go beyond the competing ideas of the old political establishment — beyond every man for

himself on the one hand, and the right to something for nothing on the other." National service, the EITC, health reform, and welfare reform are all based on this same principle. Under our welfare reform plan, there will be no more something for nothing. Everyone will be required to work, get training, or finish school -- and even those who are unable to work will be expected to attend parenting classes or give something back through some form of voluntary service.

**4. Ending Welfare as a Way of Life:** The combined impact of welfare reform, health reform, and the expansion of the EITC will be dramatic and immediate. About half the caseload will be phased in by the year 2000. Reform means that by the year 2000, three quarters of the projected welfare caseload aged 30 or under will either be off welfare, working, or in a program leading to work. Without reform, only a small fraction would be working, and 20% would be in education or training.

**5. This Is Everything You Promised in the Campaign -- and Then Some:** Nothing about this plan is scaled back from your campaign promises. You've already made good on the EITC pledge that no one who works full-time with a child at home should be poor. This plan includes the two-year time limit as promised, with education, training, and child care -- and no loopholes; a work program that stresses the private sector first and community service as a last resort; dramatically tougher child support enforcement; state flexibility to experiment; etc. (The work-for-wages policy, which says that if you don't show up for work you don't get paid, actually goes a little further than what we discussed in the campaign about sanctioning the adult share of the grant.) It costs around \$4 billion a year when phased in, which is exactly what we said it would cost in the campaign. The plan includes many elements we didn't get into during in the campaign, such as a national campaign against teen pregnancy and a substantial increase in working poor child care (which was not a campaign promise).

**6. The First Administration to Try to Keep People from Going on Welfare in the First Place:** In addition to your many initiatives designed to empower people to lift themselves out of poverty -- Empowerment Zones, community development banks, enforcement of the Community Reinvestment Act, the EITC, health reform, sweeps in public housing, community policing, etc. -- yours is the first Administration to confront one of the leading causes of poverty, the breakdown of the family. The welfare reform plan includes several tough, smart measures to discourage people from having children outside marriage: the first time limits ever imposed on welfare, coupled with the broadest and most serious work requirements; a nationwide crackdown on child support enforcement, which will give states an arsenal of ways to keep absent parents from getting off the hook; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives the states can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school. In the long run, the only way to end welfare is to reduce the number of people coming on it.



Date: May 20, 1994  
To: The Welfare Reform Group  
From: Joe Goode and Stan Greenberg

RE: Welfare Reform – Priorities and Funding

The public is nearly unanimous in their support for a welfare reform program that provides job training and child care, but then requires an individual to go to work after two years. Voters are equally supportive of a variety of ways to pay for these changes, although the most popular funding proposals represent reform themselves, such as enforcement of child support payments and immigrant sponsors taking responsibility for new arrivals. The system is clearly broken and voters are willing to try a variety of measures, both as part of reform and paying for reform, to fix it.

Funding welfare reform by denying benefits to legal immigrants is a popular, but not overpowering, proposal. Almost two-thirds (64 percent) favor this Republican approach. However, when contrasted against Democratic alternatives including cuts in welfare for the wealthy, cuts in other programs, making work pay and especially enforcement of child support payments from deadbeat dads, the Republican funding scheme falls well behind.

There is a definite attraction to the Republican proposal, but most voters are looking for reforms that will reduce the welfare caseload without creating new hungry, homeless and sick people on the streets. Voters are not necessarily sympathetic towards immigrant aliens, but they recognize that cutting them off entirely will just create more problems in the long run. Clear common sense reforms – cracking down on deadbeat dads, identifying welfare cheats, making sponsors take responsibility for new immigrants – all attack the problem without creating additional burdens.

Still, voters are fed up with the current system and are willing to embrace some harsh alternatives. While the "two years and work" proposal is clearly the top priority, near majorities are willing to stop additional benefits to women who have new children while on welfare and to require strict measures like fingerprinting to ensure that people do not get benefits in more than one locality. Almost three-quarters (71 percent) favor limiting benefits to individuals who abuse alcohol or drugs. Voters want policies that focus on the individual and require them to take responsibility for their actions.



African-American and Hispanic voters are no less supportive of welfare reform than white voters. Indeed, Hispanics are nearly identical to whites in their priorities for change. Black voters focus more on policies that would help keep people off welfare in the first place – a campaign against teen pregnancy or day care subsidies for low income working families – but they are also strongly supportive of aggressive child support enforcement and "two years and work."

The major findings are set out below:

- **Unanimous support for two years program.** There is virtually no opposition to a welfare reform program that expands job training and day care, but then cuts off welfare benefits after two years and requires people to work. Regardless of whether the plan is introduced as Congress' or President Clinton's, it garners almost unanimous support – 88 percent in favor. There is little difference between races: blacks (82 percent favor), whites (88 percent), and Hispanics (90 percent) overwhelmingly favor the plan.
- **Democratic funding approach runs ahead of Republican alternative.** Voters are more supportive of Democratic plans to cover reform costs with a combination of reduction in welfare rolls by making work pay more, cuts in welfare for the wealthy, and a crackdown on welfare fraud. When compared to the Democrats, the Republican approach of barring benefits to legal immigrants maintains support only among core Republican constituencies.
- **Child support payments key to reform and financing.** The public's top priority in welfare reform is a program of aggressive child support enforcement (65 percent single highest or top few priorities). They are much more likely to back a Democratic funding proposal that includes "strict enforcement of child support payments" (61 percent) than an alternative without such a program (51 percent). Republican women abandon the Republican financing proposal when the Democratic alternative includes a child support provision.
- **Responsibility, individual accountability important to reform.** There is little about the current system that voters want to maintain, and they are particularly supportive of reforms and funding proposals that promote responsibility and accountability – such as sponsors taking responsibility for new immigrants or limiting benefits to drug and alcohol abusers. Minorities are strongly supportive of a national campaign against teen pregnancy.



- Perot voters eager for reforms. Welfare reform is popular with most voters, but Perot supporters are especially enthusiastic. Three quarters place "two years and work" in their top few priorities, compared to 63 percent of Bush voters and 59 percent of Clinton voters. Perot voters are supportive of almost every type of reform, resembling Democrats on day care subsidies but looking like Republicans on denying additional benefits to women who have children while on welfare.

Priorities for Welfare Reform

Voters are clear in their top priorities for welfare reform -- they want fathers to take responsibility for their children and they want people off the welfare rolls and into work. Other components of reform are grouped together, but there is a clear desire to eliminate the fraud voters associate with welfare and a call for individuals to take responsibility for their own lives:

	Percent Top Few
Aggressive child support enforcement	65
Expand job training and day care but cut off benefits after 2 years and require people to go to work	63
Strict measures like fingerprinting to make sure that people don't receive benefits in more than one locality	51
National campaign against teen pregnancy	48
Stop additional benefits to women who have new children while on welfare	48
Day care subsidies for low income working families	48
Require teen-age parents to finish school and live at home with parent or responsible adult	45

Child support enforcement is universally popular. There is almost no gender or partisan variation, although independents (71 percent top few priorities) and Republicans (67 percent) are somewhat more supportive. The two years/ job training initiative is also strong among almost every group. Interestingly, Perot voters place it much higher in their top priorities (75 percent) than either Bush (63 percent) or Clinton voters (59 percent).

Perot voters in general are more supportive of every reform, looking like Clinton supporters on day care subsidies (53 percent each top few priorities, compared to 42 percent of Bush voters), but looking like Bush supporters on denying additional benefits to welfare mothers who have new children (54 percent each, compared to 41 percent of Clinton voters). They are open to almost any type of reform that will change the system, including a program to stop teen pregnancy.



Black and Hispanic voters have different top priorities than whites, but their overall agendas are similar. Blacks place the single highest priority on a campaign to end teen pregnancy (21 percent single highest priority) followed by child support enforcement (18 percent). Hispanics split between two years/ job training (22 percent), a teen pregnancy initiative (20 percent) and fingerprinting (20 percent). Whites place their top initiatives as two years/ job training (20 percent) and child support enforcement (17 percent).

Blacks vary somewhat in their overall rankings of the "two years and work" initiative. Child support enforcement is by far ranked number one (67 percent single highest or top few priorities), with day care subsidies (54 percent), finger printing (52 percent), teen pregnancy (52 percent) and "two years" (51 percent) essentially tied for second.

### Funding Alternatives

There is strong support for all funding alternatives tested, including denying benefits to legal immigrants. Tested individually, most of the Democrat alternatives run ahead of the Republican plan – except the welfare for the wealthy provisions. But eliminating these tax breaks and subsidies is more popular with Democratic voters, and will help to consolidate support for the overall plan. Most of the other proposals are more popular with independent and Republican voters than they are with Democrats, although Democrats provide at least majority support for each one. The proposals rank as follows:

	Percent Favor
Require gamblers to pay withholding tax	83
Require immigrant sponsors to take responsibility for those immigrants for 5 years	77
Deny benefits to new immigrants until they become citizens	73
Limit benefits to drug and alcohol abusers	71
Eliminate benefits to legal immigrants	64
Eliminate tax breaks for annuities	62
Cut farm subsidies for wealthy farmers	61



Eliminating benefits for legal immigrants is an attractive alternative for many swing voters. Indeed, more independents favor the proposal (71 percent) than Republicans (69 percent). Even a majority of Democrats support the idea (56 percent).

While voters find the GOP scheme attractive, they do not stay with it when contrasted with a Democratic alternative. When asked to choose between two approaches, the Democratic approach wins a majority each time. A Democratic alternative that includes aggressive child support enforcement runs far ahead of the Republican plan:

Welfare for Wealthy/ Work Contrast	Fraud/ Deadbeat Dad Contrast
<p><i>The Democrats pay for their reforms by cutting welfare for the wealthy in the form of tax breaks and subsidies, and reducing the welfare rolls by making work pay with more tax breaks for the working poor.</i></p> <p style="text-align: right;">51 percent</p>	<p><i>The Democrats pay for their reforms with spending cuts in other programs, by cracking down on welfare fraud and with strict enforcement of child support payments from deadbeat dads.</i></p> <p style="text-align: right;">61 percent</p>
<p><i>The Republicans pay for their reforms by barring further welfare benefits to legal immigrants who are not American citizens.</i></p> <p style="text-align: right;">34 percent</p>	<p><i>The Republicans pay for their reforms by barring further welfare benefits to legal immigrants who are not American citizens.</i></p> <p style="text-align: right;">27 percent</p>

The first approach (welfare for wealthy) breaks out largely along partisan lines, although nearly one-third of Republicans back the Democratic alternative. A bare majority of Perot voters also sides with the Democrats. When the Democratic approach includes a crackdown on welfare fraud and deadbeat dads, a plurality of Republicans back the Democratic approach. Most of this movement comes from Republican women – 53 percent back the Democratic plan (compared to just 27 percent on the first alternative). Perot voters back the deadbeat dad proposal by 62 to 24 percent.

Voters are most concerned about the effects of denying benefits to legal aliens. The strongest arguments against the funding proposal focus on the costs of dealing with these people when they get sick (62 percent serious doubts) and the possibility of more hungry and homeless people in their communities (60 percent). Arguments dealing with constitutionality and the legal status of immigrants are strong but less effective. Groups that are most responsive to the arguments against denying benefits to legal immigrants are mostly non-college (74 percent, 46 percent high school or less) and disproportionately older (47 percent). A plurality (40 percent) are older non-college voters.

April 4, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
SUBJECT: North Carolina Welfare Update

The Southern Institute on Children and Families released a study in Charlotte last Monday on the relationship of health coverage to welfare dependency. The study was based on interviews with welfare recipients in Charlotte and Nashville.

The study concluded that in North Carolina and Tennessee, health coverage is a major reason that people stay on welfare. 80% of the recipients interviewed said they would "not likely" leave welfare for a minimum wage job if it did not provide health coverage for their family. But 83% said they would be "likely" or "very likely" to take a minimum wage job if it did provide health coverage for their family. (Recipients also stressed the importance of transitional child care.)

The study also found that welfare eligibility rules are so complicated that many recipients do not understand them. For example, most welfare recipients interviewed did not realize that children can still qualify for Medicaid even if the parent goes to work full-time or if the children's parents are married and living together.

Finally, the report found that states have been slow to implement the Family Support Act. Arkansas and Maryland were the only two of the 17 southern states to draw down the full JOBS match.

C-032 17020

WR Memo  
to Pres

DRAFT

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** Secretary of Health and Human Services

**SUBJECT:** Moving Ahead with Welfare Reform

**I. ACTION-FORCING EVENT**

There are active discussions underway regarding whether to delay welfare reform until the next session of Congress. The issue needs quick resolution. The interagency team working on welfare reform is working towards a January completion date. They need to begin the detailed and concrete discussions with the Congress, Governors, and many others required to forge a final plan and provide you with the information you need. Once those discussions begin in earnest, inevitable leaks and public attention will make it extremely difficult to pull back.

**II. ANALYSIS**

We believe it is important to proceed with welfare reform, though we recognize important arguments on the other side. Those who argue for delay make several points:

- 1. **The agenda is already crowded.** Health reform is likely to be the biggest domestic issue on our agenda next year. Adding welfare reform may weaken our focus in the public eye. Moreover, the same committees that will work on health reform are involved with welfare. In particular, the Senate Finance and House Ways and Means Committees will have a crowded agenda. Delaying action until the next Congress would provide a cleaner slate. Legislation could still be introduced in June or July with action not expected until the next Congress.
- 2. **The politics of health and welfare reform may become intertwined.** Since both reforms are major domestic initiatives and involve the same committees, the politics of the issues could become mixed together. Welfare reform might get pushed right or left as we seek to get members from one political faction or another to take a tough vote on health reform. If a key member or group is frustrated with the direction one reform is going, he or she might fight by trying to hold the other reform hostage.

While we share the concern about a crowded agenda, we think there are even stronger arguments on the other side.

- 1. **There is considerable momentum for reform.** Inspired in large part by the emphasis you gave to welfare reform in the campaign and since, welfare reform is gaining real momentum in the Congress and the states. Recently virtually all House Republicans signed onto their version of reform which included key elements of your vision. The Mainstream Democratic Forum has urged strongly that we proceed. Senator Moynihan has repeatedly chided the administration for abandoning welfare reform.

## DRAFT

If we decide to wait, we will at a minimum lose the initiative and momentum. More importantly we may have to live with welfare reforms that are not nearly as constructive as those we envision. While we may be able to prevent passage of any reform plans, there will be considerable pressure to proceed. We may not be able to stop floor amendments that cripple future reform efforts by imposing strict cut-offs and taking money out of welfare benefits. The Republican plan includes several positive elements, but it includes some very troubling cuts as well. Waivers also pose a problem. Heightened interest at the state level is generating a multitude of waiver requests. If we delay too long we may get welfare reform by waiver. There is a risk that we will lose the chance to shape reform and get the credit we deserve.

**2. Welfare reform will fulfill a highly visible campaign promise.** Your powerful message to end welfare as we know it has been widely heard. So too has your call for time limits. Getting welfare reform done right and getting it done now will indicate your clear commitment to that pledge. The momentum from welfare could help pass health reform and prevent the perception that the only important initiative in domestic policy is health reform. Some in Congress may be more inclined to support health reform if they feel positively about welfare reform.

**3. If we don't act soon there may be few offsets left to insure that welfare reform is cost neutral.** As you well know, money for welfare reform was cut from the last budget plan. This time the working group is seeking to find offsets in existing public aid programs and increased money from child support enforcement to pay for welfare reform so that no new monies will be needed. They are convinced they can find the money. And if it is phased in slowly, the early costs could be very modest indeed and relatively easily offset with other cuts. Still budget cutting pressure plus other priorities are rapidly eating every possible source of budget offsets. After this year there may not be money left to find.

We believe it would be very hard to turn back now. With lost momentum, a new Congress, and an ever tighter budget, progressive welfare reform will be harder and harder to achieve. Part of making the agenda appear less crowded could be to package several initiatives at once. Welfare reform could be packaged with programs proposed by education and labor to create a powerful message of an administration committed to opportunity and responsibility.

### III. THE NEED FOR A QUICK DECISION

In the next few days your senior advisors will meet to discuss how to proceed. HHS believes we can and should proceed. But if you are likely to decide to delay, we need to know immediately so that we can work to slow the current momentum and minimize the political fallout.

NOV 22 1993

**TO: Walter Broadnax  
Cooley  
Michael Wald  
Melissa Scofield  
Mary Bourdette  
David Ellwood  
Mary Jo Bane  
Fernando Torres Gil**

**Kevin Thurm  
John Monahan  
Avis LaVelle  
Jerry Klepner  
Ken Apfel  
Wendell Primus  
Ann Rosewater**

**Attached is the briefing material for today's meeting with the Secretary on Welfare Reform, 5:30 p.m., Secretary's Conference room.**

