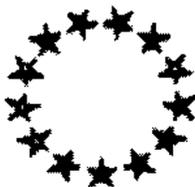


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NGAMAY 13 '97  
NATIONAL GOVERNORS  
ASSOCIATION

10:41AM

Bob Miller  
Governor of Nevada  
ChairmanRaymond E. <sup>BA</sup> Kinspach  
Executive DirectorGeorge V. Voinovich  
Governor of Ohio  
Vice ChairmanHall of the States  
444 North Capitol Street  
Washington, D.C. 20001-1511  
Telephone (202) 624-5100

May 12, 1997

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

The nation's Governors want to express our strong opposition to a proposal that is being advanced by your administration to impose federal Temporary Assistance to Needy Families (TANF) requirements on separate state maintenance-of-effort (MOE) welfare programs. We believe this proposal dismantles the careful agreement worked out among Governors, Congress, and your administration during last year's welfare reform deliberations. It will limit state innovation and creativity and imperil successful welfare reform. We urge you to withdraw the proposal.

The National Governors' Association (NGA) is strongly opposed to your administration's proposal to limit state flexibility in the use of state MOE funds beyond those limitations currently in the law. Governors supported a welfare block grant because we believed it would provide the flexibility states need to create successful programs that will reduce welfare dependency and increase self-sufficiency. The understanding that states would have greater flexibility in the use of their own state MOE dollars than in the use of the federal TANF dollars was integral to Governors' support of welfare reform. This flexibility will enable states to design programs to serve the particular needs of their populations and to ensure that the most vulnerable families are protected. A maintenance-of-effort requirement was included to guarantee a minimum level of state spending on needy families, not to impose prescriptive federal requirements on the use of those dollars.

The policy guidance from the U.S. Department of Health and Human Services dated January 31, 1997, provided what we believed to be a reasonable and accurate interpretation of the statute. The guidance recognized that state maintenance-of-effort dollars used to serve eligible families in separate state programs are not to be encumbered by federal requirements and restrictions. However, your administration would like to reverse that interpretation with a legislative proposal to require that all state MOE spending—even if in a separate state program—be subject to federal work, child support, and data reporting requirements. Governors believe that limiting state flexibility in separate state and MOE programs would break the agreement that Congress and your administration made with Governors on welfare reform.

Governors should be given a chance to implement welfare reform within the current parameters of the law. We believe it is grossly premature to restrict state flexibility and innovation when states have only just begun to implement the law. If, down the road, the administration or Congress finds that states have adopted programs or policies that appear contrary to the intent of the law, then Governors would be happy to work with all parties to address the problem.

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We are unaware of any states creating separate state programs to "game" the work requirement or siphon off the federal share of child support collections. In fact, states appear to be moving very cautiously in the creation of separate programs. However, Governors are interested in preserving the option to create separate state MOE programs, if future circumstances and needs suggest that it would be the best way to serve particular clients or provide particular services.

Those states that are considering creating separate state programs are doing so for very legitimate and appropriate reasons. States are considering these programs as a way to serve the most vulnerable families and individuals for whom a twenty-five, thirty, or thirty-five hour per week work requirement might not be a realistic or even desirable goal. This might include families with elderly or disabled caretakers or disabled children, victims of domestic violence, and individuals needing substance abuse treatment before going to work. States may also decide to serve individuals who are ineligible for federal TANF assistance, such as legal immigrants, in separate state programs. It would be a broad stretch of federal authority to require states to impose the federal work requirements on individuals who are not even eligible to receive federal dollars.

The flexibility currently in the law will enable states to consider a variety of innovative approaches with their MOE spending. For example, states may want to create a state earned income credit (EIC). However, requiring the assignment of child support rights and tracking hours of work for families receiving an EIC would be burdensome and costly to states. Imposing federal requirements will have the very unfortunate result of curbing innovative and creative state solutions.

We would also like to raise a related issue concerning the contingency fund. Your administration's unwarranted concern around separate state programs has led administration officials to oppose NGA's recommendation for fixing the contingency fund. The inclusion of a \$2 billion contingency fund was an important element in Governors' support for welfare reform. Congress and your administration also gave strong support to the contingency fund, reflecting bipartisan agreement that both the federal and state governments should share the cost of meeting increased needs during periods of economic downturn.

NGA, however, is very concerned that certain provisions in the welfare law will make it difficult for states to access the contingency fund during periods of economic hardship, thereby defeating the purpose of the fund. Specifically, there is a problem with the definition of what state spending counts toward the 100 percent maintenance-of-effort requirement that states must meet in order to draw down the additional matching dollars. Even if a state's spending equaled 100 percent MOE for the basic TANF block grant, that state might not be eligible for the contingency fund because the definition of MOE under the contingency fund is much narrower than the definition under TANF. As a result, it will be very difficult for states to meet the criteria—even while investing in high levels of spending on welfare programs—if they have any MOE spending in separate programs, as is permitted under TANF.

Governors are recommending that the contingency fund MOE requirement be changed to mirror the TANF MOE with respect to qualified state spending. Unfortunately, your administration erroneously believes that the current, more restrictive MOE requirement for the contingency fund will be a disincentive to states to create state-only funded programs and is opposing our recommendation. In structuring their welfare programs, however, most states are not weighing access to the contingency fund very heavily but rather are giving priority to designing programs that will enable them to meet the

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varying needs of their clients in the most appropriate manner. If the MOE language for the contingency fund is not modified, the result will not be fewer separate state programs but rather fewer states that are able to access the contingency fund to help assist needy families during periods of economic downturn. We urge you to withdraw your opposition to our proposed modification to the contingency fund so that it may be included in the welfare reform technical corrections bill.

We are concerned that the nation's Governors were not adequately consulted prior to the announcement of the administration's proposal concerning maintenance-of-effort and separate state programs. This proposal was not put forward in the spirit of partnership or with the goal of making welfare reform a success. As a former Governor, you know that states have been at the forefront in developing innovative and successful strategies to move individuals from welfare to work. Governors are deeply committed to welfare reform and we urge you to work with us to make it a success.

Sincerely,



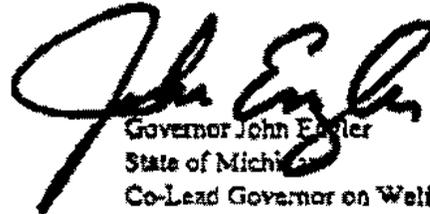
Governor Bob Miller  
State of Nevada  
Chairman



Governor George V. Voinovich  
State of Ohio  
Vice Chairman



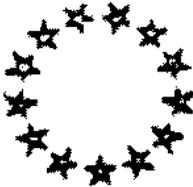
Governor Tom Coper  
State of Delaware  
Co-Lead Governor on Welfare Reform



Governor John Engler  
State of Michigan  
Co-Lead Governor on Welfare Reform

cc: Donna Shalala, Secretary, Department of Health and Human Services  
Bruce Resd, Domestic Policy Advisor

MAY 13 '97 10:43AM  
**NATIONAL GOVERNORS ASSOCIATION**



Bob Miller  
Governor of Nevada  
Chairman

George N. Vinson  
Governor of Ohio  
Vice Chairman

P.5/7  
Raymond C. Scheppach  
Executive Director

Hall of the States  
and North Capitol Square  
Washington, D.C. 20541-1442  
Telephone: (202) 624-4100

May 12, 1997

The Honorable William V. Roth, Jr.  
Chair  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Roth:

The nation's Governors want to express our strong opposition to the Clinton administration's proposal to impose federal Temporary Assistance for Needy Families (TANF) requirements on separate state maintenance-of-effort (MOE) programs. We understand the administration will be submitting to you for your consideration a legislative proposal that would severely limit state flexibility in welfare reform. This proposal would dismantle the careful agreement worked out among Governors, Congress, and the administration during last year's welfare reform deliberations. We ask for your continued support of the framework for welfare reform enacted last year and urge you to oppose the administration's efforts to enact such a proposal, whether it be in the context of a welfare reform technical corrections bill or part of another legislative vehicle.

The National Governors' Association (NGA) is strongly opposed to the administration's proposal to limit state flexibility in the use of state MOE funds beyond those limitations currently in the law. Governors supported a welfare block grant because we believed it would provide the flexibility states need to create successful programs that will reduce welfare dependency and increase self-sufficiency. The understanding that states would have greater flexibility in the use of their own state MOE dollars than in the use of federal TANF dollars was integral to Governors' support of welfare reform. This flexibility will enable states to design programs to serve the particular needs of their populations and to ensure that the most vulnerable families are protected. A maintenance-of-effort requirement was included to guarantee a minimum level of state spending on needy families, not to impose prescriptive federal requirements on the use of those dollars.

The policy guidance from the U.S. Department of Health and Human Services dated January 31, 1997, provided what we believed to be a reasonable and accurate interpretation of the statute. The guidance recognized that state maintenance-of-effort dollars used to serve eligible families in separate state programs are not to be encumbered by federal requirements and restrictions. However, the administration would like to reverse that interpretation with a legislative proposal to require that all state MOE spending—even if in a separate state program—be subject to federal work, child support, and data reporting requirements. Governors believe that limiting state flexibility in separate state MOE programs would break the agreement that Congress and the administration made with Governors on welfare reform.

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Governors should be given a chance to implement welfare reform within the current parameters of the law. It is grossly premature to restrict state flexibility and innovation when states have only just begun to implement the law. If, down the road, Congress or the administration find that states have adopted programs or policies that appear contrary to the intent of the law, then Governors would be happy to work with all parties to address the problem.

We are unaware of any states creating separate state programs to "game" the work requirement or siphon off the federal share of child support collections. In fact, states appear to be moving very cautiously in the creation of separate programs. However, Governors are interested in preserving the option to create separate state MOE programs, if future circumstances and needs suggest that it would be the best way to serve particular clients or provide particular services.

Those states that are considering creating separate state programs are doing so for very legitimate and appropriate reasons. States are considering these programs as a way to serve the most vulnerable families and individuals for whom a twenty-five, thirty or thirty-five hour per week work requirement might not be a realistic or even desirable goal. This might include families with elderly or disabled caretakers or disabled children, victims of domestic violence, and individuals needing substance abuse treatment before going to work. States may also decide to serve individuals who are ineligible for federal TANF assistance, such as legal immigrants, in separate state programs. It would be a broad stretch of federal authority to require states to impose the federal work requirements on individuals who are not even eligible to receive federal dollars.

The flexibility currently in the law will enable states to consider a variety of innovative approaches with their MOE spending. For example, states may want to create a state earned income credit (EIC). However, requiring the assignment of child support rights and tracking hours of work for families receiving an EIC would be burdensome and costly to states. Imposing federal requirements will have the very unfortunate result of curbing innovative and creative state solutions.

We would also like to raise a related issue concerning the contingency fund. The administration's unwarranted concern around separate state programs has led it to oppose NGA's recommendation for fixing the contingency fund. The inclusion of a \$2 billion contingency fund was an important element in Governors' support for welfare reform. Congress and the administration also gave strong support to the contingency fund, reflecting bipartisan agreement that both the federal and state governments should share the cost of meeting increased needs during periods of economic downturn.

NGA, however, is very concerned that certain provisions in the welfare law will make it difficult for states to access the contingency fund during periods of economic hardship, thereby defeating the purpose of the fund. Specifically, there is a problem with the definition of what state spending counts toward the 100 percent maintenance-of-effort requirement that states must meet in order to draw down the additional matching dollars. Even if a state's spending equaled 100 percent MOE for the basic TANF block grant, that state might not be eligible for the contingency fund because the definition of MOE under the contingency fund is much narrower than the definition under TANF. As a result, it will be very difficult for states to meet the criteria—even while investing high levels of spending on welfare programs—if they have any MOE spending in separate programs, as is permitted under TANF.

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Governors are recommending that the contingency fund MOE requirement be changed to mirror the TANF MOE with respect to qualified state spending. The administration erroneously believes that the current, more restrictive MOE requirement for the contingency fund will be a disincentive to states to create state-only funded programs and is opposing our recommendation. In structuring their welfare programs, however, most states are not weighing access to the contingency fund very heavily but rather are giving priority to designing programs that will enable them to meet the varying needs of their clients in the most appropriate manner. If the MOE language for the contingency fund is not modified, the result will not be fewer separate state programs but rather fewer states that are able to access the contingency fund in order to help needy families during periods of economic downturn. We urge you to include our proposed modification to the contingency fund in any welfare reform technical corrections bill that the Finance Committee considers.

The nation's Governors are deeply committed to welfare reform and have been at the forefront in developing innovative and successful strategies to move individuals from welfare to work. We look forward to continuing to work with Congress and hope you will oppose any proposals that would undermine states' ability to make welfare reform a success.

Sincerely,

Governor Bob Miller  
State of Nevada  
Chairman

Governor George V. Voinovich  
State of Ohio  
Vice Chairman

Governor Tom Carper  
State of Delaware  
Co-Lead Governor on Welfare Reform

Governor Joan Engler  
State of Michigan  
Co-Lead Governor on Welfare Reform

cc: The Honorable Donna Shalala, Secretary, Department of Health and Human Services  
Bruce Read, Domestic Policy Advisor to the President

OFFICE OF INTERGOVERNMENTAL AFFAIRS  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
200 Independence Avenue, SW  
Room 630F  
Washington, DC 20201



F A X C O V E R S H E E T

DATE: 4/4/96

TO: Bruce Reed

PHONE:  
FAX:

FROM: John Monahan  
Director

PHONE: (202) 690-6060  
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: 4

Message:

NATIONAL  
GOVERNORS'  
ASSOCIATION

# NGA Policy

REVISED POLICY



Copy to Rich T., Mary  
Boridette, MT Bone, +  
Bruce Reed

## HR-30. WELFARE REFORM

### 30.1 Preamble

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.

### 30.2 Recommendations

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 H.R. 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 H.R. 4 conference agreement with the changes listed below. The absence of recommendations on the restriction of benefits for aliens should not be interpreted as support for or opposition to the alien provisions of the H.R. 4 conference agreement.

#### 30.2.1 Core Employment Support Services

- Add \$4 billion in funding to the general entitlement for child care. Funding above a state's base allocation would require a state match.

#### 30.2.2 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 twenty-five.
- Permit states the option to limit the required hours of work to twenty hours a week for parents with a child below age six.
- Allow job search and job readiness to count as a work activity for up to twelve weeks.

- 30.2.3 Contingency Fund for State Welfare Programs**
- Add \$1 billion to the contingency fund.
  - Allow states to 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 fiscal 1994 or fiscal 1995 levels.
  - As in the H.R. 4 conference agreement, require states to meet a 100 percent maintenance-of-effort requirement.
- 30.2.4 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 contained in the conference agreement for states that reduce out-of-wedlock births.
- 30.2.5 Family Cap**
- Provide states with the option to restrict benefits to additional children born or conceived while the family is on welfare.
- 30.2.6 Cap on Child Care Administrative Costs**
- Raise the administrative cap on child care funds to 5 percent.
- 30.2.7 Hardship Exemption**
- Raise the exemption to the five-year lifetime limit on benefits to 20 percent of the caseload.
- 30.2.8 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.
- 30.2.9 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 once and return to the open-ended entitlement system for foster care.
  - Create an entitlement Child Protection Block Grant from 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.
- 30.2.10 Supplemental Security Income (SSI) for Children**
- Accept the provisions in the Senate-passed welfare bill.
  - Change the effective date for current and new applicants to January 1, 1998.
- 30.2.11 Food Stamps**
- Accept the provision in the Senate-passed welfare bill that reauthorizes the Food Stamp program in its current uncapped entitlement form.
  - Modify the income deductions as outlined in the Senate-passed welfare bill.



# EDITORIAL COMMENTARY

THOMAS G. DONLAN

## Listen to the Governors

A Compromise on Welfare Reform Is Worth Adopting

The National Governors' Association, Republicans and Democrats unanimously has proposed a compromise plan on welfare and Medicaid that could break a big piece of the budget deadlock between President Clinton and the Republican Congress. If it's enacted, the federal government will let the states design and run

their own programs, but Washington will continue to guarantee minimum benefits. Similarly, the governors' proposal allows Congress to freeze the amount of federal spending on these programs, but it includes an "umbrella fund" to provide states more money if they have unexpected population growth.

This kind of hair-splitting is the true substance of politics — crafting major changes in policies that don't work while assuaging the real fears of those who would lose if the changes don't produce results.

Unfortunately, President Clinton and Congressional Republicans aren't sure if they want to embrace a compromise, even though both sides say they want to end welfare as we know it, and the governors' proposal offers the best chance of doing it. The Republicans are afraid there won't be enough reform; the Administration is afraid there will be too much, and both sides want an order if the issue doesn't make better campaign slogans than laws.

Some opponents may be genuinely afraid that poor people would be neglected if the federal government doesn't guarantee their benefits. President Clinton spoke for them last summer:

He challenged the National Governors' Association, warning: "It's always cheaper to cut people off welfare than to move them to work. It will always be cheaper to lower benefits than to figure out how to reduce the caseload by moving them to work."

When opponents of welfare reform say they want to preserve the federal guarantee, what they end up preserving are federal guarantees of inaction. Ohio, for example, wanted to extend a benefit that allows the state to subsidize private-sector jobs for people getting off welfare. A federal regulation prevents any such subsidy program from displacing any existing worker anywhere. The company and the state have to certify that a new job has been created for the welfare recipient. Ohio's radical idea, requiring a federal waiver, was to extend the program to vacant private-sector jobs — still not displacing any existing workers but not creating any "new" jobs.

Do we have to say how stupid and unnecessary this is? What earthly business is it of the federal government how a state and a business work together to employ a destitute person? And how dare the federal government write regulations to restrict such a constructive act?

The answer, if there is an answer, is that it's partly federal money that's being used for the wage subsidy, and he who has the gold rules.

That's 20th century federalism for you. In the old federalism, before the 14th Amendment was stretched like taffy, the states could do nearly anything or nothing at all. The Constitution as drafted in 1787 gave the states only a federal guarantee of a republican form of government. The 10th Amendment, last and most ne-

glected element of the Bill of Rights, added the assurance that all powers not specifically assigned by the Constitution to the federal government or specifically forbidden to the states were retained by the states or by the people.

Yet for many years, the federal government has treated states like incompetent wards of Washington, unable or unwilling (or both) to do the minimally decent thing for their citizens without instructions and money from wise Uncle Sugar. And if federal bureaucrats tried to let states run their own affairs, the courts were ever at hand to force officials to live up to pious pronouncements written by Congressmen who had no intention of paying for their piping.

The view of states as insolvent and incompetent might have been appropriate for the Great Depression. Although moving money through Washington never enhanced its value, federal programs could redistribute it from wealthy states to poor states, and even from wealthy parts of one state to poor parts of the same state. The attempt to do good this way enjoyed wide support.

The rights of states also fell into disrepute because of the long failure of the federal government to enforce the Constitutional guarantee of a republican form of government on behalf of black citizens in Southern states. When states' rights was a code word for segregation and oppression, the principle could not be used for any worthy purpose.

It's time to see if there are wiser purposes, and if the states are ready to put their rights to work for their citizens. Let's accept the challenge that Michigan Gov. John Engler issued: "Give us the grant and hold us accountable."

### A Taste of Freedom

Perhaps fortunately, the current welfare and Medicaid debate often overlooks how much freedom states now have to design their own programs. That freedom exists tenuously, under a grudging federal review process, but it exists.

In this system, the federal government defines a minimum program and the states lead it up with additional benefits. For example, every state provides Medicaid participants with a prescription drug benefit, even though federal rules do not require it, even though every analysis shows that street resale of improperly obtained medication is the most pervasive fraud on the program. Welfare benefits and terms also vary widely from state to state.

In recent years, the federal government has also allowed states to be more restrictive, not merely more generous. Under this "waiver" program, the states may develop alternatives to the one true federal way of running a welfare or Medicaid program, and then apply to

the Department of Health and Human Services for a waiver of federal rules that would otherwise prohibit their changes.

Unfortunately, the current waiver process is like grinding meat with wooden knives. Ohio Gov. George Voinovich complained last week that federal officials haven't yet given their approvals for welfare waivers that were supposed to be in place by Jan. 1. His state wants to limit benefits to three years, and make them contingent on such things as getting an education, staying off drugs and not committing welfare fraud.

The feds blamed their delay on snowstorms and shutdowns, but most tellingly by noting that a promised 30-day review period applied only to ideas that had received waivers before, not to new ideas.

Why should old ideas be reviewed again at all? And why should new ideas not be tried out to see if they work, rather than assigning federal officials to the task of guessing whether they will work?

Even when states wish to imitate other states, the waiver process frustrates them. When Massachusetts cuts the rate of growth of Medicaid from 22% a year to 2% a year, or when Indiana cuts the number of people on welfare by 23% in one year, it's time to let other states find out how they did it. But when New Jersey wanted to imitate Indiana, it had to obtain its own set of waivers from approved federal practice, and each waiver takes several inches of paperwork.

A frustrated New Jersey Gov. Christine Whitman says it's slow, confusing and counterproductive. "And here we are with something that, at a conservative estimate, can save our municipalities and counties \$25 million a year, as well as actually move people off the welfare rolls into good jobs that they can keep and keep them in the mainstream."

Gov. William Weld of Massachusetts is a lot more blunt: "The feds have a lot of stupid rules. I mean, they have drug addicts and alcoholics qualifying for public assistance. They have kids who come in and say, 'I have attention-deficit disorder. I have trouble paying attention.' They get taxpayer-funded assistance. And there's not a real screen to keep the phones out. If I could manage that screen at the state level, I could save \$60 million a year. And that's true in states around the country."

Waivers do eventually produce changes. At least 35 states have received some kind of waiver from state restriction on their welfare and Medicaid programs.

But the waiver process still leaves states wondering. California was recently granted a waiver to allow the state to cease increasing payments to adult mothers who have more children while on welfare, but denied a waiver to impose the same policy on teenage welfare mothers.

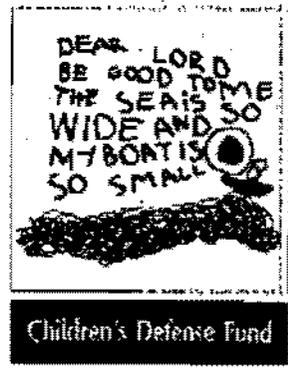
The governors' compromise offers the best chance for states to get on with their experiments. It offers Washington politicians the best chance to get on with their campaigns. It offers welfare and Medicaid recipients — and even taxpayers — the best chance to get on with their lives. ■

Thomas G. Donlan receives E-mail at [tgdonlan@bix.com](mailto:tgdonlan@bix.com) or at [editors@barrons.com](mailto:editors@barrons.com).

WR-  
CDF

February 22, 1996

cc Bruce  
Rasco  
Rahn



The Honorable Leon Panetta  
Chief of Staff  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Leon:

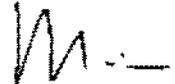
On behalf of the Emergency Campaign to Protect America's Children, Parents, Families, we are delivering more than 60,000 postcards to the President urging him not to sign any bill that dismantles America's 60-year old safety net and makes millions of American family members -- especially our children and elderly -- more vulnerable to poverty, illness, hunger, neglect, or abuse. A copy of the postcard is attached.

The first tens of thousands of Americans who sent these postcards know Congressional proposals to end guarantees of subsistence benefits and slash the nutrition, health and child welfare safety net will hurt rather than help our nation's children and elderly. The welfare and Medicaid proposals offered by the National Governors' Association are worse than the block grant proposals the President has already vetoed. They would eliminate cash assistance, child protection, food stamp, and Medicaid guarantees and allow states to walk away from their obligations to help children and other needy citizens. We urge the President to reject these flawed anti-child and anti-senior proposals which will leave more children poorer, hungrier, sicker, and at greater risk of abuse and neglect. No proposal that leaves children worse rather than better off should become the law of the land or the legacy of this administration.

We urge the Administration not to enter into any agreement on the debt ceiling that incorporates these anti-child and anti-senior proposals and to hold out for real welfare reform that returns parents to work while protecting guarantees to cash assistance, nutrition, child protection services, and child care with health, safety, and quality standards.

Warehousing children is inconsistent with the Goals 2000 school readiness goal. Eliminating health care for 13- to 18-year olds undermines any purported campaign to prevent teen pregnancy. I hope you will protect rather than hurt children and adolescents.

Sincerely yours,

  
Marian Wright Edelman

MWE/emb

cc: Evelyn Lieberman, Deputy Chief of Staff  
Alexis Herman, Director of Public Liaison  
Doris Matsui, Deputy Director of Public Liaison  
Senator Chris Dodd

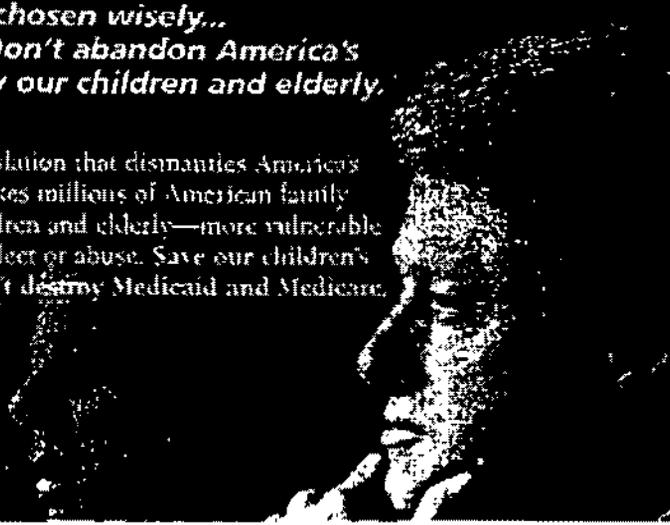
*Mr. President, other great leaders have faced tough decisions—and chosen wisely...*

*Now it's your turn. Don't abandon America's families—especially our children and elderly.*

**Dear Mr. President,**

I urge you: Don't sign any legislation that dismantles America's 60-year-old safety net, and makes millions of American family members—especially our children and elderly—more vulnerable to poverty, illness, hunger, neglect or abuse. Save our children's and parents' healthcare—don't ~~destroy~~ Medicaid and Medicare.

Sincerely,



**Please sign and return today!**

PRINT NAME

SIGNATURE

ADDRESS

CITY

STATE

ZIP

PHONE NUMBER

FAX NUMBER

WR -  
[Handwritten signature]  
NGA

## TALKING POINTS FOR DISCUSSIONS WITH DEMOCRATIC GOVERNORS

o It would not be helpful for Democratic governors to attend a press event with Republican Congressional leaders and Republican governors to announce the introduction of a combined Medicaid-welfare reform bill that is supposed to reflect the National Governors' Association (NGA) proposals. This press event is tentatively scheduled for Monday, March 25.

o Democratic governors could rightly argue that they never agreed to link Medicaid and welfare reforms in a single package. Moreover, Democratic governors could express their serious disappointment with the overtly partisan nature of the announcement since the success of the governors' process has depended on the spirit of bipartisanship. That means a process which also includes Congressional Democrats and the Administration every step of the way.

o Regarding Medicaid, it would be useful for Democratic governors to point out that the bipartisan governors' discussions are not finished and that the Medicaid language in the Republican proposal does not necessarily reflect the views of all governors (e.g., numerous provisions of the Medigrant II are included). Democratic governors are committed to working with Republican governors, bipartisanship leadership on Capitol Hill, and the Administration to craft a Medicaid proposal which guarantees health coverage to needy persons, protects state taxpayers, and increases state flexibility. This is not the time for partisan posturing.

o Regarding welfare, it would be useful for Democratic governors to confirm that welfare reform provisions in the bill truly reflect the bipartisan governors' proposal which was endorsed at February's NGA meeting. Since development of the governors' welfare reform proposal is much farther along than the Medicaid discussions, there is no reason to delay passage of real welfare reform. It is time for a bipartisan group of governors to work with Democrats and Republicans on the Hill, as well as the Administration, to pass a welfare bill which embraces the principles of the NGA proposal.

Insert for testimony:

Addition 1 (p.15 -- after "Fewer children live in poverty":

Food stamp rolls have gone down. Teen pregnancy rates have gone down. At the same time, child support collections have gone up, as the Administration has improved state collection efforts, the IRS's seizure of income tax refunds, and the ability of the Federal government to make Federal employees accountable for the support they owe their children.

Add 2 (after new pp beginning with "Over the last three years, we have worked with governors..."):

This Administration has encouraged states to find innovative ways to move people from welfare to work and promote parental responsibility, and these efforts are already making a difference for more than 10 million recipients throughout the country. States, led by governors of both parties, are now demanding work; time-limiting assistance; requiring teens to stay in school and live at home; and strengthening child support enforcement. In short, under President Clinton's leadership, welfare is being reformed one state at a time.

President Clinton *worked with the Congress to* has also dramatically expanded the Earned Income Tax Credit to make work pay over welfare. This program, which President Reagan said was the most pro-family, pro-work initiative undertaken by the United States in the last generation, meant that, in 1994, families with children with incomes of under \$28,000 paid about \$1,300 less in income tax than they would have if the laws hadn't been changed in 1993.

# Free the states to fix welfare . . . but don't lose sight of the kids

By Gerald Whitburn

Congress should get off the dime now and pass national welfare reform. It is no secret that most Americans were comfortable with the parameters of the reform agreed to recently by all 50 governors. And we should not expect this president to veto another welfare reform bill this year.

The drumbeat for welfare reform is resonating in every corner of this country. And, if you listen, there are not a lot of people clamoring to maintain an Aid to Families with Dependent Children (AFDC) program that does not work.

Congress should react now to the clear public mandate insisting that we end the current environment of indefinite entitlement that carries with it an expectation of so little from so many of those who have accessed this entrapping program.

In enacting a reform, Congress should expect maximum effort from those on the welfare rolls who are able-bodied. It should require work of those who can work. And Congress should expect responsible behavior by those who reach out to government for help; it is only fair to the taxpayer who is picking up the tab.

In recent months, some states have been nudging welfare recipients toward work and more productive and responsible behavior. In Massachusetts, early last year, Gov. William Weld signed the broadest reform enacted anywhere. The AFDC caseload in the commonwealth dropped almost 16 percent last year, a larger reduction than that experienced by any other state its size. The state entered 1994 with almost 6,000 two-parent welfare families — both parents at home and, most often, neither working. The Weld administration put in place a new program requiring work or community service of at least one parent. The result? Today, fewer than 2,000 two-parent fami-

lies collect welfare in Massachusetts; fewer than 600 of the 6,000 families who were on the rolls in 1994 are still receiving checks. With welfare reform in the air, more positive behavior is occurring, and it is true all across America.

Experiments requiring work and the search for work — prior to going on the welfare rolls — in Utah have had impressive results. A demonstration project in two Wisconsin counties limiting benefits to 24 months has reduced caseloads more than 45 percent, long before any individual's benefits have run out.

In Michigan, where at least part-time work is required of able-bodied recipients, the AFDC caseload dropped 13 percent last year. And in Indiana, where recipients have been called into welfare offices to execute individual "personal responsibility contracts" with the government under which they agreed to certain behaviors in exchange for benefits, the caseload dropped almost 24 percent last year.

Creativity on the state level is paying big dividends. Self-sufficiency and self-esteem are up. The level of work is increasing and with it movement away from dependency — the greatest good we can facilitate in the long run for children

within this population.

It is not the "dive to the bottom" that we have been seeing. In Massachusetts, for instance, the lower AFDC caseloads mean that dollars earlier paid out in cash benefits can now be reinvested in child care. Mr. Weld has proposed a child care funding increase of almost \$50 million next year.

We do need to guard against unrealistic expectation. Poverty is not going to quickly exit our central cities. But important goals can be achieved. What are they?

• We can and should divert a significant percentage of those who come on welfare from ever accessing the system in the first place.

• We can stop subsidizing behavior that flies in the face of appropriate societal values. Families who cannot support the children they have should not be given more money when they trap even more children in welfare. Requiring minors to live at home and stay in school is long overdue. And it is time to require, not encourage work.

• And we can reduce the length of time recipients spend on welfare. Replacing AFDC's indefinite entitlement with a time-limited transitional program will permit us to significantly shorten the typical eight-year recipient's relationship with AFDC that we are experiencing now.

Enacted in the Roosevelt period to protect kids, the nation's welfare program has been a dismal failure for a long time. It has served to entrap generations of young mothers and children too often in lives without self-esteem, jobs, marriage or productivity.

It is time to further intervene in these cycles of dependency. And the proposal 50 governors have advanced in Congress will permit states to do just that.

By Robert Hainey

In the big debate over welfare, the politicians, columnists, activists and others are having their say, but little, if anything, is being heard from those at the center of the debate — the children. What is commonly called "welfare" in the United States is Aid to Families with Dependent Children (AFDC). During the early 1950s and on into the mid 1960s, I was one of those "dependent children" growing up in Roxbury, Mass.

When I was born in August of 1949, my mother was 35. Four years later, after the birth of my sister, my mother lost her job because she took extended leave to care for her mother. My grandmother, who had several health problems including diabetes and high blood pressure, lived with us until her death in 1957.

After breaking up with my father in the early 1950s, my mother tried to make a life with my stepfather. The relationship failed, and after failing to find another steady job, she turned to welfare. I vividly remember the times we would run out of money before "the check" arrived. My sister's birthday and my birthday both fall at the end of August, within a week of one another. One year when "the check" fell short, we celebrated our birthday dinners with baloney and eggs.

Determined to put food on the table, my mother decided to get a job — but it had to be one that did not require her employer to pay Social Security or to deduct any income tax. By working, my mother ran the risk of losing all AFDC benefits. So rather than allowing us to go without a decent meal and clothing, she did "days" work. She cleaned the homes of wealthy Jews and Italians in Brookline, Newton and Wellesley, Mass. for about \$4 a day. "Carfare" — money for public transit or a ride to a bus stop — was provided by the more generous fam-

ilies. My mother used the wages to help put my sister and me through Catholic grammar and high schools. Now my sister's daughter attends a private school in Newton, Mass., and with the help of the family and God, is bound for college.

My mother's determination instilled in my sister and me a strong work ethic. Throughout our lives we have held one or two jobs each to provide for our families. That is why this former child of AFDC says, if you are going to severely limit welfare benefits, allow the recipients to keep the money they earn without any penalty. The District of Columbia is seeking a waiver from the federal government to relax penalties on earned income. Under the proposal, no penalties are placed on the first \$100 earned and on 50 percent of the remaining wages earned by welfare recipients.

Almost two dozen states have already established similar "demonstration projects." Maryland's "Family Investment Program" does not count the income of dependent children in determining AFDC eligibility. Connecticut's "Reach for Jobs First" allows a working AFDC recipient to keep all wages up to the federal poverty line based on the family's size. AFDC cash payments are limited to 21 months, but extensions are available for good-faith efforts to find work.

In the 1990s there are many minimum-wage jobs, but most do not provide the health benefits needed by everybody, especially workers with children. Why not allow welfare recipients to obtain jobs and use the money to build nest eggs? By applying for jobs and interacting with potential employers, recipients would learn firsthand what is expected of them, such as punctuality, and what information is needed for job applications or resumes. Additionally, they could learn the politics of employment, such as leaving an entry position at one firm to obtain a higher paying job at another company. Private money could also pay for some job training in place of creating more government programs. Recipients would

have full health benefits and with their earnings could contribute to the cost of day care. They would also be taxpaying members of the job market.

Washington and other jurisdictions that do not limit the stay on AFDC would have to adopt termination guidelines that would be fiscally responsible yet give recipients ample time to establish themselves in a job and create a nest egg.

Of course the positive aspects of such a plan rely on the individual. Those who want better lives would use it as a springboard. To be sure, others would use the extra cash to prop up bad habits, such as alcohol and drug abuse.

Some possible safeguards could include random drug testing and financial counseling. Another major safeguard against abuse would be to require savings accounts. Each recipient would set aside 20 percent to 50 percent of his or her monthly wages depending on how long the person receives cash benefits. Funds could only be withdrawn to pay for education, buy a home, start a business or for family emergencies. It would mainly be the nest egg or cushion when the recipients are no longer eligible for cash payments from the government. California, Iowa and Virginia are among the states that now encourage savings or "Self Development" accounts for AFDC recipients.

Many will reject this idea as "double dipping," but it has been shown that people who do not want to work will find ways to beat the system. They will move from state to state or falsify whatever records they have to get a check.

On the other hand, there are intelligent, hard-working people who have fallen on bad times. If their public-assistance checks are not cut, these men and women will find jobs and use the money to feed, clothe and educate their children. Then when the time comes for "the checks" to stop, people who have depended on AFDC will have achieved self-reliance. They may also make it unnecessary for another generation of children to be dependent on public assistance.



Gerald Whitburn is secretary of health and human services in Massachusetts.

Robert Hainey is a former Washington journalist and is now press secretary for D.C. Council Chairman David Clarke.

# Unsophisticated us

I wouldn't say worst. Surely my fellow columnist is overstating it a bit when he says that our present foreshortened, manic selection process for picking presidential candidates in all the world "has to be about the worst."

Oh, it's brainless all right, with the candidates running about debating every few minutes, reciting stump speeches, singing arias, reciting the same things over and over again as in song-and-dance routines on radio and television talk shows. Is this really the way to choose the best man to be president of the United States? Or even to be a candidate? The money crunch is worse than ever. There's no time to think. And now, looking at the weakness of the field, the hyper-accelerated pace makes it impossible for a late starter to get in the race.



Richard Grenier

Is Pat Buchanan an anti-Semite? As child in the 1930s did his family listen to rabid Right-wing "Radio Priest" Father Coughlin? Or, did they listen to "Amos and Andy"? Immigration. Protective tariffs. Isolationism. The same sort of questions and catch phrases over and over.

On the other hand, I suppose we

Richard Grenier is a columnist for The Washington Times. His column appears here Tuesday and Friday.

brought it on ourselves: all this hurly-burly and rushing around, this impatience to know the results, this marvel of the world called popular democracy. George Washington, a true gentleman — as portrayed in Richard Brookhiser's superb new "Founding Father" (Free Press) — wouldn't have put up with it. Such vulgarity.

In fact, nobody would put up with it but us. After all, of the world's great Western democracies, only the United States is a federated republic with these vulgar populist inclinations. The rest are either constitutional monarchies (complete with titles of nobility) or have parliamentary systems in which the monarchical traditions of the preceding regime are preserved more than most Americans realize.

In France, for example, they can shout *vive la republique* as much as they like, but the whole society is shot through with elitist, aristocratic tradition, from the judiciary to their presidential press conferences, which are like royal audiences. Under the parliamentary system, of course, there is no such thing as a "primary" election. Deep within the caverns of its political understanding, you see, your party has picked out your candidate for you. This might not be very democratic, but is neat and above all quick.

Meanwhile, on the other side of the English Channel, a whole country is in a frenzy over whom the princess of Wales slept with — and indeed if she should still retain her right to the title princess of Wales. France, by contrast, has taken the posthumous revelation about Francois Mitterand's *vie intime* serenely.

And on the side of the late president (widow, mistress, illegitimate daughter), everyone has behaved with a decorum that was positively regal.

Even more than other great European monarchies, of course, France has never considered violation of the Seventh Commandment ("Thou shalt not commit adultery") very serious for its leading statesmen. Two months ago at Mitterand's funeral, for all the world like Europe's great royal funerals, everyone was assembled dressed in black: the late President's widow, Danielle; his longtime official mistress, Anne Pingeot; their daughter Mazarine (illegitimate); his two sons (legitimate), and all other members of the family, legitimate and illegitimate. Photographs of everyone embracing everyone else were carried by the entire French press.

Danielle Mitterand, of course, was ready with her book, "En Toute Liberte" ("In All Liberty"): "I knew I was married to a seducer. I had to make the best of it," she writes. "My husband excelled in the art of seducing the girls who came through here."

But she is more than forgiving. She is his defender. "I think the French," she writes, "and indeed many people round the world have had enough of this hypocrisy of conformity. We must admit that a person is capable of loving someone and loving them passionately and then as the years pass, loving them differently, perhaps more deeply, but they still fall in love with someone else. It is hypocrisy to criticize that."

It's hard to imagine Bill Clinton writing that in his memoirs. Loving. Loving passionately. But with the passage of time loving differently, perhaps more deeply, being permitted thereby to love somebody else.

See what I mean about America? Not sophisticated.

# Stalin lives, 43 years later

By Arnold Belchman

Today marks the the 43rd anniversary of the death of Josef Vissarionovich Stalin, the greatest murderer in all history. March 5, 1953, we now learn from hitherto secret Soviet archives, is also the day, had Stalin lived, that Soviet Jews were to be arrested and deported to Siberia, to Kazakhstan, their extinction to have followed as a matter of course.

And today on this grim anniversary, we witness in a truncated Soviet Union a resurgence of the Communist Party, once condemned by Boris Yeltsin and then outlawed in 1992 by Russia's Constitutional Court.

Russia is moving backward from democratization and privatization under the spur of a Communist Party. The party leader, Gennadi Zyuganov, who has every chance of becoming president of the Russian Federation at the June 16 presidential elections:

- Admires the quality of Stalin's rule between 1944 and 1953, that period of Soviet history during which intellectuals and Jews were categorized as "rootless cosmopolitans" and when the only Soviet growth industries were arms and slave labor camps.
- Admires the short-lived regime of Yuri V. Andropov (he of Korean Air Lines 007 infamy) and the harsh rule of Czar Alexander III.
- Hopes to "reconstruct" the

Arnold Belchman, a research fellow at the Hoover Institution, is a Washington Times columnist.

Soviet Union and the Warsaw Pact. How will he go about realizing this ambition? Deponant sayeth not.

But then there is the other Mr. Zyuganov — the one who goes to an international meeting at Davos, Switzerland, to persuade Western economists and financiers of his moderation and accessibility. Perhaps Shakespeare's words describe Russia's new shining star, "That one may smile, and smile, and be a vil-

*Russia is moving backward from democratization and privatization under the spur of a Communist Party.*

lain."

I don't think that the democratic West sufficiently realizes the seriousness of the Russian crisis and what it can mean for peace and stability in Central Europe and the NATO alliance. Recent visitors to Russia I have talked to are anticipating serious problems in the June elections, including electoral cheating. There are people in Russia in a position to know who believe that Mr. Yeltsin actually lost the 1993 referendum, but snatched his victory by significant fraud in the countryside.

Use of computers in the presidential elections could, paradoxically, increase the chances of fraud

because the question would arise: Who controls and guards the computers? The FSB (initials of the new secret police) is controlled by Mr. Yeltsin's office. It's like Lenin's Bolshevik slogan — *kto kgo* — who does what to whom?

The legitimacy of the count and election would be questioned. What would happen if Mr. Yeltsin, first elected in June 1991, won by hook or crook? What if Mr. Zyuganov won? What if Vladimir Zhirinovskiy, the Fascist-Communist leader, gets a big percentage of the presidential vote? The post-election cry of "Fraud!" could unleash a mini-civil war and with it The Question of the Day — "Who Lost Russia?"

Before he reached his lofty eminence as Secretary of State, Henry Kissinger wrote that "the purpose of American policy is to encourage a more benign evolution of Soviet society — the original purpose of containment was, after all, to bring about the domestic transformation of the USSR."

Was it beyond the powers of American foreign policy to influence the evolution of the post-Soviet polity in the direction of a civil society, that is a society ruled by law, not by party ideology or personal whim?

Whatever the answer, we can agree that a Communist Russia still armed with 3,000 or 4,000 nuclear weapons is a dangerous Russia. Which leads to this conclusion: No matter how the presidential election in Russia turns out, NATO must act swiftly to expand its structure to ensure that the world will not degenerate into a new cold war.



*(Handwritten signature)*

February 18, 1997

NOTE TO: Bruce Reed  
Elena Kagan  
Diana Fortuna

FROM: John Monahan *JM for*

Attached, FYI, is a copy of the National Governors' Association's summary of the state plans for the Temporary Assistance for Needy Families (TANF) program that our Department either has certified as complete or is currently reviewing. This is a nice presentation of the major elements of state TANF plans.

Attachment

*EK/Diana/LYN -*

*We should submit a summary of this (and maybe the whole thing). Could <sup>HHS</sup> ~~we~~ do a ~~series~~ series of maps of our own on the issues*

*we/he cares most about: Subsidized employment, IDAs, Transitional Medicaid, etc.?*

*Or would this be clearer on a state-by-state basis (supposedly what HHS is working on)?*

*We should have to read it first in the NY Times (see Sunday 2/23).*

*-BR*



# CENTER ON BUDGET AND POLICY PRIORITIES

WR-NGA

February 18, 1996

## GOVERNORS' WELFARE PROPOSAL WOULD PERMIT STATES TO WITHDRAW SIGNIFICANT STATE RESOURCES FROM PROGRAMS FOR POOR FAMILIES

The welfare proposal approved by the National Governors' Association (NGA) would increase *federal* resources available for income support, work and child care programs as compared to the welfare conference agreement.\* But it also would enable states to withdraw substantial *state* resources from these programs without losing any federal money. States would be able to withdraw from these programs or to divert to other uses some \$58 billion between 1997 and 2002.

The NGA proposal calls for adding \$4 billion in federal child care funding, \$1 billion in federal "contingency" funding for states experiencing increases in poverty, and substantial additional federal funds for job performance bonuses to states. States could receive these additional resources while reducing state funding to 75 percent of what the state expended in 1994 for AFDC, work, and child care programs. A state also would be permitted to divert up to 30 percent of its federal welfare block grant dollars to other programs.

If all states provided the funds necessary to receive their full federal block grant allocations but no more than that — that is, if state funding equaled 75 percent of each state's 1994 state expenditure level — and if states also transferred 30 percent of their federal block grant funds for other purposes, the total amount withdrawn from cash assistance and welfare-to-work efforts for poor families with children would total \$58 billion. While not all states would follow this course and the total funds withdrawn thus would be less than \$58 billion, the amount lost to these programs can be expected to be very substantial.

Most of the provisions that would enable states to withdraw or transfer these funds were included in the welfare conference report. But the governors made changes in the welfare conference report to make it easier for states to withdraw state funds — and more likely that states would do so. The provisions in the NGA proposal that would enable states to withdraw or divert funds are considerably more expansive than the provisions contained in the Senate welfare bill.

### *NGA Proposal Embraces Weak Maintenance-of-Effort Provision*

Under current law, the federal and state governments share in the cost of providing AFDC benefits and funding welfare-to-work programs. States contribute between 20 percent to 50 percent of the cost of providing AFDC benefits to poor

families and operating work programs, with wealthier states contributing a higher proportion than poorer states.

This structure provides states with an important incentive *not* to reduce state resources for these programs; under the current matching structure, if a state withdraws \$1 of state resources from AFDC or work programs, it loses between \$1 and \$4 of federal AFDC funds. This incentive structure has provided a counterweight to potential efforts to save state money by cutting AFDC benefit levels.

Under the block grant structure endorsed by the governors, however, this matching structure would be eliminated. States would receive a block grant with essentially fixed funding. Block grant funding levels would be based on state expenditures for AFDC and work programs in 1994.<sup>1</sup> To receive its full block grant allocation, a state would simply be required to contribute state funding for work, income support, and child care programs equal to 75 percent of what it spent on these programs in 1994.

- If every state expended only what was required to receive its full block grant allocation, state funding would fall \$28 billion below what the Congressional Budget Office projects states would provide under current law. Compared to current law, this represents a 30 percent reduction in state funding. (This \$28 billion figure assumes that the 75 percent maintenance-of-effort requirement is in place in each year between 1997 and 2002. As the welfare conference agreement is drafted, it appears there would be no maintenance-of-effort requirement in 2001 and 2002, suggesting that a state would receive its full federal block grant in those years whether or not it put up *any* state funding. It is unclear whether this is a technical drafting error or a policy decision to sunset the maintenance requirement. This analysis assumes this was a drafting error. If there is no maintenance requirement in 2001 and 2002, states would be able to withdraw substantially more than \$28 billion in state resources.<sup>2</sup>)
- As long as a state provided funds for these programs at no less than 75 percent of its 1994 funding level, there would be no financial incentive for a state to provide any additional state dollars. If a state were to provide \$1 above the 75 percent "maintenance level," it would secure no

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<sup>1</sup> To be precise, block grant allocations would be based on the highest of a state's 1994 spending bid, 1995 spending level, or average spending level for the three-year period from 1992 through 1994.

<sup>2</sup> If there is no maintenance-of-effort requirement in 2001 and 2002, states could withdraw an additional \$21 billion, bringing the total potential withdrawal of state funds to \$49 billion during the period from 1997 through 2002.

additional federal funds. Similarly, if a state withdrew \$1 of state resources, it would not jeopardize any federal funding so long as the state met the 75 percent maintenance requirement. The disincentive to cut benefits that the current matching rate structure provides would no longer exist.

The 75 percent "maintenance-of-effort" provision is part of the welfare conference report. (The Senate welfare bill contained an 80 percent maintenance requirement.) But the governors changed the maintenance requirements in the Congressional legislation in one key respect. Both the Senate welfare bill and the conference agreement contained a provision which required that state funding must equal 100 percent of the state's 1994 expenditure level for the state to qualify for "contingency funding." The governors deleted this requirement, enabling states to receive contingency funds while cutting their own state expenditures to 75 percent of their 1994 level.

- The 100 percent maintenance-of-effort requirement attached to the contingency fund in the welfare conference agreement provided the bill's only incentive for states not to withdraw substantial state funding.
- Removal of this requirement would enable states to receive federal contingency funds when poverty and unemployment climbed, while withdrawing state funds at the same time.<sup>3</sup>

### *Child Care Funding*

The governors' proposal also provides an additional \$4 billion in federal child care funding. States would not need to provide any additional state funding to qualify for these federal funds; states would still face only the overall requirement to maintain 75 percent of their 1994 spending on income support, work, and child care combined.

With the addition of this \$4 billion in additional federal child care resources, it is likely that many states would spend less state money on child care than they would in the absence of these additional federal funds. Some of this additional federal child care funding is likely to supplant state resources. As long as a state maintained overall spending at the 75 percent maintenance level, it would face no negative repercussions from allowing some of these added federal child care funds to replace state child care resources. As a result, the addition of the \$4 billion in federal

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<sup>3</sup> While states would need to match the federal contingency funds, the amount of state matching funds required would generally be far less than the amount of funding a state could withdraw if there is no requirement that states maintain 1994 funding levels to receive contingency funds.

child care resources is likely to result in a net addition of substantially less than \$4 billion in overall child care funding.

Finally, the NGA proposal adds federal resources for "job performance bonuses." It appears that all states that meet the performance bonus criteria would receive a five percent increase in their block grant allocation, regardless of the extent to which the states may have withdrawn state resources from income support, work, and child care programs. NGA has not provided details on the criteria that would be used to determine which states would qualify for job performance bonus funds. As a result, it is unclear how much the NGA performance bonus would cost. If every state qualified for a bonus, the provision would cost \$5 billion between 1997 and 2002.

If the performance bonus were structured in a manner that rewarded states that placed a significant proportion of their caseload into jobs, a state that withdrew substantial state resources and operated an income support and work program for only a small proportion of needy families could be rewarded with a performance bonus if it succeeded at moving a significant percentage of those it served into jobs. Such a state could receive a bonus even if large numbers of those families that were not served by the program were unable to find work and were left destitute.<sup>4</sup>

#### *NGA Proposal Would Permit States To Divert Billions of Federal Dollars Away From Income Support and Work*

The governors' proposal, like the welfare conference report, also would permit states to transfer up to 30 percent of their federal welfare block grant funds to several other programs, including the Social Services Block Grant, the child protection block grant, and the child care and development block grant. This provision is much more expansive than the transfer provision in the Senate welfare bill; the Senate bill allowed welfare block grant funds to be transferred only to the child care block grant. The transfer provision in the governors' proposal would place in jeopardy roughly \$5 billion per year — or almost \$30 billion between 1997-2002 — of federal block grant dollars that could be diverted from income support and work programs.

The provision that would allow welfare block grant funds to be transferred to the Social Services Block Grant is particularly significant. States currently pay for an array of social services largely with state dollars; the cost of these services

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<sup>4</sup> The governors' proposal lacks sufficient detail to determine whether the job performance bonus would even be designed in a way that would reward states with successful welfare-to-work programs. Previous job performance bonuses proposals, including the job bonus in the welfare conference agreement, have been poorly designed and could reward states that did not have effective work programs but instituted harsh time limits or had strong economies.

substantially exceeds the modest funding provided under the federal Social Services Block Grant. As a result, a state could save substantial state money by diverting funds from the welfare block grant to the Social Services Block Grant and using these resources, in lieu of state dollars, to fund social service programs. There is likely to be pressure to divert welfare block grant funds to various social services; in many states, social service providers have organized themselves into effective lobbies. There usually is no lobby of equivalent potency for welfare recipients or work programs.

Adding to the concerns about this diversion authority, welfare block grant funds diverted to the Social Services Block Grant would not even need to be used for services for needy families with children. Resources under the Social Services Block Grant are used to fund organizations providing services to an array of groups, including the elderly and disabled. Social Service Block Grant funds pay for services that include in-home care for the elderly and disabled, juvenile justice services, and substance abuse counseling and treatment. Moreover, the income limits for services supported under the Social Services Block Grant are typically well above the poverty line.

The governors' proposal also permits the transfer of welfare block grant funds to child protection services. At present, 22 states are under court order to improve child protection services because of inadequate past performance in this area. A state under a court order could transfer welfare block grant resources intended to fund income support and work programs, shifting these resources instead to child protection services so fewer state dollars have to be spent to comply with the court order.

#### ***The Bottom Line: States Could Withdraw Up To \$58 Billion***

Taken together, the weak maintenance-of-effort provision and the provision allowing states to divert federal block grant dollars to other purposes would place \$58 billion in federal and state funding for income support and work programs in jeopardy between 1997 and 2002. Under the governors' proposal, states could withdraw or divert these resources and still have access to their full federal welfare block grant allocation, plus an additional \$4 billion in federal child care resources, the additional \$1 billion in contingency funds, and the additional job performance bonus funds.

As noted earlier, it is unlikely that every state would reduce state spending to the full extent allowed under the governors' proposal. But evidence is already accumulating that many states will withdraw significant resources. New York's governor has proposed a 26 percent cut in cash assistance benefit levels for poor families with children in that state. California's governor has proposed steep cuts in benefit levels and the imposition of time limits much harsher than those the federal

welfare legislation would require; the proposal that Governor Pete Wilson is pushing has been estimated to drop the amount of funding that California is contributing to 90 percent of the state's 1994 expenditure level. In addition, in a number of other states — including Louisiana, Nebraska, South Carolina, and Virginia — governors have proposed time limits much shorter than the maximum five-year time limit included in the NGA and Congressional proposals. Reductions in benefit levels and the institution of very short time limits both provide ways for states to save money and withdraw state funds from programs for poor families with children.



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of the Assistant Secretary  
for Legislation

Washington, D.C. 20201

February 15, 1996

The Honorable E. Clay Shaw, Jr.  
Chairman, Subcommittee on Human Resources  
Committee on Ways & Means  
House of Representatives  
Washington, DC 20515-6351

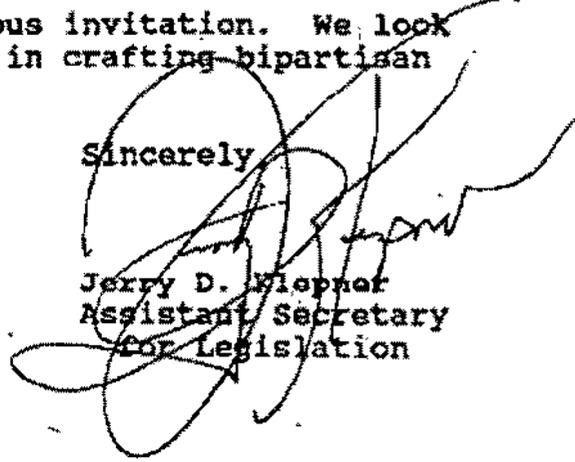
Dear Mr. Shaw:

Thank you for the invitation extended by your staff for a Departmental witness to testify February 20 concerning the National Governors Association's (NGA) welfare reform recommendations. We share your strong interest in the NGA proposals, and look forward to learning additional details with respect to the policy and budgetary implications of their agreement.

As you may know, Secretary Shalala recently accepted an invitation to appear before the Senate Committee on Finance February 28 concerning both the Medicaid and welfare reform recommendations put forward by the NGA. Because of our commitment to have the Secretary speak first before the Congress on these issues, we are unable to send a designated witness to your hearing the previous week. We would be pleased, however, to have a Departmental witness testify at any time subsequent to the Secretary's initial presentation, either on the NGA proposals specifically or on welfare reform issues more generally.

Thank you again for your gracious invitation. We look forward to working closely with you in crafting bipartisan welfare reform legislation.

Sincerely

  
Jerry D. Klepner  
Assistant Secretary  
for Legislation

cc: The Honorable Harold E. Ford

WR: NGA

# Governors' Plans on Welfare Attacked

## Civil Rights Groups Say Minority Children Would Suffer Unduly

By ROBERT PEAR

WASHINGTON, Feb. 13 — Civil rights groups today assailed proposals endorsed by the nation's governors last week to give states vast new authority over welfare and Medicaid. They said that "African-American children will be disproportionately harmed" by the changes.

In endorsing the proposals, members of the National Governors' Association asserted that they could be trusted to protect the interests of poor people. Gov. Tommy G. Thompson of Wisconsin, a Republican who is chairman of the association, said then: "Governors really understand the programs better than people on Capitol Hill. I would hope they defer to our judgment."

But the civil rights groups said today that the proposals, recommended unanimously by the governors, "would make more children and families poor and deepen the deprivation of already impoverished children." Their comments came in a joint letter to Congressional leaders and at a news conference today.

About 12.9 million people receive Federal welfare benefits. The number has declined 10 percent in the last two years. The latest data show that 38.3 percent of recipients were white, 36.6 percent were black, 18.5 percent were Hispanic, 2.9 percent were Asian-American and 1.3 percent were American Indians. The racial and ethnic background of the others was not reported.

Nearly one-third of all black people are poor, having incomes below the official poverty level (\$11,821 for a family of three in 1994).

Wade Henderson, director of the Washington office of the National Association for the Advancement of Colored People, said: "Many African-Americans remember that 'states' rights' were code words for the states' denial of basic civil rights. We are concerned that this history not return in the context of welfare reform."

The National Council of Negro Women, the National Black Caucus of State Legislators and the Congress of National Black Churches joined the N.A.A.C.P. in opposing the pro-

posals. They said that "genuine welfare reform" must provide more education, training and child care.

Their criticisms, based on moral and religious as well as political grounds, could slow efforts to push the governors' proposals through Congress. Congressional leaders of both parties have welcomed the governors' proposals, but the concerns of minority groups may influence lawmakers, especially in this election year. Both houses of Congress plan to hold hearings on the proposals next week.

The civil rights advocates said they trusted the Federal Government more than the states to care for poor people.

### Model proposals for Medicaid and aid to the poor have some detractors.

But Raymond C. Scheppach, executive director of the National Governors' Association, said: "I just don't agree with the criticism that you can't trust the states to cover low-income individuals. All evidence is to the contrary. Under Medicaid, many states cover populations and benefits beyond those required by Federal law. And states have always had enormous discretion to set welfare, payment levels. What makes people think they'll act more irresponsibly in the future?"

Lee Partridge, a spokeswoman for the National Association of State Medicaid Directors, said all states voluntarily covered prescription drugs even though they were not required to do so by Federal Medicaid law.

The governors would give each state a lump sum of Federal money for cash assistance to the poor. Their Medicaid proposal would provide similar block grants for health care but would guarantee coverage for

pregnant women and children younger than 13 in low-income families.

The civil rights groups made these observations and assertions about the governors' plan:

¶It would eliminate the Federal guarantee of cash assistance to poor children in times of need.

¶It would allow states to cut their own welfare spending 25 percent without penalty.

¶It would allow states to take Federal money for foster care and adoption assistance in the form of block grants, even though child welfare agencies in 22 states are now under court supervision because they failed to provide adequate protection for abused and neglected children.

¶It would cut at least \$25 billion from projected spending on food stamps and "undermine the national nutritional safety net," letting states take food stamp money in the form of block grants.

¶It would eliminate cash assistance for hundreds of thousands of children with disabilities.

Mr. Henderson said that the "coalition of conscience" assembled today would lobby Congress to reject the governors' proposals.

The proposals would generally require people to work after receiving welfare for two years, and they would cut off cash assistance after five years. The Rev. H. Michael Lemmons, executive director of the Congress of National Black Churches, said it would be morally wrong to impose such penalties if child care and job opportunities were not available.

President Clinton offered a comprehensive bill to overhaul welfare programs in June 1994, but Congress showed little interest in his proposals. In the absence of a new law, the Clinton Administration has allowed 37 states to experiment with programs requiring or encouraging welfare recipients to work.

The civil rights groups said Congress should evaluate those experiments before passing legislation to make wholesale changes in welfare policy. Governors say they must be allowed to redesign their welfare programs without obtaining approval from Washington for each change.

# Forbes's Ads Credited for Role in Outcome but Not in Helping Him

By ELIZABETH KOLBERT

DES MOINES, Feb. 13 — By some accounts, Steve Forbes's \$4 million advertising campaign here was a colossal waste of money. By others, it was the most decisive factor in the Iowa caucuses; the decision just didn't happen to go Mr. Forbes's way.

At dawn this morning, most of the candidates were already halfway across the country in New Hampshire, and the national press corps was packing up to go home. The political commercials, which had been crowding out the seed corn ads, were finally off the air.

But the analysts and the politicians were still pondering the results of Monday night's caucuses, trying to figure out why the vote had gone the way it did. One question that remained very much a matter of dispute: what was the impact of the millions and millions of dollars the candidates spent on advertising?

In general, there seemed to be a sense of relief here that the answer to this question was not obvious. The amount spent on advertising did not in any direct way translate into votes, meaning that the caucuses' down-home image had at least survived another election.

Mr. Forbes had led the pack in spending but brought up the rear in terms of time spent in the state building grass-roots support. He finished a disappointing fourth in Monday night's caucuses, behind Senator Bob Dole of Kansas, Patrick J. Buchanan, the conservative commentator, and former Gov. Lamar Alexander of Tennessee. For each vote he received, Mr. Forbes had spent about \$400 on advertising, a figure that seemed to confirm the notion that a strong caucus showing still depends on a strong local organization.

"The caucuses, at least for '96, are still a ground campaign," said Dennis Goldford, a professor of political science at Drake University here.

And yet, despite his fourth-place showing, it is hard to argue that Mr. Forbes's advertising had no impact, and few here do. As Mr. Forbes himself notes, a few months ago, he was just an "asterisk" in the race, and the flat tax was a nonissue. It was on

## Campaign Spending Per Vote: Who Got His Money's Worth

Money spent by each candidate in Iowa using each campaign staff's estimates to date.

MONEY SPENT PER VOTE RECEIVED	At least \$26.65	\$35.46	\$38.17	\$47.05	\$122.21	\$237.70	\$407.50	\$724.64
CANDIDATE	BUCHANAN	DOLE	DORNAN	ALEXANDER	GRAMM	LUGAR	FORBES	TAYLOR
VOTES (90% REPORTED)	22,512	25,378	131	17,003	9,001	3,576	9,816	1,380
TOTAL MONEY SPENT	\$600,000+	\$900,000	\$5,000	\$800,000	\$1,100,000	\$850,000	\$4,000,000*	\$1,000,000

\*Estimates for Forbes's spending are based on known television expenditures.

the strength of his advertising campaign that he became a household name here and the flat tax a major issue of debate.

"My initial feeling was Forbes had already won the Iowa caucuses. In the sense that they give unknown people visibility," said Steffen Schmidt, a professor of political science at Iowa State University. "Forbes just did it through money."

After an election, it is difficult, if not impossible, to sort out the relative importance of the various factors that went into the campaign, including advertising, organization and news coverage. What is clear about the caucuses this year, though, is that the candidates, at least, believed that advertising would play a greater role than ever before.

In previous years, candidates did not begin to advertise in Iowa until after New Year's; this year, the first commercials, from Mr. Alexander and Morry Taylor, a wealthy industrialist, began in the summer.

The comparison in spending is equally dramatic. In 1992, the Iowa caucuses were mostly uncontested; one of the candidates for the Democratic nomination was one of the state's Senators, Tom Harkin, to whom the contest was conceded.

In 1988, 11 candidates competed in the two parties' caucuses. At one Iowa television station, WHO, the local NBC affiliate, they spent a total of \$183,873 on advertising.

This year, seven Republicans advertised on WHO, together spending

\$630,169, or more than three times as much. Mr. Forbes led the spending at WHO, buying \$190,149 worth of time. Mr. Dole was next with \$119,228, and Senator Richard G. Lugar of Indiana third, with \$109,771.

Paradoxically, it was precisely the initial success of his advertising, some argued today, that made Mr. Forbes so vulnerable in Iowa.

"I think that Steve Forbes in large measure was a victim of his own success," said Thomas Whitney, a Des Moines lawyer and former chairman of the Iowa Democratic Party. "He did, I think, exactly what he planned to do, and he did it successfully. Then he got hurt in the last two weeks. Not only did the others gang up on him, but he also got hurt by Iowa pride. You had a lot of folks beating the drum, saying Steve Forbes may irreparably harm the caucuses, and people didn't like it."

The negative ads continued until the end, a time when tradition would have had positive ones offering reasons to vote for a candidate.

"Isn't the conventional wisdom that you finish your campaign by going positive?" Mr. Schmidt said. "Forbes never did that, and I can't understand that."

In fact, people close to the Forbes campaign acknowledged today, the closing strategy had been a mistake. And Mr. Forbes spent much of the day filming new, more upbeat ads to air in New Hampshire.

Even if Mr. Forbes's negative ad campaign did not work to his advan-

tage, though, it may have helped others. The attacks on Mr. Dole undoubtedly caused some voters to have second thoughts about the front-runner; Mr. Dole's attacks on Mr. Forbes, in turn, may have pushed these voters to a third candidate, like Mr. Alexander or Mr. Buchanan.

"Forbes cut into Dole's lead very nicely," said Silvano Wuenschler, chairman of the Wapello County Republican Party. But many of the voters who left Senator Dole, he said, eventually ended up choosing Mr. Buchanan.

Mr. Forbes's and Mr. Dole's exchange of nasty ads may have had

another unintended side effect: a depressed turnout. While the state's Republican leaders had been predicting that more than 130,000 people would attend the caucuses, less than 100,000 actually did. Aides to Mr. Forbes had always predicted that a high turnout would benefit them.

"Never in the history of the caucuses has there been so much attention, so much publicity, such a barrage urging people to attend," Mr. Whitney said. "So why wasn't there the turnout projected by the Republican Party? I think in large measure that's because people found it was a real turn-off that everything had gotten so negative."

THE NEW YORK TIMES  
WEDNESDAY, FEBRUARY 14, 1996



STATE OF DELAWARE

Thomas R. Carper  
Governor

J. Jonathon Jones  
Director

Maura J. Cullen  
Deputy Director

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

Doug - DGA  
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Mama, Office of Governor Carper, Delaware  
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## United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-8200

March 15, 1996

LINDY L. PAUL, STAFF DIRECTOR AND CHIEF COUNSEL  
 JOSEPH H. GALE, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

Governor Bob Miller  
 State Capitol  
 Carson City, NV 89710

Dear Governor Miller:

I understand that some concern has been expressed by you and other Democratic governors regarding the timing of enacting welfare and Medicaid reform this year. I want you to know that my strong commitment to the National Governors' Association (NGA) bipartisan proposals to reform welfare and Medicaid continues.

It was my understanding from our February 22 hearing at which the governors testified about the NGA proposal, that time is indeed a critical factor for Congress to consider. It was noted at the hearing that states are already well into their budget cycles and reform is vital to getting control over state budgets. In response, I promised you and the other governors that we would work as quickly as possible to meet the governors' request.

Introduction of the legislative package on or about March 25 is dictated by the reality of the congressional schedule. This allows time for review of the legislative language by NGA and full consideration of the committee processes in both the House of Representatives and the Senate. To complete legislative action by mid-May, it is imperative that introduction occur soon. From your own experience, you understand how the remaining congressional schedule will be severely limited beyond mid-May.

In regard to the linkage between Medicaid and welfare, I agree with President Clinton that, "many people stay on welfare ... because they do not want to put their children at risk of losing health care ...". Medicaid reform is an integral part of welfare reform and the two cannot really be separated. Moving people from welfare to work will not be successful if welfare families lose their health insurance when they gain employment. The Medicaid proposal that you helped to craft recognizes this important connection. It gives the states the necessary flexibility to design programs that can provide a health care safety net, as you move people from welfare into the workforce.

The progress you and all of the governors have made is tremendous. As you noted at our February 22 hearing, the governors have been working out differences and identifying principles in order to reach consensus on both welfare and Medicaid for six months. From the most recent meeting the governors held in Chicago, it is my understanding that success is indeed very close at hand.

Let me restate once again my appreciation for all you have done on welfare reform. Please be assured that I remain committed to delivering a legislative package which meets the goals, principles, and framework of the bipartisan NGA proposal this year.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Roth", written in a cursive style.

William V. Roth, Jr.  
Chairman



# THE UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST  
WASHINGTON, D.C. 20006  
TELEPHONE (202) 293-7330  
FAX (202) 293-2352  
TDD (202) 293-9445

*WR-N6A*

February 7, 1996

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WELLINGTON WELLS  
Mayor of Denver  
MARTHA WOOD  
Mayor of Washington

**Executive Director:**  
J. THOMAS COCHRAN

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

Dear Mr. President:

The National Governors' Association is to be commended for reinvigorating the debate on welfare reform and suggesting some important compromise positions. The increased funding for child care is critical to moving people from welfare to work. The flexibility proposed for meeting work requirements makes the provisions of the conference agreement much more realistic. Increasing the hardship exemption to 20 percent of the caseload will help to ensure assistance to a number of poor children.

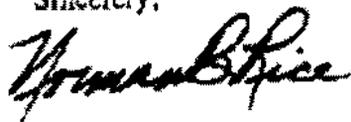
The governors' proposal, however, still falls far short of protecting the needs of our most vulnerable citizens, particularly our children:

- \* The proposal repeals the basic entitlement of poor children and their families to income assistance.
- \* It compromises the entitlement status of food stamps and child nutrition programs by appearing to allow the states to establish block grants for these proven programs. It also makes deep cuts in the food stamp program.
- \* It provides the states the option to convert foster care, adoption assistance and independent living funding from an open-ended entitlement into a child protection block grant.
- \* It cuts the Earned Income Tax Credit, which helps to make work pay, by \$10 billion.
- \* It is silent on the immigrant assistance provisions in the conference agreement which would shift considerable costs to local governments and create administrative nightmares for program operators.

While the nation's mayors believe that our welfare system must be reformed and while we appreciate the bi-partisan effort the governors have made, we urge you to reject any welfare reform proposals which do not alleviate the concerns listed above. Like the welfare reform legislation which passed the Congress, the governors' proposal would shift costs and liabilities and create new unfunded mandates for local governments, as well as penalize low income families.

We look forward to continuing to work with your Administration, the Congress and state and local government officials on positive welfare reform which converts the current system into one which moves parents from welfare to work and at the same time protects our children.

Sincerely,



Norman Rice  
Mayor of Seattle  
President

# THE UNITED STATES CONFERENCE OF MAYORS



1620 EYE STREET, NORTHWEST  
WASHINGTON, D.C. 20006  
TELEPHONE (202) 293-7330  
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February 7, 1996

The Honorable Robert Dole  
Majority Leader  
United States Senate  
The Capitol S-230  
Washington, D.C. 20510

Dear Senator Dole:

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Mayor of Madison  
BRUCE TODD  
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Mayor of Denver  
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Mayor of Washington
- Executive Director:**  
J. THOMAS COCHRAN

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Sincerely,



Norman Rice  
Mayor of Seattle  
President

COMPARISON OF WELFARE REFORM MAJOR PROVISIONS

	HOUSE BILL	SENATE BILL	CONFERENCE BILL (H.R. 4)	NGA PROPOSAL
<b>Block Granting AFDC</b>	Block grants AFDC, EA, and JOBS into a single capped entitlement to states.	Block grants AFDC, EA, JOBS, and child care into a single capped entitlement to states. The block grant provides a separate allocation specifically for child care.	Block grants AFDC, EA, and JOBS into a single capped entitlement to states.	Block grants AFDC, EA, and JOBS into a single capped entitlement to states. The block grant provides a separate allocation specifically for child care.
<b>Time Limits</b>	Families who have been on the rolls for 5 cumulative years (or less at state option) would be ineligible for cash aid. States would be permitted to exempt up to 10% of the caseload from the time limit. States would be permitted to provide noncash benefits to families that have reached their time limits.	Families who have been on the rolls for 5 cumulative years (or less at state option) would be ineligible for cash aid. States would be permitted to exempt up to 20% of the caseload from the time limit.	Families who have been on the rolls for 5 cumulative years (or less at state option) would be ineligible for cash aid. States would be permitted to exempt up to 15% of the caseload from the time limit. States are permitted to provide noncash benefits vouchers to families that are time limited.	Families who have been on the rolls for 5 cumulative years (or less at state option) would be ineligible for cash aid. States would be permitted to exempt up to 20% of the caseload from the time limit. States are permitted to provide noncash benefits vouchers to families that are time limited.
<b>Work Requirements</b>	A state's required work participation rate would be set at 10% in 1996, rising to 50% by 2003. For 2-parent families, the participation rate would be 50% in FY 1996, rising to 90% in FY 1998. Individuals must work an average of 20 hours per week in FY 1996, increasing to 35 hours in FY 2002.	A state's required work participation rate would be set at 25% in 1996, rising to 50% by 2000. The bill allows mothers with children under 6 to work part-time (20 hours per week) through 2002. The bill also allows states to exempt families with children under 1 from work requirements.	A state's required work participation rate would be set at 15% in 1996, rising to 50% by 2002. States have the option to exempt single parents with children under age 1 from work requirement. No part-time work option for mothers with young children.	A state's required work participation rate would be set at 15% in 1996, rising to 50% in 2002. The resolution allows mothers with children under 6 to work part-time (20 hours per week) through 2002. Recipients must work an average of at least 25 hours per week. The resolution also allows states to exempt families with children under 1 from work requirements; changes the participation rate calculation to take into account those who leave cash assistance for work; and allows job search and job readiness to count as a work activity for up to 12 weeks.
<b>Child Care</b>	A child care block grant would be authorized at \$2.1 billion annually as discretionary spending for FYs 1996 through 2000. Overall, child care would be cut by \$1.95 billion over 7 years (new CBO baseline).	From FY 1996 through 2000, \$8 billion would be available as a capped entitlement to states for child care assistance. An additional \$1 billion per year is available in discretionary spending under CCDBG. Overall, a \$755 million increase in mandatory funding over 7 years (new CBO baseline). Recipients cannot be sanctioned for not working if child care is unavailable.	The bill contains a total of \$7 billion in discretionary funding and \$10 billion in mandatory funding. Overall, increases mandatory child care funding over current law by \$1.9 billion over 7 years (new CBO baseline).	The resolution contains a total of \$7 billion in discretionary funding and \$14 billion in mandatory funding; an increase of \$4 billion over the conference report and \$5 billion over the Senate bill. Overall, increases mandatory child care funding over current law by \$5.9 billion over 7 years (new CBO baseline).

WRL-NGA

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	HOUSE BILL	SENATE BILL	CONFERENCE BILL (H.R. 4)	NGA PROPOSAL
<b>Economic Contingency Grant Fund</b>	States with high unemployment could borrow from a \$1 billion national Rainy Day loan fund. Funds would have to be repaid.	\$1 billion would be appropriated for FYs 1996-2002 for matching grants to states with high unemployment rates. An emergency loan fund of \$1.7 billion, and a \$880 million grant fund for low-benefit, high population-growth states would also be available.	The bill includes \$1 billion for grants to states with high unemployment (state must match); \$800 million grant fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC benefits (no state match); and \$1.7 billion loan fund.	Adds \$1 billion to the proposed funding for the contingency fund for a total of \$2 billion. States can meet one of two triggers to access the contingency fund: the unemployment trigger in the conference agreement and a new trigger based on food stamps. Under the second trigger, states would be eligible for the contingency fund if their food stamp caseload increases by 10% over FY 1995 caseload levels.
<b>Performance Bonus to Reward Work</b>	No performance bonus	Establishes a performance bonus set-aside within the block grant for states, but does not add additional resources.	No cash performance bonus	Provides cash bonuses of 5% annually to states that exceed specified employment-related performance target percentages. (Approximately \$2 billion plus.) These bonuses would be in addition to block grant base.
<b>Family Cap</b>	States could not use federal funds to provide cash benefits to children born while parent is receiving assistance.	No federal mandate to deny assistance; option for state action as in Administration bill.	States would be required to deny cash benefits to children born to welfare recipients unless the state legislature explicitly votes to provide benefits.	No federal mandate to deny assistance; option for state action as in Administration bill.
<b>Child Support</b>	Includes major comprehensive child support enforcement measures proposed by the Clinton Administration, including paternity establishment, state central registries of child support orders, and uniform procedures for interstate cases, and penalties such as license revocation. Eliminates the \$50 pass-through of child support to cash assistance recipients.	Same as the House bill; includes all Clinton Administration proposals.	Same as the House bill; includes all Clinton Administration proposals.	Same as the House and Senate bills; includes all Clinton Administration proposals.
<b>SSI For Children</b>	Children who are now eligible for SSI under the medical listings would continue to receive cash benefits and Medicaid. For applicants after enactment, cash benefits would only be available for children who meet the medical listing and are institutionalized or would be institutionalized if they do not receive personal assistance services required because of their disability. All children who meet the medical listings would be eligible for services under a state block grant funded at 75% of the amount otherwise payable in cash benefits. There would be no guarantee of services under the block grant.	SSI and Medicaid eligibility would be restricted to those children who meet the medical listing; Individual Functional Assessment (IFA) and references to maladaptive behavior would be repealed.	SSI and Medicaid eligibility would be restricted to children who meet the medical listing. IFA and references to maladaptive behavior would be repealed. Effective January 1, 1997, for current recipients and new applicants, a 2-tiered benefit system would be established. Children who need personal assistance in order to remain at home would receive 100% of the benefit. Children who meet the listings but not the personal assistance criteria would receive 75% of the benefit.	Same as the Senate bill. Effective date is deferred until January 1, 1998.

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	HOUSE BILL	SENATE BILL	CONFERENCE BILL (H.R. 4)	NGA PROPOSAL
<b>Maintenance of Effort</b>	No requirements	States would be required to maintain 80% of FY 1994 spending on AFDC and related programs for FYs 1996-99.	States would be required to maintain 75% of FY 1994 spending on AFDC and related programs for FYs 1996-2000.	No provision
<b>Personal Responsibility Contract</b>	No personal responsibility contract	Includes personal responsibility contracts for welfare recipients, under which benefits would be reduced for failure to comply.	No personal responsibility contract	No provision
<b>Child Nutrition</b>	Replaces child nutrition programs operated outside of schools, WIC, and commodity distribution programs with a block grant to states. Creates a separate block grant to states for school-based child nutrition programs. These provisions would result in cuts of \$10 billion over 7 years.	No block grants proposed. Contains program cuts amounting to \$4 billion over 7 years.	No mandatory child nutrition block grants, but permits up to 7 school nutrition block grant demonstrations. WIC remains a separate program. Child nutrition spending would be reduced by about \$6.3 billion over 7 years.	Provides for school lunch block grant demonstration, under which the current entitlement for children is maintained; states would continue to receive the proportion of administrative costs based on current law but in a block grant.
<b>Child Protection and Adoption</b>	Block grants direct benefits and administration programs used to recruit adoptive parents and investigate child abuse. Cuts funding to states by \$6.3 billion.	Maintains current entitlement for foster care and adoption payments and for administrative programs. No funding reductions.	Maintains the entitlement for direct payments to families and block grants administration programs. Overall, reduces mandatory funding by \$400 million over 7 years.	Maintains the entitlement for direct payments to families and provides a state option to take foster care, adoption assistance, and independent living program as a capped entitlement. States that take the option must continue to maintain effort at 100%. States must maintain protections and standards under current law. States can reverse their decision on a yearly basis.
<b>Teen Parent Provisions</b>	States would be prohibited from providing cash benefits to minor mothers.	In order to receive assistance, unmarried minor parents would be required to live with an adult or in an adult-supervised setting and participate in educational or training activities.	Same as the Senate bill	Same as the Senate bill
<b>Food Stamps</b>	The House bill would reduce federal funding for food stamps by \$40 billion over 7 years, and would cap federal program expenditures regardless of growth (old CBO scoring). The bill would limit maximum benefit increases to 2% per year, regardless of the increase in food costs. It would terminate benefits for non-disabled childless individuals between 18 and 50 years old unless they are working at least half-time or in a work program. Optional food stamp block grant would be available to states that operate a statewide EBT system.	The Senate bill would reduce federal funding for food stamps by \$24 billion over 7 years (new CBO scoring). Able-bodied childless adults between 18 and 50 would be ineligible for food stamps after 6 months unless they work half-time or participate in a work or training activity. States would have the option to receive food assistance as a capped block grant. States that choose to implement a block grant would be required to use 80% of the funds for nutrition assistance; the remaining funds could be used for administrative costs or transferred to work-related programs.	The conference bill would reduce federal funding for food stamps by \$27.5 billion over 7 years (new CBO scoring). Able-bodied childless adults between 18 and 50 would be required to participate in workfare or employment and training program as a condition of eligibility. An optional food stamp block grant would be available to states that have a fully implemented EBT system or meet certain accuracy standards. States choosing block grants would be required to meet specified requirements, and would have to restrict benefits to illegal immigrants.	Maintains the Senate language which reauthorizes the food stamp program in its current uncapped entitlement form. Also adopts Senate language on income deductions. (Resolution will lower food stamps savings.) Able-bodied childless adults between 18 and 50 would be required to participate in workfare or employment and training program as a condition of eligibility. An optional food stamp block grant would be available to states that have a fully implemented EBT system or meet certain accuracy standards. States choosing block grants would be required to meet specified requirements.

	HOUSE BILL	SENATE BILL	CONFERENCE BILL (H.R. 4)	NGA PROPOSAL
SSI for Drug Addicts and Alcoholics	Effective October 1995, individuals with an addiction material to the finding of a disability would no longer be eligible for SSI and would lose their Medicaid eligibility. \$100 million for each of FYs 1997-2000 would be appropriated for providing substance abuse treatment and funding medication development research.	Effective January 1997, individuals with an addiction material to the finding of a disability would no longer be eligible for SSI and would lose their Medicaid eligibility. Other disabled individuals on SSI with a substance abuse condition would be required to participate in treatment as a condition of eligibility and would be required to have their benefits paid through a representative payee. \$50 million for each of FYs 1997-98 would be appropriated for state programs for drug addicts and alcoholics through the Substance Abuse Prevention and Treatment Block Grant.	No provisions	No provisions

NOTES: NGA proposals are summarized from draft of NGA policy position; document implies areas with no explicit NGA provision would follow the conference bill language. Some spending levels are not directly comparable because CBO baseline was changed in December 1995.

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WR-NBA



**CENTER ON BUDGET  
AND POLICY PRIORITIES**

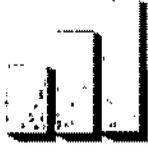
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Bruce Reed
456-7431
Bob Greenstein
Governors' Welfare Package
February 5, 1996
6

**Comments:**



# CENTER ON BUDGET AND POLICY PRIORITIES

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**To:** Alice Rivlin  
Harold Ickes  
Ron Klain  
John Angell  
Bruce Reed  
Gene Sperling  
Ken Apfel  
Melanne Verveer

**From:** Bob Greenstein

**Subject:** The Emerging Governors' Welfare Package

**Date:** February 5, 1996

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The enclosed memo concerns the very serious problems with the emerging governors' proposal on welfare. In many areas, the proposal is to the right of the Senate welfare bill and well to the right of the agreements that had began to be reached during the budget negotiations.

I think that the likely effects of such a proposal, were it to be enacted, would include: a very large increase in poverty among children and considerable anger among many Democratic Members of Congress where work would have been undercut and among many Democratic constituencies.

February 5, 1996

## THE EMERGING GOVERNORS' PROPOSAL ON WELFARE

On the Democratic side, the negotiations appear to have involved largely Gov. Tom Carper, with little involvement of other governors. Unfortunately, the Republicans, led by Engler, are stealing the Democrats' pants. In most (but not all) areas, the proposal is well to the right of the Senate welfare bill and of the tentative agreements reached in budget negotiations between the White House and Republican leaders.

- *The governors worked from the welfare conference agreement, not the 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 numerous other areas, the proposal is very unfortunate.

### Food Stamps

- The 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.
- The proposal accepts in full the food stamp cut that hits hard at families with children which 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 we can't deny food stamps to indigent people who are willing to work without offering them a work slot. I'm told

Gingrich and Dole agreed the President was right about that. Democrats on the Hill — including the Coalition — have been firm all year on this issue. But Carper would give it away.

- Perhaps most serious of all in the food stamp area, it retains the state option for a food stamp block grant. Furthermore, there is a report that the governors agreed to substitute the Senate welfare bill provision in this area for the conference provision; this is one of the few areas where the Senate bill is much worse than the conference bill. The Senate block grant provision would effectively allow states taking the food stamp block grant to use federal food stamp money for various *non*-food stamp costs now borne by states. As a result, a majority of states indicated last fall they'd take the block grant if the Senate version prevailed.

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.

The tentative agreement would mean that over time, the entitlement would largely be lost in *both* AFDC and food stamps. The effect on child poverty of losing both entitlements would likely be quite severe.

### 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 mentioned to me he 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. Cities would be hit hard by this cost shift. The Administration has always exempted Medicaid from its legal immigrant restrictions.
- It 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 maintains the very weak conference provisions on “maintenance-of-effort” that 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 inadequate here, too, but was a bit stronger than the conference agreement.
- The proposal does not fix 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 (a more powerful constituency). A likely result is deeper benefit cuts for children and inadequate resources for work programs.
- 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. Here, also, the certain result is more poverty.

## EITC

The proposal agreement calls for \$10 billion in EITC cuts. This is 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, that contains a child tax credit which offsets the EITC cuts so low-income working families do not face a tax increase, and that contains \$10 billion in EITC cuts *in return* for lessening other cuts affecting poor families with children. 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 that have been proposed by the White House and Congress — such as proposals to close some egregious corporate loopholes — would be included. Only the working poor would have their taxes increased.

## SSI

- 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 the program that provides nutrition assistance for children in child care. The Senate welfare saved as much in this area as the conference report but did so with less harm to children. Various Senate Republicans have indicated they would like to see changes made in this area as a result of negotiations with Democrats.

## Medicaid Coverage for Children

Left unresolved is whether poor children and families who would be eligible for AFDC under current law will be assured of health care coverage through Medicaid. Both the Senate and House welfare bills maintained coverage for these families. By contrast, the conference report allowed states to drop coverage. The document indicates the governors have not yet resolved this issue.

## Conclusion

If approved by governors on a bipartisan basis, the proposed agreement would represent a master strategic stroke by Republicans, as they would have enlisted Democratic governors in supporting a proposal to the right of the Senate welfare bill in numerous areas and even farther to the right of the agreements that had begun to be worked out by the White House and Congressional leaders during the budget negotiations.

WR-NBA

As things currently stand, the topics for the roundtable President Clinton holds with the governors on Monday morning, Feb. 29 for two hours will be medicaid, welfare reform, and education/training. Each of you is a lead on one of these.

Needed this week are: political intelligence memo, questions we might give governors that we want to make sure are covered by the governors with the suggested answers for POTUS, background briefing memo for POTUS. These should be done in cooperation with any other executive branch officials appropriate. Marcia or Emily can give you the timeline of when they need the materials, but we should try hard for COB Tuesday for initial pieces, esp. the questions we want to make sure are asked by governors (with answers) and then any updates as the week, then meeting itself unfolds.

Let me know if you have questions, things we need to discuss.

Thank you!



WR-N6A

**STATEMENT OF WILL MARSHALL  
PRESIDENT, PROGRESSIVE POLICY INSTITUTE**

At a time when both parties in Washington had all but thrown in the towel on efforts to reach a balanced budget agreement or enact welfare reform legislation, the nation's Governors came to Washington and unanimously agreed on proposals to reform both welfare and Medicaid programs. Federal officials from both parties should quickly agree to the Governors' proposals as a framework for bipartisan action on these two issues.

The Governors' welfare proposal is a significant improvement on the bill vetoed by the President in January, and is in some respects superior to the bill that passed the Senate with strong bipartisan support. More importantly, the Governors dramatically refocused a welfare debate that had lately become snagged on the wrong issue by those who demanded maintenance of a legal entitlement to federally guaranteed cash assistance. We agree with the Governors that "continuation of the current welfare system is unacceptable." The Governors' proposal supplies the key structural changes needed to transform the current income maintenance system into an employment system--including PPI's idea of a job placement bonus for states--and also provides enough funding to give these reforms a strong chance to succeed, including an additional \$4 billion for child care. We are also pleased the Governors proposed to scale back reductions in the earned-income tax credit for the working poor to no more than \$10 billion.

The Governors' Medicaid resolution occupies a middle ground between proposals to maintain today's ever-more-costly entitlement, and to abandon minimum coverage entirely through a block grant. The Governors would give up the states' current ability to receive federal Medicaid payments on an unlimited basis, but in exchange for the tools they need to hold down costs. Furthermore, the neediest recipients, including those on welfare, would be guaranteed access to care.

Neither of these proposals is fully developed or without flaws, but they represent a crucial step towards bipartisanship that the Governors' federal colleagues should emulate. Most of all, in picking up the challenge of national leadership on these two issues, the Governors have provided an eloquent answer to those in Washington who claim they cannot be entrusted with greater responsibility for the health and welfare of their citizens.

###

For more information call: Lyn Hogan, social policy analyst, or Lisa David, press secretary, 202-547-0001

Social Security Act, or by repealing that program and replacing it with a new title. We oppose repeal -- and advocate reform -- of Title XIX. The potential unintended consequences of repealing and replacing this program are staggering -- for states, beneficiaries, providers, and the federal government. The Congress can address many of the most pressing concerns about any Medicaid reform plan by amending the current law.

From the beginning of the current Medicaid debate, the President has maintained that Medicaid must be a financed through a federal-state partnership that ensures federal funding and provides a real, enforceable guarantee of coverage for a defined package of health and long-term care benefits. The President's plan proposes unprecedented new flexibility for the states in how to operate their programs, pay providers, and use managed care and other delivery arrangements, while retaining and revising key standards related to quality and beneficiary financial protections. The President's proposal would achieve those objectives in a way that would also help contribute to a balanced budget by 2002 -- and should serve as the basis for prompt Congressional action.

**WELFARE REFORM**

*ON NGA, re order to do "good" first, and "bad" second*

Now I would like to turn to welfare reform. Let me start by reiterating some points the President made in the State of the Union address. Welfare caseloads have declined by 1.4 million since March of 1994 -- a decline of 10 percent. A larger percentage of those still on welfare are engaged in work and related activities. Fewer children live in poverty. And over the last three years, we have worked with governors and elected officials to give 37 states the

flexibility to design welfare reform strategies that meet their specific needs. ~~Under President Clinton's leadership, welfare is being reformed one state at a time.~~

Yet, as the President said in January, we should take advantage of bipartisan consensus on time limits, work requirements, and child support enforcement to enact national welfare reform legislation. The President has consistently called for bipartisan welfare reform and the Administration applauds the way Republicans and Democrats came together to put forth the NGA recommendations. As you may recall, the President started us down this road when he brought together a bipartisan group of congressional leaders, Governors, and federal and local officials to discuss welfare reform at the Blair House <sup>last year</sup> ~~over two years ago~~.

We all want welfare reform that promotes work, requires responsibility, and protects children. Real welfare reform is first and foremost about work: requiring recipients to make the transition into the work force as quickly as possible and giving them the tools they need to enter and succeed in the labor market. This will require a change in the culture of welfare offices so that every action provides support and encouragement for the transition to work.

The President, as part of his balanced budget plan, has proposed a balanced approach to welfare reform that achieves these goals. It replaces welfare with a new, time-limited, conditional entitlement in return for work and gives States new flexibility to design their own approach to welfare reform. Within two years, parents must go to work or lose their benefits, and after five years, benefits end. The plan provides vouchers for children whose parents

reach the time limit, and protects States in the event of economic downturns or population growth. It also has tough child support enforcement measures and preserves the national commitment to nutrition assistance, foster care, and adoption assistance, *preserving State's ability to respond to growing caseloads.*

The Administration will continue to judge legislation adopted by the Congress on whether it promotes ~~the key goals of~~ *work*, responsibility, and family, and whether it ~~continues our commitment to protect~~ *children*. And, following the example of the NGA and the Senate last fall, we strongly hope for legislation that will be endorsed by a majority of Democrats and Republicans in both chambers of Congress. S ✓

The NGA proposal makes numerous modifications to the conference welfare bill -- *many* ~~some~~ of which, if adopted by the Congress, would make that measure better than or equal to the Senate bill. Some of NGA's recommendations ~~pose serious problems~~ *fall short, and should be improved.*

On the positive side, the NGA proposal reflects an understanding of the child care resources states will need in implementing welfare reform. By adding \$4 billion for child care above the level in the conference report for H.R. 4, the NGA proposal acknowledges that single parents can only find and keep jobs if their children are safely cared for. The additional investment is essential to ensure that child care resources are available for those required to move from welfare to work and -- equally important -- to ensure that child care is available for low income working families at-risk of welfare dependency. We are troubled, however, that the NGA proposal fails to include Senate provisions for ensuring safe and

healthy child care, and that the increased federal spending <sup>does not require</sup> ~~is offset by the potential for an~~ <sup>a state</sup> ~~equivalent reduction in the states' contribution to child care spending.~~ <sup>match.</sup> ~~o~~

By adding \$1 billion to the H.R. 4 contingency fund and allowing states to draw funds if poverty rises, the NGA proposal properly recognizes that states may experience unexpected changes in population or downturns in their economy. In the event of a national economic downturn, however, even a \$2 billion contingency fund might be exhausted quite rapidly. During the last recession, for example, <sup>total</sup> AFDC benefit payments rose from \$17.2 billion in 1989 to \$21.9 billion in 1992 <sup>a</sup> \$4.7 billion <sup>increase over the base year in one year almost</sup> ~~over 3 years~~. A provision should be added to the bill allowing States to draw down matching dollars during a national recession even if the \$2 billion in the contingency fund has been expended.

Unfortunately, the NGA proposal also would eliminate the requirement in the Senate bill that states meet their full 1994 level of effort in order to be eligible for the contingency fund. The removal of this requirement would allow a state to draw down additional federal dollars while actually reducing its own contribution to the family assistance program. It is difficult to understand why a state in need of contingency fund dollars to meet the demand for assistance would simultaneously be <sup>allowed</sup> able to cut its own spending on poor families below the 1994 level. We support restoring the contingency fund maintenance of effort provision contained in H.R. 4.

The NGA proposal also properly recognizes the importance of child support enforcement to welfare reform. Last year, the President insisted that welfare reform include the toughest child support enforcement reforms in this country's history. Since then, Republicans and Democrats have worked together in a bipartisan spirit and included all of the major proposals for child support enforcement reform that the President requested: streamlined paternity establishment, new hire reporting, uniform interstate child support laws, computerized statewide collections, and drivers license revocation. We applaud the efforts of the NGA and the members of this Committee for their hard work on the child support enforcement provisions. It has been bipartisanship at its best.

On Food Stamps, the NGA proposal makes two important improvements to the H.R. 4 conference bill. First, it does not impose a funding cap on the Food Stamp Program as the conference bill did. A cap on food stamp spending would jeopardize the ability of the Food Stamp Program to get food to people who need it. Second, the NGA proposal protects families with relatively high shelter costs -- mostly families with children -- by adopting the Senate's approach to the program's deductions from income.

The NGA proposal also makes substantial improvements to the performance bonus provisions in the conference agreement by establishing a separate funding stream to pay for bonuses -- rather than allowing states to reduce their maintenance of effort. It makes modifications to the work requirements to make them more feasible and less costly for states to meet. In particular, the Administration is very supportive of provisions that allow part-time

work for mothers with pre-school age children and that reduce the maximum number of hours per week from 35 to 25.

The Governors' proposal also is noteworthy because it limits the cuts to the Earned Income Tax Credit. We cannot be serious about welfare reform if we cripple the primary work incentive for low-income parents. Along with child care and health coverage, the EITC is vital to helping people move from welfare to work.

Finally, the Administration is supportive of several provisions that the NGA adopted from the Senate-passed bill -- a 20 percent caseload exemption from the time limit for battered women, women with disabilities and others who may need a hardship exemption; a state option to implement a family cap; and requirements that teen mothers live at home and stay in school.

### **The Federal-State Partnership**

While the NGA proposal improves on the conference bill in a number of ways, the Administration has serious concerns about several provisions. While it is critical that states have the flexibility to design programs to meet their specific needs, it is equally essential that the federal government ensure accountability in the use of tax dollars and make certain the safety net for poor children is maintained. The federal-state match system under current law has always been the "glue" that holds this partnership together and was ~~the fundamental~~ <sup>part of</sup> ~~e~~

~~principle of the welfare reform plan the Administration proposed as part of its balanced budget plan.~~

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. As I have already mentioned, the Administration prefers the provision in the Senate bill which requires 80 percent maintenance of effort of the 1994 level, and a requirement for a 100 percent maintenance of effort for access to a contingency fund. We also oppose the NGA provision allowing a state to transfer up to 30 percent of its cash assistance block to other programs such as Title XX, the Social Services Block Grant. Since most states spend considerable state dollars on social services, this transfer effectively permits substitution of federal dollars for state dollars.

The problem is exacerbated in the Governors' proposal by the fact that the additional \$4 billion in child care funds requires neither a State match nor even maintenance of the FY 1994 level of state effort on child care.

~~[In total, these provisions imply that states could reduce their spending by a total of \$57 billion, a decline of 63 percent, while federal spending on AFDC and child care programs would remain relatively flat. Many states would not reduce spending this dramatically but there is no reason, as welfare caseloads continue to decline, that the federal taxpayer should not also benefit.]~~

*Needs to provide greater accountability for taxpayer dollars and stronger*

Finally, the NGA proposal ~~does not provide adequate accountability for taxpayer~~ *protections*  
~~dollars or ensure that reforms at the state level will yield real results.~~ Provisions should be *against*  
added that provide for accountability in state plan implementation and require a program *worker*  
specific audit within federal guidelines. *displacement*

**Protections for Children**

The NGA proposal also contains several provisions which threaten the safety net for poor children. Federal and state child protection programs provide an essential safety net for the nation's abused, neglected and adopted children, and children in foster care. As we embark upon bold new welfare reform initiatives, it is critical to maintain a strong child protection system for these extremely vulnerable children. Unlike the Senate's bipartisan approach to child protection, the NGA proposal jeopardizes this essential safety net by allowing states to replace current entitlements for adoption, foster care, independent living and family preservation with block grants. With disturbingly uneven state performance in this area, it also is troubling that the NGA's proposed redesign of the nation's child protection system fails to include <sup>or</sup> mechanism to enforce protections vital for the lives and well-being of abused and neglected children. The NGA proposal also would block grant important programs focused on prevention of child abuse and neglect. If the system includes no targeted prevention funding, crisis-driven decision-making may deplete resources for prevention.

On behalf of the Secretary of Agriculture I'd like to discuss a few issues relating to the nutrition programs.

Food Stamps and Child Nutrition. While the NGA agreement does include some improvements to the conference report's provisions on Food Stamps, the NGA proposal did not go as far as it should, and serious concerns remain.

The NGA proposal continues to provide a state option for a Food Stamp block grant. The nutrition and health of millions of children, working families, and elderly could be jeopardized if many states took advantage of this option, as they might under the terms contained in the proposal. Although the Administration is committed to simplification and increased flexibility in the Food Stamp program, we are strongly opposed to a Food Stamp block grant.

In addition, the NGA proposal continues the proposed Simplified Programs for households which receive Food Stamps and AFDC. While the Administration supports a Simplified Program, it has developed its own proposal.

The NGA proposal severely time limits Food Stamp receipt for many unemployed adults. Anyone who is not willing to work should be removed from the program. But the NGA proposal undermines national standards that work and creates a hidden cost for states. Those who are willing to work should have the opportunity and the support necessary to put them to work. Many who are willing to work could lose their Food Stamps because states are unwilling or unable to provide sufficient work and training opportunities. Without resources to provide work opportunities, states could face the burden of caring for thousands of people who have lost nutrition assistance.

The NGA proposal weakens basic nutrition standards in the school meal programs. Good nutrition is essential to children's health and education success. Our national nutrition standards, developed over the past 50 years, work, but the proposal would reverse these gains.

- The NGA proposal retains the conference bill's provision for school nutrition block grant demonstrations. The block grant demonstrations would undermine the program's ability to respond automatically to economic changes and to maintain national nutrition standards.

Guarantees of fair and equitable treatment. The NGA proposal does contain a requirement that states set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment. This is an improvement over the conference bill, which contained no guarantees that states would commit to objective eligibility and other criteria and promptly and equitably serve those who met them. To ensure that applicants and recipients are not subject to arbitrary treatment -- for example, being placed on waiting lists -- state plans should be explicit, ~~should~~ contain certain elements, and ~~should~~ bind the states to their commitments. Among those commitments should be applications, eligibility and sanctions criteria, and procedures and time frames for decisions. Moreover, statewideness and equity across families in each state must be the goal. Applicants and beneficiaries should be told the reasons for decisions on their <sup>cases</sup> ~~files~~. Mistakes in the administration of the program should be correctable. Once these objectives are met, applicants, recipients and other taxpayers in each state will understand the benefits and concomitant responsibilities under their state plans.

~~Only then should federal funding flow to the states.~~

#### Restrictions On Benefits To Immigrants

does not address

The recent NGA proposal ~~neither supports nor opposes~~ the immigrant provisions included in the H.R. 4 welfare reform conference bill. That bill would have banned most <sup>including the disabled, the elderly, and children</sup> legal immigrants from receiving means-tested benefits. ~~By remaining silent, the NGA~~ <sup>That bill</sup> ~~proposal also~~ would exclude illegal aliens from all child nutrition benefits, creating an unprecedented local administrative burden and ultimately denying benefits to millions of eligible children. This provision would require all 45 million students enrolled in participating schools to document their citizenship to participate in the federally-supported ~~school~~ lunch program, placing an enormous administrative burden on local school systems.

The Administration opposes deep and unfair cuts in benefits to legal immigrants. Instead, the Administration strongly supports strengthening and enforcing sponsor responsibility for immigrants, by extending deeming provisions until citizenship. It is particularly important to note that the NGA, in its letter to the welfare conferees dated October 10, 1995, specifically *supported* the deeming approach of the Administration and *opposed* the banning provisions in H.R. 4. We are deeply concerned that the legal immigrant provisions of H.R. 4 will represent an enormous cost shift to ~~state taxpayers,~~ <sup>leaving</sup> ~~leaving state~~ and local governments solely responsible for assistance to legal immigrants. <sup>to certain states, also</sup> <sup>Federal taxpayers</sup>

In short, the NGA welfare proposal represents an important bipartisan step forward in enhancing the ability of the states to reform welfare by promoting work, encouraging parental responsibility and protecting children. <sup>It needs to be improved</sup> ~~It falls short of an acceptable bill, however,~~ in important ways. We look forward to working in a bipartisan way to build on the

improvements that have been made and to achieve welfare reform of which we can all be proud.

But in conclusion, Mr. Chairman, let me restate the Administration's commitment to enact both a balanced budget and medicaid and welfare reform legislation. As the President has said, budget cutting shouldn't be wrapped in a cloak of reform. Let's pass needed Medicaid and welfare reforms. Let's cut the deficit. But let's not mix up the two and pretend that one is the other.

I know the President shares my hope that with the leadership of this committee, the same level of bipartisan cooperation will exist again on the critical issues of Medicaid and welfare reform.

Because when we are all long gone and the history books of this period have been written, what will they say about our role in the this great debate?

Did we give the American people a government that honors their values and spends their money wisely?

Did we balance the budget and shift responsibility away from Washington without breaking our historic promises of health care to seniors, children, and people with disabilities?

Did we enact real welfare reform -- not by punishing innocent children, but by encouraging work and responsibility?

Did we give our citizens the tools they need to be both good parents and good workers?

Did we move forward on common ground with a common vision?

Quite simply, did we do the right thing?

That is the challenge facing this Administration, this Committee, and this Congress. And, that is the challenge we must meet together.

Again, I want to thank this Committee for giving me the opportunity to testify today and I look forward to answering your questions.

In total, these provisions imply that states could, by law, reduce their spending substantially under the MOE and transfer provisions while federal spending on AFDC and child care programs would continue. Many states would not reduce spending, but there is no reason why states should be allowed to reduce spending while federal support continues at roughly current levels.

principle of the welfare reform plan the Administration proposed as part of its balanced budget plan.

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. As I have already mentioned, the Administration prefers the provision in the Senate bill which requires 80 percent maintenance of effort of the 1994 level, and a requirement for a 100 percent maintenance of effort for access to a contingency fund. We also oppose the NGA provision allowing a state to transfer up to 30 percent of its cash assistance block to other programs such as Title XX, the Social Services Block Grant. Since most states spend considerable state dollars on social services, this transfer effectively permits substitution of federal dollars for state dollars.

The problem is exacerbated in the Governors' proposal by the fact that the additional \$4 billion in child care funds requires neither a State match nor even maintenance of the FY 1994 level of state effort on child care.

According to a preliminary analysis by the Center on Budget and Policy Priorities

*up to 11*

~~In total, these provisions imply that states could reduce their spending by a total of \$57 billion, a decline of 63 percent, while federal spending on AFDC and child care programs would remain relatively flat. Many states would not reduce spending this dramatically but there is no reason, as welfare caseloads continue to decline, that the federal taxpayer should not also benefit.~~

*under these provisions*

*unchanged*

*low*

*Provision*

*States & Feds should continue to be responsible for financial support of this program*

AS ADOPTED 2/6/96

### 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. The absence of recommendations on the restriction of benefits for aliens should not be interpreted as support for or opposition to 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.*

**SUSPENSION**

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

### **WELFARE REFORM**

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- Add a state option to advance the EITC.

*Any changes in the above recommendations would nullify this endorsement.*



**CENTER ON BUDGET  
AND POLICY PRIORITIES**

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<b>To:</b>	Bruce Reed
<b>FAX NUMBER:</b>	456-7431
<b>FROM:</b>	Bob Greenstein
<b>REGARDING:</b>	Governors' Welfare Proposal
<b>DATE:</b>	February 6, 1996
<b>NUMBER OF PAGES:</b> (including cover sheet)	7

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**Comments:**



## CENTER ON BUDGET AND POLICY PRIORITIES

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**To:** Leon Panetta  
Alice Rivlin  
Laura Tyson  
George Stephanopoulos  
Harold Ickes  
Bruce Reed  
Gene Sperling  
Jack Lew  
Ken Apfel  
John Angell  
Melanne Vermeer

**From:** Bob Greenstein

**Subject:** Governors' Welfare Proposal

**Date:** February 6, 1996

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Enclosed is our analysis of the final governors' proposal on welfare. Since yesterday, the proposal has improved in some areas but grown worse in another key area. Overall, the proposal continues to pose serious problems. It is more adverse than the Senate welfare bill in areas such as food stamps, Medicaid coverage for AFDC families and children, child protection, and child nutrition.

In addition, the welfare block grant is structured in such a way as to make it more likely that states will withdraw state funds than was true under either the Senate welfare bill or the welfare conference report. Accordingly, the risks of a "race to the bottom" may actually be greater under the governors' plan than under the Republican Congressional proposals.



# CENTER ON BUDGET AND POLICY PRIORITIES

February 6, 1996

## THE GOVERNORS' WELFARE PROPOSAL

The welfare proposal approved today by the National Governors' Association contains very serious problems. In a number of areas, the proposal is inferior to the Senate welfare bill and much less satisfactory than some 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 — other than issues related to immigrants, on which the proposal takes no position — the conference agreement provisions are included in the governors' proposal. Large numbers of objectionable provisions in the conference agreement are included in the proposal.

The governors' plan does include additional federal resources in two areas — child care funding and the contingency fund. But these changes may not be as positive as they seem at first blush. Details on how this \$4 billion in federal child care funding would be provided to states aren't available. Depending on how this proposal is structured, it could lead to a reduction in state child care funding and the replacement of some state child care funds with federal funds.

More important, the change in contingency funding turns out, upon close examination, to make the legislation more problematic in this area rather than less so.

- The governors' proposal increases the amount of "contingency" funding provided to some states in which poverty rises. The contingency fund would be increased from \$1 billion (in the conference report) to \$2 billion over five years.
- While increasing the contingency fund, however, the governors' proposal eliminates the requirement that states maintain 100 percent of their 1994 state funding level for income support, work, and child care programs in order to qualify for contingency funds. This requirement was included in both the conference agreement and the Senate welfare bill. It is the one "carrot" in the legislation designed to discourage states from withdrawing state resources from programs for poor families and children.
- Removal of this requirement increases the risks of a "race to the bottom." And with no incentive to maintain state funding at 1994 levels, the amount of resources states could withdraw could easily exceed the \$1 billion addition in federal contingency funding. If all

states provided the state funding needed to receive their full federal block grant allocation, but no more state funding than that, they could withdraw \$28 billion over seven years compared to what CBO projects they would expend under current law.

- Removal of this requirement also would enable states to receive federal contingency funds when poverty and unemployment rise while withdrawing state funds at the same time.<sup>1</sup>

In this and in other areas, two dominant features of the governors' proposal stand out:

- The proposal provides billions more in federal money for states while allowing states to withdraw substantial state funds.
- In a number of areas involving basic benefits and services for poor children, however — including food stamps, Medicaid, child protection, and child nutrition — it is harsher than the Senate welfare bill. For example, it cuts food stamp benefits several billion dollars more than the Senate welfare bill did.

In many areas affecting poor children, the proposal represents a less favorable outcome than would likely otherwise be reached in negotiations between the White House and Congressional leaders of both parties. These adverse outcomes result in part from a decision by the governors to base their proposal on the vetoed welfare conference report rather than on the Senate welfare bill.

### Food Stamps

- The governors agreement contains \$26 billion in food stamp cuts, higher than the \$24 billion in the Senate welfare bill and the \$22 billion tentatively agreed to in the budget negotiations between the President and Congressional Republican leaders.
- 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*. During the budget negotiations, President Clinton made clear to Speaker Gingrich and Senator Dole that 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

---

<sup>1</sup> While states would need to match the federal contingency funds, the amount of state matching funds involved would generally be less than the amount of funding a state could withdraw if there is no requirement that states maintain 1994 funding levels to receive contingency funds.

Dole agreed to accommodate the President on this issue. Congressional Democrats, including the conservative Democrats in the Coalition, have been firm all year on this issue. The governors' agreement would accept the harsh conference report approach, which is virtually certain to lead to increased hunger and homelessness.

- The governors' proposal accepts the optional food stamp block grant, which the Administration has strongly opposed. This eliminates the one national "floor" under poor children. Moreover, the food stamp program is unlikely to 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.
- The welfare conference agreement, the Senate welfare bill, and Administration proposals would all give states the option to replace federal food stamp rules for welfare families with a state's own rules. This would enable states to simplify administration by using a single set of rules for cash and food benefits for welfare families.

But the welfare conference report has a "catch." Under the regular food stamp program, a family's benefits rise when its income declines. Under the welfare conference report, this would no longer be true in states that elect to conform their rules in food stamps and welfare. In these states, food stamp benefits for welfare families would be frozen if the state instituted an across-the-board reduction in cash grant levels.

The Senate welfare bill would have allowed states to align their food stamp and welfare rules *without* imposing the condition that food stamp benefits may no longer rise when welfare benefits fall. The governors, by not changing the welfare conference report in this area, adopt its approach. This approach will likely result in large numbers of poor children receiving too little food assistance to meet minimum federal standards for an adequate diet.

## Welfare

- The proposal fails to strengthen the weak conference provisions on "maintenance-of-effort," which allow states to cut state funding by 25 percent and to withdraw \$28 billion in state funds over seven years, compared to current law. The Senate welfare bill was weak here, too, but was stronger than the conference agreement. As mentioned above, the governors' proposal eliminates the stronger 100 percent

maintenance-of-effort requirement that was linked to contingency funding in both the Senate and conference bills.

- 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 and for programs with more powerful constituencies. A likely result is deeper benefit cuts for children and inadequate resources for work programs.
- The proposal adopts the conference agreement welfare block grant. Although the governors' proposal includes language calling for states to set objective criteria for the delivery of benefits, this language means little since the proposal would not allow for any federal enforcement of this provision. The federal government could take no action if a state were operating a program funded by the block grant in violation of either federal law or its own rules for fair and equitable treatment.
- While the governors' proposal recommends several positive improvements to the design of the work participation rates, it leaves unchanged the perverse incentive in the conference agreement that would enable states to partially "get out from under" the work requirements. The conference agreement would create an incentive for states simply to terminate poor families from assistance as a way of meeting the states' work participation rates. States taking such action to terminate families and cut their caseloads would have their work participation requirements eased. (The conference bill places some limitations on a state's ability to use, for this purpose, those caseload reductions that result from changes in state eligibility rules. These limitations, however, are drafted in a manner that makes them close to unenforceable.)

### Medicaid

- Under current law, families receiving AFDC are assured of receiving Medicaid. Under the governors' plan, a substantial portion of the 1.6 million AFDC children over age 12 — and of the more than 4 million AFDC parents — could lose Medicaid coverage. States would be allowed either: 1) to provide Medicaid coverage just to those parents and those children over age 12 who are eligible for the state's new welfare block grant program, which could have much more restrictive eligibility criteria than AFDC; or 2) to provide Medicaid to those who would be eligible for AFDC under current law — but those states that have above-average AFDC eligibility criteria would be allowed to cover only those parents and children over 12 with incomes below the

national average eligibility criteria. The national average AFDC income limits are far below the poverty line. Either way, large numbers of parents and older children could join the ranks of the uninsured.

### **Child Protection**

- The governors' proposal to allow states to convert all child protection programs to a block grant — including foster care and adoption assistance — raises serious concerns. In the absence of further detail, it is unclear what services and assistance states would be required to provide to abused and neglected children. While the governors are requesting additional flexibility in this area, some 22 states are now under court order for failing to meet current child protection standards.

### **SSI**

- 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, except for modifications in the optional school food block grant. 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.



October 5, 1995

Mr. Bill Harrington  
Commissioner  
United States Commission on  
Child and Family Welfare  
Post Office Box 5345  
Tacoma, Washington 98415

Dear Mr. Harrington:

I appreciate your sending me the information that you shared with Congress concerning welfare reform and the fatherhood issues. You raise some interesting concerns about the role of fathers in building strong families, and the need for welfare policy that is not anti-family, especially regarding the role of fathers.

The National Governors' Association (NGA) policy, which you cite, expresses the nation's Governors views about paternal involvement in the family, especially child-rearing. When both parents are actively engaged in a child's life that child has a better chance of success.

Governors have played and will continue to play a leading role in developing and implementing comprehensive welfare reform and strengthening the family. The significant role that fathers play in the family, especially rearing children, will not be overlooked.

Sincerely,

  
Governor Tommy G. Thompson

*Not back*  
~~WR-NGA~~

*WR-NGA*

**SUSPENSION IN THE FORM OF  
A SUBSTITUTE**

(Offered by: Governor Dean  
Governor Thompson  
Governor Carnahan  
Governor Carlson  
Governor Carper  
Governor Engler  
Governor Romer)

**PRINCIPLES TO GUIDE THE RESTRUCTURING OF THE  
FEDERAL-STATE PARTNERSHIP**

*Governors believe that the next two years present an enormous opportunity to restructure the federal-state relationship. The Governors urge Congress to take advantage of this opportunity both to examine the allocation of responsibilities among the levels of government and to maximize state flexibility in areas of shared responsibility. However, the Governors believe that children must be protected throughout this process.*

*As the federal government begins to move toward a balanced budget the pressure to reorder federal priorities and curtail federal grants will increase. Already, numerous proposals for program consolidation and reduction are on the table.*

*While federal budget cuts are needed, the Governors are concerned about the cumulative impact on the states of federal budgetary decisions. The federal budget must be balanced by true savings, not by shifting costs to the states.*

*Governors recognize the special responsibility of government at all levels in meeting the needs of children and families. Governors have taken the lead in carrying out these responsibilities in the past. The Governors believe that the federal government must maintain a financial role in assisting states and localities to continue to meet these responsibilities.*

## WELFARE REFORM

All Governors recognize the importance of a federal role in financing income assistance to families and children. However, the continuation of the current welfare system is unacceptable. Tinkering and changes at the margin will not be sufficient. Congress should create a new, simpler, and more responsive federal role.

Governors have not yet reached consensus on whether cash and other entitlement assistance should remain available as federal entitlements to needy families or whether it should be converted to a state entitlement block grant. Governors do agree, however, that in either case states should have the flexibility to enact welfare reforms without having to request federal waivers. While Governors recognize the legitimate interest of the federal government in setting broad program goals in cooperation with states and territories, they also believe that states should be free from prescriptive federal standards including key aspects of the welfare system, such as work requirements, benefits to teen parents and to legal immigrants, and time limits on benefits.

### A State Entitlement Block Grant Program

Governors believe that block grants as discussed in this section should be entitlements to states and not discretionary grant programs. The Governors view any block grant proposal as an opportunity for the Congress and the President to provide needed flexibility for states, not as a primary means to reduce the federal budget deficit. The block grant should include a clear statement of purpose including goals for the block grants and the measures that will be used to judge the effectiveness of the use of block grants. The block grants must recognize the nation's interest in

- services to children,
- moving from welfare to work, and
- reducing out-of-wedlock births.

Under this concept, there should be no micromanagement and states should be required only to ensure that the funding received is used to provide services for poor children and their

families. While states would be required to describe their program in a state plan and to provide periodic reports to the public, the plans would not be subject to federal approval or federal revision. Financial and compliance audits would be conducted to ensure that moneys were properly spent, and states would be required to pay back any misspent funds. Specific program outcome data will be collected by the states and publicly reported.

Block grant funding should be guaranteed over five years at levels agreed to among the states, Congress, and the Administration. Governors will work with the Congress and the Administration to provide appropriate budget adjustments that recognize agreed upon national priorities, inflation, and demand for services.

In return for this broad flexibility, states would consider an initial allotment based on the average of several prior years. Federal funds would be automatically available under a capped entitlement structure instead of being subject to annual discretionary appropriations. There would be no maintenance of effort provisions and states would be allowed to keep all savings so long as the federal allocation was spent. Unexpended federal funds would remain available to states to maximize flexibility and to encourage the creation of a "rainy day" fund and would not be subject to reallocation by the federal government.

To provide for significant changes in the cyclical economy and for major natural disasters, an additional amount should be set aside each year for automatic and timely distribution to states that experience higher-than-average unemployment, a major disaster, or other indicators of distress in their states.

#### An Individual Entitlement Program

If the federal government preserves the federal entitlement of all needy families to assistance, the Governors believe the current AFDC program should be replaced by a new national program that establishes clear policy objectives and certain minimum standards, but provides states with broad flexibility to design key program elements.

Policy objectives and standards could include ~~but should not exceed the following:~~

Time-Limited Aid to Families With Dependent Children. Assistance in the form of cash grants to families and children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place.

Social Contract. The expectations and responsibilities of both the recipient and the government should be clearly defined and incentives and sanctions should be designed to ensure that those responsibilities are carried out. States should be granted broad flexibility in defining the components of the social contract, including requirements to begin work before the maximum time is exhausted. Receipt of assistance should be conditioned upon ongoing compliance with the social contract.

Support Services. State programs could include, as appropriate, the education, training, and support services necessary to help participants become self-sufficient. Such services should be funded either as a component of the income support program or through broader block grants.

Long Term Assistance. Continued federal, state, county, and local assistance under the national program after the time-limited period should be dependent upon a requirement of work or work-related activities unless no job, community service work opportunity, or community service placement is available. Federal funds equivalent to the assistance payment should be available to the states to support the creation of needed work. States should be allowed to create work directly and through subsidies to the private sector. The on-going financial needs of children must be addressed in any time-limited system.

Flexibility. States oppose prescriptive federal management of the Aid to Families With Dependent Children program. Federal guidelines should be reasonably general in nature and states should have broad statutory authority to adjust benefit levels and to determine the form and condition of assistance. This flexibility should be in the form of allowable options and should not require federal waivers or plan approval.

*States should have the ability to extend assistance as needed, with full federal financial participation, for a limited period beyond the federal standard on a case-by case basis in order to ensure that recipients complete education or job training programs, complete treatment for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.*

### **PROGRAM CONSOLIDATION**

*The Governors believe that maximum budget savings are possible only if the concept of flexibility is extended beyond the income assistance program. The simplification of the current categorical, nonentitlement federal grant-in-aid system must also be a Congressional priority. Governors have argued that such simplification would both increase administrative efficiency and encourage state and local efforts to develop more effective programs.*

*The history of block grants is long, going back at least to general revenue sharing and the broad block grants of the Nixon era. Block grants were also an important part of the Reagan "New Federalism" of the 1980s. At that time the consolidation of programs also came with -funding cuts. While block grant proposals have generally begun with a theme of simplification and consolidation, the actual legislation has often retained significant federal restrictions. Equally important, over time the federal government has tended to establish additional set-asides and place new restrictions within the block grants that have been established. Future reform must recognize and address these problems.*

*Governors believe that such consolidation must:*

- *Recognize the national interest in protecting and serving children.*
- *Include a clear definition of national purpose and national objectives.*
- *Avoid set-asides or other prescriptive conditions for the funding.*
- *Include significant transferability of funds between the block grants.*
- *Preclude cost-shifts to the states.*
- *Be consistent with the way in which state government delivers services to citizens.*

- *Incorporate distribution formulations consistent with the distribution implicit in existing categorical grants.*
- *Allow the flexibility needed to maximize efficiency and to minimize the expansion of state government employment.*

*Block grants provide a vehicle for the federal government to assist states and localities meet high priority domestic needs that they would otherwise be unable or unlikely to accomplish.*

### **RESTRUCTURING MEDICAID**

*Governors have significant policy relating to the restructuring of the Medicaid program and to health care reform overall. Because of the close link between income policy and health policy, Governors will be better able to achieve welfare reform if the policies proposed by the Governors in the area of health care are enacted. Governors recognize that Congress is considering substantial cuts in the federal contribution to the Medicaid program. Governors believe there may be potential for savings in the acute care portion of the Medicaid program and direct NGA staff to develop the option of restricting future program growth in exchange for the federal government assuming responsibility for the long-term care program.*

*Governors believe that there is some potential to attain savings in the acute care portion of the Medicaid program and they are willing to consider reasonable restrictions on future program growth. However, such restrictions must be accompanied by significant flexibility in program delivery including flexibility in setting eligibility and benefits levels, much greater use of managed care, and greater opportunity to define reimbursement methodologies. Governors also believe that there are savings to be realized in long-term care, including the use of alternatives to institutionalization and adoption of strategies that will improve the cost effectiveness of nursing home care. The Governors look forward to working with Congress to address acute and long term care costs.*

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Preamble: Democratic Governors agree that the current welfare system encourages dependency and needs reform. We agree with the public and with welfare recipients that a reformed welfare system must be transitional, not a "way of life" and must be based on work.

Democratic Governors support national efforts to fundamentally reform the welfare system. As Democratic Governors continue to implement reforms at the state level, national reform is needed to ensure a continued federal financial commitment and to allow greater state flexibility in tailoring federal programs to individual states' needs.

Democratic Governors recognize that children born to children are more likely to grow up in poverty and become long-term dependent on public assistance. Democratic Governors' message to kids is that there is a brighter future for them if they delay sexual activity and pregnancy. Our message is one of hope and opportunity to children.

Democratic Governors recommend the following seven principles in national welfare reform efforts:

1) Ensure personal and financial responsibility

Support requiring "contract of mutual responsibility" for welfare recipients as a condition of receipt of AFDC. Contracts could include conditioning receipt of AFDC on attendance at parenting education classes, completion of high school, attendance at family planning classes, and childhood immunization

Flexibility on timing of contract implementation and covered population

Flexibility on specific elements of the contract

Support requiring full recipient cooperation on paternity establishment and oppose arbitrary denial of benefits to cooperating recipients

Support efforts to improve child support enforcement tools, such as improving interstate collections and uniform recognition by all states of child support orders

2) Increase economic opportunity so that parents are working to support their children

Reduce welfare bureaucracy and paperwork and redirect resources so that welfare recipients can prepare for work, go to work, and stay at work

Remove disincentives to work in current welfare system

Support child care assistance for recipients making transition from welfare to work as well as for working poor

Support incentives to create jobs in the private sector

States have demonstrated a commitment to restructure welfare to make it a work focused program, and want more flexibility to continue to be the pioneers on welfare reform

Let's not replace one bureaucracy with another (i.e. welfare bureaucracy for a public works bureaucracy)

Support assistance to low-income working families (for example, Earned Income Tax Credit and child care)

Remove bureaucratic obstacles to obtaining child care

Support shifting resources from maintaining people on welfare to encouraging welfare recipients to work

### 3) Promote federal fiscal responsibility, not abdication of federal responsibility

Meeting the needs of low-income families is a joint federal-state responsibility

Support continued federal commitment to individual entitlement for federal welfare programs, including AFDC and Food Stamps because the financing structure ensures shared federal financial commitment and provides stability in times of recession

Oppose mandated block grants for AFDC and nutrition programs

Oppose elimination of benefits to legal immigrants, many of whom are taxpayers

Oppose efforts to balance the federal budget through gimmicks which shift major costs to state and local taxpayers

### 4) Prevent children from having children

Support national campaign to discourage teenage pregnancy

Support demonstration grants to states for pilot projects on teenage pregnancy prevention, teen parenting, and teen father involvement

Support requirement for teens to complete their high school education (or equivalent) in order to receive AFDC

Support requirement for teens to live at home or with a responsible adult

5) Help parents and their children stay together

Oppose tearing families apart by forcing parents to give up their children simply because they are poor

Support removing disincentives to marriage

Support eliminating requirements for two-parent families that discourage both parents from working

Support allowing families to save money (e.g. Individual Development Accounts)

6) Make welfare transitional assistance, not a way of life

Support flexibility for states to place time-limits on AFDC cash payments

7) Control costs through less red tape and paperwork

Restore federal incentives for initiatives that streamline the welfare system and prevent fraud and abuse

Change the system from one that focuses on compliance with myriads of rules and regulations to one which focuses on the goal of welfare recipients working

Make it easier for states to take the initiative by streamlining and simplifying the federal waiver process

**DEMOCRATIC GOVERNORS'**  
**WELFARE REFORM PRINCIPLES:**

Democratic Governors believe the current welfare system needs fundamental reform. As Congress debates reform proposals, lawmakers can look to states with Democratic Governors for instruction. Democratic Governors across the nation have already put in place reforms that emphasize personal responsibility, promote self-sufficiency, provide economic opportunity and keep families together.

These Democratic prescriptions for reforming the welfare system represent practical responses to everyday problems. The Congress should recognize these achievements and empower states to continue to experiment with new solutions to the problems of welfare. At the same time, the Congress should recognize that the financial commitment to help people make the transition from dependency to self-sufficiency should remain a shared responsibility of the federal government and the states.

As Democrats, we believe that efforts for reforming the welfare system should be guided by the following principles:

**1) Ensuring personal and financial responsibility**

A) By allowing states to require responsibility contracts as a condition for receiving Aid to Families with Dependent Children.

These contracts could require AFDC recipients to attend classes on parenting skills, complete high school or a GED, attend family planning sessions and have their children immunized. The contracts could also impose a family benefit cap to bar additional payments for children conceived while the parents were on welfare.

B) By requiring AFDC recipients' full cooperation in establishing paternity. At the same time, we oppose the arbitrary cut-off of benefits to recipients who have fully cooperated in an unsuccessful effort to establish paternity.

C) By supporting efforts to improve child support enforcement.

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**PAGE 2**

**2) Making work more attractive than welfare**

A) By providing opportunities for welfare recipients to prepare for work, go to work and stay at work.

B) By reducing welfare bureaucracy and paperwork and redirecting resources in order to strengthen work programs

C) By removing the current system's disincentives to work

D) By supporting child care assistance for recipients making the transition from welfare to work.

E) By supporting incentives to create private-sector jobs for people who have been on welfare

F) By supporting assistance (such as the Earned Income Tax Credit) that helps keep low-income working families off welfare

**3) Making welfare temporary and transitional, not a way of life**

A) By supporting state flexibility to impose time limits on AFDC cash payments

**4) Helping families stay together**

A) By supporting removal of current disincentives to marriage

B) By eliminating requirements that discourage both parents from working in two-parent welfare families

C) By allowing working families on welfare to save money

D) By opposing proposals to require parents to give up their children

**5) Discouraging teen-age pregnancy**

A) By requiring teen-age parents to live at home or with a responsible adult

B) By requiring teen-agers on welfare to complete their high school education (or

## **DEMOCRATS-WELFARE**

**PAGE 3**

its equivalent) in order to continue to receive AFDC payments

C) By supporting a national campaign to discourage teen-age pregnancy

D) By supporting grants to states for pilot projects on preventing teen-age pregnancy, teaching parenting skills to teen-agers with children and encouraging involvement of teen-age fathers in rearing children

### **6) Controlling costs and saving taxpayers money**

A) By restoring federal incentives for initiatives that streamline the welfare system and prevent fraud and abuse

B) By making it easier for states to initiate projects to streamline the system

C) By changing the focus of the system from compliance with a myriad of rules to promotion of the goal of putting welfare recipients to work

### **7) Promoting federal fiscal responsibility**

A) By recognizing that providing for low-income families is a financial responsibility shared by federal and state government

B) By supporting retention of the federal commitment to an individual entitlement for federal welfare programs in order to ensure a federal financial commitment and to provide funding stability in times of recession

C) By opposing mandated block grants for AFDC and nutrition programs

D) By opposing elimination of benefits to legal immigrants

E) By opposing federal budget balancing plans that shift major costs to state and local taxpayers

WR-NGA

Policy Position  
Adopted January 31, 1995

## PRINCIPLES TO GUIDE THE RESTRUCTURING OF THE FEDERAL-STATE PARTNERSHIP

Governors believe that the next two years present an enormous opportunity to restructure the federal-state relationship. The Governors urge Congress to take advantage of this opportunity both to examine the allocation of responsibilities among the levels of government and to maximize state flexibility in areas of shared responsibility. However, the Governors believe that children must be protected throughout this process.

As the federal government begins to move toward a balanced budget the pressure to reorder federal priorities and curtail federal grants will increase. Already, numerous proposals for program consolidation and reduction are on the table.

While federal budget cuts are needed, the Governors are concerned about the cumulative impact on the states of federal budgetary decisions. The federal budget must be balanced by true savings, not by shifting costs to the states.

Governors recognize the special responsibility of government at all levels in meeting the needs of children and families. Governors have taken the lead in carrying out these responsibilities in the past. The Governors believe that the federal government must maintain a financial role in assisting states and localities to continue to meet these responsibilities.

### WELFARE REFORM

All Governors recognize the importance of a federal role in financing income assistance to families and children. However, the continuation of the current welfare system is unacceptable. Tinkering and changes at the margin will not be sufficient. Congress should create a new, simpler, and more responsive federal role.

Governors have not yet reached consensus on whether cash and other entitlement assistance should remain available as federal entitlements to needy families or whether it should be converted to a state entitlement block grant. Governors do agree, however, that in either case states should have the flexibility to enact welfare reforms without having to request federal waivers. While Governors recognize the legitimate interest of the federal government in setting broad program goals in cooperation with states and territories, they also believe that states should be free from prescriptive federal standards including key aspects of the welfare system, such as work requirements, benefits to teen parents and to legal immigrants, and time limits on benefits.

A State Entitlement Block Grant Program

Governors believe that block grants as discussed in this section should be entitlements to states and not discretionary grant programs. The Governors view any block grant proposal as an opportunity for the Congress and the President to provide needed flexibility for states, not as a primary means to reduce the federal budget deficit. The block grant should include a clear statement of purpose including mutually agreed upon goals for the block grant and the measures that will be used to judge the effectiveness of the use of block grants. The block grants must recognize the nation's interest in

- services to children,
- moving from welfare to work, and
- reducing out-of-wedlock births.

Under this concept, there should be no micromanagement and states should be required only to ensure that the funding received is used to provide services for poor children and their families. While states would be required to describe their program in a state plan and to provide periodic reports to the public, the plans would not be subject to federal approval or federal revision. Financial and compliance audits would be conducted to ensure that moneys were properly spent, and states would be required to pay back any misspent funds. Specific program outcome data will be collected by the states and publicly reported.

*Block grant funding should be guaranteed over five years at levels agreed to among the states, Congress, and the Administration. Governors will work with the Congress and the Administration to provide appropriate budget adjustments that recognize agreed upon national priorities, inflation, and demand for services.*

*In return for this broad flexibility, states would consider an initial allotment based on the average of several prior years. Federal funds would be automatically available under a capped entitlement structure instead of being subject to annual discretionary appropriations. There would be no maintenance of effort provisions and states would be allowed to keep all savings so long as the federal allocation was spent. Unexpended federal funds would remain available to states to maximize flexibility and to encourage the creation of a "rainy day" fund and would not be subject to reallocation by the federal government.*

*To provide for significant changes in the cyclical economy and for major natural disasters, an additional amount should be set aside each year for automatic and timely distribution to states that experience higher-than-average unemployment, a major disaster, or other indicators of distress in their states.*

#### *An Individual Entitlement Program*

*If the federal government preserves the federal entitlement of all needy families to assistance, the Governors believe the current AFDC program should be replaced by a new national program that establishes clear policy objectives and certain minimum standards, but provides states with broad flexibility to design key program elements.*

*Federal policy objectives and standards could include but should not exceed the following:*

*Time-Limited Aid to Families With Dependent Children.* *Assistance in the form of cash grants to families and children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place.*

*Social Contract.* *The expectations and responsibilities of both the recipient and the government should be clearly defined and incentives and sanctions should be designed to ensure*

that those responsibilities are carried out. States should be granted broad flexibility in defining the components of the social contract, including requirements to begin work before the maximum time is exhausted. Receipt of assistance should be conditioned upon ongoing compliance with the social contract.

Support Services. State programs could include, as appropriate, the education, training, and support services necessary to help participants become self-sufficient. Such services should be funded either as a component of the income support program or through broader block grants.

Long Term Assistance. Continued federal, state, county, and local assistance under the national program after the time-limited period should be dependent upon a requirement of work or work-related activities unless no job, community service work opportunity, or community service placement is available. Federal funds equivalent to the assistance payment should be available to the states to support the creation of needed work. States should be allowed to create work directly and through subsidies to the private sector. The on-going financial needs of children must be addressed in any time-limited system.

Flexibility. States oppose prescriptive federal management of the Aid to Families With Dependent Children program. Federal guidelines should be reasonably general in nature and states should have broad statutory authority to adjust benefit levels and to determine the form and condition of assistance. This flexibility should be in the form of allowable options and should not require federal waivers or plan approval.

States should have the ability to extend assistance as needed, with full federal financial participation, for a limited period beyond the federal standard on a case-by case basis in order to ensure that recipients complete education or job training programs, complete treatment for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.

## PROGRAM CONSOLIDATION

The Governors believe that maximum budget savings are possible only if the concept of flexibility is extended beyond the income assistance program. The simplification of the current categorical, nonentitlement federal grant-in-aid system must also be a Congressional priority. Governors have argued that such simplification would both increase administrative efficiency and encourage state and local efforts to develop more effective programs.

The history of block grants is long, going back at least to general revenue sharing and the broad block grants of the Nixon era. Block grants were also an important part of the Reagan "New Federalism" of the 1980s. At that time the consolidation of programs also came with funding cuts. While block grant proposals have generally begun with a theme of simplification and consolidation, the actual legislation has often retained significant federal restrictions. Equally important, over time the federal government has tended to establish additional set-asides and place new restrictions within the block grants that have been established. Future reform must recognize and address these problems.

Governors believe that such consolidation must:

- Recognize the national interest in protecting and serving children.
- Include a clear definition of national purpose and national objectives.
- Avoid set-asides or other prescriptive conditions for the funding.
- Include significant transferability of funds between the block grants.
- Preclude cost-shifts to the states.
- Be consistent with the way in which state government delivers services to citizens.
- Incorporate distribution formulations consistent with the distribution implicit in existing categorical grants.
- Allow the flexibility needed to maximize efficiency and to minimize the expansion of state government employment.

*Block grants provide a vehicle for the federal government to assist states and localities meet high priority domestic needs that they would otherwise be unable or unlikely to accomplish.*

### **RESTRUCTURING MEDICAID**

*Governors have significant policy relating to the restructuring of the Medicaid program and to health care reform overall. Because of the close link between income policy and health policy, Governors will be better able to achieve welfare reform if the policies proposed by the Governors in the area of health care are enacted. Governors recognize that Congress is considering substantial cuts in the federal contribution to the Medicaid program. Governors believe there may be potential for savings in the acute care portion of the Medicaid program and direct NGA staff to develop the option of restricting future program growth in exchange for the federal government assuming responsibility for the long-term care program.*

*Governors believe that there is some potential to attain savings in the acute care portion of the Medicaid program and they are willing to consider reasonable restrictions on future program growth. However, such restrictions must be accompanied by significant statutory flexibility in program delivery including flexibility in setting eligibility and benefits levels, much greater use of managed care, and greater opportunity to define reimbursement methodologies. Governors also believe that there are savings to be realized in long-term care, including the use of alternatives to institutionalization and adoption of strategies that will improve the cost effectiveness of nursing home care. The Governors look forward to working with Congress to address acute and long term care costs.*

### **EQUITABLE TREATMENT FOR TERRITORIES IN NATIONAL WELFARE REFORM**

*Governors believe the territories should be treated equitably in any welfare reform proposal brought before Congress.*

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WR-NBA Policy

### **Principles to Guide the Restructuring of the Federal-State Partnership**

Governors believe that the next two years present an enormous opportunity to restructure the federal-state relationship. The Governors urge Congress to take advantage of this opportunity both to examine the allocation of responsibilities among the levels of government and to maximize state flexibility in areas of shared responsibility.

As the federal government begins to move toward a balanced budget the pressure to reorder federal priorities and curtail federal grants will increase. Already, numerous proposals for program consolidation and reduction are on the table.

While federal budget cuts are needed, the Governors are concerned about the cumulative impact on the states of federal budgetary decisions. The federal budget must be balanced by true savings, not by shifting costs to the states.

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Governors recognize the special responsibility of government at all levels in meeting the needs of children and families. Governors have taken the lead in carrying out these responsibilities in the past. The Governors believe that the federal government must maintain a financial role in assisting states and localities to continue to meet these responsibilities.

Governors recommend that Congress give priority to restructuring the federal-state partnership in three areas: reforming the welfare system, converting categorical nonentitlement programs to block grants, and restructuring Medicaid.

#### **Welfare Reform**

All Governors recognize the importance of a federal role in financing income assistance to families and children. However, the continuation of the current welfare system is unacceptable. Tinkering and changes at the margin will not be sufficient. Congress should create a new, simpler, and more responsive federal role.

Governors have not yet reached consensus on whether cash assistance should remain available as a federal entitlement to needy families or whether it should be converted to a state entitlement block grant. Governors do agree, however, that in either case states should have the flexibility to enact welfare reforms without having to request federal waivers. While Governors recognize the legitimate interest of the federal government in setting broad program goals in cooperation with states and territories, they also believe that states should be free from prescriptive federal standards including key aspects of the welfare system, such as work requirements, benefits to teen parents and to legal immigrants, and time limits on benefits.

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#### **A State Entitlement Block Grant Program**

If Congress moves toward converting existing cash assistance programs to block grants, then Governors believe that these block grants should be entitlements to states and not discretionary

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grant programs. Under this concept, there should be no micromanagement and states should be required only to ensure that the funding received is used to provide services for poor children. While states would be required to describe their program in a state plan and to provide periodic reports to the public, the plans would not be subject to federal approval or federal revision. Financial audits would be conducted to ensure that moneys were properly spent, and states would be required to pay back any misspent funds. work

In return for this broad flexibility, states would agree to an initial allotment based on the average of several prior years, with restricted growth in future years. Federal funds would be automatically available under a capped entitlement structure instead of being subject to annual discretionary appropriations. There would be no maintenance of effort provisions and states would be allowed to keep all savings so long as the total federal allocation was spent. Unexpended federal funds should remain available to states to maximize flexibility and to encourage the creation of a "rainy day" fund.

To provide for significant changes in the cyclical economy and for major natural disasters, an additional amount should be set aside each year for automatic distribution to states that experience higher-than-average unemployment, a major disaster, or other indicators of distress in their states.

#### An Individual Entitlement Program

If the federal government preserves the federal entitlement of all needy families to assistance, the Governors believe the current AFDC program should be replaced by a new national program that establishes clear policy objectives and certain minimum standards, but provides states with broad flexibility to design key program elements.

Policy objectives and standards could include but should not exceed the following:

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Long Term Assistance. Continued federal, state, county, and local assistance under the national program after the time-limited period should be dependent upon a requirement of work or work-related activities unless no job, community service work opportunity, or community service

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**Flexibility.** States oppose prescriptive federal management of the cash assistance program. Federal guidelines should be reasonably general in nature and states should have broad statutory authority to adjust benefit levels and to determine the form and condition of assistance. This flexibility should be in the form of allowable options and should not require federal waivers or plan approval.

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### Program Consolidation

The Governors believe that maximum budget savings are possible only if the concept of flexibility is extended beyond the income assistance program. The simplification of the current categorical, nonentitlement federal grant-in-aid system must also be a Congressional priority. Governors have argued that such simplification would both increase administrative efficiency and encourage state and local efforts to develop more effective programs.

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Governors believe that such consolidation must:

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- Be consistent with the way in which state government delivers services to citizens.
- Incorporate distribution formulations consistent with the distribution implicit in existing categorical grants.
- Allow the flexibility needed to maximize efficiency and to minimize the expansion of state government employment.

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Block grants provide a vehicle for the federal government to assist states and localities meet high priority domestic needs that they would otherwise be unable or unlikely to accomplish.

#### **Restructuring Medicaid**

Governors believe that there is some potential to attain substantial savings in the acute care portion of the Medicaid program and they are willing to consider reasonable restrictions on future program growth. However, such restrictions must be accompanied by significant flexibility in program delivery including much greater use of managed care, flexibility in setting eligibility and benefits levels, and greater opportunity to define reimbursement methodologies. Governors also believe that there are savings to be realized in long-term care including the use of alternatives to institutionalization and adoption of strategies that will improve the cost effectiveness of nursing home care. The Governors look forward to working with Congress to address acute and long term care costs.