WR - NGA plan

KEY ISSUES RAISED BY THE NGA WELFARE PROPOSAL

AFDC, Work, & Child Care

- **Protections**: How strong in key areas:

  -- Maintenance of Effort. NGA weakens overall State requirements, including contingency fund MOE and child care match. Still allows transfers.

  -- Contingency Funds. Pluses: more money and a Food Stamps trigger. Minuses: weakened MOE, weak countercyclical responsiveness.

  -- Equal Protections. Provides a good opening, but more is needed.

- **Child Care & Work**. NGA is good in this area -- more money (but no match), more work flexibility.

- **Medicaid**. Governors provide some coverage, but unclear on details.

Child Protection

- Block grant option problematic; potential cost and State gaming implications.

SSI Kids

- Compromise is fine, with some minor fixes.

Food Stamps

- Good news: elimination of spending cap, no cut in shelter deduction. Bad news: block grant option, 4-month time limit.

Immigrants

- NGA is silent, but we still have significant problems.

Poverty

- Poverty impacts depend on level of immigrant cuts.

WR - NGA plan

February 5, 1996

THE WELFARE PROPOSAL UNDER DISCUSSION AMONG SOME GOVERNORS

The emerging welfare proposal has very serious problems. In many areas, the proposal is inferior to the Senate welfare bill that many Congressional Republicans favor and much less satisfactory than the tentative agreements reached in budget negotiations between the White House and Congressional Republican leaders.

- *The governors worked from the welfare conference agreement, not the more moderate Senate welfare bill.* In all areas where specific changes to the conference agreement aren't identified, the conference agreement would be ratified. Large numbers of objectionable provisions in the conference agreement would be swallowed whole.

- The one main improvement in the agreement is the addition of $4 billion for child care.

- In the other principal area where there is an improvement — more welfare "contingency" funding for states in which poverty increases — the improvement is a disappointment; it is smaller than the improvement the Administration and Democratic Congressional leaders would likely get in direct negotiations with Republican leaders of Congress. The governors' proposal increases the contingency fund from $1 billion (in the conference report) to $2 billion over five years. This is inadequate. In the recession of the early 1990s, federal AFDC funding rose nearly $6 billion in just three years.

In many other areas, the proposal is unfortunate, and represents a less favorable outcome than would likely otherwise be reached in negotiations between the White House and Congressional leaders of both parties.

Food Stamps

- The welfare conference report contains over $27 billion in food stamp cuts. The proposed agreement accepts all of them. The President has said he doesn't want more than $22 billion in cuts here, a figure tentatively agreed to in the budget negotiations with Republicans.

- The proposal accepts in full the food stamp cut which hits hard at families with children that pay over half their income for rent and utilities. This cut would significantly increase child poverty. It wasn't in the Senate welfare bill. Gingrich and Dole agreed to drop most of this cut in a budget negotiations session with the President.

- The proposal accepts the conference proposal that throws unemployed adults who aren't raising minor children off of food stamps after four months *without offering them a work slot*. The President made clear to Gingrich and Dole he would not agree to deny food stamps to indigent people who are willing to work without offering these people a work slot. Gingrich and Dole agreed to accommodate the President on this issue. Democrats on the Hill — including the conservative Democrats in the Coalition — have been firm all year on this issue. But the proposed governors agreement would give it away.

- The food stamp program can't survive as a national program if half or more of the states take the block grant. If large numbers of states take the block grant, Members of Congress from block-grant states would have a "free vote" to cut the national food stamp eligibility and benefit structure anytime that mandatory budget savings are needed. This would seriously injure states that do not wish to elect the block grant.

Legal Immigrants

- The proposal swallows all of the conference agreement cuts on legal immigrants except that it exempts some elderly and disabled legal immigrants who don't have "sponsors" (usually relatives) from loss of benefits.

- The proposal does nothing to prevent loss of any benefits for legal immigrant children, an issue the President is concerned about.

- It includes Medicaid among the programs from which most legal immigrants would be barred for some period of time, thereby increasing the ranks of the uninsured and shifting costs. States and especially counties and cities that run municipal hospitals would be hit by this cost shift. The Administration has always exempted Medicaid from its legal immigrant restrictions.

- The proposal fails even to pick up the Senate welfare bill provision, dropped in conference, that exempts child nutrition programs and WIC from the immigrant restrictions. Many immigrant children attending school would be refused school lunches. Some poor pregnant women who are immigrants would be refused WIC, thereby increasing the likelihood that their children — who will be U.S. citizens — will be born at a low birthweight or with a disability.

Welfare

- The proposal fails to strengthen the weak conference provisions on "maintenance-of-effort" which allow states to cut state funding by 25 percent, allowing states to withdraw $28 billion in state funds over seven years, compared to current law. The Senate welfare bill was weak here also but was stronger than the conference agreement. This weak maintenance-of-effort provision is likely to pose a problem for Democratic governors who face Republican legislatures that want to cut too deeply in this area.

- The proposal maintains the more restrictive conference version, rather than the Senate version, regarding the number of families to whom states are allowed to grant a hardship exemption from the five-year lifetime time-limit. For what possible reason would governors not want the added flexibility that the Senate version would give them? Why would Democratic governors not insist on the Senate version here?

- The proposal does not address the problems caused by the conference provision that allows states to transfer up to 30 percent of welfare block grant funds to various other programs, including services for the elderly (who are a more powerful constituency). A likely result is deeper benefit cuts for children and inadequate resources for work programs. The Democratic position in Washington has been to provide transferability to the child care block grant, as it is integrally related to welfare reform, but not to other programs.

- The proposal adopts the conference agreement welfare block grant. Under the proposal, states would not be required to establish any program rules or to follow any rules the states did design. States would have no obligation to provide assistance in an objective and equitable manner. In addition, the federal government could take no action if a state were operating a program funded by the block grant in violation of federal law or the state plan.

EITC

The proposal agreement calls for $10 billion in EITC cuts. This is rather outrageous; EITC cuts aren't a part of the Senate or House welfare bills or of the welfare conference report. Moreover, governors don't administer the EITC; it's part of federal tax law. EITC cuts shouldn't be here.

It's one thing to include $10 billion in EITC cuts as part of an overall budget package that gets you all the way to budget balance and that contains a child tax credit which offsets the EITC cuts so low-income working families do not face a tax increase. But this is not what the governors' proposed agreement would do. The governors propose to cut the EITC as part of a stand-alone welfare agreement that does *not* get to budget balance and that asks for no sacrifice from anyone else.

Under this proposal, millions of low-income working families would have their taxes raised. Yet no other revenue-raising provisions proposed by the White House or Congress — such as proposals to close some egregious corporate loopholes —

would be included. Only the working poor would have their taxes increased. (Note: the President has proposed limiting the EITC cuts in an overall balanced budget agreement to $5 billion. He has never favored including any EITC cuts in a welfare bill.)

SSI

- It is unclear whether the agreement retains the conference provision to cut SSI benefits by 25 percent for various categories of disabled children. This provision is strongly opposed by the Administration, Congressional Democrats, and even many Congressional Republicans. It was not in the Senate welfare bill. And Congressional Republican leaders agreed to drop it during the budget negotiations.

- The tentative agreement fails to fix a provision of the conference agreement that, over time, raises the age at which the elderly poor can qualify for SSI from 65 to 67. This provision would primarily affect poor elderly women who live alone, effectively cutting a hole in the safety net insofar as they are concerned. This provision would disadvantage states; many of these poor elderly women would undoubtedly turn to their states for help.

  Republican Congressional negotiators agreed to drop this provision in the budget negotiations. But it apparently has not been dropped in the proposed governors package.

Child Nutrition

- The conference agreement is left unchanged here. It contains more onerous cuts in several child nutrition programs than the Senate welfare bill did, including overly deep cuts in the program that provides nutrition assistance for children in child care. The Senate welfare bill included budget savings as large in this area as the conference report but did so with less harm to children. Congressional Republicans indicated willingness to compromise in this area during the budget negotiations.

HOW THE NGA PROPOSAL COMPARES TO THE CONFERENCE BILL

WR-NGA plan

NGA (Over Conf. Bill)

Overall, the NGA addresses some of the concerns the President had when he vetoed the Conference welfare bill. The NGA welfare proposal saves a little more than the Administration proposal, but offsets greater funding for States with deeper cuts in Food Stamps and immigrants. +7

AFDC, Work, Child Care, Child Protection, and Child Support:

Positive features:

Child Care & Work -- NGA would add $4 billion in non-matched child care above the Conference and make work requirements more realistic by counting those leaving for work, allowing part-time work for mothers with young children, reducing outyear hourly participation levels to 25 hours/week, and counting job search longer.

Contingency funds. NGA would add $1 billion and a second trigger based on food stamp caseloads. It would not require States to maintain MOE at 100%, nor would it provide additional funds during a recession. With some modifications this new contingency fund is a significant improvement; without modifications it is worse than the current Conference Report.

Performance Bonuses -- The NGA proposes to increase funding up to 5% for States that exceed employment targets. The Conference bill would allow states to reduce their own spending as a "performance bonus."

Medicaid -- The NGA would retain some link between AFDC and Medicaid, but families States cut off AFDC might lose Medicaid. The Conference welfare bill cuts the AFDC/Medicaid link.

Equal Protections -- The NGA proposal includes a requirement that States establish fair and equitable treatment criteria within their States.

Problematic Features:

Child Protection -- The NGA proposes an optional block grant for child protection programs that grows with spending in non-block grant States, and would merge the discretionary programs and Family Preservation into a new mandatory block grant. The Conference bill would block grant four open-ended child protection entitlements and eliminate two other mandatory programs. The Senate bill would maintain current law.

State Funding -- NGA would delete the special maintenance of effort (MOE) requirements for contingency funds and matching requirements for added child care funding. They would maintain the Conference bill's MOE for the base block grant which, combined with fund transfer provisions, effectively equals a 0% to 45% MOE that varies by State.

NGA (Over Conf. Bill)

Food Stamps: +1

Positive Features:

Spending Cap -- The NGA would get rid of the Conference spending cap on Food Stamps; this is a major improvement.

Negative Features: There are very wide differences between the Administration and the Governors on Food Stamps and few, if any, "champions" to push our agenda.

Block Grant -- The NGA would keep a version of the optional block grant; it is possible that discussions today may result in a better option than the Conference bill, but significant improvements appear unlikely.

Level of Cuts -- Currently, the NGA slightly reduces the level of cuts in Food Stamps. The Conference bill would freeze the amount that low income families and participants could deduct as shelter expenses at the 1996 level, forcing families to choose between paying rent or eating. In addition, HR 4 includes a work requirement for adults age 18-50 with no dependents after receiving 4 months of benefits. However, States aren't required to offer a work/training slot to someone before cutting them off of assistance. NGA drops the shelter cut, but not the time limit.

SSI Children's Benefits: +1

Benefit Reductions. On a positive note, like the Senate bill, the NGA would maintain full cash benefits for eligible children, dropping the two-tiered system in the Conference bill. The Conference bill would cut cash benefits by 25% for three-quarters of the severely disabled children coming on the rolls. Under the NGA and Administration plans, current recipients affected by the tighter eligibility standards would receive benefits until January 1998. Under the Senate and Conference plans, their benefits would end a year earlier.

Immigrants: N/A

Bans. HR 4 would make most legal immigrants currently in the country (including those now on the rolls) as well as future immigrants ineligible for SSI and Food Stamps. In addition, HR 4 would deny Medicaid to new entrants for their first five years and enable States to deem sponsor's income until citizenship. The NGA is silent on this issue

TOTAL WELFARE REFORM RESTORATION: +9

Poverty:

Poverty -- The Conference welfare bill moves 1.5 million children below the poverty line; the Senate welfare bill moves 1.2 million children. Poverty effects of the NGA proposal would probably be a little greater than the Senate bill. (These numbers may be adjusted downward once CBO estimates and new economic assumptions are taken into consideration.)

WR-NGA plan

SUSPENSION

(Policy Position offered by Governor Thompson and Governor Bob Miller)

WELFARE REFORM

The Governors believe that our nation's leaders are now faced with an historic opportunity and enormous responsibility to restructure the federal-state partnership in providing services to needy families. We, the nation's Governors, are committed to achieving meaningful welfare reform now. The continuation of the current welfare system is unacceptable. Congress has made significant efforts toward making changes that will allow states the flexibility to build upon the lessons states have learned through a decade of experimentation in welfare reform. The President has also voiced his commitment to achieving welfare reform and has continued to grant waivers to states to facilitate experimentation. We urge Congress and the President to join with the nation's Governors in support of a bipartisan agreement that will reallocate responsibilities among levels of government, maximize state flexibility, and restructure welfare as a transitional program with a focus on work and self-sufficiency. We believe, however, that children must be protected throughout the restructuring process.

State experience in welfare reform has demonstrated that three elements are particularly crucial for successful welfare reform: welfare must be temporary and linked to work; both parents must support their children; and child care must be available to enable low-income families with children to work. Additionally, we believe that block grants should be entitlements to states and enable states broad discretion in the design of their own programs based upon mutually agreed upon goals. We also believe that states should have access to supplementary matching federal funds for their cash assistance programs during periods of economic downturn. The conference agreement on HR 4, the Personal Responsibility and Work Opportunity Act, incorporated many of these elements, but we also believe further changes must be made to create a sound and workable welfare reform bill. The National Governors' Association would support the HR 4 conference agreement with the changes listed below with the exception of the alien provisions. The absence of recommendations on the restriction of benefits for aliens should not be interpreted as support for the alien provisions of the HR 4 conference agreement:

Core Employment Support Services

- *Add $4 billion in funding to the general entitlement for child care. This funding would not require a state match.*

Flexibility in Meeting Work Requirements

- *Change the participation rate calculation to take into account those who leave cash assistance for work as long as they remain employed.*
- *Reduce the number of hours of participation required in future years to 25.*
- *Permit states the option to limit the required hours of work to 20 hours a week for parents with a child under age six.*
- *Allow job search and job readiness to count as a work activity for up to 12 weeks.*

Contingency Fund for State Welfare Programs

- *Add $1 billion to the contingency fund.*
- *States can meet one of two triggers to access the contingency fund: the unemployment trigger in the conference agreement or a new trigger based on food stamps. Under the food stamp trigger, states would be eligible for the contingency fund if the number of children in their food stamp caseload increased by 10 percent over FY 1994 or FY 1995 levels.*
- *Eliminate the maintenance of effort requirement for the contingency fund.*

Performance Incentives

- *Provide cash bonuses of 5 percent annually to states that exceed specified employment-related performance target percentages. These bonuses would not be funded out of the block grant base.*
- *Maintain the bonus for states that reduce out-of-wedlock births contained in the conference agreement.*

Family Cap

- *Provide states with the option to restrict benefits to additional children born or conceived while the family is on welfare.*

Cap on Child Care Administrative Costs

- *Raise the administrative cap on child care funds to 5 percent.*

Hardship Exemption

- *Raise the exemption to the five-year lifetime limit on benefits to 20 percent of the caseload.*

Fair and Equitable Treatment

- *Add a state plan requirement that the state set forth objective criteria for the delivery of benefits and fair and equitable treatment.*

Child Protection Block Grant

- *Maintain the open-ended entitlement for foster care and adoption assistance.*
- *Provide a state option to take foster care, adoption assistance, and independent living funding as a capped entitlement with annual growth adjustment based on average national caseload growth rate. States may transfer any portion into a Child Protection Block Grant for activities such as early intervention, child abuse prevention, and family preservation. States must continue to maintain effort at 100 percent based on state spending in the year prior to accepting the capped entitlement. States must maintain protections and standards under current law. States can reverse their decision on a yearly basis.*
- *Create an entitlement Child Protection Block Grant of the remaining child welfare, family preservation, and child abuse prevention and treatment programs. These programs are not currently individual entitlements. States must maintain protections and standards under current law.*

Supplemental Security Income (SSI) for Children

- *Accept the provisions in the Senate-passed welfare bill.*
- *Change effective date for current and new applicants to January 1, 1998.*

Food Stamps

- *Accept the provision in the Senate-passed welfare bill that reauthorize the Food Stamp program in its current uncapped entitlement form.*
- *Modify the income deductions as outlined in the Senate-passed welfare bill.*

School Nutrition Block Grant Demonstration

- *Maintain the current entitlement for children.*
- *Schools would continue to receive per meal federal subsidies for all lunches and breakfasts under current eligibility criteria.*
- *Additional subsidies for schools with high proportions of free or reduced-price participants will be maintained.*

- *States would continue to receive the proportion of administrative costs based on current law but in a block grant.*
- *The state must develop a state-based plan that includes public input and describes how the state will operate the program.*
- *All other safeguards described in the conference report will be maintained.*

Provision for Territories

- *The National Governors' Association strongly encourages Congress to work with the Governors of Puerto Rico, Guam, and other territories towards allocating equitable federal funding for their welfare program.*

Earned Income Tax Credit

- *This is only an issue within the context of budget reconciliation.*
- *Limit the savings from revising the EITC to $10 billion.*
- *Add a state option to advance the EITC.*

Any changes in the above recommendations would nullify this endorsement.

Document No. 216

WHITE HOUSE STAFFING MEMORANDUM

WR-NGA pln

DATE: 02/05/96 ACTION/CONCURRENCE/COMMENT DUE BY: 02/06 9:00 AM

SUBJECT: PRESIDENTIAL REMARKS: NATIONAL GOVERNORS" ASSOCIATION PLENARY SESSION ON 02/06

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	✓		McCURRY	✓	
PANETTA	✓		McGINTY		
McLARTY			NASH		
ICKES	✓		QUINN		
LIEBERMAN	✓		RASCO	✓	
RIVLIN	✓		SOSNIK	✓	
BAER	✓		STEPHANOPOULOS	✓	
CURRY	✓		STIGLITZ		
EMANUEL	✓		STREETT		
GIBBONS			TYSON	✓	
GRIFFIN			WALLEY		
HALE	✓		WILLIAMS		
HERMAN			HAAS, Larry	✓	
HIGGINS			REED, Bruce	✓	
KLAIN	✓		TOIV	✓	
LAKE			RADD, Vickie	✓	
LINDSEY			WALDMAN		✓
			EDMONDS		✓

REMARKS:

Please provide any comments directly to Michael Waldman or Terry Edmonds no later than 9:00 AM on Tuesday, 02/06. Thanks.

RESPONSE:

Staff Secretary
Ext. 6-2702

Draft 2/5/96

PRESIDENT WILLIAM J. CLINTON
REMARKS TO THE NATIONAL GOVERNORS' ASSOCIATION
WASHINGTON, D.C.
FEBRUARY 6, 1996

[Acknowledgements: Governor Thompson for introduction; Governor Miller; governors and friends...]

Thank you for the invitation to address this most important meeting. During the past few days, together, we have tackled the toughest challenges facing our nation. And we have done it by reaching across lines of party, geography and ideology, seeking common ground.

I think we should begin by reminding ourselves that even though we face some historic choices about the direction of our country, this is a time of great potential. Because of our strong partnership and the hard work of our citizens, America is strong and growing stronger. We have the lowest combined rates of unemployment and inflation in 27 years, a record number of new businesses. And across the country, old industries are being revived and new ones are being born -- an auto industry that once again leads the world . . . 700,000 new jobs in construction . . . the world's number one manufacturer of telecommunications satellites.

And perhaps most important, we are seeing Americans coming together again around our fundamental values. The crime rate, the welfare and food stamp rolls, the poverty rate and the teen pregnancy rate are all down.

We all know that this new era of microchips and global trade presents our people with vast new opportunities. But it also introduces new pressures and new challenges. While more of our citizens are living better, too many of them are working harder just to keep up, and they justifiably wonder if they will be winners in this new era.

The central challenge we face as political leaders is to give the American people the tools to make the most of their lives while keeping the American Dream alive for themselves and their children.

We know what our challenges are. A few weeks ago, I outlined them in the State of the Union: honoring the obligation we owe our children and building strong families; renewing educational opportunity so we can compete and win in the 21st century; providing economic security for families who are willing to work for it; taking back our streets from drugs, crime and gangs; protecting our environment for today and for future generations; maintaining America's leadership in the fight for freedom and peace throughout the world; and reinventing government to make our democracy work better for the American people.

The question before us today is not whether we will meet these challenges...but how. How can we harness all the energy, all the dynamism driving this new economy to make sure every American has a chance to make the most of their lives.

We need to meet these new challenges in an old-fashioned way -- together. American families don't hold purist views about how to meet our challenges. They don't think that Washington has all the answers, and they don't think that state capitols have all the answers, either. They want what works. And what works is us, working together -- across party lines, the national government and state governments, working toward common ground.

It is clear from the experience of the past 30 years that centralized, one-size-fits-all government -- with top-heavy bureaucracies dispensing services from Washington -- does not work and will not meet the challenges of our time. But it is also clear from the last 12 months that getting rid of government is not the answer, either. We cannot go back to a time of fend for yourself. We cannot leave people standing on the platform as the train to the future pulls out the station. If we believe that our nation owes a duty to our parents and our children; that we should provide opportunity to everyone who is willing to take responsibility; that as Americans, we owe a duty to one another, then we cannot walk away.

To do this, we have to reform and reinvent the way Washington works. And that is exactly what we have been doing the past three years. The government is now 200,000 employees smaller than it was the day I took office -- the smallest since 1965. We are eliminating 16,000 pages of federal regulations. And we have done more than any other administration in a generation to work in partnership with states and cities. I signed the Unfunded Mandates law, which was passed with an overwhelming bipartisan margin; we have given more Medicaid and welfare waivers than all other administrations combined; we are working with you to resolve dozens of issues under the Clean Air Act. And Washington should learn from 43 state capitols how to cut waste, and pass the line item veto that the Congress promised the American people.

And our nation must meet our challenges in new ways. The national government should not try to do everything. But it must articulate a clear national vision, set goals and challenge people from every walk of life to meet those goals, and give them the help they need to be successful. That mobilizes communities, businesses, churches, schools to face our problems.

Our Crime Bill set a national goal of 100,000 more police on the street, but challenged mayors, police, and civic groups to make community policing a reality. And I a m proud to say that in communities across the nation, this approach is working. Our Goals 2000 education reform set tough national standards, but challenged states and local communities to meet these standards. And we are challenging every state to allow parents to chose their child's public school, and to let parents and teachers set up charter schools that have to meet tough standards.

This approach -- all of us working together -- is how we will solve our most pressing problems: the budget; health care; and welfare.

The budget deficit was a bipartisan creation and it will only bend to a bipartisan solution. For too long, Congress and the President were putting into place fiscal policies that would never be seriously advanced by any governor who had to balance a budget. In the 12 years before I took office the deficit sky-rocketed and the national debt quadrupled. I am proud that we cut the deficit nearly in half, but we all know that is not enough. We have to finish the job and balance the budget. And we will only do it if we work together, regardless of party, in a way that upholds America's fundamental values.

Yesterday, I submitted a budget that reaches balance in seven years based on CBO numbers. This is a budget that is good for America.

Today, I am signing legislation that allows the government to meet its financial obligations until mid-March, and protects the Social Security checks of millions of Americans. This is a hopeful sign. But Congress still must act responsibly and pass a straightforward, long-term extension of the debt limit. No governor would ever put his or her state's good name at risk, and we shouldn't either.

As you know, during the past few months, we've had more than 50 hours of negotiations on how to balance the budget. This has been a difficult process, but behind all the impassioned public debate, Speaker Gingrich, Majority Leader Dole, and the Democratic congressional leaders and I have achieved solid, quiet progress at the negotiating table.

Together, we have found about $700 billion in specific, itemized spending cuts -- all certified by the Congressional Budget Office to be real, attainable and accurate. We both agree on steps to slow the inflation of health care costs under the Medicare. We both agree on how to provide Medicaid services more efficiently. We both agree on savings in welfare spending by requiring recipients to work, and by setting time limits for their stay on welfare. We both agree to hundreds of billions of cuts in government spending to create a leaner, and more efficient national government.

So, I say to the leaders of Congress: These cuts we have already identified are enough to balance the budget in seven years --- **just pass it.** These cuts are enough to afford a modest tax cut for working Americans. These cuts are enough to end a legacy of deficits, and to protect Medicare, Medicaid, education and the environment. We can continue to negotiate; we can continue to talk. But take these cuts, balance the budget, and **just pass it. Just pass it.**

A second area where we can found common ground, bipartisanship and a new way of solving problems is how we provide health care for our people.

Whatever else we do on health care, we should change the rules of the game so that working people never lose access to health care. Our nation is the only leading economy in the world where insurance companies are allowed to deny citizens coverage or raise their rates just because they're sick. People with pre-existing conditions like diabetes, high blood pressure or heart disease, can simply be turned down. Tens of millions more people simply lost their health coverage as they move from one job to another. For working families that's like walking on a tightrope without a net.

But there is bipartisan legislation that would protect these working families and require insurers to cover men and women who have lost insurance because they change or lose jobs. The Kassebaum-Kennedy bill is not government-run health care. It imposes no mandates on employers. But it gives working people the tools to protect themselves and their families and to take advantage of the opportunities offered by the new economy. It has 43 bipartisan cosponsors and passed through its committee unanimously. It has the support of business, doctors, and consumer groups. So, I call on the Congressional leadership today to stand up to the insurance industry and schedule a vote.

But we know that in some cases government must play a direct role. For the past three days, we've been discussing how to reform the Medicaid program and I believe there are areas of broad agreement between us. All of us agree that we must reduce the growth in what we spend on Medicaid, and that states must have more flexibility in how the program is run. But let me be clear: three decades ago we made a national commitment that if you are pregnant, if your child becomes disabled, if you are an elderly American who can't afford nursing home care, you will not be denied quality health care. It was the right thing to do then, and it is the right thing to do today. We must not walk away from this commitment.

And finally, that same spirit of team work and bipartisanship should animate our efforts to achieve real welfare reform. I believe we are close to agreement on sweeping reform that is consistent with the principles the American people demand: requiring work, strengthening families, inspiring responsibility, and protecting children. I look forward to your final recommendations. I am glad that governors in both parties agree that the bill Congress sent me wasn't strong enough, and that we must do more to protect children and move people from welfare to work. I believe that if we continue to make progress, we can put partisan differences aside and end welfare as we know it.

A balanced budget. Welfare reform. Health care for working Americans. We can do all these things -- if we do them together. America was built on challenges, not promises. And when we pull together to meet those challenges, we never, never fail. I believe we are standing on the threshold of a bold new era. Now is the time to act on our ideals. Abraham Lincoln said: "We can succeed only by concert. It is not, 'Can any of us imagine better?' but, 'Can we all do better?'" Today, here, together, we must answer: Yes.

WR-NGA plan

To: Bruce Reed

Fr: John Monahan

Pls. share w/ the

Emily

SUSPENSION

(Policy Position offered by Governor Thompson and Governor Bob Miller)

WELFARE REFORM

The Governors believe that our nation's leaders are now faced with an historic opportunity and enormous responsibility to restructure the federal-state partnership in providing services to needy families. We, the nation's Governors, are committed to achieving meaningful welfare reform now. The continuation of the current welfare system is unacceptable. Congress has made significant efforts toward making changes that will allow states the flexibility to build upon the lessons states have learned through a decade of experimentation in welfare reform. The President has also voiced his commitment to achieving welfare reform and has continued to grant waivers to states to facilitate experimentation. We urge Congress and the President to join with the nation's Governors in support of a bipartisan agreement that will reallocate responsibilities among levels of government, maximize state flexibility, and restructure welfare as a transitional program with a focus on work and self-sufficiency. We believe, however, that children must be protected throughout the restructuring process.

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School Nutrition Block Grant Demonstration

- *Maintain the current entitlement for children.*
- *Schools would continue to receive per meal federal subsidies for all lunches and breakfasts under current eligibility criteria.*
- *Additional subsidies for schools with high proportions of free or reduced-price participants will be maintained.*

WR-N6A plan

STATE OF DELAWARE

WASHINGTON OFFICE
444 North Capitol Street, NW, Suite 230
Washington, DC 20001
Phone: 202/624 - 7724
Fax: 202/624 - 5495

FACSIMILE COVER PAGE

TO: Bruce Reed
John Monahan

FAX#:

FROM: Maura, Office of Governor Carper, Delaware

DATE: 3/4/96

\# OF PAGES: 5 (INCLUDING COVER)

NOTE:

NATIONAL GOVERNORS' ASSOCIATION

Tommy G. Thompson
Governor of Wisconsin
Chairman

Bob Miller
Governor of Nevada
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

URGENT

Fax to
Bruce Reed —
John Monahan —

M E M O R A N D U M

To: ALL GOVERNORS
From: Governor Tommy Thompson
Governor Bob Miller
Governor John Engler, Lead Governor on Welfare
Governor Tom Carper, Lead Governor on Welfare
Date: March 1, 1996
Re: Modifications to the NGA Welfare Reform Policy **ACTION REQUIRED BY 3/5/96**

In the past several weeks, we have had many opportunities to discuss the Governors' welfare reform policy with members of Congress. Last week, we presented testimony before the Human Resources Subcommittee of the House Ways and Means Committee and the Senate Finance Committee. Additionally, NGA staff along with our staff have done briefings for Congressional aides, and White House and administration staff. While NGA's bipartisan agreement on welfare has met with positive responses, we have also heard a number of concerns expressed repeatedly about some of the elements of our proposal.

After careful thought and recommendation, we are asking you to consider modifications to four areas of the NGA welfare policy. We believe that making these changes would lessen the concerns of both Democrat and Republican members of Congress and substantially increase support for our proposal. We do not believe that these changes would, in any way, fundamentally alter our welfare policy. We urge your immediate support for these four changes.

Congress is interested in acting quickly on the welfare proposal and has begun to draft legislation. We will need your response to these proposed changes by close of business **Tuesday, March 5.** Please fax your comments to Ray Scheppach at (202) 624-5825. If you have any questions please do not hesitate to call us. You can direct questions, as well, to Susan Golonka at (202) 624-5967 or Ray Scheppach at (202) 624-5320.

<u>1. Child care funding.</u> The NGA policy calls for an additional $4 billion in *unmatched* federal dollars for child care. Members of Congress have expressed concern that by providing these dollars without a state match requirement, states could actually reduce their own spending on child care while receiving additional federal dollars. In fact, we know from our own experiences that states generally increase spending on child care as part of welfare reform efforts to provide the supports necessary to move recipients into work. However, criticism of this component has been rather strong and we

believe Governors could accept a match on these additional funds as a condition of receiving increased federal commitment to child care.

> **Recommended modification.** The additional funds above states' base allocation would require a state match based on the Medicaid match rate and would be allocated among states using the current "at-risk" formula. In order to access the additional funds, a state must have spent all of its basic allocation and have maintained their FY 1994 level of state spending on IV-A child care. (These requirements are consistent with provisions already in HR 4 for allocation of child care funding.)

2. Maintenance-of-effort requirement for contingency fund. The NGA welfare reform policy increased funding for the contingency fund, added a second food stamp trigger option, and eliminated the 100% maintenance-of-effort requirement for states to access the fund. This last provision -- elimination of the MOE -- has met with considerable opposition. Similar to the child care issue, members have voiced concern that states could decrease their own spending while receiving extra federal dollars. Again, we believe that accepting the 100% MOE (which was, in fact, part of our original design for the contingency fund), would not alter the basic intent of the fund to provide additional federal support to states during periods of economic hardship. This change would also make the cash assistance contingency fund consistent with the umbrella fund in the NGA Medicaid policy.

> **Recommended Modification.** To receive federal matching funds from the contingency fund, in addition to meeting either an unemployment or food stamp trigger, states must also meet a 100% maintenance-of-effort requirement. The MOE would be based on state spending in FY 1994 on AFDC, JOBS, AFDC-related child care and EA and would only apply in the year or years the state used the fund. If, at the end of the fiscal year, a state had failed to maintain the 100% MOE, the state would be required to pay back the contingency funds it had received. These conditions are contained in both the Senate-passed welfare bill and the HR 4 conference agreement.

3. Reversibility under the optional foster care block grant. The Governors' agreement on child welfare provides states with the option of receiving their foster care and independent living funds as a block grant, thereby allowing greater flexibility to use these funds for prevention programs such as family preservation. Our policy would allow states to switch back and forth year-to-year between the block grant option and the open-ended entitlement for foster care. This provision was included to ensure that children be protected in the event of a significant increase in demand for foster care but has led to criticisms that states would "game the system." Administratively and procedurally, however, we know it would be very difficult for states to make annual switchbacks. On the other hand, allowing states that have elected the block grant to revoke the decision *once* and return to the open-ended entitlement would protect children and should alleviate criticisms toward states. This one-time reversal is also the approach taken in HR 4 for the optional food stamp block grant.

> **Recommended modification.** Allow states that choose the optional foster care block grant to reverse their decision once and return to the open-ended entitlement system for foster care. A state would not be permitted to return to the block grant.

4. School Nutrition Optional Block Grant Demonstration. HR 4 authorized a demonstration project that would allow seven states to receive their school breakfast and lunch funds as a block grant for five years. The NGA welfare policy proposes to modify the school nutrition demonstrations by preserving the entitlement for children and allowing schools to continue to receive per meal federal subsidies. Rather than block granting meal funds, the NGA policy proposes to block grant administrative funds. Due to expressed concerns, the NGA has re-examined the Governors' policy proposal in this area and has determined that our policy essentially describes current law. Therefore, we recommend striking our recommendations around the school nutrition block grant demonstrations and propose the following substitute:

> **Recommended Modification.** The Governors' policy supports the deletion of Section 914, the School Nutrition Optional Block Grant Demonstration Program from HR 4, Title IX - Child Nutrition Programs.

**MODIFICATIONS TO WELFARE POLICY
STATE RESPONSE SHEET**

PLEASE FAX TO (202) 624-5825
Please respond by close of business Tuesday, March 5, 1996.

State:____

Governor's signature:_______________________________

Contact person/telephone:____________________________

_____Yes, I support the proposed modifications to the welfare policy.

_____ No, I oppose the proposed modifications to the welfare policy.

Additional comments:

NATIONAL GOVERNORS' ASSOCIATION

News Release

Distribute Mickey 6-26-98

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5330

FOR IMMEDIATE RELEASE
June 25, 1998
Contact: Becky Fleischauer, NGA, 202/624-5364

GOVERNORS HOLD THE FEDERAL GOVERNMENT TO 1996 WELFARE AGREEMENT—

"Proposed Medicaid and Welfare Budget Cuts Would Hamstring State Efforts"

Washington, D.C.—The nation's governors will hold the federal government accountable for promises made in the 1996 welfare reform law to sustain a productive federal-state partnership. In letters to House leadership, governors declared that cuts in the House-passed budget resolution would seriously jeopardize state welfare reform efforts and Medicaid programs—a breach of the 1996 agreement forged among governors, Congress, and the president. The 1996 agreement gave governors increased flexibility and responsibility for welfare in exchange for five years of guaranteed level funding. Medicaid programs, which have already contributed enormous budgetary savings, play a critical support role in welfare reform efforts by providing health care for the working poor. The resolution passed by the House contains more than $10 billion in cost shifts in welfare and $12 billion in cost shifts in Medicaid.

"We urge you in the strongest possible terms to uphold the historic welfare agreement reached in 1996 and reject any cuts in welfare or Medicaid. We hope you and your colleagues will consider the negative consequences of reducing the federal contribution to these programs. These cost shifts and recent initiatives to reduce flexibility within the welfare block grant are a serious violation of the welfare agreement reached in 1996, eroding the federal-state partnership," said NGA Chairman Ohio Gov. George V. Voinovich and NGA Vice Chairman Delaware Gov. Thomas R. Carper. "Governors transformed welfare, lifting millions to independence and self-sufficiency and dramatically decreased the rate of growth in Medicaid, creating a stronger, leaner program. The appropriate response to this success isn't to hamstring state efforts and shun the federal government's responsibility to uphold the federal-state partnership."

The governors are making their concerns known as Congress breaks for its July 4 recess and members travel back to their home states. Both chambers are waiting to act on the budget resolution until the Congressional Budget Office delivers its re-estimate of projected surpluses. Governors stressed that the pledges made by members to uphold the tenets of the 1996 welfare reform law should translate into action that considers *all* programs with welfare reform implications.

MEDICAID

Governors strongly oppose efforts to take an additional $12 billion out of the Medicaid program over the next five years. Medicaid already made an enormous contribution to budgetary savings through controlled program growth rates. In the late 1980s and early 1990s, Medicaid spending grew at an annual average of more than 20 percent. Since 1995, Medicaid growth was contained to approximately 5 percent. State reforms designed to reduce costs while maintaining quality made these enormous savings possible. These savings, combined with the far-reaching reforms enacted last year through the Balanced Budget Act, will reduce actual and projected Medicaid spending by more than $100 billion by 2002. Governors warned that Medicaid should not be subject to further cuts. Instead, the reforms enacted last year should be given time to take effect.

"These cuts will seriously hamper state efforts to run high-quality, cost-effective health care programs for low-income pregnant women and children, senior citizens, and disabled individuals," wrote NGA's Executive Committee in a letter to House leadership. "To achieve the $12 billion savings outlined in the House budget resolution, Congress will be forced to cap the federal government's support for the open-ended entitlement program, which would result in a massive cost shift to states, or to radically reduce Medicaid's disproportionate share hospital program, which would fundamentally undermine statewide systems of health care access for the uninsured. The governors adamantly oppose a cap on federal Medicaid spending in any form."

WELFARE

The House budget resolution would include more than $10 billion cut from the "income security" funding category that includes Temporary Assistance for Needy Families (TANF), as well as other welfare-related programs, such as the Social Services Block Grant, child care, child support, and child welfare.

The cuts would occur when many states are working to help the hardest-to-serve populations gain traction in moving from welfare to work. These challenges will require reliable funding to give citizens the support and tools they need to become self-sufficient. In addition, many states are preparing for future economic downturns or hardships by creating rainy day funds.

Governors are worried that some House members are rationalizing the cuts by making irrelevant distinctions between welfare programs. Several members made pledges on the House floor and in letters to the National Governors' Association (NGA) to restore cuts to TANF. Although governors appreciate these gestures, the speeches and letters fail to identify where savings in the ambiguous "income security" funding category would be achieved. Governors stress that while cuts to TANF may be restored, language in the House budget resolution leaves several other welfare and Medicaid programs vulnerable to cuts. This is a gaping problem that must be addressed when House and Senate budget negotiators meet next month.

The letter to House leadership was signed by NGA's nine-member executive committee—NGA Chairman Ohio Gov. George V. Voinovich, and NGA Vice Chairman Gov. Thomas R. Carper, Delaware; and Govs. Roy Romer, Colorado; Lawton Chiles, Florida; Frank O'Bannon, Indiana; Bob Miller, Nevada; David M. Beasley, South Carolina; Michael O. Leavitt, Utah; Howard Dean, M.D., Vermont; and Tommy G. Thompson, Wisconsin.

—END—

cc: CR
DF
Emil

THE WHITE HOUSE

Domestic Policy Council

DATE: 6/12/98

FACSIMILE FOR: Barry White, Barbara Chow, Bruce Reed

FAX: 5-4532 5-5730 6-2878

PHONE:

FACSIMILE FROM: Andrea Kane

FAX: 202-456-7431

PHONE: 202-456-5573

NUMBER OF PAGES (INCLUDING COVER): 5

COMMENTS: FYI NGA letters re: TANF, SSBG, + Fd stamp cuts, + Gingrich's letter promising to protect TANF

McConnell likely tomorrow

Gramm-Domenici motion to recommit

Pt of order

Robb + Ford

NATIONAL GOVERNORS' ASSOCIATION

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Governor of Ohio
Chairman

Thomas R. Carper
Governor of Delaware
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

June 11, 1998

The Honorable Newt Gingrich
Speaker of the House
H-232 The Capitol
Washington, D.C. 20515

Dear Mr. Speaker:

We appreciate your recent letter expressing your support for the Temporary Assistance for Needy Families (TANF) program as well as your willingness to stand by the commitment Congress made for five years of guaranteed TANF funding as agreed to in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Nonetheless, the nation's Governors remain strongly opposed to any cuts in welfare-related programs as part of this year's budget negotiations. Such cuts are a violation of PRWORA—an agreement forged among Governors, Congress and the administration less than two years ago.

With enactment of PRWORA in 1996, the nation's Governors agreed to a broad package of reforms to a number of programs, all of which are crucial to states' efforts in moving individuals from welfare to work. At the heart of this package was the TANF block grant, which gave states primary responsibility for achieving true change in the welfare system. PRWORA also included reform in the areas of child care, child support, child welfare, food stamps, and Title XX/Social Services Block Grant (SSBG). We agreed to guaranteed levels of funding for these programs along with increased flexibility at the state level. Less than two years later, in a serious breach of this contract with the Governors, states face the threat of Congress reneging on the agreement. Funding levels are being lowered and flexibility is being restricted.

We remain very concerned that the House passed a budget resolution that included an additional $10 billion in savings designated to come from the Function 600 Income Security category. As you know, Function 600 includes TANF, as well as many of the other PRWORA programs already mentioned, such as child care, SSBG and child support. In 1997, Congress passed a new law reforming the child welfare and foster care system that included several new state requirements. States' efforts to meet these new requirements could be hampered by cuts in child welfare funding. Any attempt to pare down any of these programs is a serious violation of PRWORA and would undermine states' welfare reform efforts. As more individuals leave the welfare caseloads, other assistance programs are key in moving people from welfare to work and most importantly in preventing them from moving back into welfare.

This year, we have already seen reductions in SSBG through the recently passed transportation bill. Not only did this bill cut SSBG funding levels, but also limited states' ability to transfer funds between TANF and SSBG, a key component of the welfare reform agreement. The agricultural research bill,

NATIONAL GOVERNORS' ASSOCIATION

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Governor of Delaware
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

June 11, 1998

The Honorable Richard Gephardt
Minority Leader
H-204 The Capitol
Washington, D.C. 20515

Dear Representative Gephardt:

We are writing to reiterate the nation's Governors strong opposition to any cuts in welfare-related programs as part of this year's budget negotiations. Such cuts are a violation of PRWORA—an agreement forged among Governors, Congress and the administration less than two years ago.

With enactment of PRWORA in 1996, the nation's Governors agreed to a broad package of reforms to a number of programs, all of which are crucial to states' efforts in moving individuals from welfare to work. At the heart of this package was the TANF block grant, which gave states primary responsibility for achieving true change in the welfare system. PRWORA also included reform in the areas of child care, child support, child welfare, food stamps, and Title XX/Social Services Block Grant (SSBG). We agreed to guaranteed levels of funding for these programs along with increased flexibility at the state level. Less than two years later, in a serious breach of this contract with the Governors, states face the threat of Congress reneging on the agreement. Funding levels are being lowered and flexibility is being restricted.

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Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

June 11, 1998

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Thomas A. Daschle
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Senators Lott and Daschle:

We are writing to reiterate the nation's Governors strong opposition to any cuts in welfare-related programs as part of this year's budget negotiations. Such cuts are a violation of PRWORA—an agreement forged among Governors, Congress and the administration less than two years ago.

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This year, we have already seen reductions in SSBG through the recently passed transportation bill. Not only did this bill cut SSBG funding levels, but also limited states' ability to transfer funds between TANF and SSBG, a key component of the welfare reform agreement. The agricultural research bill,

that now awaits the President's signature, reduces food stamp administrative costs. Governors view this bill, S. 1150, as a serious violation of the PRWORA agreement as it restricts the use of TANF dollars in the state. Further, the Senate budget resolution specified further cuts in administrative costs for food stamps and Medicaid,

PRWORA already made its contribution to a balanced federal budget by establishing a fixed amount of federal welfare spending over a five-year period through TANF and other programs, such as SSBG. Further cuts in welfare-related programs should be dropped from consideration in this year's budget negotiations.

Governors are keeping their end of the deal. As Governors who have been deeply involved with these issues, we urge you in the strongest terms possible to do the same and end the repeated attacks on PRWORA.

Sincerely,

George V. Voinovich
Governor George V. Voinovich

Tom Carper
Governor Thomas R. Carper

Roy Romer
Governor Roy Romer

Lawton Chiles
Governor Lawton Chiles

Bob Miller
Governor Bob Miller

David M. Beasley
Governor David M. Beasley

Michael O. Leavitt
Governor Michael O. Leavitt

Tommy G. Thompson
Governor Tommy G. Thompson

Howard Dean
Governor Howard Dean, M.D.

Frank O'Bannon
Governor Frank O'Bannon

John Engler
Governor John Engler

Tom Ridge
Governor Tom Ridge

Gary Locke
Governor Gary Locke

The Speaker
United States House of Representatives
Washington, D. C. 20515

Newt Gingrich
Sixth District
Georgia

June 4, 1998

National Governors' Association
Hall of the States
444 North Capitol Street
Washington, DC 20001

Dear Governors,

I received your letter today outlining your opposition to the House budget resolution because of its projected funding levels for the Temporary Assistance for Needy Families (TANF) program. Because there appears to be some confusion in the media, let me reiterate my position: I steadfastly support the TANF program and will do everything in my power to ensure that the final House-Senate conference report funds the program for the full five years.

As you know, I gave you my word that TANF funding will be guaranteed for five years. Rest assured that I will stand by that commitment. Despite the language in the House version of the budget resolution, we will readdress – and remedy – this issue in conference with the Senate.

Our work together in reforming welfare was one of the most historic accomplishments of the 104th Congress and one of the proudest moments of my legislative career. I will not let this issue jeopardize our ongoing and productive working relationship.

I hope this letter helps assuage any concerns you may have about my intention to support – and fund – the TANF program.

Sincerely,

Newt

Newt Gingrich

NGA

THE WHITE HOUSE

Office of the Press Secretary
(Las Vegas, Nevada)

For Immediate Release July 28, 1997

REMARKS BY THE PRESIDENT
TO THE NATIONAL GOVERNORS ASSOCIATION

The Mirage Hotel
Las Vegas, Nevada

11:05 A.M. PDT

THE PRESIDENT: Thank you very much for the warm welcome. I must say, whenever I come back here, I feel terribly nostalgic. I'm eager to come, I hate to leave, and I always know there's something that we don't entirely agree on. And right before we came in here, I came into the Mirage and I saw Steve Wynn and Governor Miller, and right before we walked in, we walked through another room which is set up just like this one -- a committee room -- there wasn't a soul in there. And I thought, look, I know we don't agree on everything, but this is taking it a little far. (Laughter.) I was delighted to see the real thing. Thank you very much.

I want to say that -- to you, Governor Miller and to Sandy and all your team here in Nevada, Hillary and I are very grateful to you for many things, but especially for what you've done on early childhood development. I congratulate Governor Voinovich on assuming the chairmanship. And I thank him for what he has done for young children. It is a remarkable record in Ohio. And Governor Carper, congratulations. I'm delighted to be joined here by many members of the administration who have been here before and will be here when I leave.

And I would like to talk today about a number of things, but let me say that I have tried to establish a better and a growing partnership with the NGA since I first took office. I've been working on one thing, really, which is to prepare our country to go into this new century where every American who is responsible enough to work for it has a chance at the American Dream; where out of our vast diversity we build one America; and where we will continue to be the world's leading force for peace and freedom and prosperity, with opportunity for all and responsibility from all, an American community of all.

The governors who have been kind enough to share with me work experiences, now going back nearly 20 years, have played a major role in a lot of what I have tried to do, because it seems to me now, as it seemed to me when I took office – although, I feel more strongly about it now – that in some ways our major challenge is to develop new ways of thinking and acting about all of our problems, going beyond false choices which are imposed on us by limited thinking and beyond old conflicts. It's so much easier to keep fighting in the same old way than it is to imagine a new way of doing business.

Indeed, a great deal of my time away from domestic issues is spent trying to get people to stop doing things that no one should have to ask them to stop doing. In Bosnia, people lived together for decades in peace – within two months they were shooting at each other's children. In Ireland they're still fighting over 600-year-old disputes when the young people are dying to get away from it. But people just can't escape the habits of old conflicts. Thank goodness, ours are more constrained, but we have to do better.

And I must say, Governor, the best example that I have seen of a new way of doing things I saw two days ago when I was in Nevada at Lake Tahoe, one of the most perfectly beautiful large lakes in the world, which is losing about a foot of its clarity every year because of pollution. And at Lake Tahoe, I saw the most conservative business people sitting with the most active environmentalists on the same page. They would say that same things. You couldn't tell after a point who was in what group, because they have concluded that they cannot preserve their economy and grow it without also preserving their environment.

And it was a marvelous thing. I couldn't tell who was a Republican or who was a Democrat. I couldn't tell who was in the public interest environmental group and who was running a local business, because they have just imagined a future that is different from their past. And in large measure, that is what we all have to be doing because the time we're living in is so dramatically different.

And we've tried to do a little bit of that in Washington. They told me when I got there we couldn't balance the budget and reduce the deficit and cut spending and still invest more money in education – but we did. They said that we couldn't have an activist federal government if we were going to cut the size of it and reduce regulations and give more authority to the states – but the government is 300,000 people smaller than it was the day I took office. And I think it's clear that we've got a different kind of partnership here.

So that's the sort of the thing I'm interested in in all these areas. Let me just say that the most important test of any endeavor, I guess, is results. If you look at the economy we said that we thought we had to cut the deficit, but invest more in our people and their future; and we had to open new markets to American products and services -- and we've got the strongest economy in a generation.

In crime, we said we had to keep being tough on criminals, but we had to do some intelligent things -- that we could have reasonable restrictions on keeping guns out of the hands of people who shouldn't have them, without interfering with the right of Americans to keep and bear arms, and we have done it. We said we had to punish people more, but we had to give children something to say yes to, and we've had five years of declining crime rate and last year the biggest drop in violent crime in 35 years. And welfare, all of you proved that you could be tough on work and still supportive of children and families, that it was a false choice -- and we had the biggest drop in welfare rolls in history.

Today, I would like to talk about three things, basically. One is finishing the job of balancing the budget; two is following through on welfare reform; and, third, achieving national excellence in education.

First, with regard to the budget, we're now in our final stage of negotiations on the details of legislation to write into law a balanced budget agreement. We know now that the deficit this year, when it comes in, will be over 80 percent less than it was in 1992, when I took office, in January of '93. And some people are saying, well, we ought to just forget about it, the economy will keep growing and the budget will be in balance next year. That is dead wrong. It might be in balance next year or it might not, but if it is the deficit will start going up again immediately. Why? Because as all of you know, you can't reform the entitlements in an annual appropriations basis. We have over $400 billion of savings in the entitlement programs in this balanced budget agreement and $900 billion in savings over 10 years.

Secondly, one of the things that keeps the economy going is confidence that we're serious about fiscal responsibility. So if we walked away from the budget agreement we don't know what impact it would have on the stock market and on individual investment decisions and on the other things that keep our economy growing. So I think it would be a mistake.

More important, this is a remarkable budget. Because of the prosperity of our country we have an historic opportunity to balance the budget in a way that reflects our values and strengthens our economy as well; a historic opportunity to pass a balanced budget that includes the largest increase in education since 1965, the largest increase in helping people go to college since the G.I. Bill passed 50 years ago and, as Governor Miller said, the largest increase in health insurance and health support for children since Medicaid was enacted in

1965 -- with a bipartisan vote from the Congress.

We have a chance to pass a balanced budget that will move more people from welfare to work, that protects the environment, that extends the Medicaid trust fund for a decade -- although, to be sure, we will have to do more on that in the future. We have an opportunity to give the American people a tax cut that is modest in the context of the overall economy, but still will provide much needed relief to middle class families, will support education, and will help to grow this economy in the future.

This is an historic opportunity. It can be the achievement of a generation. It can only happen with big majorities of people in both Houses and both parties coming together. And I believe we're on the verge of achieving it.

We've worked hard over the past weekend trying to work out some of the last difficulties with which many of you are very familiar. I am pleased to say that we have reached agreement, that the American people will get America's version of Georgia's HOPE Scholarship -- a $1,500 tax credit for the first two years of college. There will be other things in the agreement that are well-known, but it's clear to me that it must have a child tax credit available for working families who need it -- from teachers to technicians, from fire fighters to small business people across this country. It should include $24 billion for children's health care. It should include a tobacco tax to help pay for that health care. And it should preserve the fiscal integrity of the budget. We need to be able to say to you, not just in five years, but in 10 years, we will continue to be able to keep this budget in balance if we have a reasonably successful economy.

Over the long-term, the policy of fiscal responsibility is best economics. And we dare not go back to a policy of sustained structural deficits. We will be punished in the international markets, and people in every state in this country that you represent will be hurt if we do that. I think we're going to do it.

I know that you have some concerns over the continuing debate in the children's health package. We're trying to work through that. Let me just say that I am striving to achieve two principles that I do not believe have to be in conflict. First of all, I think there will be more flexibility than the states have had in the past ever in the administration of the Medicaid program and the new children's health program. And there will be no new costs to the states in the children's health program.

But it is important also that we have an adequate benefit package for children, recognizing that there are some problems that children have in a way that is more profound than adults, including problems with vision, with hearing, with dental health. I also think it's important that the American people know if we're going to raise this tax money on tobacco that the

money will actually add children to the ranks of the insured and not be used, in effect, for people to be able to drop other insurance schemes of children and put them on a public program, or that the money would be spent on things other than adding children.

So that's where we are. I feel good about it. And I think we're on the right track. And I will be surprised and deeply disappointed if we do not achieve an agreement in the near future that you will, hopefully, be quite supportive of and that will achieve sustained, big majorities from both Houses and both parties.

The second thing I'd like to talk about briefly is welfare reform. It has been one of my top priorities for a long time -- as Governor Miller said, for at least 10 years, since my predecessor, as head of the Governors Association, Lamar Alexander, asked Mike Castle and I to head a welfare reform task force a decade ago.

Since I took office, we have given waivers to 43 states to help you launch your own welfare reform experiments to make welfare a second chance, not a way of life; to promote independence and family and work and responsibility. And about a year ago, I signed the welfare reform law which has tough work requirements, time limits, parental responsibility, and imposes significant responsibilities on you, while giving you more flexibility to be fully responsible for the program.

There was a lot of debate about the time I signed the bill about whether welfare reform would work, about whether people would actually move from welfare to work or whether they could. I would submit to you that after four and a half years that debate should be over, based on the evidence that you have worked so hard to amass.

There are now 3 million fewer people on welfare than the day I took office and 1.2 million fewer people since I signed the welfare reform bill just a year ago. Nine states have cut their welfare rolls by more than 40 percent in the last four years. Wisconsin and Wyoming have cut their welfare rolls in half. This is the largest decrease in history. And we now have the lowest percentage of our population on welfare since 1970. And you should be very proud of your role in that achievement. That is something America can be proud of -- the lowest percentage of people on public assistance since 1970. (Applause.)

Now, I know there are a lot of reasons for that. The good economy has taken some people from welfare to work. There's been a 50-percent increase in child support collections and that's helped. The minimum wage and the earned income tax credit have made work more attractive for people on the margins: that's helped. But make no mistake about it, our Council of Economic Advisors did a very rigorous analysis of this, making clear that a significant percentage of the people who had moved from welfare to work did so because of state welfare reform initiatives and because of the new law. So we know it can work.

Now, let me also say I know that a lot of you were concerned, as I was, about some of thing things that were in the welfare reform law that I felt should not have been there, and we are moving forward in this budget agreement to fix that. Among other things, the most egregious cuts in aid to legal immigrants will be restored under agreements we have already reached with the Republican and the Democratic leaders in the Congress. And there will be another $1.5 billion for food stamps, which I think is important, among other things, because it's important for us to remember that most people on welfare are single mothers and their little children, but a lot of unemployed people long-term in this society are single men, and we should not forget about them.

And one of the things that I like so much about what Governor Carnahan has been doing in Missouri is the attempt to integrate the efforts to put single men into the work force with the effort to put people from welfare into the work force. If we can't do this now when our unemployment is five percent nationwide and when prosperity is virtually uniform across the country, but there are pockets of people who are still unemployed, when can we do it.

So I believe that these restorations will help you in your efforts. And state officials were central to this budget debate without regard to party, and I thank you for your help in getting that into the agreement.

But there's also a lot more to be done. You asked to be cut loose from the federal government's bureaucratic strings, and we did that. But now you have continuing responsibility that is greater, and we have continuing responsibility because it's still a national priority. So I think we ought to take a look at how we're doing -- our successes, our shortcomings and our continuing challenges -- in four areas: jobs, child care, transportation and child support.

First, how well are we doing in creating the jobs that are necessary to move people from welfare to work? If we require people to work, they have to be able to work; there have to be jobs there for them. Nearly all the state welfare-to-work programs include the traditional elements of job search, training, education, community work experience, placement in unsubsidized jobs. But now -- I think this is remarkable -- now 36 of the 50 states are doing what I would encourage every state to do, using welfare checks to subsidize private employment for a period of time.

Almost every state in America today has more money under the welfare program of the reform law than you would have if the old law was in place, because we pegged the block grant to the time when welfare rolls were the highest and they've dropped at a record rate. So the 35 states that are doing this I predict will find much, much greater success in getting private employers to be willing to take a chance, because now that we've moved 3 million people off the rolls, you know as well as I do that the remaining adults on the rolls, by and large, are the hardest to place in employment in the private sector, need the most training, need the most support, may have a false start or two, and we cannot do it unless we have private sector support. So for those of you who have done this, I take my hat off to you.

We also know that there will be some places in this country where the impact of welfare is so great and the present absence of private sector successful job creation is limited, that we have to do more. So this agreement will include $3 billion to go to communities and states to help you create the work opportunities in those areas where the private sector will not be able to provide them alone. And I think that is a good thing.

We also have secured in this agreement from congressional leaders a private employers tax credit to help hire long-term welfare recipients. And I believe it is drawn as narrowly as we could draw it, so that the tax credit cannot, in effect, be used for people other than those who are actually moving from welfare to work. And I hope that will help you to meet your goals in each state. Pennsylvania and Massachusetts are among the states that are already doing this.

And I also believe, if I might say, that every one of these workers should earn the minimum wage. And I know there's been some debate about that. I've heard already from Governor Voinovich and Governor Miller what your position is, but I just want to reaffirm my view that when people go into the workplace and they earn the minimum wage they ought to be able to earn the minimum wage, they should be eligible for the earned income tax credit. That's what I believe. Whether we can work some resolution of some of the other issues, I don't know, but I feel very strongly about that.

I know right now that according to our analysis, the fact that we raised the minimum wage and raised the earned income tax credit is one of the reasons a lot of people voluntarily tried to move from welfare to work, and I don't think we ought to do anything that would undermine that incentive.

Let me say that we also have a welfare-to-work partnership nationally with CEOs of large, medium and small businesses. And I want to thank Governors Thompson and Carper for agreeing to co-chair the advisory council of that partnership. I think it would be a good thing if every state had a similar partnership. North Carolina, I know, is one of the states -- a growing list -- that have established them locally.

My experience has been that private employers are actually quite eager to help us solve this problem. If we will help them with some of their problems, I think that they will carry a lot of this load for us because all of America has a vest interest in seeing that welfare is a second chance, not a way of life.

MGM Grand Hotel here has hired over 1,000 welfare recipients during the past few years. And the state of Nevada has set a goal for new casinos to set aside 10 percent of all their positions for former welfare recipients. And we thank you for that.

The second thing that it seems to me we ought to look at is child care. We all know that it's essential if low-income families are going to succeed at work and at home. And I think we all agree that raising children will always be our most important job. It's more important than our day job. It is the most important thing any society can do. And we can't have people with young children moving into the work force unless they know that they're children are going to be well-cared-for and safe and secure in a nourishing environment while they're at work.

Now, we worked hard to add $4 billion to the welfare reform law to increase child care assistance to you. And states are now receiving more federal dollars, and about half the states over and above that are increasing their spending beyond what is needed to receive these federal funds. And for those of you that are doing that, I applaud you. And I think the states with the biggest drop in welfare loads would say -- I see Governor Thompson nodding his head -- I believe they would say that that has been critical in their endeavors. Florida, Wisconsin and a few other states have added quite a bit more than required under the federal law.

Some states are creating seamless child care systems which provide subsidies for all workers below a certain income whether they were once on welfare or not. That is a model that I hope one day we'll be able to have everywhere in America.

The First Lady and I have worked on this -- she, particularly -- for a long time. We think every child should have access to quality child care, and we think it's the next great frontier if we're going to make sure all Americans can succeed at home and at work. On October 23, we're going to have the first ever White House conference on child care, to discuss the strengths and weaknesses of the present system and what else we have to do. And I hope you will all be involved in that and will have representatives there.

The third thing we have to do is to make sure we have adequate transportation for those moving from welfare to work, because the jobs, the training programs and the child care centers are often outside the neighborhoods. I must say, I

thought I knew a lot about welfare, but until we actually got into the law here, I was unaware that only six percent of the people on welfare have cars, and that in many big cities, no matter how long people are willing to ride the bus or the subway, they will never get to the available entry-level jobs. That is a stunning statistic.

At the same time, there are a lot of suburbs where businesses need new workers. And Congress, therefore, I think should put in this new transportation bill the proposal I've made for $600 million to help states and localities devise transportation strategies to move people from welfare to work. Some communities and states have already started. Kentucky has an Empower Kentucky initiative that uses the resources of four different Cabinet offices and a free transportation brokerage system to assure transportation in all areas of the state. And this will probably be something that all of us who come from states with large rural populations, where there are people in rural areas on welfare, will have to adopt.

Michigan's Project Zero provides transportation in its effort to put every able-bodied person to work. In Wisconsin -- this was a stunning statistic to me -- only 3.5 percent of the people on welfare have cars. So the state has a job ride initiative to van-pool literally thousands of central city workers to suburban jobs.

Other states are spending part of the welfare block grant you now have on transportation. And I would just encourage you to do more of it, and I ask you to please help me persuade Congress to put this $600 million in the new ISTEA bill, because it will help you to do what you have to do to meet your goals of employment.

Finally, let me say a word about child support. The governors have been in the vanguard of insisting on more uniform, tougher child support requirements. The legislation that has been passed and the efforts that we've made together have led to an increase of 50 percent in child support collections between '92 and '96. And that is very good -- that's billions of dollars. But with the unanimous support from this body we made sure in the welfare law there were tough new measures to help the states track deadbeat parents across state lines.

To date, however, as you saw from the study that was published a few days ago, not all states have put these measures in place. This is one of the critical steps to welfare reform. And the more people who are obliged to pay for their children, who can pay for their children, are unable to escape the obligation to pay for their children, the more there will be public money to spend on productive ways to help the people who actually have to have help. So I would urge all the states to put in place these tough, state-wide child support collections mechanisms as fully and quickly as possible.

Finally, let me say that I have some concern that the savings from welfare, which have been very considerable in some states, will not be used on welfare reform to move all the people who can move from welfare into the work force. We have lowered welfare rolls by $3 million over 4.5 years, and that's a great accomplishment. But we know we've been helped by the other things that I mentioned.

Now, I know in some state capitals there are big debates about how to use extra money caused by the fact that the block grant was pegged to the peak welfare caseload and the caseload is much lower in your states. But I think if we were to revert these savings to other things away from welfare reform, it would be a big mistake that would come home to haunt the states the next time there is an economic down turn. We would -- anybody who does it, I think, would really wind up regretting it the next time there's an economic down turn.

And if you can get people -- even in an economic down turn, if people lose their jobs, if they have work experience now, if we can get all these people into the work force now, then when they become unemployed, as there will always be some people who are unemployed, they will be far, far more likely to be unemployed for a shorter period of time and to get back to productive work more quickly.

Maryland has decided to take the money that they have from lowering caseloads and they're using all of it for child care, transportation and training people. And I think that that is the way to go. After a year of this law, we know that welfare reform will work -- we know it will. But we know that we have a ways to go to make a culture of dependency a thing of the past. And so in these four areas, for all you're doing, I applaud you. But I would urge you, all of you, to make sure that you've done everything you can in each area.

Finally, let me ask your help in one other area. As all of you know, and particularly those of you who served with me know, education has been not only the centerpiece of a lot of what I'm trying to do in this second term, it's been an obsession of mine throughout my public life. We have made a lot of progress since the Nation At Risk report was issued in the spring on 1983, and governors have led the way. But we have a lot more to do.

In the State of the Union address I asked every state to adopt high national standards and, by 1999, to participate in testing every 4th-grader in reading and every 8th-grader in math to make sure the standards are being met.

Since I issued that call, governors and education leaders in six states have agreed to participate. And I thank the governors of North Carolina, Maryland, Massachusetts, Michigan, Kentucky and West Virginia -- three Republicans and three Democrats -- along with the Department of Defense schools all over the world for stepping up to the challenge.

I wish Governor Weld were here for me to thank him, but I appreciate the fact that he's willing to go to Mexico. And I hope we can get him there. (Applause.)

Last week, Secretary Riley and I went to the National Association of Elementary School Principals where we were able to announce, thanks to the Coalition of Great City Schools, that 15 of the largest school districts in this country, including schools in six of the seven largest cities in America, have committed to adopt national standards and to participate in the program. This will get us up to about 20 percent of the children in America who are now committed to be a part of this in 1999.

Now, this is an astonishing thing. For those of us who have been at this for a long time, this five years ago -- the idea that 15 of the largest cities in America, which were written off in terms of their school system, would come up and say, not only do we not wish to be written off, we're willing to be held accountable, and if our kids aren't measuring up, we want to know about it, is an astonishing development in modern history of education reform and something we should all be very, very excited about and grateful for.

Now, I know there is some reluctance here, and I would just like to deal with a couple of issues. One is the cities wouldn't do it for a long time because they thought that our kids couldn't do it. That's the truth. They said America has a higher percentage of poor kids than other countries; America's got a more diverse student body than other countries; America's got all these problems in the way they work than other countries, and on and on and on -- and these kids, they just have too many loads to bear.

My theory is that the kids with too many loads to bear need to be held to the highest expectations and need a good education more than anybody else. And now we know we can do it. The results we got just a few weeks ago from the Third International Math and Science Tests, which include a few thousands kids from America -- but they are a representative sample by race, by region and by income -- had for the very first time on any international test -- our 4th graders scored way above the international average in math and science, way above the international average. It had never happened before. But we know we can do it now. (Applause.) That's the good news.

The bad news is, the kids in the 8th grade still scored below the international average. And we know why. When they reach adolescence, they -- all the problems of adolescence come to bear. They become more vulnerable to the gangs, the guns, the drugs, all the other things. The middle schools in many, many of our states were organized -- many of them are too big to be functional -- they were organized when our society was far more stable and coherent than it is now.

We know there are a lot of problems we have to face, but we don't have to guess anymore about whether our kids can do it. We don't have -- that's not -- it's not an open debate. They proved that they could do this. And we owe it to them. So we're not doing them any favors by not saying we're prepared to be held to international standards.

The second reservation I think is that somehow this was a power grab by the federal government to erode state's constitutional responsibility for education or local control of the schools.

Now, Secretary -- Governor Riley is going to be here after I leave, and I know he's been here, but let me reemphasize -- our basic role here is to pay for the development of this test. And most of you now participate in the national assessment of education progress -- over 40 states do. We participated in helping to pay for the development of that test, but it's a national test that is given to a representative sample of students; it has nothing to do with the federal government. They're not government questions, government standards, government anything. We helped them to develop the test. That's what we propose to do for all the kids at the 4th and 8th grade level -- not to have a federal standard, but a national standard.

Governor Romer has been working on that for years. When I handed over the leadership of the standards movement and he took it up, he's been, I think, perhaps out most passionate and certainly our most well-informed advocate on this issue for a long time.

But this is not a federal government power grab. It's a question of whether there should be national standards. Neither is it inconsistent with the fact that the Department of Education has actually given more say to states and local school districts than our predecessors in how to spend federal funds. So I think that that is not accurate.

Now, the third and the legitimate concern that a lot of you have is that you already have sometimes more than one other testing regime. That is a legitimate concern. And so we have to work with you if we're going to ask you to participate in this to try to reconcile these things so that you're not overburdened in terms of the administrative time, the time that kids spend, all that. I understand there are practical implementation issues that I consider legitimate. But I think we can work through those.

I just have to say, though, I do not believe that we will be the leading economy in the world 50 years from now unless we can do a more uniform job of getting people out of high school with excellent world-class educations. I do not believe that.

You have to ask yourself whether you believe that. I don't believe that.

We've got the finest system of higher education in the world. It will continue to carry us a long way, but we simply have to do a better job in K through 12. And I believe this will help. And I want to implore you to work with us and try to work through the legitimate administrative concerns you have of the duplication of tests and the time and all that business. We will do everything we can to help with that. But I think this is a terrific opportunity for us and now we know we can do it.

So those are the things I wanted to say about the budget and welfare reform and education: state responsibilities involving education and welfare reform, but high national priorities; and critical to move with these forward into the 21st century.

Just very briefly let me mention one more thing. I have been helped greatly by two of your former colleagues, Governor Kean of New Jersey and Governor Winter of Mississippi, who agreed to be two of the seven members of our advisory board in this year-long effort we're making to look at the state of race relations in America, race reconciliation and where we're going into the 21st century. I think all of us know there is still some unfinished business, represented by the continuing debates we have in America over affirmative action and other issues. But what I think has not been as clearly thought through are the implications of where we're going racially as a country.

Today, Governor Cayetano is the governor of the only state in America that has no majority race. In Hawaii, about a third of the people are of European heritage, about a third of the people are of Japanese heritage, maybe a little lower, both; about 18 percent of Philippine heritage, about 16 percent native Pacific Islanders. But within five years the state of California will have no majority race. And unless there is a dramatic change in birth patterns and immigration patterns -- I mean a dramatic change -- within 30 to 40 years in our nation as a whole there will be no majority race. We have to think about the implications of this.

I just welcomed all the delegates from Girls Nation and Boys Nation to the White House. And both the delegates from Girls Nation -- Governor Carlson from Minnesota -- were Asian Americans, in Nordic Minnesota. This country is changing in dramatic ways. Race, ethnicity and religion is convulsing the rest of the world. If we can somehow not only respect, but actually celebrate our diversity and still have people say that the most important thing is I'm an American and we have one America, this is an unbelievable opportunity for us in the new century. It can do as much as anything else to preserve our world leadership for the things that we care about and to make America really work.

And so I would ask all of you over the course of the year, and maybe we'll take it beyond -- we'll be trying to get in touch with people in every state -- I hope you will participate in this. This will be a good, healthy thing for America. But it is also absolutely essential to the function of this country as we move into the 21st century. If we can't find a way to say it's good, whatever our ethnic heritage is and we celebrate it, but the most important thing is we are a part of one America. We can't achieve any of these other things we want to achieve over the long run.

And again I say, if you think about what the governors are about -- getting rid of false choices, getting rid of phony debates, going into the future -- this is at the core of that. So the country is in good shape, we're moving in the right direction. We've got to finish the job of balancing the budget, follow through on welfare, put education on the front burner and learn to work and live together. If we do that, then all of us together will leave our grandchildren an America that will be greater than it is today.

Thank you very much. (Applause.)

END 11:43 A.M. PDT

NGA

National Governors' Association Speech
July 28, 1997
Questions and Answers -- 7/25 DRAFT

Welfare to Work

Question: **The President said that Pennsylvania and Massachusetts are among states that are giving tax incentives to employers. What exactly are they doing?**

Answer: According to a report from the National Governor's Association, under Massachusetts' Full Employment Program, employers receive subsidies of $2.50 per hour for up to nine months. Participating employers are also entitled to an excise tax credit of $100 per moth for each FEP employee hired. Pennsylvania rewards employers for participating in their Employment Incentive Program (EIP) by providing up to $5100 in state tax credits for each welfare recipient an employer hires. The employer can earn $1,500 of the possible tax credit by paying for or providing child care to the welfare recipients hired. The welfare recipient must be employed for at least one year for the employer to receive the financial incentives.

Question: **In his speech, the President cited North Carolina as an example of a state that is effectively creating public-private partnerships to move welfare recipients to work. What is North Carolina doing?**

Answer: As part of North Carolina's Work First Program, the state is recruiting business leaders to hire people off welfare. Many county offices have contracts with the local Chambers of Commerce to hold job fairs once a month and meetings with chief executives.

Question: **The President also commended Las Vegas, Nevada and the hotel/casino industry for their partnership in hiring welfare recipients. What exactly are they doing?**

Answer: Las Vegas, the state of Nevada, the Chamber of Commerce and the hotel/casino industry have been working closely to get jobs for welfare recipients. The State goal is for new casinos to set aside 10 percent of all jobs for TANF recipients. Several hotels have already met this standard, including the new MGM Hotel (1,000 positions), the Stratosphere hotel (2,600 positions) and the Silver Legacy Hotel (2,800 positions).

Child Care

Question: **The President said that about half the states are increasing their spending**

beyond what is needed to match new federal child care funds. Which states was he talking about?

Answer: The President commended states that are making child care a priority because child

care is the most critical support for families moving from welfare to work and low-income working families struggling to make ends meet. According to an APWA, the 24 states that are already making this financial commitment to child care are: Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New Jersey, North Carolina, Ohio, Oregon, Tennessee, Vermont, Washington State and Wyoming.

Question: **The President mentioned Florida and Wisconsin specifically - - what are**

they doing?

Answer: Wisconsin and Florida are examples of states that are making important

investments in child care with state funds and/or by transferring TANF funds.

Question: **What are examples of states that have seamless child care systems?**

Answer: Illinois, Michigan, Washington

Question: **What is the White House Conference on Child Care that the President mentioned in his remarks?**

Answer: Last week the President announced that he and the First Lady will host the first-

ver White House Conference on Child Care on October 23, 1997. The conference will examine the strengths and weaknesses of child care in America and explore how our nation can better respond to the needs of working families for affordable, high quality child care. The conference builds on the Clinton Administration's long-standing commitment to increasing access to child care and ensuring child care quality.

Transportation

Question: **The President mentioned three states that have started to address the transportation challenges of welfare reform. Can you tell me more about what they're doing?**

Answer: Kentucky: As part of Kentucky's "Empower Kentucky" initiative, Gov. Paul

Patton's is developing a new transportation system that will ensure that welfare recipients all over the state can receive safe, timely and effective transportation to work, job training program, and child care and health facilities. This transportation system will integrate the transportation programs of four cabinets -- Children and Families, Health Services, Transportation, and Families and Workforce Development-- and extend service to areas of the state currently underserved. The new system will include creating 8-14 transportation regions across the state, contracting with a single broker/provider in each region, and establishing a toll-free number for recipients to arrange for transportation through their regional broker.

Michigan: Michigan's "Project Zero" is a pilot state effort in five counties to reduce to zero the number of public assistance households without earned income. As part of the pilot, three state agencies are partnering to address the transportation barriers faced by participants. Michigan's Suburban Mobility Authority for Regional Transportation provides bus patrons with a ride from their stop to their work site. New employees are provided one month of free bus service. In addition, the Urban and Public Transportation Program provides vehicles to counties to assists clients in getting to work and child care sites during off-peak working hours.

Wisconsin: Wisconsin developed "Job Ride" in 1989 to respond to the emerging transportation need for welfare recipients. For example, statewide only 3.5 percent of families receiving public assistance own automobiles. The program sought created an innovative van pool to link low-income job seekers with jobs in outlying suburban areas. The program served more than 1,100 job placements in Milwaukee and Southeast Wisconsin and recorded over 72,000 trips to work in its eight-year history.

Question: **The President noted that some states are using welfare block grant dollars to**

fund transportation. Can you give me an example?

Answer: In Connecticut., Governor Rowland has committed to using $2.2 million of the state's TANF dollars for transportation services for public transit operators across the State to provide new transportation services to move welfare recipients to work.

Question: The President said he recently proposed legislation providing $600 million to help states and local communities move people from welfare to work. Could you tell us more about this?

Answer: The President is proposing to use the $600 million in new funds to create an Access to Jobs program as part of the reauthorization of the ISTEA transportation bill. This six-year competitive grant program will support new, flexible, innovative transportation services to get people to where the jobs are.

Investing in Welfare

Question: The President challenged all states to follow the lead of Maryland. What is Maryland doing?

Answer: Maryland has committed to maintain their investment in welfare reform efforts -- above and beyond what the new welfare law requires. Some of the resources are going to demonstration projects in critical areas like reducing teen pregnancy; but most of the money is going back to local communities for them to reinvest in job training and support services to families like case management, child care and transportation.

[Background: The welfare law requires states to maintain 80% (75% for states that meet work participation requirements) of their FY 94 state spending on cash assistance programs. This is called the Maintenance of Effort (MOE) requirement. Maryland has committed to spending 100% of its MOE.]

Question: The President said that some states have been debating how to divert savings generated from welfare caseload declines away from welfare reform efforts. Which states have been considering this? As a former Governor, doesn't the President understand that states often have competing needs for dollars and have to spend any savings where they are most needed?

Answer: Diverting welfare savings for other uses has been discussed in many states. We happen to have detailed information from the Center for Public Policy Priorities (CPPP) in Austin, Texas, an organization that monitors budgeting decisions in the State legislature. CPPP found that Texas will have a $363 million TANF "surplus" due to declining caseloads. Of this surplus, Texas used only about one-third on services for welfare recipients; the state used most of the rest of the federal funds to replace existing state spending, fill budget gaps, or purchase other services.

[Contact person at the Center: Patrick Bresette at 512/320-0222.]

Child Support

Question: **The President said that some states are lagging behind in enacting the new child support laws. Which states have not completed work on legislation?**

Answer: Currently, 26 states have enacted the new child support enforcement measures of the new welfare law. The main new enforcement tools are new hire reporting, license revocation, centralized state collections, uniform interstate collection laws and streamlining paternity establishment. These new measures will substantially increase child support collections.

Unfortunately, 8 states have not included some of the provisions of the new law. Those states are Alaska, Idaho, Illinois, Indiana, Maryland, Montana, Oklahoma and Vermont. Some of the measures not adopted by the states are new hire reporting (Illinois), and other significant measures that makes it easier for the states to seize funds from paychecks and property owned by deadbeat parents. Not including all the provisions undermines the states' ability to ensure that children get the support they deserve and need. The President today sent a very strong message that states have to act quickly and pass these crucial child support enforcement provisions.

Question: **What about the remaining states?**

Answer: The other states and territories have either not yet finished their legislative sessions or, under the law, have some additional time to pass the new enforcement provisions. The President sent a strong message today that states need to put these new enforcement tools in place or children will not get the full support they need.

Question: **What will happen to the states that don't pass the new provisions?**

Answer: We are taking the passage of these provisions very seriously. States that do not pass the new enforcement tools will receive a warning from HHS to comply with the law. If the states still do not come into compliance, they will risk losing federal funds for their child support enforcement. The stakes are high here, but getting badly needed support to children is our highest priority.

Question: Is it true that the states could also lose their federal welfare funding?

Answer: If a state does not have a fully compliant child support enforcement program, it risks a loss of its federal welfare funds. Child support can be crucial to help families achieve self-sufficiency and get off the welfare rolls. Parents, not taxpayers, should support their children.

Question: Didn't GAO recently release a report which criticized the federal government for a lack of strong leadership and direction in helping states with child support computer systems? Aren't a lot of states going to miss this October's deadline for having their computer systems up and running?

Answer: As many as 9 states say they are concerned that they will not meet the deadline. There are several main reasons why states have had difficulties. States have experienced contractor problems. States with county-based child support programs, like these states, have encountered jurisdictional problems between the counties and the states.

The child support system is a federal/state partnership. Within this partnership, it is the states' responsibility to implement these important computer systems. The law clearly places this significant project in their hands. HHS has pushed the states to meet deadlines, provided technical assistance and where necessary suspended funding to states which were not making progress.

Welfare Caseloads

Question: The President said in his speech that nine states have cut their rolls by over 40% in the last 4 years. Which states are these?

Answer: The nine states that the President was referring to are Indiana, Massachusetts, Mississippi, Oklahoma, Oregon, South Carolina, Tennessee, Wisconsin, and Wyoming.

Question: How many people are now on the welfare rolls?

Answer: Just under 11 million, down from 14.1 million in January 1993, a drop of 3.1

million or 22 percent.

Question: **Why do you say that we now have the lowest percentage of the population on welfare since 1970?**

Answer: According to HHS data, 4.1% of the U.S. population was on welfare in April 1997 -- that's 11 million people out of a total U.S. population of 267 million. In 1970, the comparable figures were 8.5 million people on welfare out of a total U.S. population of 205 million.

Question: **Why do you think the caseload numbers are down?**

Answer: In May, the Council of Economic Advisors (CEA) issued a report to explain some of the reasons for the dramatic decline in the welfare caseload during the last four years. According to the CEA's analysis, over 40 percent of the reduction in the welfare rolls can be attributed to the strong economic growth during the Clinton Administration, nearly one-third can be attributed to waivers granted to states to test innovative strategies to move people from welfare to work, and the rest is attributed to other factors -- such as the Clinton Administration's priorities to increase the Earned Income Tax Credit, strengthen child support enforcement, and increase funding for child care.

Question: **If the welfare rolls were declining before the new welfare law, why did he need to sign it?**

Answer: The caseload reductions show <u>why</u> the President signed the welfare law -- they're the best evidence that welfare reform works. As you know, this Administration granted welfare reform waivers to 43 states so they could impose tough work requirements and time limits and provide incentives that made work pay better than welfare. The 22 percent decline in welfare caseloads since January 1993 shows that these kinds of actions work. With the new law, governors can expand these welfare reform actions without having to petition Washington.

July 1st

Question: **What is the significance of the July 1 implementation date?**

Answer: In accordance with the welfare law signed by the President last August, as of July 1 all states are now operating under the tough new work rules of the Temporary Assistance of Needy Families (TANF) program. Welfare is now a truly transitional assistance program that requires work in exchange for time-limited assistance.

However, even before welfare reform many states were well on there way to changing their welfare programs to jobs programs. By waiving certain provisions in federal statutes, the Clinton Administration allowed 43 states -- more than all previous Administrations combined -- to require work, time-limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility. Nearly 90 percent of states have chosen to continue or build on their welfare demonstration project approved by the Clinton Administration.

White House Hiring

Question: **The White House pledged to hire 6 welfare recipients by the year 2000.**

Have any been hired?

Answer: Yes. The Executive Office of the President has already hired 6 welfare recipients. [Note that the original commitment that the "White House" would hire 6 people actually reflected the full Executive Office of the President, including OMB and the Office of Administration. To date, the White House has hired 3 people, OMB has hired 2, and the Office of Administration has hired 1.]

Welfare Privatization

Question: **How hard are you fighting Congressional efforts to change the law to allow privatization of Medicaid and Food Stamp operations?**

Answer: We strongly oppose these proposals, believing that allowing states to privatize

health and human services programs would not be in the best interests of program beneficiaries. As you know, we recently told the state of Texas that while certain program functions, such as computer systems, can currently be contracted out to private entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions.

Minimum Wage and Workfare

Question: **Are you going to accept the House welfare provisions which undermine the minimum wage and worker protections?**

Answer: We strongly oppose the House provisions on the minimum wage and worker protections. We believe that everyone who can work must work, and that those who work should earn at least the minimum wage and receive the protections of existing employment laws -- regardless of whether they are coming off welfare.

In addition, the Administration strongly believes that we must retain the welfare law's strict emphasis on work and oppose provisions to permit States to count additional time spent in activities such as job search toward the work requirements.

Question: **What is the Administration doing to ensure that welfare recipients going to work don't displace other workers?**

Answer: We are strongly supporting proposed legislation that would strengthen the anti-displacement provisions of the welfare law. We are urging Congress, at a minimum, to include in the welfare law the non-displacement language from H.R. 1385, the House-passed job training reform bill. We were successful in getting these protections added to the Ways and Means and Education and Workforce Committees on the House side; we must retain these improvements in conference. We are also urging the conferees to accept the House provision which ensures the Federal Government will not pre-empt State non-displacement laws that provide greater worker protections than Federal law.

Welfare to Work in the Budget Bill

Question: **What do the budget bills do to promote work?**

Answer: The budget agreement contains two critical welfare to work initiatives. The first is a $3 billion Welfare to Work fund for cities and states to create job opportunities for welfare recipients. This proposal, a centerpiece of the President's second-term agenda, will help move one million adults from welfare to work. The budget agreement also includes our proposed enhanced tax credit that would give companies that hire long-term welfare recipients a 50% tax credit on the first $10,000 of wages paid over two years. In conference, we are fighting to include the House Ways and Means version of the $3 billion welfare to work program, which directs more funds towards poor cities, and to revise the proposed welfare to work tax credit to conform to the budget agreement.

WR
NGA

National Governors' Association Speech
Questions and Answers

<u>Welfare to Work</u>

Question: **The President said that Pennsylvania and Massachusetts are among states that are giving tax incentives to employers. What exactly are they doing?**

Answer: According to a report from the National Governors' Association, Pennsylvania rewards employers for participating in their Employment Incentive Program (EIP) by providing up to $5,100 in state tax credits for each welfare recipient an employer hires. The employer can earn $1,500 of the possible tax credit by paying for or providing child care to the welfare recipients hired. The welfare recipient must be employed for at least one year for the employer to receive the financial incentives. Under Massachusetts' Full Employment Program, employers are entitled to an excise tax credit of $100 per month for each FEP employee hired; they can also receive wage subsidies of $2.50 per hour for up to nine months.

Question: **In his speech, the President cited North Carolina as an example of a state that is effectively creating public-private partnerships to move welfare recipients to work. What is North Carolina doing?**

Answer: The North Carolina Department of Human Resources, North Carolina Citizens for Business and Industry, and chambers of commerce around the state are collaborating on an effort to encourage businesses to hire people off welfare. For example, the Mecklenburg County Chamber of Commerce, in partnership with the local social service office, has launched an aggressive campaign urging each of its 4,700 members to hire at least one welfare recipient -- a goal which, if achieved, would cut the county welfare rolls by more than half.

Question: **The President also commended Las Vegas, Nevada and the hotel/casino industry for their partnership in hiring welfare recipients. What exactly are they doing?**

Answer: Las Vegas, the state of Nevada, the Chamber of Commerce and the hotel/casino industry have been working closely to get jobs for welfare recipients. The State goal is for new casinos to set aside 10 percent of all jobs for TANF recipients. Several hotels have already met this standard, including the new MGM hotel, the Stratosphere hotel, and the Silver Legacy hotel.

Question: **Which 36 states are using welfare checks to subsidize paychecks?**

Answer: According to a National Governors' Association survey, all states except Alabama, Connecticut, Idaho, Illinois, Iowa, Kansas, Louisiana, Maryland, Minnesota, Nebraska, Nevada, New Mexico, Tennessee, and Utah subsidize employment.

7/26/97

Child Care

Question: **The President said that about half the states are increasing their spending beyond what is needed to match new federal child care funds. Which states was he talking about?**

Answer: The President commended states that are making child care a priority because child care is the most critical support for families moving from welfare to work and low-income working families struggling to make ends meet. According to a survey by the American Public Welfare Association (the state welfare directors), 24 states plan to spend more of their own dollars than they need to in order to match the new federal funds. These 24 states are: Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New Jersey, North Carolina, Ohio, Oregon, Tennessee, Vermont, Washington State and Wyoming.

Question: **The President mentioned Florida and Wisconsin specifically - - what are they doing?**

Answer: Wisconsin and Florida are examples of states that are making important investments in child care with state funds and/or by transferring TANF funds. Wisconsin, for example, plans to spend $158 million in combined federal and state funds.

Question: **What are examples of states that have seamless child care systems?**

Answer: Illinois, Michigan, and Washington all provide child care subsidies based on income, not whether a parent used to be on welfare or not.

Question: **What is the White House Conference on Child Care that the President mentioned in his remarks?**

Answer: Last week the President announced that he and the First Lady will host the first-ever White House Conference on Child Care on October 23, 1997. The conference will examine the strengths and weaknesses of child care in America and explore how our nation can better respond to the needs of working families for affordable, high quality child care. The conference builds on the Clinton Administration's long-standing commitment to increasing access to child care and ensuring child care quality.

Transportation
(DOT Staff Contact: Janno Lieber 366-4450)

Question: **The President mentioned three states that have started to address the transportation challenges of welfare reform. Can you tell me more about what they're doing?**

Answer: Kentucky: As part of Kentucky's "Empower Kentucky" initiative, Gov. Paul Patton is developing a new transportation system that will ensure that welfare recipients all over the state can receive safe, timely and effective transportation to work, job training programs, and child care and health facilities. This transportation system will integrate the transportation programs of four cabinet departments -- Children and Families, Health Services, Transportation, and Families and Workforce Development-- and extend service to areas of the state currently underserved. The new system will include creating 8-14 transportation regions across the state, contracting with a single broker/provider in each region, and establishing a toll-free number for recipients to arrange for transportation through their regional broker.

Michigan: Michigan's "Project Zero" is a pilot state effort in five counties to reduce to zero the number of public assistance households without earned income. As part of the pilot, three state agencies are partnering to address the transportation barriers faced by participants. Michigan's Suburban Mobility Authority for Regional Transportation provides bus patrons with a ride from their stop to their work site. New employees are provided one month of free bus service. In addition, the Urban and Public Transportation Program provides vehicles to counties to assist clients in getting to work and child care sites during off-peak working hours.

Wisconsin: Wisconsin developed "Job Ride" in 1989 to respond to the emerging transportation need for welfare recipients. For example, statewide only 3.5 percent of families receiving public assistance own automobiles. The program created an innovative van pool to link low-income job seekers with jobs in outlying suburban areas. The program has recorded over 72,000 trips to work in its eight-year history.

Question: **The President noted that some states are using welfare block grant dollars to fund transportation. Can you give me an example?**

Answer: In Connecticut, Governor Rowland has committed to using $2.2 million of the state's TANF dollars for transportation services for public transit operators across the State to provide new transportation services to move welfare recipients to work.

Question: **The President urged Congress to enact his proposal to provide $600 million to help states and local communities move people from welfare to work. Could you tell us more about this?**

Answer: The President is proposing to use the $600 million in new funds to create an Access to Jobs program as part of the reauthorization of the ISTEA transportation bill. This six-year competitive grant program will support new, flexible, innovative transportation services to help former welfare recipients get to work.

<u>Investing in Welfare</u>

Question: **The President challenged all states to follow the lead of Maryland. What is Maryland doing?**

Answer: Maryland has committed to maintain its investment in welfare reform efforts -- above and beyond what the new welfare law requires. Most of the money is going back to local communities for them to reinvest in job training and support services to families like case management, child care and transportation; other funds will support demonstration projects in critical areas like teen pregnancy prevention.

[Background: The welfare law requires states to maintain 80% (75% for states that meet work participation requirements) of their FY 94 state spending on cash assistance programs. This is called the Maintenance of Effort (MOE) requirement. Maryland has committed to spending 100% of its MOE.]

Question: **The President said that some states have been debating how to divert savings generated from welfare caseload declines away from welfare reform efforts. Which states have been considering this? As a former Governor, doesn't the President understand that states often have competing needs for dollars and have to spend any savings where they are most needed?**

Answer: Diverting welfare savings for other uses has been discussed in many states. We happen to have detailed information from the Center for Public Policy Priorities (CPPP) in Austin, Texas, an organization that monitors budgeting decisions in the State legislature. CPPP found that Texas will have a $363 million TANF "surplus" due to declining caseloads. Texas used only about one-third of this surplus on services for welfare recipients; the state used most of the rest of the federal funds to replace existing state spending, fill budget gaps, or purchase other services. [Contact person at the Center: Patrick Bresette at 512/320-0222.]

Child Support Enforcement

Question: **By how much have child support collections increased?**

Answer: As the President noted, child support collections increased by 50 percent from 1992 to 1996 (from $8 to $12 billion).

Question: **The President said that some states are lagging behind in enacting the new laws which will help collect even more child support. Which states are they?**

Answer: The President today sent a very strong message that states have to act quickly and pass these crucial child support enforcement provisions. To date, 26 states have enacted the new child support enforcement measures of the new welfare law. The main new enforcement tools are new hire reporting, license revocation, centralized state collections, uniform interstate collection laws and streamlining paternity establishment. These new measures will substantially increase child support collections.

Unfortunately, 8 states enacted legislation which did not include some of the child support enforcement provisions. Those states are Alaska, Idaho, Illinois, Indiana, Maryland, Montana, Oklahoma and Vermont. Some of the measures not adopted by the states are new hire reporting (Illinois), and other significant measures that makes it easier for the states to seize funds from paychecks and property owned by deadbeat parents. Not including all the provisions undermines the states' ability to ensure that children get the support they deserve and need.

The remaining 16 states have either not yet finished their legislative sessions or, under the law, have some additional time to pass the new enforcement provisions. The President sent a strong message today that states need to put these new enforcement tools in place or children will not get the full support they need.

Question: **What will happen to the states that don't pass the new provisions?**

Answer: We are taking the passage of these provisions very seriously. States that do not pass the new enforcement tools will receive a warning from HHS to comply with the law. If the states still do not come into compliance, they will risk losing federal funds for their child support enforcement. The stakes are high here, but getting badly needed support to children is our highest priority.

Question: **Is it true that the states could also lose their federal welfare funding?**

Answer: If a state does not have a fully compliant child support enforcement program, it risks a loss of its federal welfare funds. Child support can be crucial to help families achieve self-sufficiency and get off the welfare rolls. Parents, not taxpayers, should support their children.

Question: **Didn't GAO recently release a report which criticized the federal government for a lack of strong leadership and direction in helping states with child support computer systems? Aren't a lot of states going to miss this October's deadline for having their computer systems up and running?**

Answer: Eight states have told HHS that they may not meet the child support computer deadline -- California, Hawaii, Illinois, Maryland, Michigan, Nevada, Ohio and Pennsylvania, as well as the District of Columbia. There are several main reasons why states have had difficulties. States have experienced contractor problems. States with county-based child support programs have encountered jurisdictional problems between the counties and the states.

The child support system is a federal/state partnership. Within this partnership, it is the states' responsibility to implement these important computer systems. The law clearly places this significant project in their hands. HHS has pushed the states to meet deadlines, provided technical assistance and where necessary suspended funding to states which were not making progress.

Welfare Caseloads

Question: **The President said in his speech that nine states have cut their rolls by over 40% in the last 4 years. Which states are these?**

Answer: The nine states that the President was referring to are Indiana, Massachusetts, Mississippi, Oklahoma, Oregon, South Carolina, Tennessee, Wisconsin, and Wyoming. Wyoming's caseload has declined by 66% and Wisconsin's by 52%.

Question: **How many people are now on the welfare rolls?**

Answer: Just under 11 million, down from 14.1 million in January 1993, a drop of 3.1 million or 22 percent.

Question: **How is it that we now have the lowest percentage of the population on welfare since 1970?**

Answer: According to HHS data, 4.1% of the U.S. population was on welfare in April 1997 -- that's 11 million people out of a total U.S. population of 267 million. In 1970, the comparable figures were 8.5 million people on welfare out of a total U.S. population of 205 million.

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<u>New Welfare Law</u>

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7/26/97

NATIONAL GOVERNORS' ASSOCIATION

Employment and
Social Services
Policy Studies Division

Center for
Best Practices

Incentives and Supports for the Employment of Welfare Recipients

by Rebecca Brown, Jill Hyland, and Andrea Kane

been working with businesses and corporations interested in hiring welfare recipients, including United Airlines, AT&T, Marriott, UPS, and hospitals. The department and corporations are working to establish screening criteria and referral processes, as well as to match the skills and qualifications of recipients to employers' needs.

In partnership with local community organizations, the department of human services in **IOWA** held TANF community forums in nearly all of the state's ninety-nine counties during winter 1997. Department of human services staff invited local businesses to attend to get their advice on how to make federal welfare reform succeed. The Cedar Rapids Chamber of Commerce and an association of local employers in western Iowa have expressed an interest in working with the department to help welfare recipients.

A welfare reform initiative in **MAINE** encourages each business to hire one welfare recipient. It builds on the Governors' Plus One program, an economic development initiative that encourages all businesses to hire an additional person to stimulate the conomy. The state reports that the business community has been responsive to the program.

WISCONSIN has sought input from employers through all phases of implementation of its comprehensive welfare reform plan, W-2. Examples include a Governor's business advisory committee that made recommendations on program design; a state bureau that is dedicated to employer services; and a requirement that each W-2 office maintain a community steering committee led by the employer community and responsible for identifying unsubidized employment opportunities, creating wage-subsidized jobs for individuals who are not job ready, and promoting entreprenuership.

Involvement of Chambers of Commerce

States also are working with local chambers of commerce to promote welfare-to-work efforts and reach out to the business community.

The San Francisco Chamber of Commerce in **CALIFORNIA** recently launched San Francisco Works in cooperation with the United Way of the Bay Area and the Committee on Jobs. This business and community initiative will place 2,000 welfare recipients in private sector jobs by 2000 through a performance-based, outcomes-driven contracting process with community-based nonprofit training providers.

In **NEVADA** the Las Vegas Chamber of Commerce has been helpful in state efforts to negotiate gambling industry hiring quotas for welfare recipients. The state goal is for new casinos to set aside 10 percent of all jobs for TANF recipients. Several hotels already have satisfied the goal, including the new MGM Hotel, the Stratosphere Hotel, and the Silver Legacy Hotel.

North Carolina Citizens for Business and Industry in **NORTH CAROLINA** is working with chambers of commerce across the state and the North Carolina Department of Human Resources to reach out to employers and educate them on Work First and the need to hire Work First participants. Businesses that are hiring Work First participants include banks, hotels, day care centers, hospitals, law firms, and restaurants. The Mecklenburg County Chamber of Commerce, in cooperation with the county department of social services, is urging each of its 4,700 members to hire Work First participants. The campaign stresses that if every chamber member hires just one recipient, the county's welfare rolls will decrease by 64 percent. It also emphasizes the need to remove barriers to employment, such as the lack of transportation, child care, and skills.

In **OKLAHOMA** the Tulsa Metropolitan Chamber of Commerce created Industrial Exchange Inc. (IndEx). This nonprofit corporation provides contracted services to Oklahoma firms while providing training, education, work experience, and long-term employment opportunities for the economically disadvantaged.

In **SOUTH CAROLINA** Governor David M. Beasley has signed partnership agreements with more than 40 chambers of commerce, approximately 1,849 welfare recipients in jobs. Of the 1,035 recipients who are working, about 264 are in subsidized jobs. Program operators report that the wage supplement may get recipients through employers' doors, but they do not believe that the wage supplement is the major reason employers hire welfare recipients.

The Work Supplementation Program in **RHODE ISLAND** offers a financial incentive to employers and gives them the opportunity to use an outside organization as the employer of record. This reduces the costs and risks to the employer during the work supplementation period. The program is administered through a consortium that includes the Rhode Island Department of Human Services, the Rhode Island Department of Employment and Training, the Providence/Cranston Job Training Partnership Act (JTPA) agency, and SER/Jobs for Progress, a community-based organization. The JTPA agency is the employer of record, and the employer receives $2.50 per hour from a wage pool as an incentive to hire welfare recipients. The state continues Medicaid coverage for participants in the Work Supplementation Program. Employers are expected to hire individuals who satisfactorily complete the program and provide medical benefits within twelve months of program completion.

Under the Full Employment Program, employers in **MASSACHUSETTS** receive subsidies of $2.50 per hour, for up to nine months, for hiring welfare recipients. For an additional three months, employers receive a $1.50 per-hour subsidy and the state deposits $1.00 for every hour the employee works in an individual asset account (IAA) for the employee.[31] IAA is a retention tool; recipients have an incentive to stay in a job longer to maximize IAA funds. The employer treats the participant as an employee, assuming responsibility for workers' compensation, liability insurance, and Social Security taxes. Program administrators report that the employment program has placed almost 700 workers since 1995 and that it is especially attractive to small businesses.[32]

As part of a pilot wage supplementation program in **MISSISSIPPI**, employers receive a subsidy of $3.75 per hour, for up to six months, for hiring welfare recipients. The subsidy will increase to $4.15 per hour October 1, 1997, the effective date of the new minimum wage. Employers submit a time record for each participant to the state, and reimbursements to employers are paid every two weeks. Welfare recipients receive the same fringe benefits as other entry-level trainees and continue to receive Medicaid during the six-month period.

In **OREGON** the JOBS Plus program offers employers a wage subsidy of $5.50 per hour—the state minimum wage—for up to six months for hiring welfare recipients. The participant is hired as a temporary employee at the wage the employer typically pays a worker in the same position. As is the case with any other temporary employee, the employer is responsible for payroll taxes and workers' compensation costs for the JOBS Plus participant. After the first thirty days of the placement, the employer is required to contribute $1.00 per hour to the employee's individual education account. Funds in the account are available to the participant or family members after the participant is hired for a permanent unsubsidized job. The education account accords value to participants growing with the job and supports job retention. If, after four months, the employer is not interested in hiring the participant, the employer is required to provide up to eight hours per week of paid time for the participant to conduct a job search for the remaining two months of employment. During the entire placement period, recipients are paired with a company staff member who serves as their mentor to help them adjust to their job responsibilities and the company's work environment. Local employer implementation councils recruit employers to participate in the program.

$10,000 of a worker's annual wages in the first year and a 50 percent credit in the second year.

State Employer Tax Incentives

Several states offer state tax credits to employers to encourage the hiring of certain job seekers. In some states, the credits apply only to employers who hire individuals from that particular state to promote job availability within the state. Other states provide sliding-scale tax credits; the amount of the credit increases for businesses paying higher wages.

In **MARYLAND** employers can earn up to $5,100 in state tax credits by hiring Employment Opportunity Credit (EOC) workers (i.e., welfare recipients who received benefits for at least three months prior to employment). The credit schedule for salary paid is as follows: in the first year, 30 percent of amounts up to $6,000, or up to $1,800; in the second year, 20 percent of amounts up to $6,000, or up to $1,200; and in the third year, 10 percent of amounts up to $6,000, or up to $600. There is no limit to the number of workers an employer may hire. Moreover, helping with a worker's child care expenses entitles employers to an additional credit of up to $600 in the first year, up to $500 in the second year, and up to $400 in the third year.

By participating in the Employment Incentive Program (EIP), employers in **PENNSYLVANIA** can earn up to $5,100 in state tax credits for each person hired who is receiving TANF or General Assistance (GA). The direct credits are a percentage of the actual wages paid to the employee for up to three years. The employer may earn $1,500 of the possible credit if the employer pays for or provides day care for a child of that employee. The employee must be retained for at least one year. In fiscal 1996, 86 percent of participating employers were corporations, while 14 percent were individual partnerships; 87 percent of recipients were women; and 65 percent received AFDC, while 35 percent received GA. The tax credit form has been streamlined to one page, and the deadline for filing for credits has been adjusted to be more realistic for employers.

Most states also provide financial incentives to encourage general business expansion. These include tax reductions and exemptions, industrial development bonds, direct loan programs, economic development grants, and customized industrial training.[14] Although these incentives typically are not geared to promote the hiring of welfare recipients, they seek to improve the general business climate and promote hiring in targeted areas or for targeted populations. For example, the Business Expansion Support Act of 1994 included incentives for employers in **GEORGIA**, including work supplementation for welfare recipients; a child care credit of up to 50 percent of the employer's direct costs for providing or sponsoring care for employees' children; a retraining tax credit equal to 50 percent of retraining costs, up to $500 per full-time employee; and a job tax credit for businesses in certain industries that locate in areas meeting specific criteria.

Another type of financial incentive to employers is offered in the forms of no-interest loans or low-interest loans.

Banks in **MONTANA** are working with the Montana Board of Investments and the Montana Department of Public Health and Human Services to promote employment opportunities for Families Achieving Economic Independence in Montana (FAIM) participants. The partners designed a one-year pilot project under which private for-profit employers can access no-interest loans if they hire FAIM participants. (Extension of the loans to the nonprofit sector will be considered after the pilot period ends.) The program makes available no-interest loans of between $10,000 and $20,000 to employers who need resources to expand their business or hire additional staff. To qualify for the loan, the employer agrees to hire a FAIM participant into a permanent, full-time job that pays at

WELFARE TO WORK

State Outreach Efforts to the Private Sector

Government Affairs Department

June 1997

APWA

American Public Welfare Association
810 First Street, NE, Suite 500
Washington, DC 20002-4267
(202) 682-0100; FAX: (202) 289-6555; http://www.apwa.org

Credit (EOC) is available to qualified employers for up to three consecutive years; a credit is taken against the first $6,000 in wages paid to a TCA employee.

Massachusetts

Massachusetts' Full Employment Program (FEP) is a newly created public-private partnership to provide participating employers with the means to train a quality workforce and to expand company operations. FEP offers employers a nine-month wage subsidy at $3.50 per hour for each employee hired through FEP. One dollar of the subsidy is diverted by the commonwealth and maintained in an Individual Asset Account (IAA) for each FEP employee, resulting in a net reimbursement to the FEP employer of $2.50 per hour.

Participating employers are also entitled to an excise tax credit of $100 per month (up to $1,200 per year) for each FEP employee hired and employed in a regular unsubsidized position at any time during or immediately after participating in FEP. Any excise tax credit balance can be carried over for up to five years. FEP provides up to 2,000 wage-subsidized positions throughout Massachusetts, with health insurance and child care also provided to FEP employees.

Since its inception, FEP has placed nearly 700 individuals. FEP employers include ServiceMASTER, which has placed 40 FEP participants through a contract with American Airlines' Logan Airport operations, and 20 participants at Willowwood, a health care facility in Western Massachusetts. FEP administrators are quick to point out that small businesses, such as the graphic design firm Checkerboard, constitute the vast majority of the 340 companies currently participating in the program.

Michigan

Work First is a collaborative effort between the Michigan JOBS Commission and the Family Independence Agency. At the local level, 26 Michigan Works! agencies, established under the JTPA and administered by local Workforce Development Boards (WDB), serve as points of entry to provide both participants and employers easy access to information about jobs, training options and other program services. The WDBs have replaced the Wagner-Peyser Employer Councils, JTPA 8 Percent Local Planning Councils, and STW Partnerships.

The WDBs, with a majority of private sector members, are responsible for all workforce development activity in their geographic regions and are in the unique position to develop local policy and administer program funds. WDBs have been functioning since January 1996. Local elected officials make all appointments to local WDBs and ensure that all appointees to the board reflect the broad scope of the mission of the boards. The State Chamber of Commerce, in conjunction with local chambers, assists in the recruitment of top-level management for appointments to the board. The boards are intended to be decision-makers, rather than simply advisors.

To ensure a membership that reflects the area's industry base, each board is required to have representatives from at least two of the 10 largest durable goods manufacturers in the area. The state also is now requiring that at least one full-service integrated service center be established in each of the 26 regions. By July 1, 1997, a minimum of 49 integrated service centers will be operating.

The Grand Rapids-based Meijer Corp., Flashes Publisher, and the Superior Plastics Corp. of Oakland County are just a few of the ners currently operate a program called Rural Allied Medical and Business Opportunities (RAMBO) to train low-income and ADC recipients in the medical, business, and construction trades. Informal discussions between Department of Health and Human Services staff and the private sector also take place routinely at the local and state levels.

A Governor's Roundtable, composed of leaders from business, industry, labor, and government, was recently established to analyze the job and training needs of the various partners and to recommend processes, strategies, and resources for linking the unemployed and underemployed with jobs that pay a living wage. The roundtable will make recommendations concerning job creation, tax incentives, unemployment compensation, and education and training programs.

Nebraska is also pursuing several agency restructuring efforts. The first involves the consolidation of the various programs that formerly made up the Departments of Aging, Health, Public Institutions, and Social Services, and the Office of Juvenile Services, into a new Nebraska Health and Human Services System. The second involves consolidating several human resource advisory councils, such as the Nebraska Job Training Council and the Greater Nebraska Private Industry Council, into a single state Human Resource Investment Council.

Nevada

The governor held a meeting on March 26 with representatives of the Departments of Welfare, Education, and Transportation, among others. Those gathered sought to develop a strategy for coordinating agency efforts, and for better educating the business community and the general populace on welfare reform. The state has been particularly successful in negotiating with the gambling industry on its hiring quotas for welfare recipients. The state goal is for new casinos to set aside 10 percent of all positions for TANF recipients. The new MGM hotel met this standard when it opened with 10,000 employees, as did the Stratosphere hotel (2,600 positions) and the Silver Legacy in Northern Nevada (2,800 positions). The Las Vegas Chamber of Commerce has been very helpful in implementing this strategy.

New Hampshire

The New Hampshire Employment Program is a collaborative effort between three New Hampshire agencies: the Department of Health and Human Services, New Hampshire Employment Security (NHES), and the Job Training Council-Post Secondary Technical College System. All employment-related services are provided at local NHES offices, with local interagency teams co-located at each NHES office. Each applicant for welfare is referred to an employment team within 72 hours.

The Laconia pilot project began to test this interagency collaboration and new model of case management in March 1995. In 1996, the interagency collaboration was expanded statewide. The Business and Industry Coordinator is also developing an education and marketing campaign for New Hampshire employers, with a focus on small businesses, and negotiating to have UPS offer its HABITS mini-training session to selected welfare clients.

New Jersey

New Jersey is pursuing a host of outreach strategies to increase private-sector participation in welfare-to-work efforts. These include dedicating two full-time staff within the state Department of Human Services' Office of Policy and Planning to work with the private sector, implementing special job creation and development strategies with the state Depart-

North Carolina

The North Carolina Department of Human Resources, North Carolina Citizens for Business and Industry, and chambers of commerce around the state are collaborating to educate employers statewide on Work First and the need to hire Work First participants. A wide array of businesses, of all sizes, are hiring Work First participants, including Wachovia Bank, First Citizens Bank, Triangle Bank, the Radisson Plaza Hotel, Purolator Products, and Host Marriott, not to mention a host of day-care centers, hospitals, law firms, and restaurants.

Mecklenburg County's 16-member Work First Advisory Board focuses on transportation, child-care, and training issues. The board surveyed 80 businesses that have hired Work First participants to determine if they would allow new participants to visit them to see firsthand what the work entails. The board has also asked employers for written descriptions of what these jobs require.

The Mecklenburg County Chamber of Commerce, in partnership with the Mecklenburg County Department of Social Services, has launched an aggressive campaign urging each of its 4,700 members to hire Work First participants. The campaign stresses that if every chamber member were to hire just one recipient, the welfare rolls in Mecklenburg County would drop by 50 percent. The effort also stresses removing barriers to employment in the areas of transportation, child care, and training.

Ohio

The Ohio Department of Human Services has a number of programs in place to encourage businesses to hire welfare recipients. These include the following:

- *Employment Tax Credit.* Ohio's enterprise zone law includes a tax incentive provision for employers who hire economically disadvantaged residents, including those on public assistance.
- *Communities of Opportunity Subsidies.* The Ohio Department of Human Services will provide a wage supplement to employers who hire welfare recipients in five pilot sites. The subsidies will equal 50 percent of wages in the first year and 25 percent in the second, provided the salary is between $8 and $11 per hour.
- *On-the-Job Training.* Employers who hire recipients and give them training necessary for their jobs are reimbursed for up to $2,000 for each person for training costs. Employers are expected to retain successful participants.
- *Subsidized Employment Program.* Employers receive a flat subsidy of $350 per month for each recipient they hire. The subsidy can last up to nine months.
- *Work Experience Program.* Ohio included funding for an additional 5,000 slots for this program in its 1996–1997 budget to help welfare recipients develop necessary skills. The state also allows recipients to be placed in private for-profit organizations.
- *Prevailing Wage and Collective Bargaining Reforms.* For the first time, Ohio can waive prevailing wage and collective bargaining laws to hire welfare recipients in public nonprofit organizations.

As a result of these programs and incentives, RiteAid, Revco, Joanne Fabrics, Eddie Bauer, and the Fabric Center are all very active in Ohio's welfare-to-work effort.

Oklahoma

In 1992, the Metropolitan Tulsa Chamber of Commerce created Industrial Exchange, Inc., a nonprofit corporation that provides contracted services to Oklahoma firms while providing training, education, work experience, and long-term employment opportuni-

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STATE ACTIONS TO SUPPORT WELFARE TRANSPORTATION TO WORK

TRANSPORTATION ACCESS TO JOBS

One of the biggest barriers facing people who move from welfare to work is finding transportation to get to jobs, training programs, and day care centers. Studies across the country have shown that over the last decade employment opportunities have become increasingly dispersed. The suburbs now have twice as many jobs as the inner cities, yet the inner cities have the greatest concentration of welfare recipients.

The Access to Jobs proposal included in the Administration's NEXTEA bill calls for a six-year, $600 million competitive grant program to support new, flexible, innovative transportation services to get people to where the jobs are. A key element in our Access to Jobs proposal is the local collaboration of stakeholders and the coordination of services across communities.

Some communities and states have started to address the transportation challenges of welfare reform. The following states should be acknowledged for their efforts and foresight in bringing together state and local welfare and employment agencies with the private sector and transportation providers to ensure that transportation is available for welfare recipients moving to work.

- **Kentucky** should be honored for its outstanding and comprehensive approach to providing coordinated transportation. Under Gov. Paul Patton's (D) *Empower Kentucky* initiative, four cabinet offices -- Families and Children, Health Serviees, Workforce Development and Transportation --came together and combined transportation resources to develop a new coordinated free transportation brokerage system for all their beneficiaries. This system, which Kentucky is now implementing, will assure that transportation is available in all areas of the state, especially those previously underserved.

- In **Connecticut,** Gov. John Rowland (R) has committed to using existing TANF dollars for transportation services. This step is forging new partnerships to provide welfare recipients with the transportation necessary to successfully transition from welfare to work. The Connecticut Department of Social Services allocated $2.2 million of their Federal Temporary Assistance to Needy Families (TANF) Funds for public transit operators across the State to provide new transportation services to move welfare recipients to work. The Capital Region Council of Governments in Hartford led a broad-based coalition in developing a comprehensive two year welfare to work transportation pilot plan.

- In June, **New Jersey** Gov. Christine Todd Whitman (R) announced a $3.7 million transportation initiative to move *Work First New Jersey* participants to work. The New Jersey DOT will be providing technical assistance and asking each county to develop a

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transportation coordination plan. Other elements of the initiative are:

- free one-month mass transit passes for welfare recipients;
- a planning fund to seed solutions to transportation needs;
- one county demonstration integrating employment transportation into the existing network serving seniors and citizens with disabilities; and,
- one county demonstration creating a feeder network for short trip connections to public transit.

- **North Carolina** Gov. Jim Hunt (D) is a long-standing proponent of coordinating transportation with human service programs. On a statewide basis, 68% of the total cost of providing services to this state's *Work First* participants goes to buying transportation services. North Carolina is providing technical assistance to counties to bring together the transportation, social services and employment programs to address client mobility needs and is encouraging the use of excess seats on school buses for employment transportation.

- In **Michigan**, *Project Zero* is a pilot state effort in five counties to reduce to zero the number of public assistance households without earned income. As part of the pilot, three state agencies are partnering to address the transportation barriers faced by participants.

- **Wisconsin's** Gov. Tommy Thompson (R) has long been a leader in the welfare reform process. Statewide, only 3.5 percent of families receiving public assistance own automobiles. The State developed *Job Ride* in 1989 to respond to the emerging transportation need for welfare recipients. The landmark program sought to link transit-dependent, low-income job seekers with jobs in outlying suburban areas not served by traditional fixed-route transit. Last year, this innovative van pool program served more than 1,100 job placements in Milwaukee and Southeast Wisconsin; in its eight-year history, 72,000 trips to work have been recorded.

On May 20 the President announced grants made to 24 states and one territory by the National Governors' Association, in partnership with the U.S. Department of Transportation, to develop action plans addressing the transportation needs of welfare reform. These grants will foster additional state efforts to develop coordinated transportation strategies that support their welfare to work efforts.

24 states and one territory are participating: Alaska, Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, the Virgin Islands, Virginia, Washington, Wisconsin, and Wyoming.

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TRANSPORTATION HIGHWAY CONSTRUCTION JOBS

Since transportation and construction jobs are among America's best-paying, we want to open opportunities in these fields to welfare recipients and other disadvantaged people. Given the shortage of skilled construction labor and the aging workforce (average age 55 and rising), this is a particularly good time to target entry level construction industry jobs.

DOT's On-the-Job Training (OJT) Program requires that Federally-funded highway projects provide apprenticeships and training positions in higher-paying transportation trades, such as carpentry, concrete finishing, and truck driving. These help women, minorities, and disadvantaged people move into America's construction industry. States determine the number of training slots on each project.

DOT's On-the-Job Training Supportive Services Program (OJTSS) complements the OJT program by providing contractors, apprentices, and trainees with such services as recruitment, counseling and job placement, transportation, child care, and skills training. In FY 96 only 12 states used the funding allowable under this program.

NEXTEA would increase incentives for states and localities to provide job training in conjunction with Federally-funded technology and construction projects. Further the proposed legislation would enable them to establish hiring preferences favoring in-state welfare recipients and residents of Empowerment Zones and Enterprise Communities on Federal-aid highway projects.

Some states have outstanding records in using the OJT and OJTSS programs to train and place women and disadvantaged people. Since 90% of welfare recipients are women, these programs hold promise for moving welfare recipients into good paying jobs.

- **Maine** is a leader in moving women into the construction trades. Since 1988 Maine's Department of Transportation has trained over 350 women for jobs in the highway and bridge construction industry. Over 150 women-- one half of whom were welfare recipients -- worked on three recent major demonstration projects. Child care specifically geared to construction work schedules is a key element to the program's success. For example, the program, which requires a nominal contribution from the employees, has contributed to a record high number of women working on the Portland Bridge project. *Women now account for 10 percent of the building trades workforce in Maine.*

- The **Rhode Island** Department of Transportation (RIDOT) has revamped its OJT/apprentice program to provide much more comprehensive training. Rather than assigning training slots to specific Federally-funded contracts, contractors are encourage to hire trainees for an entire season. RIDOT has generously increased the reimbursement amount for the Federally-funded work. RIDOT is also establishing a Commercial Drivers License initiative to provide training and employment opportunities for minority women on welfare.

(HHS:
Toby Graff
690-7854)

State Examples

Examples of States Investing in Welfare:

Maryland: Maryland has committed to maintaining 100% of it Maintenance of Effort (MOE)

Oregon: Oregon intends to invest in case management services and employment training

Indiana: Indiana plans to invest in job placement services, rural transportation and promoting father's responsibilities in child support

Examples of States Investing in Child Care:

20 states have reported that they are investing additional state money, beyond what the law requires, in child care, and 12 states report that they are transferring TANF funds to child care.

Florida: Setting a public/private fund for child care, starting with $2 million.

Illinois and Wisconsin: Illinois is investing $100 million and Wisconsin is investing $160 million to reach low-income working families

Examples of Model Child Support Programs:

Washington: Washington has a strong and innovative program. One of the first administrative process states (executive agency rather than court-based decision-making), Washington State has been a leader in administrative enforcement through liens, levies, and wage assignments. Washington was also the first state with new hire reporting for child support purposes; initial internal evaluations have shown it to be cost-effective and satisfactory to employers.

Colorado: Implements county-administered child support program that was an early leader in centralizing collections (under private contract). The child support collections process has gone from one involving two government agencies in each of the State's 63 counties to a single focal point. An unscientific estimate is that turnaround time to handle payments and send them to the custodial family has dropped to 1 or 2 business days from the previous 15 to 45 days.

Examples of States with Model Welfare to Work Programs:

North Carolina: North Carolina has made great efforts, as part of the State's Work First Program, to recruit business leaders to hire people off welfare. Many county offices have contracts with the local Chambers of Commerce to hold job fairs once a month and meetings with CEOs.

North Carolina and Louisiana: North Carolina and Louisiana have linked with their EZ/EC's (Charlotte and Louisville) to coordinate and maximize their efforts and resources.

Nevada: Here is Las Vegas the State and the private business sector (hotel/casino industry) have been working closely to create training programs and hire welfare recipients. MGM Grand Hotel has hired over 1500 welfare recipients during the past several years (still checking on issues)

Washington: The Seattle Jobs Initiative is a comprehensive community strategy to move low-income people into the workforce, through a partnership with the city, State, foundations, corporations, community colleges and other non-profit organizations.

NOTE: There are so many good examples – Missouri, Kansas, Georgia, etc. – depending on what you need. We can get you more and more detail.

<u>Examples of States Reaching All Families and Investing in "Harder-to-Place" Recipients:</u>

Michigan: Michigan's Project Zero is an example of a strategy that aims to reach everyone and is demonstration early success.

Utah: Utah's Single Parent Employment Program (SPED), started under a waiver (Bush Administration) includes every family in the program.

New York: New York is proposing to use some of its surplus funds for expanded substance abuse treatment)

National Governors' Association Center for Best Practices
Summary of Selected Elements of State Plans for
Temporary Assistance for Needy Families
As of July 21, 1997

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) requires that each state submit a plan to receive a Temporary Assistance for Needy Families (TANF) block grant. The law specifies what states must address in their plan, including how they choose to exercise various options. The secretary of the U.S. Department of Health and Human Services (HHS) is authorized to certify each plan as complete if it contains the required elements. States may amend their plans at any time.

National Governors' Association (NGA) Center for Best Practices staff have compiled the attached summary of selected elements in state plans from a review of the plans submitted to HHS and updated information provided or verified by the Governor's welfare reform contact in each state. A list of Governors' welfare reform contacts and state administering agencies is attached to the matrix. The categories of information selected do not represent all program and policy decisions confronting states. They reflect basic information on key issues that could be summarized simply and concisely. The matrix does not capture the complexities of some of these categories. Other resource materials can provide additional detail on topics such as time limits, immigrant provisions, and individual development accounts (refer to the welfare reform information site on NGA's Internet home page at http://www.nga.org for more information).

The information reflected in the matrix is accurate as of July 21, 1997. Some information was not available from certain states or, in some states, decisions had not yet been made (as indicated by the notation N/I). The information in this matrix is subject to change because of further policy decisions by Governors and state legislative action. In some cases, the matrix identifies the Governor's proposal or plan, which is not necessarily reflected in state law at this time. Several state legislatures are still working on welfare reform legislation.

Before P.L. 104-193 was enacted, many states received waivers to implement some of the elements identified on the matrix, such as time limits on assistance, work requirements within a specified period, extended transitional child care and Medicaid assistance for longer than twelve months, family caps, and diversion payments. Therefore, the decisions identified in the TANF state plans may reflect the continuation of ongoing policies authorized under waivers and may be inconsistent with provisions of the new law.

NGA appreciates the assistance of staff of the American Public Welfare Association and the National Conference of State Legislatures in helping to continually update this document.

Summary

Number of plans. As of July 21, 1997, all fifty (50) states, the District of Columbia, the U.S. territories of Guam and the Virgin Islands, and the commonwealth of Puerto Rico had submitted TANF plans to HHS, and all of these plans have been certified as complete. Although the Virgin Islands recently submitted a plan, the information could not be incorporated into the matrix at this time. Throughout this document, the District of Columbia, the commonwealth of Puerto Rico, and the territory of Guam are included in the counts of states.

Administering agency. Each state must designate in its TANF plan the primary agency responsible for administering the program. Some states have identified multiple agencies.

Effective date. The effective dates shown on the matrix reflect the dates that the requirements of TANF became effective, as identified by each state.

Continue waivers? Before P.L. 104-193 was enacted, forty-five (45) states and the District of Columbia had HHS-approved welfare reform demonstration waivers. Some waivers were limited to selected counties within a state, while other waivers were applicable statewide. Under the new law, states may continue or terminate their welfare reform demonstration waivers. The increased flexibility of the federal welfare reform law eliminates the need for waivers on many provisions. Thirty-one (31) states now intend to continue some or all of their waivers, twelve (12) states intend to discontinue their waivers, two (2) states are still considering the issue, and seven (7) states did not have waivers. The remaining state will implement a recently approved waiver.

Time limit shorter than 60 months? The law prohibits states from using their federal TANF funds to provide assistance to a family that includes an adult who has received assistance for sixty months, regardless of whether assistance is provided consecutively. A state may exempt up to 20 percent of its average monthly caseload from this time limit on assistance. A number of states have shorter time limits, but most of them also have extensions or exemptions that are not detailed in the matrix. Some states have shorter lifetime limits, while others have shorter time limits that can be characterized as periodic limits, under which recipients receive a certain number of months of assistance within a longer timeframe, with assistance continuing up to a lifetime limit; work activity time limits, under which recipients must participate in a work activity to continue receiving assistance after a certain time; or conditional time limits, under which recipients must meet certain conditions to continue receiving assistance. Twenty-one (21) states indicate that they will have time limits shorter than sixty months and thirty-two (32) states report that they will have a sixty-month time limit.

Community service after 2 months? By August 22, 1997, states must require parents or caretakers who are not working after two months of receiving assistance to participate in community service employment unless the Governor opts out of this requirement.

Five (5) states intend to implement the community service requirement after two months, forty (40) states intend to opt out of the community service requirement, and three (3) states will make a decision by August 22, 1997. The remaining states, as indicated by the notation N/I, either have not yet made a decision on the community service requirement, or did not address this issue in their plan.

Work requirement shorter than 24 months? The law requires that parents or caretakers engage in work, as defined by the state, within twenty-four months of receiving assistance or when they are ready, whichever comes earlier. Similar to the sixty-month time limit, states may require recipients to engage in work before the maximum time limit specified in the law. Some states with shorter work requirements also have exemptions or extensions that are not detailed in the matrix. Twenty-one (21) states indicate that they will require recipients to work before twenty-four months and thirty-two (32) states intend to use the twenty-four-month period in the federal law. However, a number of states who are not setting a shorter work requirement require, or intend to require, participants to engage in work activities as soon as possible rather than waiting until the twenty-four month point.

Different treatment for out-of-state families (i.e., interstate immigrants)? States have the option to treat families from out of state differently than state residents with respect to eligibility rules and benefit levels. Thirty-eight (38) states indicate that they will treat interstate immigrants the same way they treat state residents and fifteen (15) states report that they will treat interstate immigrants differently than state residents.

Provide TANF to legal noncitizens (i.e., qualified aliens)? The new law requires states to specify whether they will provide TANF to legal noncitizens (i.e., qualified aliens) who were in the United States as of August 22, 1996, and to provide a description of this assistance if they intend to do so. Fifty-one (51) states indicate that they will provide TANF to noncitizens as the federal law allows and two (2) states will not provide benefits to noncitizens.

Deny TANF to drug felons? Under the new law, individuals convicted of a drug-related felony are ineligible to receive TANF or food stamp assistance unless a state enacts legislation to opt out of or narrow this provision. Some states that have opted out make continued receipt of TANF contingent on participation in a drug treatment program. Other states narrow the type of felonies to which this prohibition applies. Thirty-four (34) states plan to deny TANF to drug felons and seventeen (17) states plan to opt out of this provision. The remaining states, as indicated by the notation N/I, either have not yet decided to deny TANF to drug felons, or did not address this issue in their plan.

Transitional child care longer than 12 months? The new law ends the previous entitlement to twelve months of transitional child care and folds funding for this care into a new Child Care and Development Fund. Before P.L. 104-193 was enacted, sixteen (16) states had received waivers to extend transitional child care for longer than twelve months for families leaving welfare for work. Twenty-nine (29) states now indicate that they will extend child care for longer than twelve months, though a waiver is no longer required, and twenty-four (24) states indicate that they will not extend child care for longer than twelve months.

Transitional Medicaid longer than 12 months? The law continues transitional Medicaid for twelve months for families that would lose eligibility because of increased earnings and for four months when eligibility is lost because of increased child support payments. Before P.L. 104-193 was enacted, eleven (11) states had received waivers to extend transitional Medicaid for longer than twelve months. Twelve (12) states now indicate that they will continue their waiver authority to provide Medicaid assistance for longer than twelve months and forty-one (41) states report that they will provide it for twelve months.

Drug testing? The new law allows states to test TANF applicants for drug use. No state currently requires testing of all applicants or recipients. However, some states require testing or screening under certain circumstances. Seven (7) states indicate that they will test or screen under certain circumstances and forty-four (44) states report that they will not require such testing. The remaining states, as indicated by the notation N/I, either have not yet made a decision on drug testing, or did not address this issue in their plan.

Allow individual development accounts (IDAs)? States may allow TANF recipients to establish IDAs to accumulate funds to pursue postsecondary education, purchase a home, or start a business. Funds in these accounts are not counted in determining eligibility for federal assistance. Twenty-four (24) states indicate that they will allow recipients to establish IDAs and twenty-seven (27) states report that they will not allow recipients to establish IDAs. Some states also have established an account limit. The remaining states, as indieated by the notation N/I, either have not yet made a decision on IDAs, or did not address this issue in their plan.

Family cap? Although the federal law is silent on the issue of family caps on benefits, a number of states have established a cap on benefits to recipients who have additional children while receiving welfare. Twenty-two (22) states indicate that they have a family cap and thirty (30) states report that they do not have a family cap. The remaining state, as indicated by the notation N/I, either has not yet made a decision on a family cap, or did not address this issue in its plan.

Diversion payments? States may provide diversion assistance to enable families to avoid receiving welfare assistance. Diversion assistance may be provided in different ways, such as through a one-time, lump-sum payment and/or the provision of health care, child care, and other services. Other states require applicant job search as a diversion strategy. Twenty-seven (27) states indicate that they intend to provide diversion payments and twenty-four (24) states report that they will not provide such payments. The remaining states, as indicated by the notation N/I, either have not yet decided on diversion payments, or did not address this issue in their plan.

Subsidized employment? The law allows states to subsidize private sector and/or public sector employment for recipients. Typically, subsidized employment refers to "cashing out" TANF, food stamp assistance, or both, and providing funds to employers who in turn pay wages to recipients. Some states refer to this as "work supplementation" or "grant diversion." Thirty-six (36) states indicate that they intend to subsidize private sector and/or public sector employment and sixteen (16) states report that they do not plan to subsidize employment. The remaining state, as indicated by the notation N/I, either has not yet decided whether to subsidize employment, or did not address this issue in its plan.

Other employment strategies? States are considering a wide range of employment strategies, some of which are noted in their TANF plans. These strategies are too numerous and far-ranging to include in the matrix. They include, but are not limited to:

- providing tax credits and other financial incentives to employers (Arizona, Florida, Hawaii, Indiana, Kansas, Kentucky, Maryland, Montana, Pennsylvania, Wisconsin, and Wyoming);
- creating industry partnerships and customized employment projects (Alabama, Connecticut, Delaware, Hawaii, Kansas, Kentucky, and Oklahoma);
- developing interagency task forces or linkages, typically among welfare, workforce and economic development systems, for job creation, job development, or employer marketing (Delaware, Georgia, Hawaii, Iowa, Kentucky, New Hampshire, and Pennsylvania);
- using workforce investment boards or councils (Michigan, New Jersey, South Dakota, Texas, and Vermont);
- supporting entrepreneurial programs or small business loans (Arkansas, Hawaii, South Dakota, and Tennessee);
- convening an employer job summit (Illinois and Vermont);
- working with chambers of commerce (Nevada, North Carolina, Oklahoma, South Carolina, and Virginia);
- using one-stop career centers (Florida, Missouri, Utah, and Wisconsin); and
- designating personnel responsible for soliciting employers to hire welfare recipients (Missouri, New Jersey, South Carolina, and South Dakota).

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Backup
36 states
subsidize jobs

Selected Elements in State Plans for Temporary Assistance for Needy Families

Note: N/I means that information is not included in the state plan or that decisions have not yet been made.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Alabama	10/1/96	12/7/96	yes	no	no	no	no	no	yes	no	no	no	not at this time	no	no	no
Alaska	7/1/97	6/27/97	no waiver	no	no	no	no	yes[1]	no[2]	no	no	no	no	no	yes	yes
Arizona	10/1/96	11/1/96	yes	no	no	no	no	yes	yes	yes-2 yrs.	yes-2 yrs.	no	yes	yes	yes-3 mos.	yes
Arkansas	7/1/97	6/26/97	no	yes-24 mos.	no	yes-1 month	no	yes[3]	no[4]	yes-36 mos.	no[5]	no	yes	yes	yes	yes

1. TANF will be provided to noncitizens to the degree allowed under the federal law.
2. Drug felons will be covered under a state program.
3. TANF will be provided to noncitizens to the degree allowed under the federal law.
4. TANF will be denied to individuals convicted of felonies involving the manufacture or distribution of drugs.
5. After twelve months of transitional Medicaid, state will shift children of former recipients to a new program that covers all children up to 200 percent of the federal poverty level.

7 National Governors' Association Center for Best Practices, July 21, 1997

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
California [6]	10/9/96	12/7/96	yes	yes [7]	N/A	yes-22 mos.	yes	yes	yes	yes-24 mos.	yes-24 mos.	N/A	yes-up to $5,000	yes	no	yes
Colorado	7/1/97	6/27/97	no	no	no	no	no	yes	no [8]	yes [9]	no	no	yes	no	yes	yes
Connecticut	10/1/96	1/22/97	yes	yes-21 mos.; 6-month extension	no	yes-21 mos.	no	yes	no	yes [10]	yes-24 mos.	no	no	yes	no	no
Delaware	3/10/97	4/11/97	yes-partial	yes [11]	no	no	no	yes	yes	yes-24 mos.	yes-24 mos.	no	yes	yes	no	yes
District of Columbia	12/3/96	4/2/97	pending	no	no	no	yes	yes	yes	no	no	no	no	no	no	no

6. Information reflects the Governor's current proposal; however, major state welfare reform legislation is pending.
7. Governor proposes to provide assistance to applicants for one year and current recipients for two years for each spell of aid within a lifetime of sixty months.
8. Assistance is provided conditionally based on an assessment that the client has positively moved toward rehabilitation.
9. Transitional child care assistance will be provided if income does not exceed 130 percent of the federal poverty level. Counties have the option to provide child care if income does not exceed 185 percent of the federal poverty level.
10. Transitional child care assistance will be provided if income does not exceed 75 percent of median family income.
11. State will provide twenty-four months of assistance followed by twenty-four months of workfare and a one-month extension; there is no time limit for incapacitated recipients.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Florida	10/1/96	10/8/96	no[12]	yes-lifetime total of 48 mos.	no	yes-immediately	yes[13]	yes	no[14]	yes-24 mos.	no	no	no	yes	yes-2 mos.	yes
Georgia	1/1/97	1/21/97	yes[15]	yes-4 yrs.	to be determined by 8/22/97	no[16]	yes	yes-until 7/1/98[17]	yes	no	no	no	yes	yes	yes-1 to 5 mos.	yes-up to 9 mos. for public and private sectors
Guam	1/9/97	6/27/97	no waiver	no	yes	no	no	no	yes	no	no	no	no	N/I	no	no
Hawaii	7/1/97	6/27/97	yes	no	no	no	no	yes	no	yes[18]	no	no	no	no	no	yes
Idaho	7/1/97	6/27/97	no	yes-24 mos.	no	yes	no	yes[19]	yes	no	no	no	no	no[20]	yes	no

12. State will continue its Family Transition Program demonstration in Escambia County and the program's evaluation.
13. State will use the shorter of the respective time limits.
14. State provides TANF to drug felons except to those convicted of felonies involving drug trafficking.
15. State will continue its waiver requiring immunizations for special diseases for preschool children as a condition of receiving assistance.
16. State requires recipients to work as soon as possible after making application for assistance, but no later than twenty-four months after first receiving assistance.
17. State will provide TANF to noncitizens until July 1, 1998, unless the measure is extended by the legislature.
18. State will guarantee child care benefits if income does not exceed 75 percent of state median income.
19. TANF will be provided to minor noncitizens residing in the United States before August 22, 1996. Noncitizen parents will not be eligible for TANF but must meet work requirements for the dependent minor to be eligible.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal noncitizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Illinois	7/1/97	7/1/97	yes	no[21]	no	no	yes[22]	yes	yes[23]	yes[24]	no	no	yes	yes	no	no
Indiana	10/1/96	11/1/96	yes	yes-24 mos.[25]	to be determined by 8/22/97	no	no	yes[26]	yes	no	no	no	yes	yes	to be determined	yes
Iowa	1/1/97	1/21/97	no	no	no	yes-immediately	no	yes[27]	no[28]	yes-24 mos.	no	no	yes[29]	no	yes[30]	no-but under consideration

20. State will provide a maximum grant of $276 to families with no earned income, regardless of size.
21. Families in which the youngest child is age thirteen or older may receive only twenty-four months of TANF; otherwise, the sixty-month time limit applies.
22. For the first twelve months of Illinois residency, state will provide TANF to a family moving from another state in no greater amount than the state from which the family moved.
23. Persons convicted of more serious drug felonies (i.e., selling or trafficking) are ineligible for TANF. Persons convicted of lesser drug felonies (i.e., possession) are ineligible for two years unless they are in treatment or aftercare.
24. State will guarantee child care benefits for working families with income up to 50 percent of state median income.
25. Time limit applies only to adults, not children.
26. State will likely eliminate waivers before July 1997.
27. TANF will be provided to noncitizens if a federal match is available.
28. State will require felons to participate satisfactorily in a rehabilitation program or meet other requirements to demonstrate they are not using or possessing controlled substances.
29. State will use existing program and non-TANF funds.
30. State will operate local pilot diversion programs in three to six counties effective October 1, 1997.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Kansas	10/1/96	11/27/96	yes	no	no	no	no	yes	yes	no	no	yes[31]	yes	no	no	no
Kentucky	10/18/96	11/18/96	no waiver	no	no	no	no	yes[32]	yes	yes[33]	no	no	yes	no	yes	yes-on-the-job training[34]
Louisiana	1/1/97	1/10/97	no waiver	yes-24 mos. within 60 mos.	no	no	no	yes	yes	no	no	no	no	no	no	no
Maine	11/1/96	12/27/96	no	no	no	no	no	yes	yes	no	no	no	yes	no	yes-3 mos.	yes

31. State will screen all applicants for substance abuse and will refer clients to more extensive testing, if necessary. A drug test may be administered as part of the expanded testing.
32. State will submit plan amendment to provide TANF to optional alien group.
33. Effective October 1, 1997, recipients with children below age thirteen may receive child care as long as their income does not exceed 133 percent of the federal poverty level.
34. Subsidy is not a "cash-out" of recipient's benefits.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal noncitizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Maryland	12/9/96	1/10/97	no	no	no	no	yes	yes	yes	no	no	no[35]	no	yes[36]	yes-3 mos.	to be determined
Massachusetts	9/30/96	1/28/97	yes	yes-24 mos. within 60 months[37]	yes	yes-60 days for nonexempt recipients	not at this time	yes	yes	no	no	not at this time	not at this time	yes	no	yes-public and private sectors
Michigan	10/1/96	9/30/96	yes[38]	no	yes	yes-immediately	no[39]	yes	no[40]	no	no-only at 6 project sites until 1998[41]	no	not at this time	no	no	some areas
Minnesota	7/1/97	7/1/97	yes	no	no	yes-6 mos.[42]	yes	yes	no[43]	no[44]	no	yes[45]	no	no	yes-4 mos.	no

35. If health assessment indicates potential substance abuse issue, clients are referred to a managed care organization for further screening and treatment, if appropriate.
36. Benefits for additional children will be paid to a child-specific account.
37. The provision applies to certain nonexempt recipients.
38. State will continue some waivers, but it is still deciding whether to continue others.
39. Recent legislation authorized the state to pursue this issue, but additional legislation is required before different treatment for families from other states can be implemented.
40. Benefits must be paid through a third-party payee, and individuals must meet parole requirements.
41. Once transitional Medicaid ends, the state can use 100 percent of state funds to "buy in" to Medicaid coverage for individuals whose employers do not provide coverage.
42. Two-parent families are required to work immediately. Counties have the option to require single parents to work sooner than six months.
43. Payments will be made to vendor, and state will conduct random testing.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work require-ment shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transi-tional child care longer than 12 mos.?	Transi-tional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Develop-ment Accounts?	Family cap?	Diversion pay-ments?	Sub-sidized employ-ment?
Miss-issippi	10/1/96	11/27/96	no	no	no	no	no	yes	yes	no	no	no	no	yes	no	yes
Missouri	10/1/96	12/23/96	yes	yes-48 mos.	no	no	no	yes	yes	yes	no	no	yes	no	yes	yes
Montana	11/1/96	2/13/97	yes	no-24 mos. Pathways program; 36 mos. com-munity service program	no	yes-immed-iately	no	yes	yes	yes[46]	no	no	yes	no	yes	yes
Nebraska	12/1/96	12/7/96	yes	yes-24 mos. with-out earned income[47]	no	no	no	yes	yes	yes-24 mos.	yes-24 mos.	no	no	yes	no	no

44. Sliding-fee child care will likely be available after the transition period.
45. An individual convicted of a drug-related offense after July 1, 1997, can be required to submit to a random drug test as a condition of eligibility.
46. Sliding-fee child care is available after the transition period.
47. No more than sixty months of assistance will be provided, regardless of the source of income.

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State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Nevada	9/30/96	12/24/96	no waiver	no	no	no	no	yes	yes	no	no	yes[48]	no	no	yes	no
New Hampshire	10/1/96	11/12/96	yes	no	no	yes-26 wks.	yes	yes	no	yes[49]	no	no	no	no	no	yes-on-the-job training[50]
New Jersey	10/15/96	1/29/97	no	no	no	no	no	yes	yes	yes-2 yrs.	yes-24 mos.	no	no[51]	yes	no	yes-public and private sectors
New Mexico	7/1/97	6/5/97	no waiver	yes-36 mos.	yes	yes-2 mos.	no	yes	yes	yes[52]	no	no	yes	no	no	no[53]
New York[54]	12/2/96	12/13/96	N/I	no	N/I	no	yes	yes	N/I	no	no	yes	N/I	yes	yes	yes-public sector

48. State will conduct an assessment for individuals suspected of having substance abuse problems, and it may then determine whether to subject them to a drug test.
49. Child care assistance will be provided if income does not exceed 170 percent of the federal poverty level.
50. State provides a 50 percent wage match primarily to private sector trainees. Match is not a "cash-out" of recipient's benefits.
51. State may experiment with individual development accounts through a pilot program.
52. Transitional child care assistance will be provided on an unlimited basis to the extent funds are available.
53. State will promote public and private sector subsidized employment programs to recipients but will not use TANF dollars to subsidize employment.
54. Information reflects the Governor's current proposal; however, major state welfare reform legislation is pending.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
North Carolina[55]	1/1/97	1/10/97	yes	yes-24 mos.	to be determined by 8/21/97	yes-12 wks.	no	yes	no	yes	no	no	no	yes	yes-3 mos.	yes-public and private sectors
North Dakota	7/1/97	6/26/97	yes	no	N/A	yes	yes[56]	yes	yes	no	no	no	no	yes	N/A	yes
Ohio	10/1/96	11/1/96	yes	yes-36 mos. in 60 mos.	to be determined by 10/1/97	no	no	yes	yes	no	no	yes[57]	no	no	yes	yes
Oklahoma	10/1/96	11/1/96	yes-Learnfare only	no	no	yes-immediately[58]	no	yes	no	yes[59]	no	no	no	no	no	yes-private sector
Oregon	10/1/96	11/1/96	yes	yes-24 mos. within 84 mos.	no	yes-immediately	no	yes	no	yes[60]	no	no	yes	no	yes-1 month	yes

55. Information reflects the Governor's current proposal; however, major state welfare reform legislation is pending.
56. In an eleven-county demonstration project, the state will use the time limit of the applicant's former state in determining eligibility.
57. State requires prenatal drug screening for certain pregnant Medicaid recipients (TANF and Healthy Start) in seven mandatory managed care counties. If screening is positive, managed care provider must refer recipients to an authorized alcohol and other drug addiction provider for assessment and treatment.
58. Work requirement applies to parents with children older than one year.
59. Child care assistance will be provided to working families based on income, with no time limit.
60. State will provide transitional child care on a sliding-copayment basis, with no time limit.

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State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Pennsylvania	3/3/97	4/23/97	no waiver	no	to be determined	no	yes	yes	yes	no	no	yes[61]	yes[62]	no	no	yes
Puerto Rico	7/1/97	6/30/97	yes	no	no	no	no	yes	yes[63]	no	no	no	no	yes	no	no
Rhode Island	5/1/97	6/9/97	N/A[64]	no	no	no	yes	yes	no[65]	yes[66]	yes-18 mos.[67]	no	yes[68]	no	yes[69]	yes-public and private sectors
South Carolina	10/1/96	1/3/97	yes	yes-24 mos. out of 120 mos.	no	no	no	yes	N/I	yes-2 yrs.	yes-24 mos.	yes[70]	yes-up to $10,000	yes	no	yes

61. State may conduct drug testing on a case-by-case basis once an individual has been identified as needing treatment following an initial assessment.
62. State will allow educational savings accounts, but it is still deciding whether to allow other types of individual development accounts.
63. TANF will be denied to individuals convicted of felonies involving the manufacture or distribution of drugs.
64. State will implement recently granted waiver for expansion of two-parent family eligibility.
65. TANF will be denied to individuals convicted of felonies involving the sale or distribution of drugs.
66. State will guarantee child care if income does not exceed 185 percent of the federal poverty level.
67. State will provide health care to adults and children receiving TANF and to uninsured children in families with incomes up to 250 percent of the poverty level. State will also provide health care to family child care providers of low-income children and the providers' minor children.
68. State is operating a pilot project for thirty people to encourage microenterprise development; the limit is $2,500.
69. State is implementing a diversion pilot project. Participants receive three months of diversion and waive their TANF eligibility for six months.
70. If substance abuse assessment at application indicates a potential problem, clients are referred to treatment. Once treatment is successfully completed, clients may be subject to random drug testing to ensure that they are drug-free.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
South Dakota	12/1/96	12/7/96	yes-partial	no	yes	no	no	yes	yes	no	no	no	no	no	yes	yes-public and private sectors
Tennessee	10/1/96	12/20/96	yes	yes-18 mos.; lifetime of 60 mos.[71]	no	yes-immediately	no	yes	yes	yes-18 mos.	yes-18 mos.	no	yes	yes	no	no
Texas	10/1/96	11/26/96	yes	yes-12, 24, and 36 mos.; lifetime of 60 mos.	no	yes-immediately	no	yes	yes	yes-18 mos. for JOBS volunteers	yes-18 mos. for JOBS volunteers	no	yes	no	yes	yes-public and private sectors
Utah	9/30/96	12/13/96	yes	yes-36 mos.	no	yes-immediately	no	yes	no	yes-based on income; no time limit	yes-24 mos.	no	yes	no	yes-3 mos.	no
Vermont	9/20/96	11/18/96	yes	no	no	no[72]	yes	yes	no[73]	yes[74]	yes-36 mos. for waiver demonstration members	no	under consideration	no	no	yes[75]

71. State will provide assistance for eighteen consecutive months contingent on recipients' cooperation with certain requirements.
72. The state's work requirement is thirty months for single parents and spouses of incapacitated parents, fifteen months for unemployed parents, and five months for families from other states.
73. State will provide assistance to drug felons until at least June 1998.
74. Transitional child care will be provided based on a sliding-fee scale, with no time limit.
75. Subsidized employment includes work supplementation and public and private nonprofit community service employment.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Virginia	2/1/97	2/21/97	yes	yes-24 mos. within 60 mos.	no	yes-90 days	no	yes	yes	no	no	no	yes-up to $5,000	yes	yes-4 mos.	yes
Washington	8/1/97	1/14/97	no	no[76]	no	no	yes	yes	no[77]	yes[78]	no	no	yes	no	yes-$1,500 limit	yes-public and private sectors
West Virginia	1/11/97	2/13/97	no	no	no	no	no	yes	yes	yes[79]	no	no	no	no	yes-3 mos.	yes-public and private sectors
Wisconsin	9/30/96	9/30/96	yes	no	no	yes-assigned to work immediately	yes	yes	yes	yes	no	pending legislation	no	yes	yes-job access loans	yes-public and private sectors
Wyoming	1/1/97	12/23/96	no	no	no	no	no	yes	yes	no[80]	no	no	no	no	no	yes-private sector

76. There is an annual reduction of 10 percent after forty-eight months within sixty months.
77. State will provide TANF to drug felons with certain limitations.
78. Transitional child care will be provided if income does not exceed 175 percent of the federal poverty level.
79. State will provide transitional child care on a sliding-copayment basis, with no time limit.
80. Former TANF recipients will qualify for child care assistance according to an income-based, sliding-fee scale, to the extent funds are available.

State	TANF effective date	Date plan certified complete	Continue waivers?	Time limit shorter than 60 mos.?	Comm. service after 2 mos.?	Work requirement shorter than 24 mos.?	Different treatment for families from other states?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Transitional child care longer than 12 mos.?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Allow Individual Development Accounts?	Family cap?	Diversion payments?	Subsidized employment?
Totals*			31-yes, continue some or all 12-no 2-still considering 7-no waivers 1-N/A	21-yes 32-no	5-yes 40-no 3-will determine by 8/22/97 5-N/I	21-yes 32-no	38-no 15-yes	51-yes 2-no	34-yes 17-no 2-N/I	29-yes 24-no	12-yes 41-no	7-yes 44-no 2-N/I	24-yes 27-no 2-N/I	22-yes 30-no 1-N/I	27-yes 24-no 2-N/I	36-yes 16-no 1-N/I

Note: * Totals include the fifty states, the District of Columbia, the commonwealth of Puerto Rico, and the territory of Guam.

State Administering Agencies and Governors' Welfare Reform Contacts

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Alaska Dept. of Health and Social Services Martha Stewart 202/624-5858	**Connecticut** Dept. of Social Services Ruth Ravitz 202/347-4535	**Hawaii** Dept. of Human Services Susan Chandler 808/586-4997 Kris Foster 808/586-5729	**Kansas** Dept. of Social and Rehabilitation Services Janet Schlansky 913/296-3274	**Massachusetts** Dept. of Transitional Assistance Claire McIntire 617/348-8400	**Montana** Dept. of Public Health and Human Services Laurie Ekanger 406/444-5622	**New Mexico** Dept. of Human Services Duke Rodriguez 505/827-7750	**Oklahoma** Dept. of Human Services Susan Thompson 405/523-4234	**South Dakota** Dept. of Social Services James W. Ellenbecker 605/773-3165	**Virginia** Dept. of Social Services Scott Oostdyk 804/786-7765 Terri Hauser 202/783-1769
Arizona Dept. of Economic Security Brian McNeil 602/542-1316	**Delaware** Dept. of Health and Social Services Elaine Archangelo 302/577-4400	**Idaho** Dept. of Health and Welfare Lindy High 208/334-2100 Mary Anne Saunders 208/334-5551	**Kentucky** Cabinet for Families and Children John L. Clayton 502/564-3703 Viola Miller 502/564-7130	**Michigan** Family Independence Agency Kathy Tobin 517/335-4727	**Nebraska** Dept. of Health and Human Services Don Leuenberger 402/471-4521	**New York** Dept. of Social Services[1] Lisa Irving 518/486-4079 Alison Kaufman 202/434-7100	**Oregon** Dept. of Human Resources Sandie Hoback 503/945-6116	**Tennessee** Dept. of Human Services Linda Rudolph 615/313-4702	**Washington** Dept. of Social and Health Services Russell Lidman 360/902-0650
Arkansas Dept. of Human Services Tom Dalton 501/682-8650	**District of Columbia** Dept. of Human Services Kate Jesberg 202/724-3914	**Illinois** Dept. of Human Services Robert Wright 217/782-1200	**Louisiana** Dept. of Social Services Susan Hoffman 504/342-8889	**Minnesota** Dept. of Human Services Ron Hook 612/297-7952	**Nevada** Dept. of Human Resources Ann Wilson Andreini 702/687-5670	**North Carolina** Dept. of Human Services Peter Leousis 919/733-4534	**Pennsylvania** Dept. of Public Welfare Noelle Cloud 717/772-8318	**Texas** Dept. of Human Services; Workforce Commission Ron Lindsey 512/463-2198	**West Virginia** Dept. of Health and Human Resources Scott Boileau 304/558-0999
California Dept. of Social Services; Dept. of Health Services; Office of Criminal Justice Planning Sandra Smoley 916/654-3301	**Florida** Dept. of Health; Dept. of Children and Family Services; Dept. of Labor and Employment Security Karen Hogan 202/624-8485	**Indiana** Family and Social Services Administration Carlis Williams 317/232-1971 Marya Mernitz Rose 317/232-1622	**Maine** Dept. of Human Services Peter Walsh 207/287-1902	**Mississippi** Dept. of Human Services Anna Marie Barnes 601/359-2528	**New Hampshire** Dept. of Health and Human Services Kathy Sgambati 603/271-4602	**North Dakota** Dept. of Human Services Kevin Iverson 701/328-2310	**Rhode Island** Dept. of Human Services Sherry Campanelli 401/464-2423 Clark Greene 401/277-2080	**Utah** Dept. of Human Services Robin Arnold-Williams 801/538-4001	**Wisconsin** Dept. of Workforce Development J. Jean Rogers 608/266-3035

Wyoming Dept. of Family Services Mary Kay Hill 307/777-7434	**Puerto Rico** Dept. of the Family Jennifer Garity 787/729-0109	**Guam** Dept. of Public Health and Social Services Dennis Rodriguez 671/735-7101

1. Pending legislation would create a new department of temporary and disability assistance.

Policy Briefing
July 18, 1997

Welfare-To-Work And Child Care

A Survey Of The Ten Big States

Margy Waller

Less than a year after Washington launched an historic experiment in welfare reform, state decisions about child care benefits are undermining one of the key principles of reform: that work must pay more than welfare. A PPI survey of the states with the 10 largest caseloads, completed in early July, shows that some states are diverting child care funds from the working poor to welfare recipients, jeopardizing the ability of the working poor to stay off welfare rolls. This trend, if sustained, would represent a perverse twist to welfare reform by penalizing the very families who are working hard to stay off welfare.

A sound welfare policy should not only require work, but should also "make work pay." To reward work over welfare, states must offer supports, including child care, health care, and transportation subsidies, to enable the working poor to remain in the job market. The risk for low-wage workers who lack child care for their children is obvious: without someone to watch the children, a parent can't go to work.

That is why the success of welfare reform depends on the existence of accessible, affordable, quality child care for all low wage workers: those on welfare, those moving from welfare to work, and those who were never on welfare. The best way to achieve this is to create a system that does not make distinctions between workers based on their connections to the welfare system. But just the opposite is occurring in states like Georgia and Ohio, which are focusing on services to welfare recipients at the expense of other low-wage workers.

Christine Ferguson's story is illustrative. Ferguson, a Wal-Mart cashier earning $6.80 an hour in Union Township, Ohio, lost her child care subsidy when her county welfare department ran out of state funds for the program and eliminated eligibility for assistance to 110 families like hers, those whose earnings are higher than 125 percent of federal poverty guidelines. Like other states, Ohio has saved money as its welfare caseload has fallen. But Ohio has refused to reallocate these savings for child care to the working poor and has reduced overall state funding for child care this year, even as it has passed some of those savings on as tax cuts.

Meanwhile, Ferguson's child care costs have increased from $65 a month (her copayment with the subsidy), to $400 a month. "I'm really glad [President] Clinton wants to do this welfare reform -- I think it's time. But you're going to send someone back to welfare if you take their child care," she said.[1] Ironically, if one of Christine's co-workers is a recent welfare recipient, she would be entitled to child care -- even if her income is identical to Christine's.

Lacking a federal model for work-based welfare reform, states are experimenting -- and the results are decidedly mixed. A few states have moved a long way in the direction of creating a universal system of child care for all low-wage workers; Illinois has the best model. Two states, and possibly a third, will reduce state funding for child care this year, while others have made a significant new state investment as they attempt to reach more families. Many states prioritize child care support to families currently receiving welfare or transitioning from welfare to work. Most states have created incentives to child care providers who fill gaps in delivery to infants and workers with a nontraditional schedule.

This report is a part of PPI's continuing effort to monitor those experiments -- and determine if states are truly replacing welfare with a system that supports people who work. It is critical for states to make that investment now, while caseloads are dropping, the economy is strong, and states have new resources for investment in the bridge to work.

It is all the more critical because as work requirements for welfare recipients increase under the new federal law, the demand for child care assistance to working welfare recipients will too. If states meet the work requirements, and provide child care to those working families, it should not come at the expense of reducing or eliminating funding for working poor families. It would be unfortunate if states use the flexibility provided by the new law to maintain the inequities of the old system when they have the opportunity to design a seamless employment system for all entry-level workers.

This paper examines the decisions about child care that have, or are, being made in the 10 states with the largest welfare populations. It begins with a review of the circumstances that states find themselves in under the new welfare law and the need for child care as an integral part of the employment system for all low-wage workers. Then it reviews some of the major findings of the survey. Finally, the paper makes five recommendations for developing a child care system for all low-wage workers.

The Background

New Welfare Law Requires Work Last year, historic legislation eliminated the guaranteed system of cash assistance to poor families and replaced it with block grants to states. These block grants are based on a formula that requires the federal government to send states the amount of money they received at a time when caseloads were at an all-time high. Although states are permitted to reduce state spending, a House Ways and Means Committee report found that the states now have 34 percent more federal resources per welfare family than they would have had under the old program.[2]

States need to use these new resources to move a steadily increasing number of welfare recipients into "work activities" to meet new federal guidelines. In 1997, 25 percent of the welfare caseload must be working; 50 percent of the caseload must be working by 2002. Caseload reduction can help states meet the goals. For example, if a state's caseload this year is 10 percent less than it was in 1995, the state can meet the work participation rate by having just 15 percent of the current caseload in work activities.

Four Child Care Programs Become One Flexible Block Grant The new law combined four child care programs, targeted to different populations, into one flexible block grant. Each of these separate and categorical funding streams was added to the existing Child Care and Development Block Grant, now called the Child Care and Development Fund (CCDF). The block grant provides states with $4 billion more in federal child care funds per year than has ever been spent before. However, the Congressional Budget Office (CBO) estimates that if states continue to spend the same amount on the working poor, there will be a $1.4 billion funding shortfall for children of welfare recipients.

Because of increased federal requirements for welfare recipients, states feel pressure to target new child care funds toward working welfare recipients, in order to meet increasing work participation rates. Over time, such a decision has great potential to increase welfare rolls as working poor families lose jobs for lack of child care.

Infant Care and Child Care for Third Shift, Part-Time and Weekend Workers does not Meet Demand, and Demand is Increasing Communities are generally not meeting current demand for infant care. A report from the United States General Accounting Office (GAO) on the supply of infant care found that the percentage of current demand that is met by the known supply (excluding informal options) ranges from 16 to 67 percent. The report notes that the gap is greatest in poor communities.[3] The new federal law eliminates the exemption from work requirements for parents with children under age three, and creates an option for states to exempt parents of children under age one. Since the old rule accounted for as much as 75 percent of the exempt population, the new law increases the need for infant care.

Most child care providers are available only during traditional work hours, while poor working mothers in entry level positions often need odd-hours child care because their new jobs do not have 9-to-5 work day hours. A recent GAO survey of child care providers in four communities found that the percentage of providers offering care during nontraditional hours ranged from 12 percent to 35 percent.[4] Most sites offering odd-hours care are providers who operate child care homes (private homes with few slots), not child care centers which have a higher capacity.[5]

The Child Care Crunch

Many studies cite the importance of accessible and affordable quality child care for workplace success. A GAO report found that if welfare recipients received child care subsidies, work participation rates would increase from 29 percent to 44 percent, at a time when there were no time limits and more flexible work requirements.[6] Researchers report that a primary barrier to work participation among welfare recipients is lack of child care access.[7] A GAO study of participants in welfare-to-work programs in 38 states found 60 percent of respondents reported that a lack of child care is a barrier to work.[8]

Welfare recipients who leave welfare for low-wage positions need the support of child care assistance to retain the new jobs. A GAO report on the impact of welfare reform on child care needs, says that a former welfare recipient may be unable to keep a job and earn enough to support her family without assistance, if her child care subsidy ends before she has moved up the career ladder to self-sufficiency.[9] Two earlier reports for state welfare departments found that at least twenty percent of mothers in transition from welfare to work who lost child care assistance returned to welfare.[10]

The cost of care is a significant factor limiting access for low-wage workers. Family child care costs can be hard to estimate because they vary depending upon type and quality of care, geographic location, and number of children in care. A survey of the Wisconsin welfare caseload found that for over two-thirds of the caseload, the market cost for child care would be more than half of minimum wage earnings.[11] A U.S. Census report showed that child care costs take an average of 18 percent of household income for families below the federal poverty level, while non-poor families used only 7 percent of household income for care.[12] The same report says that the average cost is $3,856 per year.[13]

Mothers who want, but cannot afford, center or home-based care must turn to family or friends, and sometimes older children as care givers. Fifty-five percent of poor parents use informal care arrangements, while only 21 percent of nonpoor families do so.[14] These options can be less reliable and stable than center-based care. Finally, new work requirements may decrease the availability of informal care arrangements when family members who were able to provide care have work requirements themselves.[15]

Employers say child care problems make employees unreliable when parents are forced to stay home, or take work time, to deal with care problems. The National Conference of State Legislatures reports that 80 percent of employers surveyed found child care problems force parents to use work time.[16] A report from the Colorado Business Commission on Child Care Financing concludes that lost work-time and reduction in productivity due to child care problems results in a $3 billion annual loss nationwide.[17]

Making work pay requires a comprehensive employment system with many components: child care, health care, transportation, earned income tax credits, etc. This survey reviewed only the child care aspect of the employment systems states are developing.

The PPI Survey: States Have Not Taken Full Advantage of New Block Grant Flexibility

The Progressive Policy Institute (PPI) conducted this survey in May, June and July of 1997 to gather information about the decisions made in the 10 states with the largest welfare caseload (California, Florida, Georgia, Illinois, Michigan, New York, Ohio, Pennsylvania, Texas, and Washington). These states include almost two-thirds (65 percent) of the national caseload.[18] In late May, PPI sent a written survey to each state. A large group of key informants from state administrations, state legislatures, and child care policy organizations participated in follow-up telephone interviews as state legislatures debated the passage of welfare reform use laws. While the survey results provide information available through the first week of July, several states had not finished work, and others anticipate changes or have left some issues to the state agency. Before passage of the new federal law, many states urged that federal funding for child care permit creation of seamless systems so that one set of rules -- for eligibility and application -- would apply to all child care applicants. State administrators were frustrated by gaps in service and artificial distinctions created by narrowly targeted and categorical funding.[19] In fact, the expressed intent of Congress in passing the law was to treat all working families the same. A welfare reform guide for Members of Congress on welfare reform notes that the purpose of the law is to "eliminate gaps, disruptions, and paperwork caused by the old child care system that established separate child care programs for each of these groups of parents."[20]

It seemed likely that given more flexibility, states would eliminate artificial distinctions and finally create a system basing eligibility on income. All poor families would be eligible for services, *if they are working* -- whether in an unsubsidized low wage job, a community service job or workfare position. Unfortunately, only a few states in the PPI survey have done what was expected. PPI found that states so far have largely declined to take advantage of the flexibility in the new law, and are focusing resources on working welfare recipients to the detriment of other low-wage workers.

Ohio plans to significantly decrease state funding in the face of gaps in service to working poor; Illinois plans to increase state funding by 80 percent. Two states have reduced state spending on child care assistance overall: Ohio and Pennsylvania. Governor George Pataki of New York proposes to decrease spending by 5.4 percent, but the legislature proposes an increase of 13.6 percent. In Pennsylvania, the decrease is relatively small, only 1 percent. The decrease in Ohio amounts to nearly 11 percent of state funding for child care. Every state surveyed plans to provide state matching funds for all available federal dollars, thereby increasing overall child care spending. However, at a time when there is an influx of new federal resources relative to welfare caseloads, it is difficult to understand why any state would reduce its general revenue funding for working families.

Two states plan to increase state funding by only 1 percent: Georgia and Washington. Other states have recognized the value of an increased investment in child care. California and Michigan plan to increase state spending on child care by 12 and 13 percent respectively. Texas plans a 24 percent increase next year. President Clinton recently recognized Florida for its significant new state investment in child care -- 40 percent overall. Illinois is the big leader here, increasing state funding by 80 percent over last year.

Half of the states prioritize available funding to families connected to the welfare system; three states guarantee funds for welfare families and provide services to other low-wage workers only if funding permits. Five of the 10 states surveyed intend to provide assistance to welfare recipients and those in transition to work *before* assisting other low-wage working families. This is surprising, given the number of state administrators, governors, and others who have said that such a system is inherently inequitable given the relative similarities between these families, and the incentive it creates to enter the welfare system to ensure eligibility for child care assistance.

PPI's survey asked whether states intend to guarantee assistance for child care to any groups. PPI defined a guarantee as a promise to all who met eligibility criteria that child care assistance would be available, no matter how many families apply during the year. (We did not ask whether the guarantee is an entitlement by state law.) Two states, Ohio and Georgia, plan to guarantee child care to welfare recipients and those in transition to work, while making assistance available to other working poor, "if funding permits." Texas will guarantee assistance only to families in transition from welfare to work.

Three states say they will "guarantee" funding for transitional assistance for one year after leaving welfare for work; four other states say transitional families are eligible for assistance if funding permits within budget limits. The Georgia, Ohio and Texas child care plans "guarantee" transitional child care support for one year after welfare recipients leave welfare for work. However, if these former welfare recipients exceed newly created income ceilings, they will lose assistance before the end of the year.

Four states will provide such transitional assistance to as many families as possible within state funding limits: California, Florida, New York, and Pennsylvania. In New York, Governor Pataki and the Legislature have competing proposals; the Governor would allow local welfare administrators to set an income ceiling for eligibility (up to the state maximum), but would not require a time limit. The Legislature would limit transitional child care support to one year, with an income ceiling. Florida proposes a two-year time limit for transitioning welfare recipients. California has two transitional programs: one has a two-year time limit and no income ceiling, the other program limits assistance based on income, but not time.

Michigan, Illinois, and Washington (beginning this fall) cover recipients in transition to work as part of their income-based programs. Transitional workers are treated just like other low-wage workers -- they are eligible until they reach the income ceiling.

Only three states have moved to create a seamless system of child care support for all low-wage workers; seven of the largest states have so far chosen to keep the old system. Only three states surveyed by PPI have moved to develop a child care system with eligibility based on income: Illinois, Michigan and Washington. Households with income below 50, 60, and 52 percent of the respective state median income (SMI) are eligible for child care services. In Michigan, working welfare recipients will get priority, but the state does not anticipate a funding shortfall. There is no time limit on assistance in any of these states.

Some states create expectations of services for working poor, but may not be able to meet them. In order to compare the income levels that states use to determine eligibility for child care support, PPI converted the varying state standards to a percentage of state median income. Some states choose to use SMI as their yardstick for eligibility, others base eligibility on a percentage of federal poverty guidelines. PPI uses SMI to adjust for wide cost of living differences, allowing for a more accurate cross-state comparison of eligibility.

Federal law limits the use of the child care block grant to households with incomes below 85 percent of state median income. Nevertheless, the PPI survey found income ceilings ranging from a high of 100 percent of SMI in one California program (using some state funding) to a low of 50 percent of SMI in Illinois.

However, when it comes to child care for the working poor (as in other categories where support is not guaranteed), it is critical to distinguish between eligibility for, and access to, services. States with a high income ceiling may not provide services to many of the families below the ceiling. In the past, states often were forced to close intake for services, and many states maintained long waiting lists. One state administrator commented that children would be in college before they reached the top of a waiting list.

Michigan (60 percent of SMI), Illinois (50 percent of SMI), and Washington (52 percent of SMI) have set eligibility relatively low compared to other surveyed states -- but, the state legislatures in those states have allocated funding that they believe will cover all eligible families likely to apply. Illinois has increased state funding by a whopping 80 percent since last year. These states have moved closest to creating a seamless child care program with universal access for eligible families, determining eligibility by income rather than making artificial distinctions based on a recent connection to the welfare system.

Most states have created incentives for filling gaps in services to parents of infants and workers with nontraditional hours. Six of the 10 states surveyed offer, or are considering, an incentive for child care providers who supply odd-hours care or infant care. Usually the incentive is a higher rate of payment (recognizing the higher costs of such care). In California, providers with nontraditional hours get contractual priority. Six states will provide incentives for infant care: California, Florida, Michigan, New York, Ohio, and Washington. Three states will provide incentives for odd-hours care: California, Florida, and Ohio. Illinois is considering various incentives and three states are not currently planning to provide incentives targeted to creation of infant or odd-hours care: Georgia, Pennsylvania, and Texas. Pennsylvania will ask for local input on whether to use new funds for infant care or nontraditional care.

States are also providing incentives to alleviate other shortages, such as care for special needs and school-age children (before and after school hours). Finally, some states are encouraging collaborative approaches for child care and Head Start centers. (While there are also many issues related to provider payment rates and licensing that will affect quality and availability of care, the PPI survey did not address these issues, beyond enhanced rates paid as an incentive to create care for targeted populations.)

Three states require parents to return to work when their infant is three months old; nine states fail to take full advantage of the federal option to exempt parents of children under age one. All states surveyed have a newborn work exemption. Illinois provides up to one year for each newborn -- the federal maximum. Georgia, Ohio, Pennsylvania, and Washington all create a twelve-month lifetime exemption. Governor Pataki's proposal guarantees a three month exemption for the birth of each child, subject to twelve month lifetime limit for the parent; local welfare administrators would have discretion to extend the three month exemption.

Florida and the New York legislature provide a three-month exemption for each child, with no lifetime limit. Michigan requires parents to work when an infant is thirteen weeks old. In contrast, Texas will retain its current provision, permitting an exemption for parents of children under age six, until September 1997, when the exemption will be only for parents of children under age five. At this writing, the debate over this issue is raging in California. While the Democratic proposal creates a one year exemption for new parents, California Governor Pete Wilson has proposed a twelve-week exemption.

States have developed confusing family copayment requirements. All states require some families to pay part of the cost of their child care; California, Georgia and Washington have complicated formulas for calculating family child care copayments. Washington uses a complex set of rules that require a family earning less than 74 percent of the federal poverty level to pay $10.00 a week. But once the household income exceeds 74 percent of federal poverty, the weekly copayment will be the greater of $20.00 or 47 percent of the household income over 100 percent of the federal poverty level. Georgia's formula has three separate categories for eligibility and two different copayments. From the worker's perspective, it may not be easy to figure out which of the three categories applies, or which sources of income the state will count. In California, the copayment may vary depending on the original source of funds (federal or state), a fact the worker is not likely to know.

States have set reasonable copayments for families at the poverty level. Copayment rates are important to an assessment of access to care because if the family share of the cost of child care is too high (as a percentage of household income), the family will not be able to get care even if they are eligible according to the state eligibility rules. The Child Care Bureau at the federal Department of Health and Human Services recommends a copayment of no more than 10 percent of the household income.

The state copayment formulas are complicated and difficult to evaluate for their impact on families. The best way to compare what the family will be required to contribute is to ask each state about the cost of care for the same hypothetical family; we asked about a family with one parent and two children in child care with income at 100 percent of the federal poverty guidelines, $13,330. (PPI's survey did not ask about copayments for other income levels or household sizes and makes no finding on the appropriateness of copayment levels for these other family circumstances.) Only one state reported a copayment above the recommended level: Texas has a copayment formula that requires the family to pay 11 percent of household income. All other states surveyed have set copayments for PPI's hypothetical family of three below the recommended level.

PPI'S Five Action Steps for States

This survey highlights a problem that we hope will be addressed quickly by a determined effort of national and state leaders. It is a vital principle of PPI that welfare reform should not disadvantage the working poor. Many state legislatures are still in session or will be meeting again in the coming months; state legislators and Governors should re-examine the state child care plans and eliminate any artificial distinctions that have been made between working poor families. Success in these 10 large states would lead the way for smaller states and is critically important because the big states represent nearly two-thirds of the national welfare caseload. Still it is important to note that some smaller states have created systems of child care basing eligibility on household income.

1) Create a seamless system of child care. As families move from welfare, to workfare, to low-wage, unsubsidized positions -- they should not have to change child care providers, worry about reapplying, or deal with a new set of rules for assistance. A seamless system lets families cross the bridge from welfare to work without disruption in child care services. Employers urge decision-makers to invest in child care because they know an employee with child care difficulties will miss work. Children should be able to count on seeing the same care-giver and friends; parents should focus on successfully making the transition.

Child care assistance systems should be fair and easy to understand. In Illinois there will be one set of rules for all low-wage workers receiving child care assistance. But, California proposes the kind of system that all states should avoid: depending upon the source of the funds, and the state department administering the program -- parents may have different eligibility criteria, income ceilings, time limits, and copayments. The state will have to treat families in identical situations differently, and it will be difficult for parents to anticipate the impact of program regulations.

2) Base eligibility for child care on income, not on current or recent receipt of welfare. All low wage workers need the certainty of affordable, accessible child care. Again, Illinois has the right idea. Creating a system of care that bases eligibility on income level ensures that working welfare parents get assistance, but not at the expense of other low-wage workers -- especially those who have long managed to avoid asking for welfare. Those families transitioning from welfare to work will get child care -- until their income reaches the ceiling set by the state. Careful monitoring to evaluate the impact of the loss of child care assistance when families hit the "cliff" of the income cap will be critical. If states find that the level is set too low or too high, they can adjust it. Michigan and Washington propose a system that bases eligibility for child care on household income, although Michigan's plan has a priority for service to welfare recipients. Decision-makers in these three states believe the allocated funding will be sufficient to assist all families below the income ceiling.

A system that determines eligibility based on current or previous receipt of welfare ignores the reality that low-wage workers are likely to return when informal child care arrangements fail. In the first years of block grants, pressure on available funds will be less, because work requirements will be at the lowest levels. In the current economy, many families who would otherwise be forced to rely on welfare are working in low wage jobs. Helping these families now may enable them to stabilize and move up the career ladder so that they do not fall back into the system when the economy falters.

3) Make copayments affordable and understandable. All families should have the responsibility of contributing to the cost of care. But, eligibility for child care that is not affordable is deceptive. It is an empty promise to say that all low-wage working families will be *eligible,* if the copayment is set so high that families cannot afford to access the child care. The Child Care Bureau at the Department of Health and Human Services recommends a copayment of no more than 10 percent of household income. The national average payment is 7.5 percent of household income for all families.[21]

Families should be able to understand the copayment formula and easily budget for child care expenses. Entry level workers often have fluctuating schedules and paychecks, so families may have to calculate their share of the cost with some frequency.

4) Limit gaps in service by offering incentives to providers and taking advantage of the federal option to exempt parents of children under age one. States can enhance the capacity of the child care system to meet the needs of parents of infants, as well as third-shift, weekend and part-time workers by providing incentives to providers.

Communities are generally not meeting current demand for infant care. Demand for infant care will also increase, as the exemption for parents of young children is narrowed significantly in most states. Another way to limit demand for infant care, reduce costs and support families, is to take advantage of the work exemption for parents of children under age one. Since the national average subsidy rate for infant care is almost $2,200 more per year than the subsidy for toddler care, offering a work exemption for parents of infants is a fiscally prudent step to take in a time of limited resources.[22] More importantly, it is consistent with recent findings in the research on child development. At a Congressional hearing on July 10, 1997, Dr. Edward Zigler, Sterling Professor of Psychology at Yale University and Director of the Bush Center in Child Development and Social Policy, stated, "Parents and their new babies need time together to establish the rhythms of life, to reach a level of sensitive attunement and to become securely attached."

5) Use block grant funds and savings from caseload reductions to build the child care system for all low-wage workers. In a weekly radio address, President Clinton noted that all states have ended the old welfare program, and that caseloads represent the lowest percentage of our population on welfare since 1970. President Clinton urged states to invest the resources available from caseload reduction in a system that will enable welfare recipients to get and keep work -- specifically by providing child care.

The PPI survey asked states about their plans to increase overall funding for child care. All of the states indicated an intention to use the total available federal matching dollars. Some states are transferring funds from the Temporary Assistance for Needy Families (TANF) block grant to the Child Care and Development Fund. As caseloads continue to drop and while the work participation rates are relatively low, states can afford to make transfers from the TANF block grant. States can transfer up to 30 percent of the TANF block grant, and assistance provided by the transferred dollars is not subject to the federal five year lifetime limit.

Most states are increasing state funding (PPI's definition of state funds does not include transfers from federal block grants) for child care. The only exceptions are Ohio and Pennsylvania which will probably experience a decrease from the prior year's state spending. In Ohio, the state chose not to continue spending $10 million from caseload reduction savings that was incorporated into the state's budget for the prior year when counties began to run out of funds for the working poor. Given Ohio's "guarantee" of assistance to families with a recent connection to the welfare system, working poor families will experience a reduction in available child care slots. In New York, Governor Pataki proposes a 5.4 percent decrease, while the legislature proposes a 13.6 percent increase. Pennsylvania's reduction is less than 1 percent of state funding.

Conclusion

The PPI survey on child care shows a trend for states to overlook the flexibility available to them and retain a child care system with gaps and inequities as if the federal government were still insisting on this flawed program design. Unfortunately, this tendency will punish working poor generally by failing to invest new resources in their access to child care. Every new law has potential for unintended consequences; hurting low-wage workers would be an unfortunate outcome of the historic legislation passed last year. States have the resources to follow the lead provided by Illinois: create a seamless child care system for entry level workers and fund it adequately to ensure universal access for all eligible families. Welfare reform requires many difficult decisions, and it has only been eight months since the federal law passed. Although states have filed their first child care plan and many states have completed a legislative debate on this issue, legislators and Governors have an ongoing opportunity and responsibility to improve the state employment system. We think they will. In the meantime, Congress should carefully monitor state actions and make changes in the federal law when necessary.

Margy Waller is senior analyst for social policy for the Progressive Policy Institute.

The author would like to thank PPI president Will Marshall, executive director Chuck Alston, social policy research analyst Abbe Milstein and many other staff members for their thoughtful comments and editing. Abbe Milstein conducted the interviews.

Backup

3 states
w/ seamless
child care systems
(p 6)

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13. U.S. Bureau of the Census. 1995. *What Does it Cost to Mind Our Preschoolers?* Prepared by Lynne M. Casper, Bureau of the Census. Washington, D.C., Series P70-52, Table 3. "Weekly Child Care Costs Paid for Preschoolers by Families with Employed Mother, Fall 1993." This figure was calculated by multiplying $74.15 (the average weekly cost for families making child care payments for any child under 5 years old) by 52 (weeks in the year) for a total of $3,855.80 per year.

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FAX CPPP FAX

CENTER for PUBLIC POLICY PRIORITIES

900 Lydia Street Austin, TX 78702 www.cppp.org

TO:	Cynthia Rice The White House
PHONE:	202-456-2846
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FROM:	PATRICK BRESETTE
PHONE:	512/320-0222
FAX:	512/320-0227

DATE: **07/24/97 9:04 AM**

No. of Pages (including this one): 20

TANF materials as discussed.
pb

Backup –
Texas' use
of welfare $

Chart B

How TANF Surplus was Spent by Agency (Biennial Totals; Dollarsi n Millions)		Real services to welfare recipients
To Free Up GR and Title XX	**$147.70**	
To Free Up GR and Title XX: the following reductions were made:		
TWC	*$68.3*	
PRS	*$40.7*	
TDH: Family Planning	*$28.8*	
Fringe	*$10.0*	
Department of Human Services	**$ 20.96**	
To Continue Practice of Providing $50 Child Support to TANF Recipients receiving Support	$16.28	X
For Welfare Automation	$2.80	X
Community Care and Eligibility	$1.88	
Texas Workforce Commission	**$102.64**	
JOBS Training Program for TANF Recipients (both Maintainenace of current slots and Expansion)	$39.41	X
Invest in Long Term Success	$20.00	X
Contingency Fund for JOBS and Long-Term Success strategies	$30.00	X
Adult Education/Literacy for TANF Recipients	$5.00	X
Child Care	$2.23	X
Communities in Schools	$6.00	
Texas Department of Protective and REgulary Services	**$33.87**	
CPS Restore Cuts/Meet Increased Demand	$18.02	
To Fund Healthy Families	$ 3.10	
To Expand and Upgrade Services to Runaway and At-Risk Youth (STARS)	$11.78	
Child Care Regulation	$ 0.97	
Texas Mental Health and Mental Retardation	**$ 3.60**	
Children's Mental Health Plan	$3.60	
Texas Education Agency	**$10.60**	
Adult Education/Literacy for TANF recipients	$4.60	X
Services to Teen TANF parents	$6.00	X
Miscellaneous	**$17.49**	
Millennium Conversion	$12.98	
Fringe (Estimated)	$4.52	
Contingency	**$25.29**	
Total Surplus	**$362.16**	**$126.32**

MEMORANDUM

The Center for Public Policy Priorities

From: Patrick Bresette
To: Cynthia Rice, White House
Subject: Utilization of TANF block grant funds in Texas
Date: July 24, 1997

Cynthia:

Attached you will find four back issues of our Policy Page that tracked and reported on the decisions about the TANF block grant during the recent legislative session. The Policy Pages start with basic discussions about the block grant and outline a TANF spending plan that we were promoting. They follow the process through until the final recommendations of the TANF Working Group of the Budget Conference Committee. If you read them over you can get a sense of the deliberations and the way the legislature and political leadership were viewing the TANF funds. We are currently completing a final report on how the funds were allocated and will be using the tables on the three pages following the Policy Pages to illustrate just what happened. The first set of tables duplicate some information in the PPs. Here is a basic description of what the tables show:

A) Three small charts that show

a) details of Texas' Maintenance of effort (MOE) requirements under TANF and the Legislative Budget Board's (LBB) MOE #s in the first budget bill

b) calculation of the TANF "surplus" due to declining caseloads, and the original allocation of TANF funds by LBB

c) projected caseload decline for the coming biennium.

B) How the surplus was allocated in the final budget with some indication in the final column about which expenditures might actually be considered to be serving those for whom the TANF block grant was intended.

Editorial comment: Some of what was allocated here will provide important services to TANF recipients in times of increased pressure to move from welfare to work, but it could have been much more. We fought hard for $50 million in real job training that would result in living wage jobs. We ended up with the $20 million for "Invest in Long-Term Success" which includes $12 million for targeted job training, $6 million for job retention and re-employment assistance and $2 million for "local innovation grants." This is still woefully low and even the new funding for the JOBS program – essentially a job placement service – may barely keep pace with new federal work requirements.

C) Full allocation detail of the TANF block grant and the TANF MOE state funds. In most line items of this chart these two sources of funds are not the only revenue. Also, some line items that look like increases are actually places where the state GR is supplanted as part of the $147.7 million GR and Title XX swap shown in chart B. An example is family planning at TDH. None of this $28.8 million is new money, its just a swap of funding sources.

Notes from the coming Policy Page:

The windfall of TANF funds was used by the state in three ways:

1) **To free up GR and Title XX**

$147.7 million or 37.5% of the surplus

Related excerpt from coming PP:

When the House Appropriations and the Senate Finance Committees began considering the TANF surplus several major pressures weighed on their deliberations. Overshadowing everything was the Governor's property tax relief plan and the underlying assumption that $1 billion in state revenue was effectively "off the table" for budget writers. Without access to these funds pressures on all areas of the budget were enormous, adding real significance to a nearly $400 million "surplus" of federal funds. The agencies eligible for TANF funds also faced their own budget pressures. One of the agencies for whom TANF funds had historically been spent (through the EA program) – DPRS – faced a $65 million shortfall in Child Protective Services. The newly formed Texas Workforce Commission (TWC) now "owned" the JOBS program – another historical TANF expenditure. This agency entered the session in a triple bind. 1) Aggressive new federal work participation requirements for welfare recipients would now be their responsibility, 2) They faced this challenge with a chronically underfunded JOBS program, cut during the 74th session and facing a shortfall in FY 97 just to maintain existing services, and 3), the agency entered the session carrying significant political baggage. In several regions local politics had become heated over formation of the local workforce development boards and many legislators were finally becoming aware of the major restructuring they had set in motion the previous session – leading to legislators being apprehensive about the new agency. This was exacerbated by repeated fumbling by TWC during development of their Legislative Appropriations Request (LAR) and a critical report by the state auditor.

2) **To purchase new services and fill existing budget gaps in key programs**

$189.15 million or 48.1% of the surplus

Of this, only $126.32 or 32.1% (of the total surplus) was spent on the poor families for whom the block grant was intended. Additionally, $30 million of this $126.32 million will be held in contingency and is not available unless other allocations are expended first and certain performance targets are met.

3) **to set aside a contingency fund $25.29 million or 6.% of the surplus**

Talking points I'm working on:

- The state was given a unique opportunity to invest in the types of programs that could truly help welfare recipients move from welfare to work. With clocks ticking on the benefits of all recipients this type of assistance is more important than ever.
- Unfortunately, less than a third of the surplus funds were used of this purpose and only $12 million will be used for real job training designed to move welfare recipients into a living wage job.
- The chronically underfunded JOBS program received a much needed infusion of funds (nearly $40 million) but even this amount will barely keep pace with new mandatory federal work participation rates and will not improve the quality of the services which are currently nothing more than job placement.
- The state should not have used the TANF funds as a way to free up state revenue to give away a tax break. This is directly counter to the purposes of the block grant and was a short sighted budget gambit that did not take advantage of this unique funding windfall and a good economy to help thousands of poor women and children on the path to self-sufficiency.
- blah, blah, blah

★★★ THE POLICY PAGE ★★★

An update on state and federal action from

The Center for Public Policy Priorities

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February 8, 1997 No. 39

House and Senate Budget Committees Consider TANF Surplus

As we have discussed in previous ***Policy Pages***, the new federal welfare law created a block grant – Temporary Assistance for Needy Families (TANF) – replacing AFDC, Title IV-A Emergency Assistance and JOBS, the job training program for welfare recipients. Texas' allocation of federal funds through this block grant is based on spending in FY 1994. Because the caseload declined significantly since 1994 (see Table 1), Texas will receive more funds under TANF than needed to continue programs at their current levels (see Table 2). For FY 1997 the TANF allocation is $486.3 million. Texas' budgeted expenditures of TANF funds in FY 97, plus potential emergency appropriations for TWC, TDHS, and TDPRS, leave a surplus of $62 million. The TANF grant increases slightly to $499 million in FY 98 and $512 million in FY 99. When the LBB released its budget recommendations for FY 98 and FY 99 they held programs at current levels and therefore left a surplus of $296.5 million for the coming biennium. Adding this to the FY 97 surplus, there is an estimated $358.2 million in excess TANF funds in the coming biennium. There is also the potential of excess state general revenue as well. Because the state is required to maintain only 80% of its historical state spending to receive TANF, the LBB Budget leaves $77.6 million in "freed-up" GR (see Table 3).

Table 1

A Primary Reason for the TANF Surplus:
Lower Estimate of Cash Benefit Recipients

Year	Avg. Number of Cash Benefit Recipients per Month
1994	786,313
1998	535,986*
1999	508,052*

* Caseload estimate included in the LBB Budget Recommendations

Table 2

Texas' TANF Surplus under the LBB Budget
(Dollars in Millions) (Totals may not add due to rounding)

	FY 1997	FY 1998	FY 1999
TANF Block Grant	$486.3	$486.3	$486.3
Supplemental Grant	$0.0	$12.7	$25.7
Total Allocation	**$486.3**	**$499.0**	**$512.0**
LBB Recommended Allocations			
Total Budgeted and/or Allocated	$424.4[1]	$363.2	$351.5
TANF Unspent in LBB Budget	$62.0	$135.7	$160.5
Total TANF Surplus			**$358.2**

How to Use the TANF Windfall

Clearly the TANF surplus presents the Senate and House budget committees with important decisions about how these surplus funds will be spent. The funds should be spent directly on the types of services that will help recipients make a transition to employment, particularly now that there are time limits on benefits. Unfortunately, the TANF funds can also be moved around in such a way as to free up state general revenue (GR) for other uses. There is a very real danger that TANF funds will be utilized as a *method-of-finance* gambit to pull funds away from the types of services needed to make welfare reform succeed. The state is at a critical juncture. As the House and Senate budget committees deliberate on the use of TANF funds, they must be encouraged to use the funds wisely. Various agencies have been working on proposals for using additional TANF funds. However, until last week no one had presented an overall plan for the use of the TANF surplus. On January 29th, the Center for Public Policy Priorities presented a comprehensive plan for using the TANF block grant to the Senate Finance committee. The proposal is guided by two principles. 1) The TANF block grant must be used to invest in services that will make welfare reform work. 2) TANF funds should not be used as a *method-of-finance* tool to move state general revenue from services to needy families to other parts of the budget.

Table 3

Texas' Maintenance of Effort Requirements
State General Revenue (Dollars in Millions)

	FY 98	FY 99
Required 80% M-o-E	$251.4	$251.4
Required 100% M-o-E	$314.3	$314.3
LBB Budget Recommendations		
Total	$293.6	$287.0
General Revenue Exceeding 80% M-o-E Requirements	$42.1	$35.5

[1] Includes $389.1 million budgeted and allocated for FY 97 plus $35.2 million in potential emergency appropriations at TWC, TDHS, and TDPRS.

Making Reform Work: The CPPP Proposal for Using the TANF Block Grant

1. Provide Temporary Assistance and Encourage Child Support

A. Support Needy Families

• Continue to provide basic income assistance (formally known as AFDC) at current benefit and eligibility levels.

B. Encourage Child Support

• Continue to "pass through" $50 of collected child support payments to families receiving cash assistance and to disregard the $50 in calculating benefit levels. This had been the operative policy until the recent federal welfare law.

C. Reward Cooperation

• To increase the rate of paternity establishments and child support orders, provide a one-time incentive payment of $100 for timely cooperation.

2. Build a Welfare-to Work System that Works

A. Create a Ramp to Self-Sufficiency

• Allow those who begin to earn income ro retain a small portion of their benefits.

• Provide Earned Income Tax Credit (EITC) assistance at TWC offices.

B. Expand Opportunities for the Job Ready

• Provide intensive orientation for recipients on TANF time limits and work requirement at eligibility offices.

• Give automatic appointments to employment assistance for all clients who are not exempt from work participation.

• Increase case-management activities for more one-on-one assessment and assistance to clients seeking work.

• Combine job placement services (such as "work first") with other education and training opportunities both during job-search and when clients work part time.

C. Maximize Federal Child Care Funding

• Use General Revenue allocated in LBB budget that exceeds the state's TANF Maintenance of Effort requirements to draw down all available federal child care funding.

D. Invest in Long-Term Success

• Develop job-retention services and re-employment assistance to ensure that clients stay employed.

• Target job training to high-wage jobs and offer non-traditional employment opportunities for women.

• Offer microenterprise development and self-employment assistance, particularly in rural areas where few jobs may be available.

• Utilize community colleges or technical training to prepare clients for available jobs.

• Expand the use of Individual Development Accounts (IDAs) to allow recipients to save money for housing, education or employment needs.

E. Provide a Ladder Up for the Least Job-Ready

• Expand basic education and literacy services for those who are the least job-ready.

• Provide automatic referrals for clients with the least skills who may soon face time limits.

3. Protect Children and Strengthen Families

A. Protect Children and Strengthen Families

• The CPPP proposal strengthens Child Protective Services (CPS). It would fund investigations of child abuse and neglect, foster care (for children not eligible to receive federally funded foster care), and counseling and other support services for children and families referred to CPS. It also fully funds expected increases in reports, investigations, and services.

B. Support Families Facing Economic Distress

• This CPPP proposal targets emergency aid to low-income families risking dissolution primarily due to economic distress. Caseworkers would have access to a limited amount of money to purchase discretionary items or services necessary to prevent the removal of a child or to hasten their return home. Additionally, these families would be referred to TWC for priority employment assistance.

4. Target Teen Parents to Keep Them on the Path to Independence

A. Expand Services for Teen Parents on Welfare

• Increase services designed to keep teens in school, prevent additional pregnancies, and promote a successful school-to-work transition.

B. Fund Adult-Supervised Homes for Teen Mothers

• The new federal law would deny TANF assistance to any teen parent not living with their parent, other adult relative or an approved adult-supervised setting. Few of these "second-chance" homes exist in Texas. This proposal would fund supportive, adult-supervised settings for these teens, particularly those at risk of losing TANF assistance.

Contingency Fund:

• The CPPP proposal uses no GR above the LBB budget but fully utilizes the TANF surplus for FY 98 and FY 99. However, whatever funds are carried forward from FY 97 (estimated to be $62 million) would be placed in a contingency fund to meet possibly higher caseloads or federal penalties for not meeting all the stipulations of the new law.

Copies of the full proposal (30 pages) are available by mail for a donation of $10. Call Lila at 320-0222.

What's Next

The House Appropriations Committee and the Senate Finance Committee will begin marking up the budget bill in the next few weeks. Allocation of the TANF block grant and the surplus will be among their top issues. It is critical that the committee members understand the importance of using the TANF block grant to make welfare reform work. There is a real danger that the temptation to use the TANF surplus to supplant other funds will cause them to focus on short term budget shuffling rather than investing the funds to support success for the neediest Texas families.

Already, the governors' budget has opened the door to the type of refinancing strategy that would quickly draw TANF funds away from their real purpose. While the governor's budget does draw down all available child care funds and somewhate increases funding for employment services, it largely utilizes the TANF block grant as a *method-of-finance* tool for freeing up state general revenue and supplanting state funds in several areas, most notably at DPRS. This refinancing may help them pay for the $1 billion dollar tax plan but it leaves the most vulnerable Texans without of the critical assistance necessary to become self-supporting before their time-limited assistance runs out.

What Can You Do?

There is a very narrow window of opportunity for the House and Senate budget committees to make the right choices in spending the TANF block grant. They need to hear this simple message. "Spend the TANF block grant on job training and services to needy families. Welfare reform will fail if we do not use these funds for their real purpose." Additionally, you could encourage them to review the CPPP TANF block grant plan.

We have been presenting our plan to legislators on both committees, so they should be aware of our proposal. In the Senate, it will be important to let the chair – **Sen. Ratliff** – know that the use of the TANF funds deserves careful consideration. In the House, we have presented our plan to a joint meeting of the House Appropriations Subcommittees on Health and Human Services (***Bob Glaze**, Chair*) and General Government (***Talmadge Heflin**, Chair*), when they review the Texas Workforce Commission together on Feb. 10th. These committees are central to TANF decisions.

Senate Finance Committee

Members		Phone (512)	Fax (512)
Sen. Bill Ratliff, Chair	Mt. Pleasant	463-0101	475-3751
Sen. Carlos Truan, Vice Chair	Corpus Christi	463-0120	475-3741
Sen. Ken Armbrister	Victoria	463-0118	475-3736
Sen. Gonzalo Barrientos	Austin	463-0114	463-5949
Sen. Teel Bivins	Amarillo	463-0131	475-3733
Sen. J.E. Brown	Lake Jackson	463-0117	463-0639
Sen. Eduardo A. Lucio	Brownsville	463-0127	463-0061
Sen. Mike Moncrief	Fort Worth	463-0112	463-0326
Sen. Jane Nelson	Flower Mound	463-0109	463-0923
Sen. David Sibley	Waco	463-0122	475-3729
Sen. Jeff Wentworth	San Antonio	463-0125	463-7794
Sen. Royce West	Dallas	463-0123	463-0299
Sen. Judith Zaffirini	Laredo	463-0121	476-3733

House Appropriations Committee

Members	Phone (512)	Fax(512)
Robert Junell, *Chair*	463-0472	463-1025
Dianne White Delisi, *Vice Chair*	463-0630	463-0937
Kip Averitt	463-0712	478-5830
Garnet F. Coleman	463-0524	463-1260
Henry Cuellar	463-0558	463-6296
Yvonne Davis	463-0598	463-2297
Craig Eiland	463-0502	469-0149
Charles A. Finnell	463-0526	463-6003
Pete P. Gallego	463-0566	463-3730
Bob Glaze	463-0580	843-3304
Sherri Greenberg	463-0700	320-0455
Pat Haggerty	463-0728	463-5896
Talmadge L. Heflin	463-0568	463-8095
Christine Hernandez	463-0634	463-5896
Juan Hinojosa	463-0636	463-0229
Scott Hochberg	463-0492	463-5896
Dan Kubiak	463-0600	463-7969
Paul Moreno	463-0638	533-9641
Anna Mowery	463-0608	463-8342
Jim Pitts	463-0516	463-5896
Al Price	463-0662	463-8381
Richard E. Raymond	463-0590	463-1490
David Swinford	463-0470	463-8003
Dale Tillery	463-0548	463-0596
Sylvester Turner	463-0554	463-8380
Gary L. Walker	463-0678	463-1966
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An update on state and federal action from
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March 14, 1997 No. 44

House and Senate TANF Spending Plans Fall Short in Meeting Needs of TANF Recipients

The House and Senate are discussing proposals for spending the $393 million[1] Temporary Assistance for Needy Families (TANF) surplus. Although both are good starting points, neither represents the final product. We anticipate further work on these plans, particularly in the Senate since the Finance Committee has not yet debated allocating TANF.

What the House and Senate TANF Plans Do

The House proposal allocates only $220 million of the TANF surplus; the Senate $275 million. Therefore, both leave funding to be allocated later or held in contingency. Both plans allocate a small portion of the surplus for services designed to move welfare recipients to work. The Senate allocates only 16%[2] and the House 14%[3]. (The House plan does not fund any new job training.) Both plans use roughly a third of the TANF surplus to replace general revenue (GR) and Title XX funds so that revenue can be used elsewhere in the budget. On a positive note, a portion of these funds are used to provide matching funds for child care. Additionally, other very necessary programs are funded with these dollars, such as community care.

Summary of House and Senate TANF Allocation Plans

	House	%	Senate	%
TANF Surplus	$393	100%	$393	100%
TANF Allocated	$220	56%	$275	70%
TANF needed for FY 97 Emergency Appropriations	$33	8.4%	$33	8.4%
TANF Remaining	$140	36%	$85	21%
How Allocated TANF was Used				
To Replace GR & Title XX	$119	31%	$144	37%
To Expand Welfare-to-Work Activities	$55	14%	$64	16%
To Expand Other Services[4]	$22	6%	$41	11%
To Maintain Current Policies[5]	$22	6%	$26	6%

(Dollars in Millions; Biennial Totals above LBB Budget)

Concerns about the House and Senate TANF Plans

Several of the initiatives funded in the House and Senate TANF plans are laudable, such as the funding for child care in both proposals, the House's investment in adult basic education and literacy, and the Senate's investment in job training. However, two issues raise concern.

1. **Neither plan sufficiently invests in welfare-to-work activities.** Both plans fund the JOBS program for welfare recipients to help Texas meet the federal work requirements. However, this will primarily support job placement, not job training. Even though both houses add other funding for welfare-to-work activities, neither invests enough to meet the state's responsibility to welfare families facing five year lifetime limits.

2. **Both plans use TANF funds as a refinancing tool.** Both use TANF to replace state GR and Title XX and then use those funds in other places in the budget. With approximately $1.5 billion in state GR still available in the House budget and $1 billion in the Senate budget, there are other revenue sources to fill gaps in the budget. We believe federal TANF funds should be used primarily to meet the challenges of the new federal welfare law.

CPPP's Priorities for TANF Spending above the LBB Budget

1. Welfare to Work Transition

Invest at least 25% of the TANF surplus in welfare-to-work activities. Will help Texas meet the work requirements and help welfare families to become self-sufficient as their welfare time limits approach.

2. Respond to Legal Immigrants' Loss of Services

Invest $44 million to respond to the loss of $500 million in benefits to legal immigrants in FY 98-99. Will minimize the human toll on elderly and disabled immigrants, and the massive cost-shift to cities, counties, churches and charities.

3. Lessen the Impact of Reform on Children

Federal welfare reform's impact on children likely to be great: time-limited welfare benefits, reductions in SSI, food stamps, child nutrition programs, and cuts to CPS funding sources. TANF investment will help mitigate the impact of reductions.

4. Fund Increase in Child Protective Services Needs

Need for CPS services is likely to increase as families experience benefit reductions. Invest TANF to help support increased need in child protection.

CPPP Priorities resulted from our analysis of the Congressional intent for TANF spending as defined in the new federal welfare law and our work to determine principles we believed should be followed in spending TANF.

What Congress Intended for TANF

When Congress created the new TANF block grant, they wanted to give states the flexibility to take a new approach to welfare. However, Congress clearly expected states to use this flexibility to find innovative ways to help welfare recipients make the transition from welfare to work. This is evidenced by the fact that Congress put in place stringent new work requirements for TANF recipients and work participation rates for states. Congress also put a five-year lifetime limit on receipt of assistance. Clearly, Congress anticipated that states would take their new responsibility seriously and make great efforts to ensure that families no longer needed to rely upon government assistance in five years.

Additionally, Congress outlined four purposes states are to meet in expending their TANF funds. These purposes further demonstrate Congress' expectation that states would use this block grant to provide job training and to reduce reliance on government benefits.

Congress also allowed TANF to be: 1) spent on programs previously authorized to use the funds (e.g. AFDC, JOBS, and Child Protective Services funded by Emergency Assistance); 2) transferred to the child care block grant or Title XX (a.k.a Social Services Block Grant); 3) spent on heating and cooling assistance for low-income households; or 4) held in a contingency fund for future use.

The Purposes of the TANF Block Grant:

- to provide assistance to needy families so that children may be cared for in their homes;
- to end the dependency of needy parents on government benefits by promoting job preparation, work and marriage;
- to prevent and reduce the incidence of out-of-wedlock pregnancies; and
- to encourage the formation and maintenance of two-parent families.

CPPP Principles for Spending the TANF Surplus

With enough money to fund innovative approaches to training welfare recipients, the flexibility Texas was given to operate under its own welfare waiver, and the responsibility Texas has to ensure welfare recipients are self-sufficient when their reach their five year limit, we believe Texas must wisely use this TANF surplus to address the needs of welfare families and others affected by the welfare legislation. We have established three principles for spending TANF.

1. Enhance the Welfare-to-Work Transition. Texas must invest in job training to ensure it meets the new work participation rates. But, more importantly, Texas must assist welfare recipients in becoming self-sufficient, because every welfare recipient in Texas faces a five-year lifetime limit on their benefits.

2. Help those Affected by the Welfare Legislation. The welfare law will affect many individuals, beyond those receiving cash assistance, specifically legal immigrants; disabled children; childless, adult food stamp recipients; and abused/neglected children. TANF funds should be used to minimize the losses to those who will be most adversely affected by the enactment of the welfare law.

3. Don't Simply Fill Gaps in the State Budget. The budget proposals before the House and the Senate currently underfund many, very necessary programs, such as Medicaid and community care. However, we believe that TANF shouldn't be used as a re-financing tool to fill these gaps, particularly since both the House and Senate budgets still have at least $1 billion in GR available. Rather, we believe that TANF funds should be used to deal with the challenges presented by the welfare law and particularly to assist welfare families in becoming self-sufficient. Many only have five years before they lose their benefits entirely. Now is the time to invest in them.

Comparison of Current House and Senate TANF Proposals to CPPP Priorities

	(Biennial Totals above LBB Budget; Dollars in Millions)	CPPP	House	Senate
I.	**Welfare-to-Work Activities**	**$106**	**$55**	**$64**
Targeted Job Training and Job Retention Services		$52	$0	$20
	Self-Sufficiency Fund	$30	$0	portion of $20
	Similar to the Skills Development Fund, this fund would be used to train TANF clients. Employers and training providers (such as community colleges or community-based organizations) would work together to train clients for specific jobs. The House Proposal does not include funding for this initiative. The Senate Proposal includes $20 million for long-term job training, some of which could fund the Self-Sufficiency Fund.			

Comparison of Current House and Senate TANF Proposals to CPPP Priorities			
(Biennial Totals above LBB Budget: Dollars in Millions)	CPPP	House	Senate
Job Retention and Reemployment Assistance	$12	$0	portion of $20
Job retention and reemployment services can help ensure recipients stay employed and move on to more stable work, thus reducing the chance they will return to public assistance. Funding would support post-employment services to TANF recipients (ranging from classroom training to intensive work with employers and clients to address workplace problems) and reemployment services for those losing a job. The **House Proposal** does not include funding for this initiative. The **Senate Proposal** includes $20 million for long-term job training, some of which could fund retention and reemployment assistance.			
Local Innovation Grants	$8	$1	portion of $20
As local workforce boards take on the responsibility to place more welfare recipients in work activities, there will be unique local job training needs, particularly in rural areas. This fund would provide grants to communities to support innovative welfare-to-work proposals, including training for non-traditional jobs: microenterprise development and self-employment assistance: or strategies to address barriers to work such as transportation. The **House Proposal** includes $1 million for Microenterprise development, a potential local grants program. The **Senate Proposal** includes $20 million for long-term job training, some of which could fund these local grants.			
Supporting the Transition to Work	$2	$0	$0
Many states have experimented with easing the transition to work by allowing recipients to retain a portion of their cash assistance as they begin to earn income. This funding would allow TDHS to expand an existing pilot project or use other "earnings disregards." Neither the **House Proposal** nor the **Senate Proposal** includes funding for this initiative.			
Expand the Current JOBS program	$43.8	$43.8	$43.8
This is the base level funding needed for TWC to begin to meet federal work participation targets. It funds more job placement activities ("work first"), additional case management, and new work experience initiatives. It also funds child care in FY 99. However, it provides no real job training for TANF recipients. Both the **House Proposal** and the **Senate Proposal** include funding for this initiative.			
Provide Additional Literacy and Basic Education to TANF Recipients.	$9.6	$9.6	$0.0
This funding would increase basic education and literacy services to the least job-ready TANF clients. It would be allocated to both TEA and TWC to follow previous contracting arrangements for serving JOBS clients but would also allow TWC to contract directly with community-based organizations. The **House Proposal** includes funding for this initiative, but the **Senate Proposal** does not.			
EITC Assistance	$1	$1	$0
As recipients begin to work they will become eligible for the federal Earned Income Tax Credit. TWC would actively assist TANF recipients who go to work with filing for the tax credit, by conducting outreach and working with the IRS to provide free tax assistance at career centers. The **House Proposal** includes funding for this initiative, but the **Senate Proposal** does not.			
2. Respond to the loss of Services to Immigrants	$44	$0*	$0*
Citizenship Campaign	$4	$0*	$0*
Texas will lose over $500 million in SSI and Food Stamp benefits for legal immigrants in the 98-99 biennium due to the federal welfare law. Elderly and disabled immigrants who achieve citizenship will continue to be eligible for these federal assistance programs. This CPPP Priority would use "freed up" GR to provide special targeted citizenship campaigns for elderly or disabled immigrants, much like those proposed in every state with large numbers of immigrants. This will reduce the cost-shift to local governments for their care.			
Temporary Impact Aid Grants	$20	$0*	$0*
Many elderly or disabled immigrants will be unable to naturalize before their benefits are cut off, and some will have no family to turn to for help, leaving only local governments and charities to turn to. Texas has no state			

Comparison of Current House and Senate TANF Proposals to CPPP Priorities

(Biennial Totals above LBB Budget; Dollars in Millions)	CPPP	House	Senate

programs to provide food or shelter to the elderly and disabled, because Food Stamps and SSI have filled that role. This CPPP Priority would use "freed up" GR to fund an emergency shelter and nutrition grants to help communities prevent hunger and homelessness among these most vulnerable immigrants.

* Neither the **House Proposal** nor the **Senate Proposal** included funding for these initiatives as of 3/14/97. SB 1067 by Sen. Zaffirini would create citizenship campaign and emergency fund, which may be included when the **Senate Proposal** is amended.

	CPPP	House	Senate
Enhanced Transition Funding — Hunger Prevention	$20	$0	$0

The $20 million proposed above must be targeted to help the most vulnerable elderly and disabled, since the loss of SSI benefits alone will total $260 million for the biennium. This CPPP Priority would use "freed up" GR to provide additional funding to make this fund available for emergency grants to a broader group of legal immigrant households, such as those losing all of their Food Stamp benefits.

Neither the **House Proposal** nor the **Senate Proposal** included funding for this initiative.

	CPPP	House	Senate
3. Lessen the Impact of Reform on Children	**$11.4**	**$0**	**$0**
Support Families facing Economic Distress	$5	$0	$0

Many experts fear that increases in child abuse and neglect will result as families face the economic pressures presented by the welfare law. This funding targets those families, providing emergency aid to families risking dissolution primarily due to economic distress. Using DPRS' current Concrete Services and Crisis Nursery programs as models, this funding would allow CPS to provide assistance to families so that they can keep their child or have their child returned to them.

Neither the **House Proposal** nor the **Senate Proposal** includes funding for this initiative

	CPPP	House	Senate
Provide Adult-Supervised Settings to Teen Moms	$5	$0	$0

The new welfare law prevents teen welfare moms from receiving benefits if they are not living with their parent, another adult relative or in an adult-supervised setting. This funding would allow the state the option of providing an appropriate setting for teen parents at risk of losing their benefits. More importantly, it would provide school-to-work transition services, parenting and independent living skills so that teen parents can achieve self-sufficiency.

Neither the **House Proposal** nor the **Senate** Proposal includes funding for this initiative

	CPPP	House	Senate
Protect the Summer Food Service Program	$1.4	$0	$0

Congress reduced funding for the Summer Food Service Program at the very time that the need for it is likely to increase given the federal cuts to the Food Stamp program. This funding would restore the SFSP cut to continue this vital food assistance in low-income neighborhoods.

Neither the **House Proposal** nor the **Senate Proposal** includes funding for this initiative

	CPPP	House	Senate
4. Fund Increases in Child Protective Services Needs	**$57**	**$21**	**$39**

The original Legislative Budget Board budget proposal falls short of meeting the increased demand for services at DPRS in FY 98-99. This CPPP Priority would provide $57 million ($46 million TANF, remaining from "freed up" funding and new federal funding) to serve needy children by allowing DPRS to meet the increased demand for CPS services, the Services to Runaway and At-Risk Youth (STAR) program, and administration.

Compared to CPPP's Priorities, the House adds $21.8 million ($5 million TANF, remaining from "freed up" GR, new federal funding) and the Senate $39 million in ($27 million TANF, remaining from "freed up" funding, and new federal funding). Both houses add funds for DPRS programs not included in the CPPP Priority (e.g. both fund expansion of the STAR program). However, neither fully meets the CPPP Priority of funding the increased demand for CPS. (The House restores FY 97 services, but does not provide enough funding to serve the increased number of children projected to need services in FY 98 and 99. The Senate proposal restores FY 97 services and almost fully funds the increased demand, except it falls $7 million short in investigations.)

The Process

The **House Proposal** was included in the House Appropriations Committee (HAC) Appropriations Bill which will be voted on by the full House the week of March 17th. This proposal left $140 million in TANF funds on the table. Although the House will keep some of this $140 million in a contingency fund, further recommendations for spending some of this funding will likely be made before the budget conference committee meets.

What we have been referring to as the **Senate Proposal** is really a proposal set forth by Senate Finance Committee Chairman Bill Ratliff. Members of the Senate Finance Committee were asked to submit amendments to his plan by March 20th, for discussion during the week of March 24th. After this committee finishes their deliberations, the full Senate will vote on their Appropriations bill, including the TANF proposal.

The final decision on how TANF will be spent will not be made until the House and Senate members convene in a Budget Conference Committee to iron out the differences between their two bills. This Committee has traditionally met in late April or early May. Since there will be differences between the House and Senate TANF plans, further debate on TANF will occur at that time.

What Can Be Done

TANF is still very much under discussion. House and Senate members are likely to debate this topic until the Appropriations Bill is passed.

Action: Interested advocates are urged to contact members of the House Appropriations and Senate Finance committees (any one of whom could be named to the Conference Committee) and particularly Appropriations **Chairman Rob Junnell** and Finance **Chairman Bill Ratliff.** (please call for phone and/or fax numbers).

Your Message: Texas must seize the opportunity offered by the new TANF block grant and invest TANF in job training for TANF recipients today, so that they are self-sufficient by the time they are removed from benefits.

1. Texas should use its TANF funds to:
   - invest in job training for welfare recipients;
   - respond to the losses in services for legal immigrants, particularly those who are elderly and disabled;
   - mitigate the impact on welfare reform on children; and
   - fund the increased need for Child Protective Services.
2. TANF should not used primarily as a refinancing tool to fill holes in the budget.

Why Texas has a TANF Surplus

Texas will be allocated $393 million[vii] in TANF funds more than the state needs to spend in FY 98-99 to maintain welfare and related programs at their current level. Texas has this "surplus" of TANF funds primarily because the TANF block grant is based on the federal allocation for these programs in FY 94, a year in which the state had significantly higher Aid to Families with Dependent Children (AFDC) caseload than is projected in FY 98 and 99.

The Legislative Budget Board's original FY 98-99 proposal—the starting point for budget deliberations—did not spend this surplus because it allocated TANF funds based on how the money was historically spent. Thus, TANF funds were primarily allocated to: 1) cash assistance (formerly AFDC) payments; 2) the JOBS training program for cash assistance recipients; and 3) Emergency Assistance, which funds the handling and investigation of abuse reports and foster care at CPS. Because the state's historical investment in welfare-to-work programs was quite limited, this approach left $393 million in TANF funds unspent.

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i This includes 1) $296 million in TANF funds which were not allocated in the FY 98-99 LBB budget and 2) $97.2 million in FY 97 TANF surplus. $1? million of the FY 97 funding is expected to be appropriated in an emergency FY 97 appropriation bill.
ii These expenditures expand non welfare-to-work services. For example, the House proposal expands services to teens, Healthy Families, and the STAR program. The Senate expands family planning, STAR and CPS to meet the increases projected in reports and investigations.
iii These expenditure maintains current policies, such as the $50 child support disregard for AFDC recipients.
iv This percentage does not include the new state general revenue expenditures for child care.
v See #4 above.
vi Texas can exempt 20% of their welfare recipients from the lifetime limit
vii See #1 above.

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An update on state and federal action from
The Center for Public Policy Priorities

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April 16, 1997 No. 46a

TANF Workgroup Begins Deliberations

Last Thursday the TANF Workgroup met for the first time to begin deliberations on the Senate and House TANF plans. This Workgroup will decide how Texas will allocate its TANF surplus. While many important initiatives are contained in both the House and Senate plans, pressures to supplant general revenue with TANF funds and to hold aside a contingency fund threaten to dramatically reduce the TANF funds available. Members of the Workgroup will continue their efforts this week as they take up TANF spending at the Texas Workforce Commission. The Workgroup members need to hear from advocates for low-income families that the TANF funds must be spent on services to needy families and meaningful welfare to work initiatives.

How Will the TANF Surplus Be Spent?

Texas has a unique opportunity to invest a one-time surplus of federal funds in activities that provide a human investment for the future. This is the challenge before the TANF Workgroup. Unfortunately, these resources are already being eroded. Under current scenarios, just more than one-fourth of the $393.4 million TANF surplus may actually be expended to help needy families in the manner Congress intended. The first draw on the surplus funds is for emergency FY 97 needs totaling approximately $33 million. The second reduction in the surplus comes from the state's desire to use TANF as a refinancing tool to free up state General Revenue (GR) and federal Title XX funds and use these funds elsewhere in the budget. The Senate uses $154.6 million of TANF funds in this manner. It is likely that the TANF Workgroup will concur with this amount. This leaves only $206 million to be spent on the true purposes of the grant. Initial discussions in the TANF work group have suggested holding up to $100 million of this in a contingency fund, leaving only $106 million for spending on TANF needs. Several members of the committee expressed concern that the $100 million dollar figure had no empirical justification, and both the House and Senate plans expend considerably more TANF funds than the $106 million which is left behind. Debate in the Workgroup about the contingency fund will be central to TANF funding decisions.

Where the TANF Surplus Stands
(dollars in millions)

TANF Surplus	+ $393.4
Less FY 97 Emergency Appropriations	- $33.0
Less TANF to Replace GR and Title XX	- $154.6
Total TANF Remaining	**$205.8**
Possible Contingency Fund	*- $100.0*
TANF to be Spent	***$105.8***

Concerns about this Approach

1. **$154 million is too much TANF to use to "free up" GR and Title XX.** The House only uses $119 million for this purpose, but the Senate uses $154 million. **CPPP** is concerned that the TANF work group will go with the Senate approach because it provides more GR for the rest of the budget. CPPP believes that TANF funds should be used for TANF purposes as Congress intended, not to fill the state's budget holes.
2. **Holding too much in a Contingency Fund limits the amount that can be spent on pressing needs.** Having a contingency fund is reasonable. However, the fund should not be based on an arbitrary figure but rather on an actual assessment of potential need. A contingency fund with $100 million is too much. We believe the possibilty for the state incurring penalties or experiencing unexpected caseload growth is highly unlikely. Every dollar held in contingency fund limits the amount Texas can invest in a TANF recipient today to help her become self-sufficient before she is removed from welfare in 5 years.

3. **Investments in job training cannot wait.** At a minimum Texas must invest enough to meet the new federal work participation targets. However, even at this level hundreds of thousands of TANF recipients will go without needed education and literacy services and real training for jobs that lead to self sufficiency. Texas cannot wait to invest in welfare to work services. The best time limits are those that are never reached because the state has assisted TANF families in becoming self-sufficient before they are removed from governmental assistance.

CPPP Priorities for TANF Spending

Both the House and Senate TANF plans contain good ideas for spending the TANF surplus. For example, the Senate proposes to train TANF clients for jobs: to assist teen TANF parents in becoming independent; and, to support families referred to child protective services due to economic deprivation. The House has many similar recommendations. However, the TANF Work Group's compromise plan will likely be less extensive than both these plans because neither leaves an adequate contingency fund. Because reductions are likely, CPPP – using the House and Senate proposals – developed a more modest proposal with an adequate contingency fund. CPPP 's TANF Priorities are to:

1. **Limit the use of TANF as a refinancing tool to $140 million.** Both houses faced pressure to use TANF to swap out GR and federal Title XX funds because the budget is woefully underfunded and because $1 billion is being held to fund a property tax cut. CPPP believes the TANF block grant should be used as Congress intended, not to solve Texas' budget problems. However, we recognize the constraints facing the Budget Conference Committee.

   CPPP proposes a mid-range approach—limit the use of TANF as a refinancing tool to $140 million, rather than the Senate's $154.6 million.

2. **Create a Reasonable Contingency Fund.** CPPP believes the TANF Work Group's discussed $100 million TANF contingency fund is too high.

   CPPP recommends decreasing the Contingency Fund to $77 million and redesigning its use. As discussed by House and Senate members, the fund could be used in the event of an emergency (e.g. a dramatic increase in TANF caseload). Additionally, CPPP proposes that the fund also be used for positive purposes. Specifically, we recommend $19 million be earmarked for the Texas Workforce Commission to access if they can show progress in their job training efforts with TANF clients.

3. **Invest in Job Training.** CPPP concurs with the significant investments in job training made in both the House and Senate TANF plans. However, funding levels for these items are likely to be negotiated down. Using reduced funding levels, **CPPP** still recommends expansion of job-training for TANF recipients that

   - expands the JOBS program to ensure Texas will meet (and probably exceed) the federal work participation targets;
   - funds innovative granting programs, including a Self-Sufficiency Fund and local innovation grants to broaden the training opportunities for TANF recipients; and
   - expands basic education and literacy for those TANF recipients needing remedial assistance as well as training to become employable.

   CPPP also recommends earmarking $19 million in the Contingency Fund for TWC as discussed above.

4. **Support Needy Children and Their Families.** Both the House and Senate recommended using TANF to fund the increased needs in Child Protective Services, since TANF has historically been used for such services.

   CPPP recommends supporting Child Protective Services with TANF funds; expanding services to families referred to CPS due to economic deprivation to curb the anticipated growth in CPS caseload due to the welfare legislation; and, providing services to teen TANF parents.

TANF work group	Ph. No. (512)	Fax No. (512)
Rep. Dianne Delisi, Chair	463-0630	463-0937
Sen. Judith Zaffirini, Co-Chair	463-0115	475-3737
Rep. Hugo Berlanga	463-0462	463-9545
Rep. Garnet Coleman	463-0524	463-1260
Rep. Harvey Hilderbran	463-0536	463-5896
Sen. Mike Moncrief	463-0112	463-0326
Sen. Jane Nelson	463-0109	463-0923
Sen. David Sibley	463-0122	475-3721

Comparison of the House, Senate and CPPP TANF Priorities

(including Article XI; Dollars in Millions; Biennial Totals)

	House	Senate	CPPP
TANF Surplus	$393.4	$393.4	$393.4
TANF Allocated	$311.3	$344.1	$283.5
Less Estimated FY 97 Emergency TANF Allocation	$33.0	$33.0	$33.0
Unspent TANF: Available for Contingency Fund	$49.1	$15.9	$76.9
Recommendation for TANF Allocations			
To Replace State GR and Federal Title XX Funds	**$120.0**	**$154.6[1]**	**$139.6**
Texas Department of Health	$0.0	$28.8[1]	$28.8
Texas Dept. of Protective and Regulatory Services	$41.5	$47.3	$44.6
Texas Workforce Commission	$78.5	$78.5	$66.2
To Fund TANF Services	**$191.5**	**$189.7**	**$143.9**
Texas Department of Health	$0.0	$6.0	$6.0
To Expand Family Planning	*$0.0*	*$6.0*	*$6.0*
Texas Department of Human Services	$19.1	$22.5	$21.1
To Continue $50 Child Support Disregard	*$16.3*	*$16.3*	*$16.3*
For Welfare Automation	*$2.8*	*$2.8*	*$2.8*
To Support Transition to Work	*$0.0*	*$2.0*	*$2.0*
To Restore Summer Food Service Program Cuts	*$0.0*	*$1.4*	*$0.0*
Texas Dept. of Protective and Regulatory Services	$19.5	$51.4	$36.0
To Expand Concrete Services	*$0.0*	*$2.5*	*$1.0*
To Expand Crisis Nursery	*$0.0*	*$2.5*	*$1.0*
Adult Supervised Settings for Teen TANF Parents	*$0.0*	*$5.0*	*$4.0*
To Restore FY 97 Levels and Meet Client Needs in CPS, Child Care Licensing, etc.	*$1.9*	*$26.9*	*$27.2*
To Restore, Expand and Upgrade STAR Program	*$14.5*	*$14.5*	*$0.0*
To Fund Healthy Families	*$3.1*	*$0.0*	*$3.1*
Texas Workforce Commission	$141.2	$101.8	$77.4
To Expand JOBS	*$69.1*	*$37.6*	*$42.0*
To Invest in Long Term Success	*$50.0*	*$50.0*	*$31.0*
To Expand JOBS Child Care	*$3.9*	*$2.3*	*$0.0*
To Expand Early Child Care	*$12.3*	*$3.9*	*$0.0*
EITC Assistance	*$1.0*	*$1.0*	*$0.0*
To Expand Basic Education and Literacy	*$5.0*	*$5.0*	*$2.4*
Communities in Schools	*$0.0*	*$2.0*	*$0.0*
Apprenticeship Training for TANF	*$0.0*	*$2.0*	*$2.0*
Texas Education Agency	$10.6	$4.6	$3.4
To Expand Basic Education and Literacy	*$4.6*	*$4.6*	*$2.4*
To Expand Services to Teen TANF Parents	*$6.0*	*$0.0*	*$1.0*
Texas Department of Commerce	$1.0	$0.0	$0.0
Microenterprise Development	*$1.0*	*$0.0*	*$0.0*
Texas Dept. of Housing and Community Affairs	$0.0	$1.3	$0.0
Heating and Cooling Assistance	*$0.0*	*$1.3*	*$0.0*

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[1] This figure is updated from the April 10, 1997, draft because we realized that we had not included a $9.74 million TANF-for-GR swap in the foster care program at DPRS in this category.

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An update on state and federal action from
The Center for Public Policy Priorities
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May 5, 1997 (*Corrected Items on TANF at DPRS 05/05/97 7:56 PM*) No. 48a

TANF WORKGROUP TO PRESENT PLAN TO CONFERENCE COMMITTEE

The TANF Workgroup of the Budget Conference Committee completed its deliberations on April 24th and produced a report of their recommendations last week. The Workgroup will be presenting their recommendations to the full Conference Committee Monday or Tuesday of this week, prior to beginning discussions on Article II. The discussion in the Workgroup over the last couple of weeks started with bringing the members up to speed on the basics of the decisions they had to make and presentations on the House and Senate plans. After hard work by the members and staff the final recommendations use TANF in three basic ways: to free up general revenue, to invest in an array of services and to set aside a reasonable contingency fund.

Summary of TANF Workgroup Recommendations
(dollars in millions)

TANF Surplus	$393.4
Less FY 97 Emergency Appropriations	- $30.9
Total TANF Available 1998-1999	**$362.5**
TANF Used to "Free-UP" GR	$144.8
TANF Allocated to Fund Services	$152.0
Available for Contingency Fund	$65.7
Pending Issues	*$35.1*

Mostly Good News, Some Bad

When compared to the CPPP priorities for TANF spending, more TANF was used to free up GR than we had hoped for and some important initiatives were left un-funded, but overall the investments in welfare-to-work services were very positive. We also believe that the decisions about the contingency fund were a wise choice that both allows for funding to cover caseload changes or penalties, and also allows access to the funds for the possibility of further expanding welfare-to-work efforts. The table on this page summarizes how the TANF Workgroup allocated the TANF surplus. The table on the page three provides more detail of individual spending decisions.

First, the Bad News

Among the items contained in either the House or Senate plans which were not included in the workgroup recommendations:

- $2 million for Apprenticeship training for TANF recipients.
- $1 million for a separate Microenterprise Development Fund. However, funding for this initiative is included in one of the substrategies of the "Invest in Long Term Success" item.
- $1.3 million for Emergency Nutrition and Relief services (ENTERP).
- $6 million for Family Planning services.
- $2 million for Transition to Work assistance (Fill-the-Gap budgeting or Earnings Disregards).
- $1 million to provide EITC assistance (TWC indicated this assistance could be provided within their existing budget).
- $1.4 million to restore reimbursement cuts to the Summer Food Service Program (It was determined TANF funds could not be spent on this item).
- $2.5 million to expand Crisis Nursery services at DPRS.
- $2.5 million to expand Concrete Services at DPRS.
- $5 million to provide Adult Supervised Homes for TANF teen parents.

And Now the Good News

Among the key items included in the workgroup plan:

- $37.7 to expand the JOBS program to meet and exceed federal participation rates
- $20 million for "Invest In Long-Term Success Strategies" which includes:
  a) $12 for the Self-Sufficiency Fund to support targeted job training
  b) $6 million for Job Retention and Re-employment assistance
  c) $2 million for Local Innovation Grants (including Microenterprise development and self-employment assistance)
- $30 million in a Contingency Appropriation for TWC to increase participation rates in the JOBS program

or to expand services under the "Invest in Long Term Success" strategy.

- $39.9 million of the "freed-up" GR was used to draw down $72.6 million in federal child care funds
- $6 million to expand services for TANF teen parents thorough the Pregnancy, Education and Parenting program (PEP) at TEA.
- $9.6 to expand basic education and literacy services at TWC and TEA.
- $16.3 to continue the $50 dollar pass through of collected child support for TANF recipients.
- $3.9 million to restore Child Protective Services to FY 97 levels (decisions about funding to meet anticipated client need are pending).
- $14.5 million to restore and expand the STAR program at DPRS.
- $3.1 million to fund the Healthy Families Program.
- $6.1 million in additional child care services.
- $2 million for Communities in Schools.

Pending Decisions

The Workgroup decided that differences between the House and Senate on additional funding above FY 97 restorations at DPRS needed to be discussed in the Conference Committee as a whole due to the impact on FTEs. A decision on an additional $20.7 million for this item is pending. Also, it is estimated that a portion of the costs related to the Millennium Conversion at TDHS (this is the issue of the need to upgrade computer systems to deal with the year 2000 problem) may be paid for with TANF funds. A decision on this $14.4 million is also pending.

Contingency Fund Issues

Early discussions in the TANF Workgroup addressed both the need for, and the appropriate amount of, a Contingency Fund. The Workgroup started with an assumption of a $100 million Contingency Fund, but this number had not been based on any actual analysis of potential contingencies. After hearing updates on projected caseload declines and the limited probability of the state facing penalties, the Workgroup developed an interesting approach to the Contingency Fund. They have recommended two treatments of the fund:

1) A "Contingency Appropriation" to TWC for use in increasing participation rates in the JOBS program or expanding services under the "Invest in Long-Term Success strategy. Access to these funds is contingent upon the agency attaining specific service targets and submitting a written request which must be approved by the Governor's office and the LBB; and,

2) The remaining contingency funds are accessible not only for potential caseload changes or penalties, but also for program needs. For access to these funds, TWC, must first expend or encumber funding in their contingency appropriations, and again must submit a request and plan for approval by the Governor and LBB.

The Workgroup is likely to be questioned about how it arrived at the amount for the Contingency Fund. Some Conferees may or may not be comfortable with the $65.7 million currently set aside, particularly if pending decisions could reduce that amount to as little as $30.6 million, An important detail that might offset some concern is that even if pending decisions resulted in a contingency fund of $30.6 million, the $30 million in contingency appropriations to TWC should really be considered as part of the Contingency Fund amount. This is because any allocation out of this contingency appropriation must be approved by the governor and LBB and could be held back if needed.

What's Next

The TANF Workgroup will present their recommendations to the entire Conference Committee which may accept them as presented or modify any or all of the funding decisions. It is likely that the Conference Committee will largely accept the recommendations, but individual members may be offering specific changes to individual items or even other proposals for using TANF. The Conference Committee will also have to make decisions regarding the pending items related to meeting client needs at CPS and funding for the Millennium conversion at TDHS.

The Workgroup's recommendations include some very positive recommendations. It will be important to encourage the Conference Committee members to retain these decisions. Unfortunately, many members continue to be nervous about allocating significant new funding to TWC. Fortunately, the Workgroup members have become more comfortable with the types of strings being attached to TWC allocations and there was an increasing realization that, like it or not, welfare reform will succeed or fail at TWC. We will be monitoring the Conference Committee deliberations closely to see what, if any, changes are made to the Workgroup recommendations.

TANF Workgroup Recommendations Compared to House and Senate Proposals

Summary (Dollars in Millions; Biennial Totals)

	House	Senate	TANF Workgroup
TANF Surplus	$393.4	$393.4	$393.4
Less Estimated FY 97 Emergency TANF Allocation	$33.0	$33.0	$30.9
TANF Allocated	$311.3	$344.1	$296.8
Unspent TANF: Available for Contingency Fund	$49.1	$15.9	$65.7

Recommendation for TANF Allocations

	House	Senate	TANF Workgroup
To Replace State GR and Federal Title XX Funds	**$120.0**	**$154.6**	**$144.8**
Texas Department of Health	$0.0	$28.8	$28.8
Texas Dept. of Protective and Regulatory Services	$41.5	$47.3	$37.5
Texas Workforce Commission	$78.5	$78.5	$78.5
To Fund TANF Services	**$191.5**	**$189.7**	**$152.0**
Texas Department of Health	$0.0	$6.0	$0.0
To Expand Family Planning	*$0.0*	*$6.0*	*$0.0*
Texas Department of Human Services	**$19.1**	**$22.5**	**$19.1**
To Continue $50 Child Support Disregard	*$16.3*	*$16.3*	*$16.3*
For Welfare Automation	*$2.8*	*$2.8*	*$2.8*
To Support Transition to Work	*$0.0*	*$2.0*	*$0.0*
To Restore Summer Food Service Program Cuts	*$0.0*	*$1.4*	*$0.0*
Texas Dept. of Protective and Regulatory Services	**$19.5**	**$51.4**	**$21.5**
To Expand Concrete Services	*$0.0*	*$2.5*	*$0.0*
To Expand Crisis Nursery	*$0.0*	*$2.5*	*$0.0*
Adult Supervised Settings for Teen TANF Parents	*$0.0*	*$5.0*	*$0.0*
Restore FY 97 Levels and Meet Client Needs	*$1.9*	*$26.9*	*$3.9*[1]
To Restore, Expand and Upgrade STAR Program	*$14.5*	*$14.5*	*$14.5*[2]
To Fund Healthy Families	*$3.1*	*$0.0*	*$3.1*
Texas Workforce Commission	**$141.2**	**$101.8**	**$100.8**
To Expand JOBS	*$69.1*	*$37.6*	*$35.5*
Fringe benefits for Jobs Expansion			*$2.2*
To Invest in Long Term Success	*$50.0*	*$50.0*	*$20.0*
Contingency Appropriation			*$30.0*[3]
To Expand JOBS Child Care	*$3.9*	*$2.3*	*$3.9*
To Expand Early Child Care	*$12.3*	*$3.9*	*$2.2*
EITC Assistance	*$1.0*	*$1.0*	*$0.0*
To Expand Basic Education and Literacy	*$5.0*	*$5.0*	*$5.0*
Communities in Schools	*$0.0*	*$2.0*	*$2.0*
Apprenticeship Training for TANF	*$0.0*	*$2.0*	*$0.0*
Texas Education Agency	**$10.6**	**$4.6**	**$10.6**
To Expand Basic Education and Literacy	*$4.6*	*$4.6*	*$4.6*
To Expand Services to Teen TANF Parents	*$6.0*	*$0.0*	*$6.0*
Texas Department of Commerce	**$1.0**	**$0.0**	**$0.0**
Microenterprise Development	*$1.0*	*$0.0*	*$0.0*
Texas Dept. of Housing and Community Affairs	**$0.0**	**$1.3**	**$0.0**
Heating and Cooling Assistance	*$0.0*	*$1.3*	*$0.0*
Pending Issues[4]			**$35.1**
Meeting Client Needs at DPRS			*$20.7*
Some Millennium Conversion costs			*$14.4*

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[1] TANF Workgroup Recommended Restorations Only, decisions on Meeting Client Needs are pending (Corrected from 7.9 million)

[2] Corrected from $10.5 million

[3] The Contingency Appropriation is also available to expand basic JOBS program services

[4] Decisions on these items will impact the final amount of the contingency fund

Chart(s) A

Table 3		
Texas' Maintenance of Effort Requirements State General Revenue (Dollars in Millions)		
	FY 98	**FY 99**
Required 80% M-o-E	$251.4	$251.4
Required 100% M-o-E	$314.3	$314.3
LBB Budget Recommendations		
Total	$293.6	$287.0
General Revenue Exceeding 80% M-o-E Requirements	$42.1	$35.5

Texas' TANF Surplus under the LBB Budget (Dollars in Millions) (Totals may not add due to rounding)					
	FY 97	**FY 98**	**FY 99**	**FY 98-99 Biennium**	**Surplus**
TANF Block Grant	$486.3	$486.3	$486.3	$972.6	
Supplemental Grant		$12.7	$25.7	$38.4	
Total Allocation	$486.3	$499.0	$512.0	$1,011.0	
LBB Recommendations					
Total Allocated	$389.1	$363.2	$351.5	$714.7	
TANF Surplus	$97.2	$135.8	$160.5	$296.3	$393.5
Minus FY 97 Emergency Allocation	$30.9				($30.9)
Net TANF Surplus					$362.6

Table 1	
A Primary Reason for the TANF Surplus: Lower Estimate of Cash Benefit Recipients	
Year	Avg. Number of Cash Benefit Recipients per Month
1994	786,313
1998	543,885*
1999	523,217*

** Caseload estimate included in the General Appropriations Act.*

Decrease from 1994 to 1999 is 33% decrease. Decline in #s is 263,096.

Chart 8

How TANF Surplus was Spent by Agency (Biennial Totals; Dollarsi n Millions)		Real services to welfare recipients
To Free Up GR and Title XX	**$147.70**	
To Free Up GR and Title XX: the following reductions were made:		
TWC	*$68.3*	
PRS	*$40.7*	
TDH: Family Planning	*$28.8*	
Fringe	*$10.0*	
Department of Human Services	**$ 20.96**	
To Continue Practice of Providing $50 Child Support to TANF Recipients receiving Support	$16.28	X
For Welfare Automation	$2.80	X
Community Care and Eligibility	$1.88	
Texas Workforce Commission	**$102.64**	
JOBS Training Program for TANF Recipients (both Maintainenace of current slots and Expansion)	$39.41	X
Invest in Long Term Success	$20.00	X
Contingency Fund for JOBS and Long-Term Success strategies	$30.00	X
Adult Education/Literacy for TANF Recipients	$5.00	X
Child Care	$2.23	X
Communities in Schools	$6.00	
Texas Department of Protective and REgulary Services	**$33.87**	
CPS Restore Cuts/Meet Increased Demand	$18.02	
To Fund Healthy Families	$ 3.10	
To Expand and Upgrade Services to Runaway and At-Risk Youth (STARS)	$11.78	
Child Care Regulation	$ 0.97	
Texas Mental Health and Mental Retardation	**$ 3.60**	
Children's Mental Health Plan	$3.60	
Texas Education Agency	**$10.60**	
Adult Education/Literacy for TANF recipients	$4.60	X
Services to Teen TANF parents	$6.00	X
Miscellaneous	**$17.49**	
Millennium Conversion	$12.98	
Fringe (Estimated)	$4.52	
Contingency	**$25.29**	
Total Surplus	**$362.16**	**$126.32**

Chart C

Allocation of the Federal TANF Block Grant and State General Revenue Maintenance of Effort Funding for FY 98-99 Biennium (Biennial Totals: Dollars in Millions)				
	TANF	GR MOE	Total	
Department of Human Services	**$551.5**	**$351.8**	**$903.3**	**57%**
TANF Cash Grants	$453.0	$274.2	$727.2	
To Continue $50 Child Support Disregard for TANF Recipients	$16.3	$0.0	$16.3	
Eligibility Determination/TANF portion	$64.9	$64.9	$129.7	
Welfare Automation Enhancements	$2.8	$0.0	$2.8	
Community Care and Eligibility	$1.9	$0.1	$2.0	
TANF-related Administration	$12.7	$12.7	$25.3	
Texas Workforce Commission	**$234.8**	**$69.4**	**304.2**	**19%**
JOBS Training Program for TANF Recipients	$137.0	$28.6	$165.6	
Invest in Long-Term Success; including:	$20.0	$0.0	$20.0	
Self-Sufficiency Fund, job retention services and local innovation grants				
Contingency Fund for JOBS and Long-Term Success strategies	$30.0	$0.0	$30.0	
Adult Education/Literacy for TANF Recipients	$5.0	$0.0	$5.0	
Child Care	$26.6	$40.8	$67.3	
Communities in Schools	$6.0	$0.0	$6.0	
TANF-related Administration	$10.2	$0.0	$10.2.0	
Texas Department of Health	**$28.8**	**$0.0**	**$28.8**	**2%**
Family Planning	$28.8	$0.0	$28.8	
Texas Education Agency	**$14.6**	**$4.0**	**$18.6**	**1%**
Services to Teen TANF parents	$6.0	$0.0	$6.0	
Adult Education/Literacy for TANF recipients	$8.6	$4.0	$12.6	
Special Populations Operations	$0.0	$0.0	$0.0	
TANF-related Administration	$0.0	$0.0	$0.0	
Texas Department of Protective and Regulatory Services	**$157.2**	**$55.2**	**$212.4**	**13%**
Child Protective Services::	$106.7	$44.1	$146.4	
Restoring Cuts and Meeting Demand of Increased Services				
To Fund Healthy Families	$3.1	$0.0	$3.1	
To Expand and Upgrade Services to Runaway and At-Risk Youth (STARS)	$22.6	$0.0	$22.6	
Adult Protective Services	$10.0	$0.0	$10.0	
MHMR Investigations	$1.4	$7.0	$8.4	
Child Care Regulation	$1.0	$0.0	$1.0	
TANF-related Administration and Automation	$12.4	$4.0	$16.5	
Texas Department of Mental Health/Mental Retardation	**$3.6**	**$0.0**	**$3.6**	**0%**
Children's Mental Health Plan	$3.6	$0.0	$3.6	
Miscellaneous Funding	**$61.4**	**$24.0**	**$85.3**	**5%**
Year 2000 Computer Conversions	$13.0	$0.0	$13.0	
Fringe Benefits (Estimated)	$48.4	$24.0	$72.3	
Contingency Fund	**$25.3**	**$0.0**	**$25.3**	**2%**
Total, TANF/GR MOE	**$1,077.2**	**$504.4**	**$1,581.6**	**100%**
Basic TANF Block Grant	$972.5			
Estimated Supplemental	$38.4			
FY 97 Carryforward	$66.3			
Total Grant/ Required MOE	**$1,077.2**	**$502.9**		

In almost every case, TANF and TANF GR MOE are not the only funding sources for the listed program. (The major exceptions are TANF cash grants and the JOBS program).