

WR - NGA Policy

THE WHITE HOUSE
WASHINGTON

January 13, 1995

MEMORANDUM

TO: Bruce Reed

FROM: Marcia Hale

SUBJECT: NGA Proposed Amendments on Welfare Reform

As you know, the National Governors' Association will hold its Winter meeting on January 28-31 in Washington. Please review the proposed amendments on Welfare Reform and let me know of any comments or suggestions you may have regarding these amendments so that I may advise the Democratic Governors' representatives on the Human Resources Committee. Please return your written comments to my office on Tuesday, January 17.

During the last NGA meeting, your office was helpful in providing talking points on welfare reform. I would appreciate it if you could again provide talking points on this subject. Please return them to Lawton Jordan in Room 106 by Friday, January 20.

Thank you for your help in reviewing the proposed amendments and in providing these talking points. Please call me if you have any questions.

Attachment



1995 Winter Meeting

COMMITTEE ON HUMAN RESOURCES

Governor Mel Carnahan, Chair
Governor Arne H. Carlson, Vice Chair

Nolan E. Jones, Group Director

Proposed Changes in Policy

HR-3	Immigration and Refugee Policy (Immigration Policy—Prosecution and Removal of Undocumented Felons)	Page 3
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Reaffirm Existing Policy

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New language is typed double-spaced and in ALL CAPS, with deleted material lined-throughout (—).

The Committee on Human Resources recommends the consideration of one new policy position, amendments to four existing policy positions, and the reaffirmation of one existing policy position. Pursuant to the recommendations of the Strategic Review Task Force, these proposals are time limited to two years. Background information and fiscal impact data follow.

1. Immigration and Refugee Policy (Amendment to HR-3)
(Immigration Policy—Prosecution and Removal of Undocumented Felons)

This amendment calls for more Immigration and Naturalization Service resources to be devoted to early identification of illegal aliens in state criminal justice systems. Also, the Governors ask the federal government to facilitate the transfer of illegal alien felons to their home countries to serve their sentences, noting that economic incentives from the federal government to these countries can be more cost effective than federal incarceration or reimbursement to state and local governments.

There would be additional costs to the federal government. However, states believe that illegal immigration is a federal responsibility.

2. Income Security (Amendments to HR-4)

The proposed amendments make changes in three areas of the Income Security policy. First, they strike portions of the income security policy that have been recently reviewed as part of the current NGA welfare reform policy. Second, they update the food stamp policy to remove some level of detail in recommendations; strongly oppose blanket restriction on waivers; urge greater consolidation and simplification of Food Stamps and AFDC programs and related employment programs; support reform of the quality control system; and add a few specific recommendations on program administration. Finally the proposed amendments add a new section establishing NGA policy on Electronic Benefits Transfer systems.

The specific recommendations on Food Stamp program administration may result in a small additional cost to the federal government.

3. A Conceptual Framework for National Welfare Reform (Amendments to HR-5)
(Child Support Enforcement)

Many of the proposed additions to the child support section of the welfare reform policy are based on language moved from different sections within that policy or on language that was previously part of the free-standing child support enforcement policy, which is scheduled to sunset. In addition, provisions were added calling for greater state flexibility in several program areas.

Recommendations to raise the child support federal matching rate would result in additional federal costs. However, the federal government would be partially reimbursed through increased collections of child support for welfare recipients. In addition, the policy opposes some mandates that would result in increased costs to both federal and state governments.

4. Army and Air National Guard (Amendment to HR-11)
(Reorganizing and Restructuring of Military Forces)

The amendment expresses the Governors' support for an Army National Guard force structure allowance of 405,000 in accordance with the review of force structure by the U.S. Secretary of Defense. The Governors believe that the Guard is at the right level to accomplish its dual mission, both at home for emergencies and disasters, and in combat support of the active forces.

This amendment is cost-effective because of the dual role of the National Guard. It has allowed the force structure of the standing army to be reduced, with more reliance on the guard and reserve.

5. Child Care (New Policy Position, HR-28)

NGA currently has no policy on child care other than some minor provisions in the welfare reform policy. Since the reauthorization of the Child Care Development Block Grant and possible changes in federal child care programs through welfare reform are pending, additional NGA policy in this area is being proposed. The proposed child care policy consolidates federal child care programs into a single program that is based on the Child Care Development Block Grant program. It calls for maximum flexibility for states in paying for different categories of care at different payment levels depending on the quality of care.

6. Reaffirmation of Existing Policy Position

Governors' Principles to Ensure Workforce Excellence (HR-2)

The Human Resources Committee recommends the reaffirmation of this policy position.

HR-5. A CONCEPTUAL FRAMEWORK FOR NATIONAL WELFARE REFORM

- 5.1 Preamble
- 5.2 Temporary Cash Assistance
- 5.3 Earned Income Tax Credit
- 5.4 Job Development
- 5.5 Work and Community Service
- 5.6 Additional Support Needs
- 5.7 Program Coordination
- 5.8 Child Support Enforcement

The Governors believe that a more effective child support system is a critical component of welfare reform. Both custodial and noncustodial parents must accept primary responsibility for the support of their children.

The current child support enforcement system is not working very well. States do not have the tools or the resources to run a good system. Just 58 percent of eligible women have support orders and only half collect the full amount. This means that more than 70 percent of mothers who are entitled to child support either lack support orders or do not receive the full amount due under such orders.

States, counties, and localities have continued to make improvements in the establishment of paternity and support orders and in the collection of support. In particular, the Family Support Act of 1988 made important improvements to the child support system. However, the statistical data showing large arrearages and substantial differences in performance among states suggest that collections can be increased further with broader use of the more successful techniques. In addition, there are significant problems in the interstate enforcement of support obligations and areas where additional federal support could increase the effectiveness of state efforts.

The establishment and enforcement of support obligations are central parts of family law, an area long within the purview of state government. Similarly, many of the proposed enforcement techniques require changes in licensing, insurance regulation, and commercial law, also areas long under state purview.

The Governors urge federal action to improve child support enforcement in the following areas.

- 5.8.1 **Improved Federal Collection Tools.** These tools include the following.
 - State governments need access to Internal Revenue Service (IRS) data.
 - IRS collection tools should be available to states.
 - Support obligations should be reported on a modified W-4 form.
 - Employers should be required to report new hires to state agencies via the modified W-4 form.
 - A national registry of new hires should be maintained.
 - A federal registry of support orders should be established and maintained.
 - A national computer database of locator information should be established and maintained.
 - Federal resources should support effective child support enforcement.
- 5.8.2 **FEDERAL FUNDING ~~Performance-Based Incentives for State and Local Implementation.~~ THE FEDERAL GOVERNMENT SHOULD ADOPT FUNDING POLICIES THAT SUPPORT A FEDERAL-STATE PARTNERSHIP TO IMPROVE CHILD SUPPORT ENFORCEMENT. FUNDING PROVISIONS SHOULD NOT FOCUS ON PUNITIVE MEASURES THAT ERODE THIS PARTNERSHIP OR THAT REMOVE ESSENTIAL RESOURCES FROM**

STATES AND CHILD SUPPORT ENFORCEMENT AGENCIES. TO BOOST ENFORCEMENT SUCCESS, THE FEDERAL MATCHING RATE SHOULD BE RETURNED TO AT LEAST THE ORIGINAL LEVEL OF 75 PERCENT, AND THE 115 PERCENT INCENTIVE CAP ON NONWELFARE COLLECTIONS SHOULD BE REMOVED OR RAISED. THE EXISTING ENHANCED MATCH FOR PATERNITY ESTABLISHMENT LABORATORY COSTS SHOULD BE RAISED TO 100 PERCENT AND A FEDERAL ACCREDITATION PROGRAM FOR GENETIC TESTING LABORATORIES SHOULD BE ESTABLISHED. FEDERAL SUPPORT SHOULD BE AVAILABLE TO PROVIDE ADEQUATE TRAINING FOR ALL CHILD SUPPORT ENFORCEMENT PERSONNEL.

Incentives should be available to states for the successful completion of performance outcomes. Incentive funds should be earmarked for programs that serve children.

Areas of performance might include some of the following.

- Establishing paternity. A state establishes a system to voluntarily establish paternity and achieves improvements in this area.
- Applying national child support standards. A national commission with a strong state, county, and local role should be established by Congress to develop national standards for child support orders. Incentives that encourage states to achieve national standards are recommended.

Federal legislation should require Employee Retirement Income Security Act (ERISA) plans to conform to state law and regulations regarding the availability of medical support. ~~In the event National guidelines SHOULD be established prior to passage of universal access to health care, those guidelines would have to include~~ A provision for medical support, including reasonable limits on the additional costs that would be borne by the absent parent.

- Improving collections of child support. States, counties, and localities should receive incentive payments for reaching certain levels of collections that are agreed upon in advance. This could be accomplished through adversely affecting licenses, interdicting lump sum payments, and reporting to credit agencies.
- Timeliness of interstate collections.
- ~~Processing times at key decision points.~~
- Amount or percent of support collected.
- Establishing mediation services to resolve visitation issues.

Performance outcome measures should be developed in consultation with states, counties, and localities. They should be based on actual levels of achieved performance and should be tailored to individual state conditions. At least initially, the emphasis should be on improving performance outcomes rather than on reaching an arbitrary target.

5.8.3 DATA COLLECTION, RESEARCH, AND EXPERIMENTATION ~~Data Collection and Research.~~

Although there is strong evidence to support the effectiveness of a variety of enforcement tools, these data often are fragmented and are not designed to effectively answer questions about costs and benefits in specific circumstances or to allow for the careful evaluation of alternative approaches to a similar goal. More complete data and additional research on specific enforcement tools would both encourage action at the state level and improve decisionmaking.

The federal government should expand its data collection and research capacity and work cooperatively with states to develop priorities for future research. [The federal government should authorize and fully fund child support assurance demonstrations.] (Note: Text in brackets is existing policy language moved from section 5.8.8.)

5.8.4 INFORMATION Data-Processing Systems. The existing requirements for management information systems have developed over an extended period of time. In some cases, it appears that required matches between and among systems may be duplicative. In other cases, the systems may not provide access to the full range of available information.

The federal government should, in cooperation with states, undertake a comprehensive review of the management information needs of the program and develop recommendations both for the required interfaces between state systems and federal and state databases, and for the needed interfaces among state systems.

FEDERAL FUNDING SHOULD INCLUDE SUFFICIENT INCENTIVES, WITHOUT FUNDING CAPS, TO ALLOW FOR THE APPROPRIATE ADAPTATION OF INFORMATION SYSTEMS TO ANY PROPOSED REFORM. IN ADDITION, THE FEDERAL GOVERNMENT SHOULD PROVIDE REASONABLE TIMEFRAMES FOR SYSTEM PLANNING, DEVELOPMENT, AND IMPLEMENTATION EFFORTS. STATES SHOULD HAVE FLEXIBILITY IN DESIGNING INFORMATION SYSTEMS AND SHOULD NOT NECESSARILY BE REQUIRED TO ADAPT AN EXISTING SYSTEM.

THE FEDERAL GOVERNMENT SHOULD BE ACCOUNTABLE FOR PROVIDING TIMELY LEADERSHIP AND GUIDANCE TO THE STATES REGARDING ANY NEW SYSTEMS REQUIREMENTS. FOR EXAMPLE, A STATE'S IMPLEMENTATION TIMETABLE FOR RECEIVING ENHANCED FEDERAL FINANCIAL PARTICIPATION FOR SYSTEMS SHOULD NOT BEGIN UNTIL THE FEDERAL GOVERNMENT ISSUES FINAL GUIDELINES ON ANY NEW SYSTEMS REQUIREMENTS.

THE INITIAL PHASE OF IMPLEMENTING AUTOMATED DATA PROCESSING (ADP) SYSTEMS DID NOT GO AS RAPIDLY AS PLANNED BECAUSE OF LATE REGULATIONS, INCOMPLETE DEMONSTRATION PROJECTS, LACK OF CERTIFIED SYSTEMS FROM WHICH STATES COULD ADOPT A MODEL, AND A SLOW PROCESS APPROVAL. THERE SHOULD BE AN EXTENSION OF THE IMPLEMENTATION DEADLINE TO 1997 OR FIVE YEARS AFTER THE APPROVAL OF EACH INDIVIDUAL ADP, WHICHEVER COMES LATER. THE 90 PERCENT FEDERAL MATCHING RATE FOR ADPS SHOULD BE RETAINED FOR INITIAL IMPLEMENTATION COSTS.

5.8.5 Administrative Changes. It is recommended that the audit process be changed from process-oriented to outcome-oriented performance measures. The federal Office of Child Support Enforcement should conduct a study on minimum staffing standards. THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SHOULD GRANT PERMANENT WAIVERS TO STATES ENABLING THEM TO PROVIDE QUARTERLY (RATHER THAN MONTHLY) NOTICES OF SUPPORT STATUS TO RECIPIENTS OF CHILD SUPPORT SERVICES. STATES SHOULD

BE ALLOWED THE FLEXIBILITY, WITHIN FEDERAL GUIDELINES, TO CHARGE OR NOT TO CHARGE AN APPLICATION FEE FOR SERVICES TO NON-AFDC RECIPIENTS.

5.8.6 **Technical Assistance and Support.** Additional technical assistance from the federal government to states, counties, and localities is needed. Technical assistance must go beyond merely telling states and localities what they should do. Effective technical assistance requires an understanding of good practice and the ability to work with states and localities to help decisionmakers understand the benefits of such practices and to help tailor those practices to the political and administrative conditions of each state.

5.8.7 **Improvements to Interstate Enforcement.** One-third of child support enforcement cases require interstate collection. Federal legislation should be enacted to adopt uniform interstate child support enforcement procedures to ensure that child support orders are enforced uniformly throughout the nation. IN ADDITION, THE FEDERAL GOVERNMENT SHOULD FULLY FUND DEMONSTRATION PROJECTS TO EXPLORE INTERSTATE PROCESSES WITH AND THROUGH THE TRIBAL COURTS FOR ENFORCEMENT OF TRIBAL AND STATE CHILD SUPPORT ORDERS.

5.8.8 **Continuing Experimentation.** (Note: Previous language moved to section 5.8.3.) STATE FLEXIBILITY. THE FEDERAL GOVERNMENT SHOULD TAKE INTO CONSIDERATION THE RESULTS OF EVALUATIONS, DEMONSTRATION PROJECTS, STATE BUDGET CAPS, AND STATE LEGISLATIVE CALENDARS WHEN DEVELOPING CHILD SUPPORT POLICIES. STATES SHOULD NOT BE REQUIRED TO IMPLEMENT CHANGES WITHOUT FINAL REGULATORY AUTHORITY AND SHOULD NOT BE PENALIZED WHEN THEY IMPLEMENT CHANGES IN ADVANCE OF REGULATIONS.

STATES SHOULD BE ALLOWED BROAD DISCRETION TO DESIGN AND ADMINISTER THEIR CHILD SUPPORT SYSTEMS. FOR EXAMPLE, STATES SHOULD HAVE THE FLEXIBILITY TO CHOOSE ADMINISTRATIVE OR COURT-BASED SYSTEMS OR TO CHOOSE LOCALLY OR CENTRALLY ADMINISTERED SYSTEMS.

STATES SHOULD HAVE THE FLEXIBILITY TO RESTRUCTURE THE \$50 CHILD SUPPORT DISREGARD TO USE THE FUNDS FOR ALTERNATIVE INCENTIVE PAYMENT PROGRAMS.

CURRENTLY, STATES SERVE ALL AFDC RECIPIENTS AND SERVE NON-AFDC RECIPIENTS UPON THE REQUEST OF EITHER PARENT. STATES ARE HARD-PRESSED TO PROVIDE ADEQUATE SERVICES TO THIS CASELOAD WITH THE LIMITED RESOURCES AVAILABLE. THE FEDERAL GOVERNMENT SHOULD NEITHER MANDATE NOR PROHIBIT THAT STATES SERVE THE ENTIRE CHILD SUPPORT POPULATION INCLUDING THOSE WHO HAVE NOT REQUESTED GOVERNMENT SERVICE. ANY SUCH MANDATE COULD DOUBLE CURRENT CHILD

SUPPORT CASELOADS AND WIPE OUT STATES' EFFORTS TO IMPROVE ENFORCEMENT.

5.8.9 Assistance to Noncustodial Parents. The federal government should examine **INCREASED LINKAGES TO AND** eligibility for **EXISTING** job training and other services designed to improve earning capacity, and should consider eliminating disincentives to marriage, particularly for teenage parents.

5.8.10 Continued Evaluation and Implementation. The Governors support continued evaluation and implementation of the broad range of paternity establishment and child support enforcement tools now in operation across the nation.

5.9 Transition

5.10 Implementation of Reform

*Time limited (effective Winter Meeting 1995-Winter Meeting 1997).
Adopted August 1993.*

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Bruce,

This is an N.G.P. policy
that deals with welfare. I
wanted to make sure you have
seen this. Please call me with
any questions

-Lester Jordan
(6-2894)

HR-4. INCOME SECURITY

4-1 Job-Oriented Welfare Reform

4-1.1 **Preamble.** The Governors believe that public assistance programs must foster the creation, strengthening, and preservation of a solid family structure in which parents can do productive work and raise healthy children. They must provide incentives and opportunities for individuals to get the training they need and to seek jobs. It is our aim to create a system where it is always better to work than be on public assistance.

The Governors are convinced that the provision of genuine employment opportunities represents the surest route out of poverty for our nation's poor families and children. For this reason, the current system must be refocused to place primary emphasis on the placement of recipients into jobs and the removal of existing barriers to economic self-sufficiency.

Our approach to welfare reform is grounded in the notion that we can and must prevent dependency on welfare by strengthening the family and by aggressively providing opportunities for work. This preventative approach reflects our belief that investment in human development is a critical part of any agenda for economic growth. The initial costs of this investment may be somewhat higher than current expenditure levels, but we believe that public expenditures eventually will be lowered if we can target resources on programs that will reduce the need of children and their families to resort to the welfare system.

The federal government and the states must be prepared to invest in programs that address the many recognized needs that are factors in welfare dependency. A major National Governors' Association (NGA) effort, titled *Bringing Down the Barriers*, identified strategies to help us address these problems at the critical stages of childhood and adolescence. Initial steps have been taken with public and private sector funds, but we must strengthen and further develop initiatives to reduce the incidence and consequences of teen pregnancy; increase the rate of high school completion and adult literacy; increase access to prenatal and primary health care for children and their families; increase the collection of child support from absent parents; improve parenting skills; and reduce alcohol and drug abuse. Sound, preventive initiatives in these areas will pay off, we are convinced, in a reduced need for welfare assistance in the future.

4-1.2 **Emphasis on Jobs.** The Governors' aim in proposing a welfare reform plan is to turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs system, backed up by an income assistance component. This must be the first step in any serious attempt to reform the welfare system. In addition to this immediate reform goal, our plan envisions an income assistance system that provides more adequate financial support for those unable to work, as well as for those taking the necessary steps to increase their employability.

4-1.3 **Joint Responsibility.** To achieve these goals, the Governors strongly believe that public assistance must be formulated in terms of a contract between government and the individual. Responsibility must flow in two directions in this relationship. The individual must be committed to undertaking a number of specific actions to prepare for and seek a job, with the objective of achieving self-sufficiency. In return, government must commit itself to investing in the employability of the individual and to providing adequate income assistance.

This notion of a social contract recognizes that the welfare system serves individuals with a wide range and variety of needs. We cannot expect that uniform treatment of "caseloads" will meet individuals' circumstances with satisfactory results. The Governors believe that there is substantial gain in the notion of services and contracts tailored to individual families.

4-1.4 **Recipient Responsibility.** The major obligation of the individual in the public assistance contracts we propose is to prepare for and seek, accept, and retain a job. The Governors recommend that all employable welfare recipients must participate in an education, job training, or placement program and accept a suitable job when it is offered. Employable recipients include those with children age three or older.

In this way, the Governors hope to prevent long-term welfare dependence by bringing into the employment stream parents who have been welfare recipients for relatively short periods of time. We also believe that this recommendation reflects current social and economic realities. As affordable, quality child care for younger children becomes available, we believe that recipients with children age one or older can successfully participate in an education or jobs program.

The Governors believe it is critical to give high priority to young, first-time mothers. Studies show that more than 60 percent of Aid to Families with Dependent Children (AFDC) mothers below age

thirty had their first child as teenagers. In many cases, it is easier to train and find jobs for those individuals than for long-term recipients. For a relatively modest investment, there is the potential for substantial savings if these individuals can be diverted from the welfare system into the job stream. This also would tend to reduce the incidence of a second or third birth.

At the same time, the Governors believe that the employment needs of long-term welfare recipients must be addressed. As indicated by successful state employment and training initiatives, long-term welfare recipients can achieve self-sufficiency if given the necessary training and support services. Therefore, in designing our employment and training programs, we are likewise committed to helping these individuals reduce their dependence on welfare.

4.1.5 Government Responsibility. The principal responsibility of government in the welfare contract is to provide education, job training, and/or job placement services to all employable recipients. These services must be carefully structured so they suit the employment needs of individual participants.

Government also has the obligation to provide adequate support services to individuals participating in the program, particularly the critical supports of child care and health care coverage. Parents cannot be expected to give up welfare if the loss of Medicaid jeopardizes access to health care for their families. Once a participant has found a job, support services should be provided for a transition period. The Governors support the development of initiatives through which people who are not covered by Medicaid and whose jobs do not provide health coverage can be provided health services, and we are ready to work with the administration and Congress on this issue. For example, in our policy on "Health Care for Uninsured Individuals" we recommend an expansion of pooling arrangements, tax exemptions for health care premiums paid by unemployed workers for continuation coverages, and changes in tax policy such as equitable treatment for health care coverage of unincorporated businesses. [See C 5, EC 2, and EC 5, for updated NGA health-related policy.]

The Governors also recognize that unpaid child support represents a sizable resource for low-income families and we will continue to strengthen current enforcement efforts. Toward that end, we are committed to full implementation of the 1984 federal child support amendments. Moreover, the Governors will continue to explore other proposals, such as increased interstate cooperation and enforcement; extension of employment and training to noncustodial parents; and implementation of equitable support guidelines, to help ensure that individuals fulfill their basic parental responsibility of income support for their children.

4.1.6 Individual Contracts. The contract, in addition to expressing a key conceptual tenet of our approach to welfare reform, must be a central mechanism for implementing our recommendations. The contract implies a level of specificity generally not found in public assistance programs. Indeed, the Governors believe that job-oriented welfare reform cannot succeed unless it is "customized" to take into account the circumstances and needs of individuals and their families.

The most promising approach for implementing the contract is case management, in which the responsible government agency and caseworker broker and coordinate the multiple social, health, education, and employment services necessary to promote self-sufficiency and to strengthen family life. Several states have shown that we can personalize the bureaucracy through this approach and that the one-to-one relationship provides enormously important incentives for both parties to succeed.

Finally, the contract must be enforceable. If the recipient does not meet his or her obligations under the contract, then the adult's portion of the assistance payment should be eliminated until he or she meets the terms of the contract. Support for the child would be preserved. Similarly, if government does not fulfill its obligations, then the contract would not be enforceable and full assistance to the entire family would continue.

4.1.7 Funding. The Governors believe that it is the proper role of the federal government to structure funding so that the governmental obligations of the welfare contract can be met. Funding for the education, job training, and placement programs for welfare recipients should be primarily federal but retain a significant state contribution.

Under the current system, federal spending devoted specifically to the training and placement of welfare recipients represents substantially less than 1 percent of the amount spent for AFDC benefits. Nothing could indicate more dramatically the lack of a job focus in our current program.

In implementing our welfare reform plan, it is critical that federal matching funds be made available for all services that are extended to recipients who are required to participate in the jobs program. Further, the emphasis on jobs should be reflected in the federal matching rate. Ultimately, we believe that there should be a higher matching rate for the jobs program than for the income assistance program.

We are willing to be judged on our performance in spending federal and state funds on job training and placement programs. We are willing to work with the federal government to devise standards that reflect real measures of outcome—for example, how many clients are getting into lasting jobs, and to what extent is welfare dependency reduced? But we oppose federal requirements that tell us how to implement job-related services. There is no one solution to the challenge of employability and job placement. The leading innovations have come from the states in this area, and the states must have maximum flexibility in designing their education, training, and employment programs for welfare recipients.

4.1.8 **Federal Waivers.** To encourage states to develop and implement innovative alternatives to current welfare programs, the Governors call on the federal government to institute an interagency review process for purposes of coordinating and expediting state requests for waivers from program rules. This process will permit states seeking waivers that involve several programs to have a single federal contact responsible for managing the federal waiver approval process. Encouraging states to test alternative reform concepts gives policymakers at the national level a firmer foundation for their decisions.

4.2 Reform of Income Assistance

4.2.1 **Preamble.** The immediate goal of the Governors is to put into place **INITIATIVES TO PREVENT WELFARE DEPENDENCY AND PROMOTE WORK**. ~~the preventive initiatives and the job programs recommended above.~~ As these begin to take effect, reducing dependency on welfare and restraining public spending on public assistance, we believe that reform of the basic cash assistance program, Aid to Families with Dependent Children, must be undertaken. It is our intent that the reforms in the income assistance program will be funded with savings realized through our preventive initiative and through our jobs program.

It is our equally important—if longer range—goal to provide adequate income support for families in which no individual can work. In some areas of the country and for some recipients, benefit levels are not adequate to meet minimal requirements. There is no systematic or uniform way of setting benefits, and levels are determined with little regard for the cost of meeting the basic requirements of supporting a family.

4.2.2 **Family Need.** The Governors recommend that income support be based on a measure of family need, or family living standard. This standard would represent the cost of purchasing family essentials—food, housing, clothing, health care, etc. It would be determined on a state-by-state basis, using a nationally consistent methodology. Support should be provided for current AFDC recipients, plus two-parent families where that option is not available. Coverage should be increased gradually to all families living below the family living standard.

Given limited federal and state resources, this new income support payment must be phased in gradually. Initial payments should be set at a national minimum percentage of each state's family living standard. This percentage should be increased over time, as resources allow, with the goal being the payment of the full family living standard. Funding of the national minimum percentage should be primarily federal but retain a significant state match. If a state supplements payments above the national minimum, the federal match should start at current AFDC matching rates and increase as the supplement increases.

It is critical that benefits in this system be structured so that it is always financially better for the recipient to work than to receive cash assistance. The system must be designed carefully so that there are no disincentives for employers to provide wages above the minimum or to reduce or eliminate health care coverage.

We recognize that changes of the magnitude we have recommended may not be accomplished overnight. We also realize that our goals can be achieved in numerous ways. We are prepared to work with all of our partners in government and in the private sector to develop sound plans that will prevent and reduce the dependence of families on the welfare system.

4.3 The Food Stamp Program

4.3.1 **Preamble.** Hunger continues to be a problem for millions of Americans despite ongoing government programs and private efforts. Hunger is not an isolated problem but one consequence of the larger

problem of poverty. Although food assistance programs have helped states to alleviate the problem, the incidence of hunger indicates the need for renewed commitment.

~~The National Governors' Association strongly supports the reauthorization of the Food Stamp Act. The Governors also support the extension of the Temporary Emergency Food Assistance Program (TEFAP), which serves many people in need such as the elderly and homeless.~~

The nation's Governors believe that changes are needed in the Food Stamp Program to improve the administration and cost-effectiveness of the program, to increase coordination with other assistance programs, and to better assist low-income families and individuals in need to obtain food and become economically self-sufficient. THE GOVERNORS SUPPORT PROGRAMS, SUCH AS THE FARMERS' MARKET COUPON PROGRAM, THAT INCREASE THE CHOICES OF FOOD ASSISTANCE RECIPIENTS. The Governors do not support proposals that would transform benefits into a block grant or reduce the federal commitment.

4.3.2

State Efforts. The Governors are committed to developing food stamp programs that work in the most productive and cost-effective ways possible. Toward this end, states have undertaken efforts to increase client self-sufficiency and reduce program complexity and other barriers recipients encounter. The Governors believe that states need continued flexibility to enhance these efforts. The federal government, states, local governments, and the private sector need to work together as partners to help those in need to become economically independent.

THE GOVERNORS VIEW WAIVERS OF FOOD STAMP STATUTES AND REGULATIONS AS ESSENTIAL TOOLS IN THESE STATE EFFORTS TO IMPROVE CLIENT SERVICES AND STREAMLINE PROGRAM ADMINISTRATION. THE FOOD STAMP PROGRAM IS AN INTEGRAL PART OF THE WELFARE SYSTEM AND THE GOVERNORS BELIEVE THAT CONTINUED STATE ABILITY TO INNOVATE FOOD STAMP POLICY IS AS CRITICAL TO NATIONAL PROGRESS ON WELFARE REFORM AS IS WAIVER AUTHORITY IN THE AFDC AND MEDICAID PROGRAMS. THE GOVERNORS FEEL STRONGLY THAT STATE FOOD STAMP WAIVER REQUESTS SHOULD CONTINUE TO BE CONSIDERED ON A CASE-BY-CASE BASIS WITHOUT ANY BLANKET RESTRICTIONS ON EXECUTIVE BRANCH AUTHORITY TO APPROVE PARTICULAR TYPES OF WAIVERS, SUCH AS CONVERSION OF FOOD STAMPS TO CASH BENEFITS OR TO WAGE SUBSIDIES.

4.3.3

Value of Benefits. The Governors are concerned that the current value of benefits to recipients not be reduced and that benefits be adjusted as necessary to reflect the increased costs of food. The Governors recommend that THE FEDERAL GOVERNMENT ~~Congress commission a study by an independent, nonpartisan organization to~~ reevaluate how benefits are determined, including CONDUCTING a review of the Thrifty Food Plan.

The Governors support the adoption of the following policies to assist recipients in their efforts to become self-sufficient.

- ~~The food stamp household definition should be simplified to allow groups other than those composed of spouses, parents, and their minor children to be separate households as long as they purchase and prepare meals separately. Individuals above age eighteen who are unable to purchase food and prepare meals due to a disability should be allowed separate household status provided the declared gross income of the other members does not exceed the poverty line by 100 percent.~~

- In determining benefits, all families should be treated equitably. For example, the cap on excess shelter costs should be removed, and the proration of benefits for families reapplying for food stamps within one month after their benefits have ended should be eliminated.
- The definition of an eligible student should be expanded to include those who receive financial assistance awarded on the basis of financial need.
- To encourage students to stay in school, rules applying to income exclusion should be treated the same as in AFDC.
- The limit on the value of vehicles that a household may own should be increased to reflect an annually adjusted standard that is based on the actual cost of low-priced cars. Vehicles that are used to transport fuel or water for households with no external energy source or piped-in water should be exempted.
- Payments that the Department of Housing and Urban Development provides to households living in subsidized housing to help defray utility expenses should be excluded.
- The use of food stamps should be allowed in restaurants to provide meals to the homeless.
- Food stamp recipients should be permitted to exclude income and resources that they have set aside under the Supplemental Security Income (SSI) Pass Plan for education, vocational training, or other activities that would help a client obtain self-sufficiency.
- Higher levels of federal reimbursement should be permitted for Food Stamp Employment and Training program participants' expenses such as transportation and uniforms.
- Households at risk because of recurring medical costs should be permitted a standardized medical deduction or a deduction based on actual costs, whichever is greater.
- States should be allowed to have a separate standard utility allowance for households that indirectly pay heating or cooling expenses without going through the Food and Nutrition Service's waiver process.

4.3.4

Program Consistency and Coordination. The Governors believe that the Food Stamp Program should work in conjunction with other assistance programs to assist families in poverty. Efforts should be made to reduce program complexity and federal barriers that impede states' coordination and administration efforts of the Food Stamp, AFDC, and other assistance programs. The Governors have invested substantial resources in their efforts to increase coordination of their income security systems and to improve the delivery of services to low-income people. Toward these ends, the Governors recommend the following: **SUPPORT CONTINUED EFFORTS BY THE APPROPRIATE FEDERAL AGENCIES TO SIMPLIFY AND COORDINATE ASSISTANCE PROGRAM ADMINISTRATION BY CONFORMING WHEREVER POSSIBLE THEIR REGULATORY AND ADMINISTRATIVE POLICIES AND RESEARCH AGENDAS ACROSS PROGRAMS.**

THE GOVERNORS BELIEVE THAT SUCH SIMPLIFICATION AND COORDINATION WOULD BE MUCH EASIER IF THE AFDC AND FOOD STAMP PROGRAMS [The

~~Governors believe that administrative efficiency and program coordination could be improved if these two programs were administered by a single entity at the federal level. While such an approach would preserve the current program structure and include separate accountability to the various authorizing committees, it would facilitate the more efficient use of federal staff and ensure that a single federal agency was aware of the demands and requirements placed on state and local staff. It also would ensure that Congress was aware of such issues prior to the adoption of legislation.~~

The Governors therefore urge the administration and Congress to develop and enact legislation that would provide for the common administration of the AFDC and Food Stamp programs and that would authorize consistent funding for administrative costs between the two programs.] (Note: Text in brackets is existing policy language moved from Section 4.5.)

- ~~Congress should establish a commission to examine current food stamp law, AFDC, and other public assistance programs to recommend mechanisms to increase coordination among these programs. The interrelationship between AFDC and Food Stamp programs, specifically the food stamp benefit adjustment required by AFDC benefit increases, should be reviewed. Additionally, the commission could work to ensure that statutory and administrative changes~~

~~in one program are not enacted without consideration of their impact on the other. Barriers in current federal law and regulations have impeded states' ability to integrate assistance programs that would result in a more effective use of resources.~~

- ~~• Congress should establish an interagency process to review all AFDC, Food Stamp, and other assistance programs' regulations proposed by the Department of Health and Human Services, the Department of Agriculture, and other relevant federal agencies and should require conformance wherever feasible.~~
- ~~• Changes made through this process should simplify administration and, at a minimum, maintain the current level of recipient benefits.~~

4.3.5

Employment and Training Programs. Although the Governors continue to support a strong emphasis on assisting food stamp recipients in obtaining employment, states need the flexibility to create food stamp employment and training programs that complement programs created under the Family Support Act's Job Opportunities and Basic Skills (JOBS) Training program OR UNDER NEW STATE AND FEDERAL WELFARE REFORM AND WORKFORCE DEVELOPMENT INITIATIVES. FEDERAL BARRIERS HAVE IMPEDED STATES' EFFORTS TO CREATE INTEGRATED WORKFORCE DEVELOPMENT SYSTEMS THAT INCLUDE THE FOOD STAMP EMPLOYMENT AND TRAINING AND JOBS PROGRAMS, AND THEREFORE NEED TO BE REMOVED. ~~Regulatory barriers have impeded states' efforts to integrate programs.~~

States need the flexibility to design programs that will adequately incorporate the resources of both programs, which will prove more cost-effective in the long run. Additionally, states must be allowed the flexibility given to them in the Food Security Act to design SYSTEMS programs that best meet their needs. ~~For example, states should have the option to give volunteers priority in their food stamp employment and training programs.~~

THE GOVERNORS CALL ON THE ADMINISTRATION TO SUPPORT WAIVERS THAT WOULD ALLOW EXEMPTIONS FOR FOOD STAMP EMPLOYMENT AND TRAINING PARTICIPANTS TO CONFORM TO EXEMPTIONS FOR JOBS PARTICIPANTS. THE CURRENT PARTICIPANT REIMBURSEMENT LIMIT ALSO SHOULD BE INCREASED TO REFLECT THE ACTUAL EXPENSES OF PARTICIPANTS IN EMPLOYMENT AND TRAINING PROGRAMS. THE CURRENT REIMBURSEMENT LIMIT OF \$25 PER MONTH IS SO LOW THAT MANY PARTICIPANTS INCUR EXPENSES OVER THIS AMOUNT AFTER ONLY A FEW DAYS.

~~The Governors are concerned with the mandate that performance standards be implemented for the Food Stamps Employment and Training program. Although states support the concept of evaluating employment and training programs based on outcomes, many factors that vary widely from state to state need to be studied to determine how performance is measured. Therefore, the Governors recommend that no food stamp employment and training outcome standards be imposed at least until the standards for the JOBS program are developed and reviewed.~~

4.3.6

Quality Control. The Governors support a strong federal-state quality control system that provides for a real partnership in controlling payment errors, ENHANCING PROGRAM INTEGRITY, AND PROMOTING IMPROVED PROGRAM MANAGEMENT. The Governors urge Congress to establish a fair and equitable system to assess state performance and encourage, rather than inhibit, management improvements. Quality control and similar administrative systems should be designed to aid accountability in the Food Stamp Program without removing essential resources from state and local human service budgets. THE SYSTEM SHOULD REWARD STATES FOR

IMPROVED PERFORMANCE, WHICH WILL RESULT IN CONSIDERABLE FEDERAL SAVINGS, IN A WAY THAT WILL ENCOURAGE ALL STATES TO IMPROVE PAYMENT ACCURACY AND OTHER MEASURES OF PROGRAM INTEGRITY.

The MICKEY LELAND CHILDHOOD HUNGER RELIEF ACT ~~Hunger Prevention Act of 1988~~ made significant changes to the food stamp quality control system, many of which will assist states in improving their systems. The Governors still have concerns specific to the food stamp quality control system, including the DEVELOPMENT OF AN INCENTIVE-BASED PLAN; THE STATISTICAL METHODOLOGY FOR CALCULATING ERROR RATES; THE NATIONAL ERROR RATE TARGET; THE CONSIDERATION OF CASELOAD GROWTH, AUTOMATION, AND DEMOGRAPHIC CRITERIA IN DETERMINING ELIGIBILITY FOR GOOD-CAUSE WAIVERS; THE U.S. DEPARTMENT OF AGRICULTURE (USDA) AUTHORITY TO REVERSE AN ADMINISTRATIVE LAW JUDGE DECISION; AND THE LACK OF A STATUTORY RIGHT TO REINVEST PENALTY AMOUNTS. ~~treatment of the backlog of past sanctions and the current restrictions on appealing waiver denials.~~ The Governors believe that these issues should be resolved so states are not penalized based on an inequitable system. The spirit of ONGOING QUALITY CONTROL REFORM, AS EXEMPLIFIED BY MANY OF THE REFORMS ENACTED FOR THE AFDC PROGRAM ~~the AFDC quality control reform~~ should be reflected where possible in further refinements of the food stamp quality control system.

4.3.7 **Program Simplification AND ADMINISTRATION.** The Governors also believe that the present food stamp system is unnecessarily complex, and they support federal action to simplify the program and to improve the quality of administration. The Governors' specific recommendations include the following.

- Disregard the first \$50 of child support for food stamps as is currently done in AFDC REGARDLESS OF WHETHER IT IS COLLECTED THROUGH THE CHILD SUPPORT SYSTEM OR IS PAID DIRECTLY TO THE RECIPIENT.
- RESTORE THE 75 PERCENT ENHANCED MATCH RATE FOR STATE ADMINISTRATIVE COSTS FOR FRAUD CONTROL ACTIVITIES AND THE ENHANCED RETENTION RATES FOR COLLECTION OF CLAIMS.
- ELIMINATE THE REQUIREMENT THAT ELECTRONIC BENEFITS TRANSFER (EBT) SYSTEMS FOR DELIVERING FOOD STAMPS BE COST NEUTRAL. (THERE IS NO COMPARABLE REQUIREMENT THAT PAPER COUPON DELIVERY SYSTEMS BE COST-EFFECTIVE; THEREFORE, THE MANDATE FOR COST NEUTRALITY IN EBT SYSTEMS HAS THE PERVERSE EFFECT OF PENALIZING STATES THAT HAVE ACHIEVED THE GREATEST COST-EFFECTIVENESS IN THEIR COUPON SYSTEMS.)

- ELIMINATE THE PROHIBITION AGAINST REQUIRING AUTHORIZED RETAILERS TO PAY COSTS ESSENTIAL TO AND DIRECTLY ATTRIBUTABLE TO EBT SYSTEMS OPERATIONS. RETAILERS CURRENTLY BEAR COSTS ASSOCIATED WITH REDEMPTION OF FOOD STAMP COUPONS; STATE POTENTIAL TO IMPLEMENT EBT SYSTEMS WOULD BE ENHANCED BY THE AUTHORITY TO RECOUP FROM RETAILERS ANALOGOUS COSTS INCURRED UNDER EBT SYSTEMS.
- ~~Provide states with the option to utilize retrospective or prospective budgeting regardless of whether the state uses monthly reporting.~~
- Provide greater stability for the administration of the program by providing sufficient time for proper implementation of any statutory or regulatory change. Any changes, except for annual cost-of-living adjustments, should be provided to states as interim final or final regulations, with a mandatory effective date no earlier than the first of the month 180 days after publication of such regulations.
- ~~Verify a recipient's alien status only if an applicant cannot provide an Immigration and Naturalization Service (INS) document or provides one that is questionable. In addition, the head of the household should be allowed to attest to the eligible alien status of all other household members.~~
- ~~Give states the statutory authority to allow electronic benefit transfer systems to count as part of a state's administrative procedures. Currently states can use these systems only through special demonstration project authority.~~
- Allow improvements and changes needed in automated data processing systems to be eligible for enhanced federal reimbursement.
- ~~Repeal the requirement that states issue benefits for the first and second months in a single allotment.~~
- Allow the Food Stamp Program to be deemed in compliance with the Computer Matching and Privacy Act's thirty-day notification requirement and its independent manual verification requirement.
- Increase the minimum level provided for actionable claims.
- ~~Make recipients of general assistance (GA) categorically eligible for food stamps when the state administers the GA program and the state's GA eligibility criteria and verification requirements are equal to or stricter than AFDC eligibility criteria.~~
- ~~Give states the option to cash out benefits for SSI recipients.~~

4.3.8 Program Outreach. THE GOVERNORS BELIEVE THAT FEDERAL OUTREACH AND NUTRITION EDUCATION INITIATIVES SHOULD RECOGNIZE AND BUILD ON EXISTING STATE EFFORTS. SUCH OUTREACH AND EDUCATION ACTIVITIES ARE IMPORTANT COMPONENTS OF MANY STATE FOOD STAMP OPERATIONS AND THE GOVERNORS WOULD WELCOME INCREASED FEDERAL SUPPORT FOR THESE ACTIVITIES. THIS FEDERAL SUPPORT SHOULD BE AVAILABLE FOR A WIDE RANGE OF OUTREACH AND EDUCATION EFFORTS AS APPROPRIATE TO EACH STATE'S NEEDS AND NOT DUPLICATE EXISTING STATE-FUNDED INITIATIVES. ~~The Food Stamp Program cannot be effective if eligible persons are unaware of the program and of basic eligibility requirements. As a result, a federal program for outreach should be restored to ensure~~

~~awareness of the Food Stamp Program. These special efforts need to be made to ease the disparity between eligibility and participation for populations not being served adequately, such as the elderly.~~

- 4.3.9 **Nutrition Assistance Program of Puerto Rico.** The Omnibus Budget Reconciliation Act of 1981 removed the commonwealth of Puerto Rico from the National Food Stamp Program and established a nutrition assistance block grant effective July 1, 1982. This block grant reduced federal funding by about 25 percent below the projected fiscal 1983 level and established a ceiling of \$825 million per year. This change affected more than 100,000 participants due to the program's stringent eligibility and certification requirements. Income limits were kept at the 1982 level. As a consequence, for a family of four, Puerto Rico's income limit is \$8,004, compared with the National Food Stamp Program's limit of \$11,652. Although Congress authorized cost-of-living adjustments to the block grant, these were not substantial enough to meet the nutritional needs of the participants.

The Puerto Rican government has developed a nutrition program administered through direct cash assistance, popularly known as food checks. This program minimizes administrative costs and provides maximum benefits to the needy. The Puerto Rico food check program has proved to be highly successful, so much so that it is strongly supported by both major political parties in Puerto Rico.

The National Governors' Association expresses its concern regarding the discriminatory treatment of American citizens residing in Puerto Rico and urges Congress to increase the block grant to provide benefits equivalent to the National Food Stamp Program or return U.S. citizens who live in Puerto Rico to full participation in the National Food Stamp Program.

4.4 Maintenance-of-Effort

- 4.4.1 **Preamble.** The National Governors' Association believes it is essential that a federally funded, state-directed program be established to provide assistance to the nation's low-income population to enable them to cope more successfully with the problems of scarcity and dramatically increasing costs of energy. The Governors believe such a program should be constructed according to the following principles and considerations.
- 4.4.2 **State and Federal Responsibility.** The problems to be addressed by this program will require a flexibility in response that programs administered directly from Washington cannot provide, but that programs administered by state governments can. State governments have a greater capacity to adjust delivery of program services with other similarly directed public and private programs. Accordingly, we believe that the funding for all aspects of this program should flow from the federal government to the Governors, who should be given responsibility for program design and management.
- 4.4.3 **Implementation.** All levels of government involved in administering the program should be provided with adequate time to prepare carefully and completely for initial implementation and for implementation of any subsequent alterations. "Crash" programs usually cannot be as accurately targeted as intended, nor can they be as efficiently and economically implemented. Because it is often difficult for Congress to meet reauthorization schedules, it is likely that requiring annual reauthorization for a low-income energy assistance program will result in yearly program implementation on such a "crash" basis. Consequently, the program should be authorized for a period of several years. Congress should scrutinize the program's operation and rationale when it does consider reauthorization.
- 4.4.4 **Maintenance-of-Effort Provisions.** The Governors commit themselves to the exclusive use of program funding to provide assistance to low-income persons in meeting energy costs. The Governors oppose maintenance-of-effort provisions that would apply to energy-related assistance programs and thus penalize states that have developed or may wish to develop such programs, or would arbitrarily prevent state modifications of payment levels in federally assisted income assistance programs not directed primarily toward energy needs.

- 4.4.5 Energy Needs.** The federal program should allow Governors to fashion an assistance program in each state that addresses the critical energy-related needs in that state, including, but not limited to, those needs falling in two major categories:^{*}
- cash (or quasi-cash) assistance to aid low-income individuals and families affected by the heightened costs of purchasing home energy, particularly for heating and, where excessive summer heat is a factor in threatening life and health, air conditioning; and for crisis assistance to aid those who are unable at any time to purchase energy for those same purposes, or for intervention in other ways in energy-related life- or health-threatening circumstances; and
 - weatherization for low-income homes to reduce energy waste and to ensure that private and public funds invested in procuring energy are not poured perpetually into unnecessarily wasted energy.
- 4.4.6 Financial Assistance Forms.** States should be authorized to provide financial assistance in the form of cash, vendor lines of credit, vouchers, special coupons (that is, "fuel stamps" or some equivalent), or any combination of these.
- 4.4.7 Draw-Down of Funds.** State draw-down of federal funds to which the state is entitled must be allowed throughout the year and must not be limited to a "window" of only a few months as has been the case in previous federal crisis assistance programs.
- 4.4.8 Wage Limitations.** Low-income energy assistance legislation should authorize relaxation or removal of the Comprehensive Employment and Training Act (CETA) average wage limitations where CETA labor is used in the weatherization program and should authorize states to use program funds for labor costs as well as material and administrative costs.
- 4.4.9 Eligibility.** Any assistance provided under this program should not be counted as income for the purpose of determining eligibility for any income-tested program operated under federal law.
- 4.4.10 State Financial Assistance.** No state financial assistance or "matching" should be required for any benefits paid through this program or for administrative costs, because program funding will be obtained from new tax revenues flowing solely to the federal government.

The Governors call upon both executive and legislative branch leaders to enact, implement, and operate a program of low-income energy assistance, based on the principles outlined in this statement, that provides substantial assistance to the eligible population. The need is real, severe, and growing. The National Governors' Association offers its cooperation and assistance toward this end.

~~4.5~~ **Administrative Integration of AFDC and Food Stamps**

~~The National Governors' Association favors a single, uniform income assistance program for all eligible persons in order to reduce the present programmatic and administrative complexity and duplication.~~

~~The Governors recognize that political and financial issues may delay programmatic integration. However, we believe that immediate steps should be taken to facilitate the administrative integration of the AFDC and Food Stamp programs. Although these programs generally are administered in an integrated manner at the state and local level, they are separately administered at the federal level. The results often are uncoordinated and conflicting directives and procedural requirements and unnecessary and duplicative supervisory and reporting requirements. Opportunities for shared systems, common research, and better program coordination often are missed as staff of the two agencies address differing priorities and respond to conflicting congressional mandates. (Note: Remaining language was moved to section 4.3.4.)~~

^{*} A broad program of education, advocacy, and counseling pertaining to energy conservation, self-help, use of alternative energy sources, and equipment maintenance should be established; it should apply to all population segments, giving special attention to needed links with the low-income program but not limiting its applicability to the low-income population.

4.6 Employment and Training for Welfare Recipients

4.6.1 Preamble. The National Governors' Association reaffirms that a national income security program is properly the responsibility of the federal government. However, until full implementation of a national income security policy, the Governors strongly support the continuation of an employment and training program for welfare recipients.

Under the current Work Incentive (WIN) and WIN Demonstration authority, states have developed successful work and welfare programs that have proven effective in helping AFDC recipients achieve economic self-sufficiency while at the same time reducing federal and state AFDC program costs. Building on these state experiences, the federal employment and training program should provide states with the flexibility to offer recipients employment and support services consistent with the goal of self-sufficiency while increasing the emphasis on state performance.

The Governors urge that the federal employment and training program for welfare recipients incorporate, at a minimum, the following elements.

4.6.2 Flexibility. States should be provided with maximum flexibility in program design. Such flexibility is essential in order to provide recipients with employment and training choices that best meet their individual needs. The work activities that states would be authorized to pursue include job search, job search training, supported work, work experience, grant diversion, education, training, and other federal training programs such as those authorized under the Job Training Partnership Act (JTPA). States also should be permitted to utilize funds for this program to provide support services, such as day care or transportation.

4.6.3 Performance Measures. States are committed to developing performance measures to help gauge program effectiveness. In developing performance measures, emphasis should be placed on indicators that measure outcomes of a state's employment and training program—for example, retention, number of job placements, and wage rates. Process measures, such as participation levels, are not an adequate indicator of program performance.

4.6.4 Administration. Governors should be provided flexibility to decide the proper agency or organization to administer the new program.

4.6.5 Funding Level. At a minimum, funding for the program should be at a level equal to the WIN appropriation in fiscal 1985. The provision of employment and training services for welfare recipients represents a cost-effective investment of federal and state dollars, with savings shared by both levels of government. The recent trend of reducing the federal share of work and welfare expenditures should be reversed.

4.6.6 Quality Control. States should not be liable for quality control (QC) penalties based on recipient nonregistration in employment and training activities. The emphasis in the state program should be on the placement of welfare recipients in jobs rather than the fulfillment of QC requirements that have no impact on benefit levels.

4.6.7 Employment and Training. The Governors urge that the current employment and training-related programs for AFDC recipients and applicants authorized by the Social Security Act, which are optional for states, be continued.

Governors recognize the need to work closely with the private sector and to maximize the use of existing federal employment and training opportunities in designing their program for welfare recipients, e.g., JTPA, employment services, and vocational education. Toward that end, the Governors urge that the federal Job Training Partnership Act be modified to permit a welfare department representative on the local private industry councils.

4.7 The Supplemental Food Program for Women, Infants, and Children

4.7.1 Preamble. Since its creation in 1972, the Supplemental Food Program for Women, Infants, and Children (WIC) has provided supplemental foods to millions of low-income women, infants, and children. Its success over time has been clearly shown, not only as a program that has limited the human suffering associated with the nutritional problems of children and pregnant women, but also as a program that has reduced government spending over time by preventing low-birthweight babies and undernourished children with health problems that would cost society substantial amounts of money.

Research by the U.S. Department of Agriculture has found that the program has resulted in a significant drop in the number of premature births to women in the program and a substantial

reduction in the late fetal death rate. In addition, it has been shown that women participating in the program are more likely to seek prenatal care early and more regularly.

Despite the WIC program's success, however, it has not fulfilled its optimal potential. Although 3.6 million women, infants, and children participate in the program, that is less than half of the individuals who are eligible. Issues regarding funding limitations and program coordination have prevented the WIC program from being as effective as it could be.

- 4.7.2 **Funding Limitations.** A continuing problem within the WIC program has been low enrollment levels due to the limited funding from the federal government. Although funding for the WIC program has grown over the past several years, as a discretionary program, no state provides services to all of the women and children in their state who are potentially eligible. Although several states have income eligibility levels at the maximum of 185 percent of poverty, funding limitations have prevented them from serving the entire group.

Recently states have begun to seek competitive bids on their infant formula contracts. WIC purchases one-third of the total infant formula in the country. States have gained extraordinary savings through this process, with rebates ranging from 50 percent to 85 percent on their wholesale purchases.

Beyond the issue of overall funding, states have found that the ratio of nutrition services and administrative dollars to food dollars (i.e., 20/80) is too inflexible, particularly when such services as nutritional screening are considered an administrative cost. In addition, states have found the penalty for not spending all of their allocated funds in a given year to be unnecessarily restrictive.

- 4.7.3 **Program Coordination.** In addition to funding limitations, coordination with other programs has been a problem. Many women on Medicaid, who are eligible for WIC, are unaware of the program. An underlying problem is that the WIC and Medicaid programs do not necessarily coordinate their efforts. Often they are located in different departments, which requires that a formal arrangement be established if regular communication is to occur. Coordination with other health programs often is limited as well.

The lack of coordination between the two programs leads to independent eligibility processes that do not encourage women eligible for both programs to enroll in both of them. If a woman goes to a health clinic to test for pregnancy, that health clinic may enroll her in the WIC program after making an eligibility determination, but Medicaid eligibility workers are rarely stationed in health clinics and therefore she is not enrolled in Medicaid at the same time. Further, the state, and therefore the clinic, may not have a policy of even referring the woman to a welfare office to seek Medicaid eligibility. Similarly, problems arise when a woman seeks Medicaid eligibility, but the Medicaid eligibility worker does not refer the woman to the WIC program. Each of these situations results from a lack of program coordination that could be avoided. Finally, due to the variation in eligibility rules, pregnant woman and children in the same circumstances can be eligible for Medicaid and not for WIC. For example, a pregnant woman can be treated as a family of two by Medicaid, but as a family of one by WIC.

- 4.7.4 **Recommendations.** The National Governors' Association believes that the goal of the WIC program should be that each state reach their maximum number of women, infants, and children. In order to reach this goal, NGA recommends the following.

- Federal funding for the WIC program should be adequate to meet the needs of individuals at nutritional risk. This means that, within recognized budgetary constraints, federal funding for the program should continue to be increased over time.
- Cost-saving initiatives, such as competitive bidding for infant formula, should be encouraged as a method of lowering average program costs and allowing more individuals to be covered under the program. Any policy that allows the limited program dollars to be stretched further is good.
- States should be given maximum flexibility in the use of WIC funds in order to effectively serve those in need. Current requirements that restrict the balance between administrative and benefit spending should be modified. Rather than the current penalty system for states that do not spend all of their allotted funds, incentives should be provided. States should be afforded greater flexibility to carry over funds into the next year.
- States should coordinate the program policies and operations of the WIC and Medicaid programs. Communication between the different programs is a necessity in order to make the WIC program as effective as possible in benefiting infants, children, and pregnant women at nutritional risk. Special attention should be given to the coordination of outreach and

presumptive eligibility efforts given the recent changes in the Medicaid program. Coordination between the WIC program and other health programs also is important.

- States should automatically refer recipients of WIC and Medicaid from one program to the other. Although placing Medicaid eligibility workers in health clinics may expedite this process, at the very least making the recipient aware of the other program and where eligibility may be obtained is critical to improving program participation.
- The eligibility methodology used by each of the two programs should be more consistent.

4.8 Supplemental Security Income

4.8.1 Preamble. Established by the 1972 amendments to the Social Security Act, the Supplemental Security Income (SSI) program provides important income assistance to needy aged, blind, and disabled citizens.

The legislative history of the 1972 amendments shows the clear intent of Congress to encourage states to supplement, with state funds, the federal SSI payment by allowing for federal administration of the state supplement at no cost to the states. As a result, the majority of states supplement SSI payments with state funds.

4.8.2 State and Federal Responsibilities. Since the inception of SSI, the federal government has imposed increasingly greater restrictions on states' ability to structure state supplements. In most cases, state supplements are now mandated through maintenance-of-effort provisions; in the Omnibus Reconciliation Act of 1993, the federal government imposed fees on states for administering the state supplement.

The fees on states violate the original commitment made to states when SSI was established and impose federal responsibilities on state government. Although the Governors support deficit reduction and recognize the need to keep federal spending within available resources, responsible deficit reduction should not necessarily result in shifting costs to states.

The Governors urge the administration and Congress to honor the initial responsibilities set forth for the federal government when SSI was established.

4.9 ELECTRONIC BENEFITS TRANSFER

4.9.1 PREAMBLE. STATES HAVE BEEN LEADERS IN THE USE OF TECHNOLOGY TO IMPROVE DELIVERY OF PUBLIC SERVICES THROUGH SUCH INITIATIVES AS DISTANCE LEARNING, TELEMEDICINE, AND ELECTRONIC BENEFITS TRANSFER (EBT) SYSTEMS. IN RECENT YEARS, STATES AND LOCALITIES HAVE PILOTTED EBT AS A MEANS OF PROVIDING CLIENTS WITH MORE CONVENIENT AND SAFER ACCESS TO BENEFITS AND IMPROVING THE ABILITY OF STATES TO MANAGE PROGRAMS AND PREVENT FRAUD. MORE RECENTLY, THERE HAS BEEN A MOVEMENT TO PROMOTE NATIONWIDE EBT SYSTEMS FOR SOME FEDERAL BENEFITS PROGRAMS IN THE NEAR FUTURE. THE LEGISLATIVE AND REGULATORY CHANGES THAT ARE BEING DEVELOPED BY THE FEDERAL GOVERNMENT TO SUPPORT NATIONAL IMPLEMENTATION OF EBT SYSTEMS HAVE FAR-REACHING IMPLICATIONS FOR FUTURE STATE INNOVATION IN THIS AREA.

4.9.2 FEDERAL SUPPORT FOR STATE INNOVATION. THE GOVERNORS SUPPORT EXPANDED USE OF EBT AND BELIEVE THAT ANY NATIONAL EBT INITIATIVE SHOULD CONTINUE TO ALLOW AND ENCOURAGE A VARIETY OF STATE APPROACHES TO EBT SYSTEMS. STATES SHOULD BE ALLOWED TO PROCEED WITH

EBT ON THEIR OWN TIMETABLES, WITH CONSIDERABLE DISCRETIONARY AUTHORITY OVER SYSTEM DESIGN DECISIONS SUCH AS WHICH TECHNOLOGY TO USE, WHICH BENEFITS PROGRAMS TO INCLUDE, STANDARDS FOR PROGRAM DELIVERY, AND WHICH FINANCIAL INSTITUTIONS AND CARD PROCESSORS TO USE. THE GOVERNORS AGREE THAT STANDARDS FOR TRANSACTION AND INTERNAL PROCESSING ROUTINES ARE BENEFICIAL FOR VOLUME PRICING AND INTERSTATE MOBILITY. THE GOVERNORS OPPOSE ANY FEDERAL MANDATES THAT WOULD REQUIRE STATES (EITHER DIRECTLY OR INDIRECTLY BY MAKING EBT IMPLEMENTATION A CONDITION OF OTHER FEDERAL FUNDS OR WAIVERS) TO DELIVER BENEFITS SUCH AS FOOD STAMPS OR AID TO FAMILIES WITH DEPENDENT CHILDREN THROUGH AN ELECTRONIC BENEFITS TRANSFER SYSTEM. THE GOVERNORS ALSO BELIEVE:

- THAT FEDERAL FINANCIAL SUPPORT FOR INITIAL AND ONGOING COSTS SHOULD BE AVAILABLE FOR A DIVERSE SET OF STATE APPROACHES, NOT JUST ONE MODEL;
- THAT STATES THAT HAVE ALREADY IMPLEMENTED EBT SYSTEMS SHOULD NOT BE FORCED TO RETROFIT THEIR SYSTEMS TO A SINGLE, NEW FEDERAL MODEL; AND
- THAT THE REQUIREMENT THAT EBT SYSTEMS FOR DELIVERING FOOD STAMPS BE COST NEUTRAL SHOULD BE ELIMINATED. (THERE IS NO COMPARABLE REQUIREMENT THAT PAPER COUPON DELIVERY SYSTEMS BE COST-EFFECTIVE; THEREFORE, THE MANDATE FOR COST NEUTRALITY IN EBT SYSTEMS HAS THE PERVERSE EFFECT OF PENALIZING STATES THAT HAVE ACHIEVED THE GREATEST COST-EFFECTIVENESS IN THEIR COUPON SYSTEMS.)

4.9.3 APPLICATION OF REGULATION E OF THE ELECTRONIC FUNDS TRANSFER ACT TO EBT. PROGRESS TOWARD WIDER USE OF EBT SYSTEMS HAS BEEN SLOWED RECENTLY BY THE MARCH 1994 DECISION OF THE FEDERAL RESERVE BOARD TO APPLY REGULATION E OF THE ELECTRONIC FUNDS TRANSFER ACT TO EBT PROGRAMS. THIS DECISION ESSENTIALLY CHANGED FEDERAL SOCIAL POLICY BY CREATING A NEW ENTITLEMENT TO REPLACEMENT OF LOST OR STOLEN WELFARE BENEFITS FOR EBT CLIENTS—A NEW ENTITLEMENT BENEFIT THAT CLIENTS WHO RECEIVE THOSE SAME WELFARE BENEFITS IN CASH OR COUPONS DO NOT HAVE.

ESTIMATES OF THE COST OF THIS NEW BENEFIT VARY WIDELY, BUT RANGE AS HIGH AS \$800 MILLION ANNUALLY.

ALTHOUGH THE BOARD'S DECISION CREATED THIS NEW ENTITLEMENT BENEFIT, IT DID NOT ADDRESS HOW THIS BENEFIT WOULD BE FINANCED. CURRENT STATUTORY AUTHORITY DOES NOT ALLOW THE FEDERAL GOVERNMENT TO REIMBURSE STATES FOR EBT BENEFIT REPLACEMENT COSTS, EVEN FOR THOSE WELFARE BENEFITS THAT ARE ENTIRELY FEDERALLY FINANCED, SUCH AS FOOD STAMPS. THIS IS TRUE DESPITE THE FACT THAT MOST OF THE ADMINISTRATIVE SAVINGS FROM EBT ACCRUE TO THE FEDERAL GOVERNMENT, NOT TO THE STATES.

GOVERNORS ARE NOT OPPOSED TO CONSUMER PROTECTIONS FOR EBT CLIENTS. IF THE CONSUMER PROTECTIONS OF REGULATION E ARE APPLIED TO EBT PROGRAMS, HOWEVER, THE GOVERNORS BELIEVE THAT CONGRESS MUST RECOGNIZE THAT THIS IS A NEW ENTITLEMENT BENEFIT AND ACT ACCORDINGLY TO FUND IT. OTHERWISE, IT WILL BECOME AN UNFUNDED MANDATE ON THE STATES, AND THE GOVERNORS WILL HAVE LITTLE CHOICE BUT TO HALT THEIR EFFORTS TOWARD CREATING EBT SYSTEMS FOR WELFARE CLIENTS.

IF CONGRESS IS NOT ABLE TO FUND THIS NEW ENTITLEMENT BENEFIT, THE GOVERNORS BELIEVE THAT THE ONLY ALTERNATIVE IS TO CLARIFY THAT CLIENTS WHO RECEIVE WELFARE BENEFITS THROUGH EBT ARE ENTITLED TO THE SAME PROTECTIONS AS CLIENTS WHO RECEIVE THE SAME BENEFITS IN CASH OR IN COUPONS. THE GOVERNORS RECOGNIZE THAT THERE MAY BE OTHER WAYS TO ADDRESS THESE PROBLEMS, BUT THESE OTHER MEANS WOULD NECESSARILY INVOLVE SOME UNKNOWN NEW COST BECAUSE THEY WOULD CREATE SOME LEVEL OF NEW ENTITLEMENT TO BENEFIT REPLACEMENT. UNTIL THE GOVERNORS HAVE A COMMITMENT FROM THE FEDERAL GOVERNMENT TO ASSUME THE COSTS OF ANY NEW EBT ENTITLEMENT BENEFITS, THE EXEMPTION APPROACH IS THE ONLY VIABLE SOLUTION.

*Time limited (effective Winter Meeting 1995-Winter Meeting 1997).
Adopted August 1980; revised February 1982, March 1983, July 1984, February 1985, August 1985,
February 1986, February 1987, February 1989, February 1990, February 1993, and February 1994 (formerly
Policy C-6).*

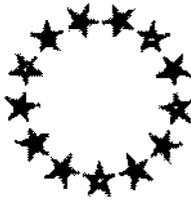
NATIONAL GOVERNORS ASSOCIATION

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WR-MBA Policy

BACKGROUND MATERIALS FOR GOVERNORS-ONLY MEETING

January 26, 1995

TO ALL GOVERNORS:

The Governors-only session on Sunday, January 29 will begin with a discussion of welfare reform. It will then turn to block grants. If additional time is needed, the discussion will continue at the Governors-only session on Monday, January 30. Materials on welfare were distributed to you yesterday. Materials on block grants are enclosed. They include:

- A brief backgrounder on block grants and their current status.
- An overview of block grant issues and questions.
- An example of a policy statement that identifies issues of possible concern to Governors.
- Introductory materials from the block grant discussion draft sent to you for comments earlier
- A glossary of terms relating to grant-in-aid programs and the federal appropriation process.

All of these documents are intended solely to provide background for your discussion. They are not intended to reflect official NGA positions, and any positions or options have not been endorsed either by Governors or their staff.

If you have any questions about the planned discussion, or if we can provide you with any additional information prior to the meeting, please let me know.

Sincerely,

Raymond C. Scheppach
Raymond C. Scheppach

c: Washington Representatives
NGA State Contacts

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BLOCK GRANTS - BACKGROUND

January 26, 1995

In 1993 the federal grant-in-aid programs provided approximately \$206 billion to state and local governments. About \$22 billion of this aid was provided through broad-based programs, largely the 15 block grant programs. The remaining \$180 billion was provided through some 578 categorical programs. In addition states and localities received over \$100 billion in partial reimbursement for the costs of individual entitlement programs such as AFDC and Medicaid.

Over the past 10 years the number of broad-based programs has increased by 3 while the number of categorical federal grant-in-aid programs has increased by 186. More significantly the percent of federal assistance distributed through categorical programs has grown from 79.7 percent to 88.3 percent.

States have long advocated reform in the federal system. The simplification of the current federal grant-in-aid system has been an important part of that reform. Governors have argued that such simplification would both increase administrative efficiency and encourage state and local efforts to develop more effective programs.

As the federal government begins to move toward a balanced budget the pressure for reordering federal priorities and curtailing federal grants will increase. Preliminary analysis suggests that the adoption of the balanced budget amendment could require the Congress to cut categorical grants to states and localities by as much as several hundred billion dollars over a five year period. Already, numerous proposals for program consolidation and reduction are on the table.

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 significant funding cuts. While most block grant proposals have 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.

However, funding constraints and overly prescriptive federal management is not restricted to block grants alone. States have seen similar problems develop in individual entitlements and in categorical programs. Moreover, the number of small categorical programs has continued to proliferate rapidly. These trends have tended to reduce state flexibility and to slow down state efforts to reform and reinvent state government.

It seems almost certain that block grant proposals will emerge from the House of Representatives. Similarly there is at least some degree of receptivity in the Senate. Changes in the federal grant-in-aid program will have a significant impact on the ability of states and localities to address critical domestic

needs. As a result, it is vital that the Governors become active participants in the debate that will take place on the Hill.

Even if it is not possible to agree on all aspects of a block grant strategy, it is important that the Governors identify those areas of common interest where they wish to collectively influence federal decisions.

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BLOCK GRANTS - ISSUES FOR CONSIDERATION

January 26, 1995

Ideally over the next several weeks the Governors will be in a position to develop their own recommendations for specific block grants. This process is already underway. However, as we have attempted to move ahead, it is clear that there are a number of threshold issues that must be addressed by the Governors. Some of the most important of those issues are outlined briefly in the sections that follow.

The Need for Early Action on NGA Policy

Public discussions and comments over the past few months appear to assume that there is broad agreement among the Governors on the need for block grants. Indeed, NGA's current permanent policy on federalism endorses the concept of block grants. In addition, time limited policies endorse efforts to consolidate or integrate programs in a number of specific program areas. However, while broadly supported by the Governors when initially considered, this policy has not been reviewed by the newly elected Governors. Equally important, the Governors have not fully discussed the implications of the wide scale conversion of almost all federal grant-in-aid programs to broad based grants or the implications of such a strategy in the face of substantial cuts in federal spending.

Block grants offer a number of advantages. A smaller number of programs will be less costly to administer. Properly constructed block grants will offer states and localities a greater opportunity to address local priorities and to tailor programs and delivery systems that are more cost effective and responsive to community needs. However, to realize those benefits the Governors must be prepared to make hard choices. They must be prepared to reorganize programs and reduce administrative overhead. They also must be prepared to abandon lower priority or ineffective programs. They must be prepared to invest in the thoughtful planning and fundamental system reform that will increase the overall effectiveness of government services.

There are also a number of pitfalls that must be considered. History has shown that it is difficult to muster strong advocates for block grants and that, as a result, Congressional support for adequate funding may wane. If federal funding is not adequate to meet priority needs, states and localities may be forced to increase taxes. Equally important, we have seen existing block grants encumbered with program set-asides and detailed administrative or programmatic requirements. A block grant without flexibility offers few advantages. Under current fiscal conditions there is a real danger that block grants may be used as a vehicle to shift costs to states and localities.

Do Governors continue to support efforts to consolidate and integrate federal grant and assistance programs?

Option 1 - Continue existing policy.

Option 2 - Adopt new policy that will reinforce NGA's general commitment to block grants and emphasize state concerns with possible cost shifts.

Option 3 - Adopt new policy that will reinforce NGA commitment to block grants, emphasize state concerns with possible cost shifts, and establish criteria for the development of specific block grant proposals. (See discussion below.)

Federal Funding Levels

At the national level, block grants are frequently seen as a vehicle for federal budget reductions. While block grants offer the possibility of some immediate savings through administrative efficiencies, many programs are already underfunded, and any significant future savings that may result from better program design or the investment in prevention, will take time.

Are Governors willing to support block grants that result in significant reductions in federal funding for shared federal, state, and local responsibilities?

Option 1 - Adopt new policy that makes clear that the Governors would oppose block grant approaches that would serve primarily to shift costs to states and localities.

Option 2 - Adopt new policy that indicates that states are willing to accept block grants with restricted future funding increases so long as those restrictions are reasonable and the structure of the grant is sufficiently flexible.

Distribution Formula

The current allocation of federal funds among the states is driven by a variety of factors. Individual entitlements are driven by program participation. Categorical programs are generally driven by formulas that reflect some measure of need (from number of poor children to miles of interstate highway) or allocate funds on a competitive basis. Approximately 420 of the current grant-in-aid programs are allocated on a project basis. States alone compete for funds under some 90 of those programs, while states and localities jointly compete under 39 and localities compete exclusively for 16. State and local governments compete with other entities for funds under the remaining 274 project based programs.

Opening a formula debate could well preclude any movement toward block grants in the near future. Allocating block grants based on existing distributions may create some inequities as allocations of project funds may be skewed at any particular point in time. In addition, to the extent that current formulas are "needs based", changing economic and demographic conditions may produce future imbalances.

Are Governors willing to see changes in the overall distribution of federal funds among the states?

Option 1 - Adopt new policy that makes clear that present distributions should be frozen in place for some period of time.

Option 2 - Attempt to develop policy that would address the long term reallocation of federal resources based on some state defined measure of need and capacity.

Programs to Be Considered

Current federal aid programs include individual entitlements, capped entitlements, state entitlements, block grants, formula driven categorical grants, and competitive or discretionary categorical programs. In addition some federal aid programs are funded through trust funds and/or through earmarked revenue sources. Finally some services are currently provided directly by federal staff. See Attachment 2 for definition of assistance types and the budget process.

Traditionally, NGA has excluded individual entitlements (AFDC, Medicaid, Food Stamps, etc.) from its block grant proposals. This reflects both differences in the treatment of individual entitlements under the federal budget process and the fact that individual entitlements are often particularly sensitive to cyclical changes in the economy.

A number of grant programs are funded from trust funds or earmarked revenues. Some of those programs are included in a variety of block grant proposals. Some Governors have suggested that it might make better sense if the federal government were to eliminate those earmarked federal revenue sources and turn back full responsibility for those programs to the states. In most cases this would require the states to replace the federal tax with a state tax.

Do Governors wish to specify the types of programs that should or should not be considered for inclusion in block grants?

Option 1 - Adopt new policy that supports block grants without specific provisions regarding program types.

Option 2 - Adopt new policy that supports block grants and addresses specifically whether the following should be included:

- individual entitlements
- capped entitlements
- state entitlement block grants
- formula based categoricals
- competitive or discretionary categoricals
- programs funded from trust funds or earmarked federal taxes

The federal role in domestic programs often extends beyond the provision of financial assistance to state and local government. In some areas the federal government provides direct services or directly contracts for those services. In other areas the federal government provides technical support and or research and evaluation.

Are the states willing to see current direct federal responsibilities included in block grants?

Option 1 - Adopt new policy that indicates that states are willing to accept programs currently directly operated by the federal government.

Option 2 - Adopt new policy that supports a continued federal role in technical assistance and research and development.

There are a number of categorical federal grant-in-aid programs that appear to work well. Examples cited by some Governors include the school lunch program and the Agricultural extension service. There is a concern that the inclusion of such programs in block grants may have an adverse impact.

Are there any specific federal programs that should be excluded from block grants?

Option 1 - Identify specific programs, if any, to be excluded.

Option 2 - Refer to staff for further consideration

Some Governors have argued that not all federal domestic programs should be continued. They would favor the elimination of such programs, rather than their consolidation into block grants.

Are there federal responsibilities that should be eliminated?

Option 1 - Develop a list of low priority federal programs that states would no longer support.

Option 2 - Remain silent on this issue.

A significant portion of federal assistance flows to local government or to private nonprofit organizations such as universities. Some of this money is passed through the states. Some of it flows directly to the final recipient.

Local governments have strongly supported maintaining a direct federal-local relationship and have opposed increasing state discretion and flexibility in the management or allocation of pass through money. Non-profits are also likely to strongly object to imposing the state in decisions relating to their receipt of federal funds.

Do the Governors wish to include local government and nonprofit assistance in the block grants?

Option 1 - Support the broadest possible block grants without regard to current allocations at the substate level.

Option 2 - Support the broadest possible block grants, but agree to provisions that would ensure that some percent of the available resources were passed through to substate recipients.

Option 3 - Support efforts to exclude existing directly funded substate programs from the block grant.

Program Structure

Block grant proposals generally group existing categorical programs. Generally speaking such a grouping will generally follow population groups (children, aging, etc.), service modalities (health, nutrition, income support), or program goals or objectives (ready to learn, etc.). There are strong advocates for each approach. Ideally, block grants would not presume any single administrative agency or delivery structure. States would be free to allocate funds from an individual block grant to a variety of agencies, programs, and delivery systems. However, Congress may not adopt this ideal approach and the importance of the choice of program structure will increase as the flexibility within the block grants themselves is reduced.

NGA has developed a set of proposed categories that is based primarily on a combination of population groups and/or broad service modalities. A listing of those categories is included in Attachment 3. A number of states have suggested either the combination of categories (e.g. place all health programs in a single block grant) or the creation of new categories.

Do the Governors have a preference as to the organizing principles to be used in the development of block grant proposals?

Option 1 - Accept the NGA listing.

Option 2 - Reorient the program structure to focus on service delivery modalities.

Option 3 - Refer to staff for additional work.

Other Issues for Discussion

There are a variety of other issues that Governors may wish to address in considering approaches to the block grants and state concerns. Those issues include:

Will states require some minimum period of lead time in order to convert from existing categorical funding to block grant funding?

Should block grants include the authority to transfer some percent of the appropriated funds from one block to another?

Are states willing to accept limited federal requirements regarding the development of a state plan and public review and comment?

Are the states willing to accept performance measures or other accountability mechanisms?

Are states willing to accept any limitations on the use of block grant funds for administrative costs?

Are states willing to accept any maintenance of effort or matching requirements?

NOTE: Some Attachments are still under development. If they are not included, they will be distributed separately at a later time.

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BLOCK GRANTS FOR CATEGORICAL PROGRAMS
ILLUSTRATIVE APPROACH TO POLICY

January 26, 1995

The nation's Governors have long recognized the need to reform and restructure the federal system. The simplification of the federal grant-in-aid system must be part of that reform. Block grants are a key tool in simplification and Governors support consolidation of the current several hundred non-entitlement grants into a small number of flexible grants organized around clear program objectives. The current array of federal grant programs are inefficient and their complexity and inflexibility contribute to the public disillusionment with big government. The administration of an excessive number of federal categorical grants creates unnecessary costs such as duplicate application and recordkeeping at both the state and federal level. Moreover, the complexity discourages state innovation and the development of coordinated community-based programs. Finally, categorical programs often ignore regional differences and the individual characteristics of the fifty states.

Block grants, with broad and clearly defined objectives, and substantial state flexibility offer opportunities for significant administrative savings. More important they will encourage and reward state and local efforts to develop more innovative and cost effective programs and services. Finally, such consolidations will help enhance public involvement and restore public confidence in government.

While the nation's Governors are generally supportive of consolidation they also believe that such consolidation must:

1. Avoid set-asides or other overly prescriptive conditions for the funding.
2. Include significant transferability of funds between the block grants.
3. Preclude cost-shifts to the states.
4. Be consistent with the way in which state government delivers services to citizens.

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

(Additional criteria could be added based on gubernatorial discussion.)

The National Governors' Association will be developing specific proposals that collapses most categorical grants into a small group of block grants that meet this criteria.

Once the various options have been evaluated, the Governors would welcome the opportunity to negotiate the final structure and funding levels for the grants. However, the Governors view the consolidation as one of efficiency in government not part of a general budget reduction strategy.

WR-NGA Policy

ATTACHMENT 1

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Welfare Reform
Options Regarding Program Structure

January 24, 1995

The current federal programs that provide income assistance to families and children in need do not work. These programs, which are outdated and overly complex, create a climate of dependency and undercut the value and rewards of work. In their place we need to create a new system that builds on the successful initiatives underway in individual states and communities. The new system needs to recognize that one size does not fit all and that effective programs must be tailored by the states to meet the needs and expectations of their communities. Instead we need a new simpler structure that is fair to taxpayers and those who are in need of assistance.

Federal, state, and local governments have a responsibility to provide for the needs of poor children. Governments must also, however, create a system that encourages meaningful work and facilitates the move to independence for adults. In addition to rewarding work, assistance programs should seek to discourage teenage pregnancies, support stable family relationships, ensure child support collection, and provide assistance to obtain the educational and job skills necessary to long-term self-sufficiency. Cash benefits should be time-limited. Welfare should be a transitional program that moves people from temporary assistance to self-sufficiency. Welfare benefits should be based on a social contract that sets forth the responsibilities and obligations of both the recipient and the government. The goals of this temporary assistance should include recognition of the essential dignity, well-being, and responsibility of every American.

Fiscal Constraints

All levels of government are facing severe fiscal constraints. Federal, state, and local budgets already have experienced substantial reductions. State and federal efforts to maintain or achieve balanced budgets and to reduce the tax burden on middle income Americans will require further reductions.

Federal budget decisions should recognize that federal financial support for programs for needy children should remain a high national priority. Any federal budget savings in this area should

come from simplifying the structure and efficiency of the program and not in areas that would interfere with the long-run goals of work and self-sufficiency. Most of the budget savings will come from giving states the flexibility to operate cost-effective systems. Arbitrary spending limits without flexibility and the elimination of federal benefits to currently eligible groups will likely shift costs to other levels of government. Instead, real savings must come from program initiatives that will encourage responsible behavior; programs that will ensure that work pays, and programs that will support the education and training needed to find stable employment. There should not be any new mandates imposed on states. However, if any new federal mandates regarding benefits levels, eligible populations, or required programs or services are created, they should be fully funded by the federal government. The federal share of the cost of existing mandates that are retained in a reformed program must be maintained.

States are firmly committed to reform and have led the way over the past decade in developing new and effective program initiatives at the state and local level. Given the authority and flexibility they need, the states will quickly develop the programs needed to provide real budget savings.

While states recognize the need to reduce the dependency costs associated with legal immigration, many states will be unable to completely deny benefits to such individuals. As a result, the States oppose the elimination of federal funding for legal immigrants and instead support increased efforts to secure financial support from sponsors.

The Federal Role

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. We need to create a new, simpler, and more responsive federal role. At the same time, the rapid rate of change in the economy and the demographics of the welfare population suggest the need for flexibility and continued innovation. A new program structure that provides states the option of an individual entitlement program that allows wide state latitude or a state entitlement block grant, will provide that flexibility, encourage constructive experimentation, and ensure significant budget savings over time. A completely restructured individual entitlement should combine certain minimum federal standards with much greater flexibility for the states in setting the form and conditions of assistance. A state entitlement block grant should provide capped funding with no federal restrictions except that the federal funds be used to assist poor families and children.

A New State Entitlement Block Grant Program

The Governors believe states that wish should be given the option of substituting a state entitlement block grant program for a national individual entitlement program for children and families. Under this concept, states would 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.

In return for this broad flexibility, states electing the block grants would agree to an initial allotment based on the average of several prior years, with restricted growth in future years. 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 for at least three years 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 equal to 2 percent of the total funds distributed in block grants should be set aside each year for distribution to states that experience higher-than-average unemployment or a major disaster in their states.

An Individual Entitlement Program

The Governors also support the creation of a new national program of individual entitlements to meet the needs of children and their families. This program would replace the current AFDC program. Such a national program should establish clear policy objective and certain minimum standards, but provide states with broad flexibility to design key program elements.

Policy objectives and standards should include:

Time-Limited Cash Assistance. 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 should include 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 are opposed to overly prescriptive federal management of the cash assistance program. Federal guidelines should be reasonably general in nature and states should have broad flexibility 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. Examples of flexibility include the use of voucher payments, incentives and sanctions for school attendance, requirements that teenage mothers live with a responsible adult, and the ability to limit benefits to mothers with additional children born while they are on welfare. Governors oppose federal legislation that would mandate such state policies.

States should have the flexibility 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 training for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.

Funding. Federal funding for time-limited assistance payments and for longer term work-based assistance should remain an individual entitlement. Federal funding for administrative costs and for services required under a reformed program should remain as a state entitlement.

Program Consolidation

The Governors believe that maximum budget savings are possible only if flexibility is extended beyond the income assistance program. Therefore, Governors support efforts to consolidate and integrate employment and training programs, child care programs, and social service programs to allow the states the flexibility to develop programs tailored to meet the needs and priorities of individual communities in a coordinated and cost-effective manner.

Coordination with Other Programs

Successful state and local programs often rely upon incentives and sanctions that are designed to encourage responsible behavior. States should be given broad flexibility in the design of such incentives, including income disregards. Federal policies in food stamps and housing programs should be modified to ensure that such programs support, not counteract, the incentives and sanctions built into the state programs. In particular states should be allowed to cash out Food Stamp benefits for AFDC recipients.

In addition to rewarding meaningful work, the welfare program should seek to support a long-term connection to the labor market and stable family relationships. Such assistance can only be provided effectively if education, training, and employment policies are coordinated across agencies at the federal, state, and local levels. Coordination also is needed with the earned-income tax incentive program and with programs designed to provide child care and health services both to those on AFDC and for former or potential recipients who are employed.

Long-Term Dependency

The programs needed to serve those who are expected to work differ from those needed to serve those who are not. The effectiveness of the transitional programs for children and families could be enhanced if eligibility for other governmental programs, such as Supplemental Security Income and Social Security Disability Insurance, were expanded to assist those for whom work is not an option because of age or disability. However, independence and self-sufficiency should not be excluded as an appropriate goal for all Americans.

**PUERTO RICO FEDERAL AFFAIRS ADMINISTRATION
OFFICE OF THE GOVERNOR**

**FRANCO ROBERTO
Governor
WANDA BARRON
Deputy**

**Suggested National Governor's Association Policy
Welfare Reform
Puerto Rico**

ATTACHMENT 2



WR-NBA
1st
NBA
letter

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Thomas R. Carper
Governor

Liz Ryan
Director

J. Jonathan Jones
Deputy Director

TO:

Kathy Way

FROM:

Liz, Office of the Governor
State of Delaware

DATE:

6/8/94

of Pages:

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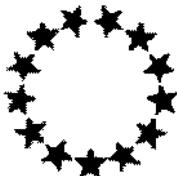
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Fax to Kathi
Way
June 7, 1994
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MEMORANDUM

TO: Liz Ryan
Nikki McNamara
LeAnne Rodick
Kathy Hoyt

FROM: Barry L. Van Lare

RE: Welfare Reform

Here is the ROUGH DRAFT Ray promised you.

I look forward to your input when we meet tomorrow (Wednesday) at 1:00 p.m. in Conference Room A.

Thanks.

c: Ray Scheppach
Julie Strawn

* Kathi -
Please comment. I will call
back.

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National Governors' Association
Welfare Leadership Team
President Clinton's Welfare Reform Legislation

STATEMENT AT INTRODUCTION

D R A F T #2

June 7, 1994

The National Governors' Association today indicated strong support for the reform principles incorporated in President Clinton's welfare reform proposal and urged Congress to move quickly to enact legislation.

In a joint statement issued by Governor Carper and Governor Engler, co-chairs of the NGA's Welfare Reform Leadership Team, the NGA said, "Welfare reform is a high priority for the nation's Governors. The President's proposal incorporates many of the key principles endorsed by the Governors and we urge Congress to enact legislation as quickly as possible."

The reform principles endorsed by the Governors include:

- Welfare as a transition to self-sufficiency
- Special programs for those not yet ready for employment or training
- Time limited cash assistance, including education and training to help prepare for work
- Long term assistance based on work
- Improved child care and Earned Income Tax Credits for low income working families
- Enhanced interstate child support enforcement
- Expanded programs to encourage family stability and limit teen pregnancy
- Increased state flexibility in program design
- Improved coordination between AFDC and Food Stamps
- Enhanced federal financing, including lower matching rates

Governor Carper said, "Welfare reform is a key component of restoring responsibility and stability to the American family. We believe that the President's proposed policies represents a balanced approach to a complex and controversial issue and we believe that its introduction will provide the focus needed for prompt and thorough Congressional consideration."

Governor Engler commended the President on his willingness to involve states and localities in the development of his proposal and on the responsiveness of the President's Working Group on Welfare Reform to state concerns and interests. He said, "States and localities play a pivotal role in the administration of welfare, and state innovation and experimentation have provided the foundation for all recent reforms. The President has

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provided ample opportunity for state and local officials to work with his working group and the group has been most responsive. We commend the President for his openness and responsiveness."

Throughout their discussions, the states have emphasized the importance of flexibility and continued innovation. There is no one size fits all solution to welfare, and states must have the flexibility to develop programs and services that will address the unique characteristics of their welfare populations and the economic conditions within individual states. The Governors said, "The President's proposals provide a historic level of flexibility and substantially increase state options. This flexibility should significantly increase out likelihood of success."

In addition, the NGA emphasized the importance of allowing states to complete the welfare demonstrations currently underway through 1115 waivers. The Governors' said, "States have invested considerable time and effort in the development of experiments to test a variety of reform initiatives. It is absolutely vital that those experiments be completed."

In supporting the principles in the President's legislation, the Governors noted that there are other proposals currently before the Congress that also incorporate and expand on a number of these principles and urged quick Congressional action to build on this apparent consensus. They said, "While individual Governors and other advocates may support modifications that will need to be addressed, we need also to maintain a focus on the big picture and ensure that fundamental reform takes place."

The Governors said that NGA policy does not address specifically the issue of financing. They noted, however, that states were deeply concerned that current program costs, such as the cost of assistance to immigrants without other resources, not be shifted to the states in order to pay for the federal share of welfare reform. As a result, the Governors will be analyzing the financing provisions of the bill in more detail in order to determine the financial impact on the states. Should that impact prove excessive, the Governors may urge Congress to consider alternative financing mechanism. The Governors are pleased, however, that the bill recognizes the federal government's role in providing the lion's share of the costs of welfare reform.

The President's legislation clearly builds on state reform initiatives and recognizes the growing consensus that the welfare system must be changed in important and fundamental ways. Examples of state initiatives incorporated in the President's proposal include:

- XXX
- XXX
- XXX

The National Governors' Association has been an active player in welfare reform efforts over the past decade or longer. [Most recently the Governors took leadership by creating a year ago last February a State and Local Welfare Reform Task Force to identify key issues and recommendations from state and local government.] The work of that Task Force was completed last summer as the various organizations endorsed a set of principles to serve as a framework for welfare reform.

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Following the adoption of those principles, NGA Chairman Governor Carroll Campbell appointed an NGA Welfare Reform Leadership Team to define the NGA position in more detail and to work with the President's Welfare Reform Working Group to develop legislative specifications. The Leadership Team is co-chaired by Governor Carper and Governor Engler.

During the consultation process the states identified a number of issues that they viewed as critical to successful reform. Among these concerns addressed in the President's proposal are:

- Option to defer a limited percent of additional recipients from the time limited program and to extend the time limit for a limited number of individuals to complete education or training programs
- Assurance that participants in the transitional program and WORK can be required to search for and accept work at any point
- Option, as in current JOBS program, to require participation in grant diversion or CWEP positions during the time limited program
- Option to include subsidized public and private jobs and community work experience as components of the WORK program
- No time limit on full federal reimbursement for recipients in WORK
- Clearer requirements for federal agencies to coordinate their education and training programs and flexibility for Governors in developing state coordination mechanisms
- Option for the states to continue cash assistance beyond the two year limit to recipients who are working at least 20 hours per week in unsubsidized jobs
- Authority for the advanced payment of the EITC
- Option to extend assistance to two parent families
- Continuation of 1115 waiver authority
- Recognition that final implementation dates will need to reflect realistic lead time for systems development and state legislative action
- Recognition that performance targets must reflect achievable goals and provide exceptions for conditions such as high unemployment and natural disasters that are beyond the control of the states
- Limitation of new child support mandates to those affecting interstate enforcement only

The co-chairmen said, "The Governors look forward to working with the administration and the Congress to enact welfare reform as quickly as possible. We are pleased that the administration's proposals are consistent with NGA policy and recognizing the importance of continued state flexibility. Their commitment and responsiveness to an open consultation process is most appreciated."

x/welref14

~~CONFIDENTIAL~~
P.S.

*Li Ann
Redick's
revised
Statement*

**STATEMENT OF THE NATIONAL GOVERNORS' ASSOCIATION
PRESIDENT CLINTON'S WELFARE REFORM PRINCIPLES**

The National Governors' Association supports the core principles of President Clinton's welfare reform proposal: incentives for work and time limits for assistance. As the same time, we are concerned that the proposal does not give states the flexibility to move more aggressively to accomplish these goals.

*Republican
response
to first
NGA
letter*

The President's proposal builds on the JOBS program and incorporates many of the key principles endorsed in the policy adopted by the National Governors' Association, including:

- Welfare as a transition to self-sufficiency;
- Assistance for those not yet ready for employment or training;
- Time-limited cash assistance, including education and training to help prepare for work;
- Enhanced interstate child support enforcement;
- Expanded programs to encourage family stability and discourage teen pregnancy;
- Increased state flexibility in program design;
- Improved coordination between AFDC and food stamps;
- Enhanced federal financing, including lower matching rates.

We believe welfare reform is an essential component in restoring responsibility and stability to the American family. The President's proposal appears to represent a balanced approach and is a positive contribution to the welfare reform debate.

The Administration consulted extensively with states and localities in developing the welfare reform proposal, and we commend the President and his Working Group on Welfare Reform for their commitment to an open consultation process.

Through our discussions, the states have emphasized the importance of flexibility and continued innovation. There is no proven one-size-fits-all solution to welfare, and states must have the flexibility to develop programs and services that will address the unique characteristics of our welfare populations, and economic conditions within our individual states. Within the parameters of his proposal, the President's plan provides some flexibility that can increase state options in the development of successful welfare reform initiatives.

However, we must emphasize the importance of allowing states to complete welfare demonstrations currently underway through waivers. States have invested considerable time and effort in the development of experiments to test a variety of reform initiatives, and it is vital that these experiments be completed. We are deeply concerned that we have been unable to obtain assurances that this will be the case, and believe it would be extremely short-sighted to terminate these experiments. We appreciate that the President's proposal continues the ability for states to seek waivers, but are concerned, based on the lack of assurances on continuing existing waivers, that the Administration will not be forthcoming in waiver approvals.

Our policy does not specifically address the issue of financing. However, states are concerned that current program costs, such as the cost of assistance to immigrants without other resources, not be shifted to the states in order to pay for the federal share of welfare reform. We are also concerned about sanctions in the bill that penalize states by reducing the federal match rate for assistance. We believe there is a shared federal-state responsibility for providing basic benefits, and we are concerned about a precedent of this kind. We will be doing additional analysis of the financing mechanisms as details become available in order to determine the financial impact on states.

In supporting the principles in the President's legislation, we must point out that there are other proposals currently before the Congress that also incorporate and expand on a number of these principles. We urge Congress to move quickly to take advantage of the apparent momentum to enact welfare reform as quickly as possible, and we look forward to working with the Administration and Congress to this end.

National Governors' Association
Welfare Leadership Team
President Clinton's Welfare Reform Legislation

*NGA
drafted
2 compromise
letters. ONE
w/ waivers
grandfathered
one with
waivers
status
quo.*

STATEMENT AT INTRODUCTION

D R A F T #3

June 8, 1994

The National Governors' Association strongly supports the principles embodied by President Clinton's welfare reform proposal and urges Congress to move quickly to enact legislation. The Governors are especially pleased that the proposal recognizes and builds on the lessons learned through state waiver demonstrations over the past decade. We believe that such state experimentation will continue to be critical to national progress in welfare reform, and can only support a comprehensive reform package if it includes a commitment to allow states to complete already approved demonstration projects.

The President's proposal builds on the 1988 Family Support Act and incorporates many of the reform principles endorsed by the Governors:

- Welfare as a transition to self-sufficiency
- Assistance for those not yet ready for employment or training
- Time limited cash assistance, including education and training to help prepare for work
- Improved child care and Earned Income Tax Credits for low income working families
- Enhanced interstate child support enforcement
- Expanded programs to encourage family stability and limit teen pregnancy
- Increased state flexibility in program design
- Improved coordination between AFDC and Food Stamps
- Enhanced federal financing, including lower matching rates

We believe welfare reform is an essential component in restoring responsibility and stability to the American family. The President's proposal represents a balanced approach to a complex and controversial issue and we believe that its introduction will provide the focus needed for prompt Congressional action on this issue.

The Administration consulted extensively with states and localities in developing the welfare reform proposal, and we commend the President and his Working Group on Welfare Reform for their commitment to an open consultation process. Like the Governors' policy, the President's proposal recognizes the importance of work as an alternative to welfare and includes numerous elements designed to enhance state ability to prepare and place recipients.

Throughout our discussions, the states have emphasized the importance of flexibility and continued innovation. There is no one-size-fits-all solution to welfare, and states must have the flexibility to develop programs and services that will address the unique characteristics of our welfare populations and economic conditions within our individual states. We applaud the President's efforts, within the framework of his plan, to afford states the opportunity to try different approaches without having to apply for waivers. These state options include making work pay by expanding earned income disregards and providing advance payments of the Earned Income Tax Credit.

We must emphasize, however, the importance of allowing states to complete the welfare demonstrations currently underway through waivers. States have invested considerable time and effort in the development of experiments to test a variety of reform initiatives. It is absolutely vital that those experiments be completed, and our support for any comprehensive welfare reform initiative will be contingent on a commitment to this goal.

Our policy does not address specifically the issue of financing. States are concerned, however, that current program costs, such as the cost of assistance to immigrants without other resources, not be shifted to the states in order to pay for the federal share of welfare reform. We are also concerned about sanctions in the bill that penalize states by reducing the federal match for basic assistance, and are tied to the adoption of mandated procedures or the attainment of performance standards in welfare employment programs. We believe there is a shared federal-state responsibility for providing basic benefits, and we are concerned about a precedent of this kind. We will be doing additional analysis of the financing mechanisms as details become available in order to determine the financial impact on states.

In supporting the principles in the President's legislation, the Governors note that there are other proposals currently before the Congress that also incorporate and expand on a number of these principles. We urge Congress to move quickly to take advantage of the apparent momentum to enact welfare reform as quickly as possible, and we look forward to working with the Administration and Congress to this end.

National Governors' Association
Welfare Leadership Team
President Clinton's Welfare Reform Legislation

STATEMENT AT INTRODUCTION

D R A F T #4

June 8, 1994

The National Governors' Association strongly supports the principles embodied by President Clinton's welfare reform proposal and urges Congress to move quickly to enact legislation. The Governors are especially pleased that the proposal recognizes and builds on the lessons learned through state waiver demonstrations over the past decade. We believe that such state experimentation will continue to be critical to national progress in welfare reform, and *applaud the President's commitment to allow states to complete already approved demonstration projects* ~~can only support a comprehensive reform package if it includes a commitment to allow states to complete already approved demonstration projects.~~

The President's proposal builds on the 1988 Family Support Act and incorporates many of the reform principles endorsed by the Governors:

- Welfare as a transition to self-sufficiency
- Assistance for those not yet ready for employment or training
- Time limited cash assistance, including education and training to help prepare for work
- Improved child care and Earned Income Tax Credits for low income working families
- Enhanced interstate child support enforcement
- Expanded programs to encourage family stability and limit teen pregnancy
- Increased state flexibility in program design
- Improved coordination between AFDC and Food Stamps
- Enhanced federal financing, including lower matching rates

We believe welfare reform is an essential component in restoring responsibility and stability to the American family. The President's proposal represents a balanced approach to a complex and controversial issue and we believe that its introduction will provide the focus needed for prompt Congressional action on this issue.

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In supporting the principles in the President's legislation, the Governors note that there are other proposals currently before the Congress that also incorporate and expand on a number of these principles. We urge Congress to move quickly to take advantage of the apparent momentum to enact welfare reform as quickly as possible, and we look forward to working with the Administration and Congress to this end.



WR - NGA

TO ALL GOVERNORS:

The Welfare Leadership Team SAC has been working closely with the President's Working Group to convey state perspectives as it develops its welfare reform proposal.

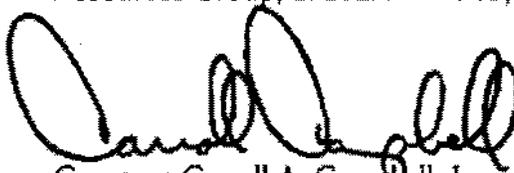
The Administration is now nearing final decisions on its welfare reform proposal, and will be seeking support from Governors and NGA for its package. At this point, several issues of serious concern to the states remain unresolved. As we approach the end of the consultation process, the Leadership Team needs additional guidance from Governors to give the Administration a fuller sense of Governors' concerns.

Attached to this letter are two documents:

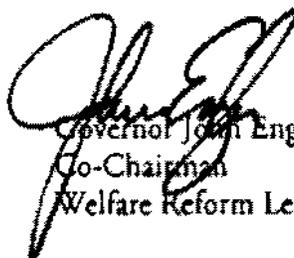
- a brief summary of our current understanding of some of the issues being considered by the Administration
- a questionnaire soliciting your views on a number of policy options

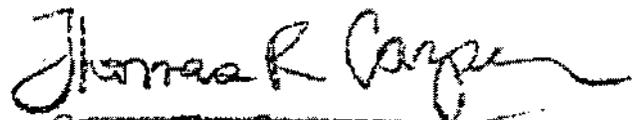
We recognize that not all of the issues may be of concern to each state, so please feel free to address only those that are likely to be critical to your decision on the final legislative proposal.

Since the President still anticipates introducing legislation this spring, we need quick turnaround. Please fax your remarks to NGA, Attn. Margaret Siegel, Human Resources Group, at 202/624-5313, by Wednesday, April 20.


Governor Carroll A. Campbell, Jr.


Governor Howard Dean, M.D.


Governor John Engler
Co-Chairman
Welfare Reform Leadership Team


Governor Tom Carper
Co-Chairman
Welfare Reform Leadership Team

WELFARE REFORM
OVERVIEW OF CURRENT ADMINISTRATION THINKING
April 13, 1994

TRANSITIONAL TIME-LIMITED ASSISTANCE

Proposals under consideration by the Administration would replace the current open ended AFDC program with a time limited transitional assistance program for all financially eligible families with a parent born after 1972 (or thereabouts). The new transitional program would take effect two years after enactment. All states would be required to have this population fully enrolled in the new program. Additional families could be transferred to the time limited program on state option.

JOBS

Adults enrolled in the new transitional program would be expected to actively seek work and to participate in appropriate activities to improve their education and employment skills. States would be required to see that the necessary services were available to improve employability. Additional funds would be made available to the states to fully implement the JOBS program for adults in the transitional program. In addition, the current JOBS requirements may be continued for the population remaining in the AFDC program, or may be modified.

JOBS-PREP

The proposal calls for allowing certain families to be temporarily deferred from the time limited transitional program. Adults in such families would be required to engage in some type of productive activity. Two options are under consideration. Under the first option the federal government would specify categories of individuals to be placed in the JOBS-prep program (mothers of infants, adults needed to care for disabled children, etc.), plus a certain specific percentage of the caseload which could be assigned to JOBS-prep. In the second option, states would be allowed to exempt a specified percent of the total caseload.

The Administration is proposing to provide the states with broad flexibility in the definition of the requirements to be fulfilled by persons in the JOBS-prep program. The expectation is that everyone will be expected to do something to contribute to their community, but they would not be subject to the time limit until ready to enter the JOBS program.

WORK

The proposal would require that all transitional program participants who exhaust their benefits and are unable to secure jobs will be provided an opportunity to work. The Administration clearly favors the creation of wage paying opportunities over workfare, but discussions have indicated that it will likely give states broad flexibility in the construction of the work requirement. It is likely that individual work assignments would be at least half-time and be limited to no more than one year at which point there would be additional job search and a reassessment of employment capability. If work is still appropriate but a job is unavailable, another subsidized work opportunity would be made available.

The Administration proposal may reduce the federal share for payment of costs of persons in the WORK program beyond a certain period of time, not yet specified.

The Administration projects that there may need to be approximately 500,000 jobs created by 2004, some of which would need to be subsidized.

SANCTIONS

The Administration proposes that families will be made totally ineligible for AFDC benefits, if the adults fail to comply with either JOBS or WORK requirements. This includes the termination of benefits to individuals in the WORK program, after some period of time, if they are not making a real effort to secure work.

PART TIME EMPLOYMENT

Several states have suggested that individuals who are unable to find or perform full-time work should retain eligibility for cash assistance on a long term basis as long as they are working. The Administration is considering allowing states the option of continuing assistance to individuals working at least 20-30 hours per week, and also allowing states considerable flexibility in the creation of work incentives or income disregards.

ELIGIBILITY CHANGES

The current AFDC rules for the treatment of an automobile, (\$1500 in equity value) would be made as consistent as possible with the Food Stamp disregard (\$4500 in value) and then indexed.

Federal assistance to teenage mothers is expected to be conditioned on these mothers remaining in their parents' homes (unless there is a danger of abuse to the minor mother), or in other extended family situations.

FUNDING

The Administration is attempting to develop a funding approach that will minimize additional state expenditures by providing a more generous federal match. At the same time, the Administration proposes that the federal government would recoup some portion of savings to offset the additional federal program investment.

SYSTEMS

The proposal calls for the development of significant new systems in several areas, including prevention of fraud, interstate child support enforcement, administration of a time limited system within and across jurisdictions, and the administration of a WORK program.

CHILD CARE

The Administration is proposing to expand child care to provide subsidies to the working poor, through the mechanism of a capped entitlement program. The Administration is grappling with quality and coordination issues as it looks to expand child care; these issues include rate setting, program coordination and consolidation, state oversight responsibilities, and funds for investments in improving child care quality.

TWO PARENT FAMILIES

It is likely that states will be given the option of expanding eligibility to two parent families.

WAIVER AUTHORITY

The proposed program builds on existing state experimentation and will provide greater range of state options, thus eliminating need for many current waivers and demonstrations.

DEFINITIONS

Transitional time-limited program: This is the new time-limited welfare program for income-eligible families with a parent born after 1972. States would be able to temporarily defer certain families, such as a mother with infants or those caring for a disabled child, from this program.

JOBS - the Job Opportunities and Basic Skills Training Program - this is the current welfare training and work program which would be expanded to be the vehicle through which those in the new program would seek work.

WORK - This is the proposed publicly-subsidized work program for persons who have exhausted their two year limit without obtaining an unsubsidized private sector job.

AFDC - This is the current welfare program, which provides cash assistance to needy families with dependent children and would remain in existence until all eligible persons had made the transition to the new program.

WELFARE REFORM
QUESTIONS FOR GOVERNORS
April 13, 1994

TRANSITIONAL ASSISTANCE

- The new time-limited program would require all states to enroll income eligible families with a parent born after 1972 two years after enactment. Is this target group acceptable?

Yes _____

No _____

23-7 YES

Comments: _____

JOBS

The Administration would target this transitional assistance program on younger AFDC parents. All young parents who are not working or in JOBS-prep would be expected to go into an expanded work-focused JOBS program until they get a job, or their time limit expires. The Administration projects that there would be 740,000 JOBS participants in FY 1997, increasing to 770,000 in FY 1999 (assuming enactment in 1994 with a two year phase-in period.) The current JOBS program serves less than 500,000 participants. Can you project what additional level of JOBS funding your state would need (assuming the current match rate) to fully implement this expanded JOBS program?

Yes _____

No _____

Comments: _____

- Currently, the JOBS program is authorized at \$1 billion per year and serves about 16 percent of the eligible population. One proposal would authorize an additional \$1 billion per year for the JOBS program. Is this a sufficient level of funding to serve the participants in the expanded program?

Yes _____

No _____

Comments: _____

JOBS-PREP

- The Administration proposes to defer some otherwise eligible families from the time limit in the transitional program and assign them instead to the JOBS-prep program. What approach would you support?

No deferments _____

Specify categories of individuals, such as disabled adults or those caring for a disabled child, or infant under the age of one, plus allowing states to exempt an additional percentage of the caseload? _____

Allow states to exempt a percent of the caseload from the transitional program.

5 10 15 20 25 other (circle one)

Require states to enroll a minimum percent of the caseload in the transitional JOBS program

75 80 85 90 other (circle one)

up to X%
/

Comments: _____

WORK

- Which option should be available to states as they attempt to create work opportunities for participants who reach the end of their two year eligibility for cash assistance?

a requirement of work for wages (in subsidized public or private sector positions)

_____ the authority to create a variety of work requirements, including work for wages options as well as community work experience and mandated volunteer service _____

27 favored wide ranges

Comments: *1 identical issue - require work earlier - shorter time frame*
2 2 yrs off - 2-3 would do it; others want flexibility

- The proposal is likely to include a minimum work requirement of at least thirty hours a week, with a state option to reduce the minimum to twenty. Do you support this?

Yes _____ No _____

Would you support a minimum work requirement of twenty hours/week, with the option to go to thirty?

Yes _____ No _____

overwhelming

Comments: *would we reimburse higher wages*

- Is the proposed subsidy of approximately \$4200 per slot to cover the costs of developing and administering the WORK program sufficient?

Yes _____ No _____

Comments: worried about lower match rate

- Do you believe that, beginning in 1999, your state can create the jobs necessary for those who reach the two year time limit and are unable to find employment? The Administration estimates that 500,000 jobs could be required by 2004.

Yes _____ No _____

Comments: _____

- Should participants in a subsidized WORK program be eligible for the Earned Income Tax Credit (EITC)?

Yes _____ No _____

Comments: _____

*19-11 YES, but no big deal
- Allow states to advance EITC*

PART TIME EMPLOYMENT

- Should states have the option of continuing cash assistance to those who are working part time and still meet the eligibility criteria?

Yes _____ No _____

Comments: _____

All but one Yes

- What should the minimum level of employment be set at for those eligible to receive cash assistance?

no minimum _____

20 hours _____

30 hours _____

state option, with a minimum of 20 hours Most

Comments: _____

** → States shd be able to require somebody to take full-time job*



FUNDING

- Would you be willing to accept a state maintenance of effort for the current AFDC program (including JOBS spending) as part of the welfare reform financing package?

Yes _____ No _____

Comments: _____

- Would you be willing to consider a funding package that expanded the maintenance of effort provision to include state general assistance programs?

Yes _____ No _____

Comments: _____

SYSTEMS

- The proposal appears to provide states with up to two years after enactment for initial implementation. Is this sufficient?

Yes _____ No _____

Comments: _____ 21 YES

States can't build their system until year built years

CHILD CARE

- Would states be willing to accept a requirement that they extend registration and state determined health, safety and provider training requirements to all day care providers. This would include providers that are exempt from state regulatory standards, such as baby sitters and small in-home care givers.

Yes _____ No _____

Comments: _____ 20+ NO

*Licensing isn't avail. statewide (rural areas)
 State rules did apply. ~~state~~
 States didn't want to jeopardize access
 Esp. problematic to impose new rules for such a small new program
 Informal arrangements*

TWO PARENT FAMILIES

- Do you favor giving states the option of expanding eligibility to many more two parent families by eliminating some work requirements?

Yes _____ No _____

21 YES

If yes, what benefits should be included? transitional assistance and WORK

Yes _____ No _____

cash supplements to working poor families whose income is below state benefit levels?

Yes _____ No _____

Comments: _____

WAIVER AUTHORITY

- The proposal appears to increase the options available to states. Are there any major elements of current large scale demonstrations that do not appear to be included in Administration proposals that states will want the flexibility to continue on a demonstration basis?

Yes _____ No _____

Comments: _____

Evaluation & cost neutrality ← [?]
 Continue current waivers

- Should the act continue to include authority for ongoing demonstration and experimentation?

Yes _____ No _____

Comments: _____

OTHER ISSUES

- Are there any items not discussed above that have been included in prior discussion documents that are unacceptable to your state?

① Integration w/ E+T - JTPA etc. ^{maximum} flexibility
 ② Other admin & systems costs - training etc. - hiring
 ③ Tougher JABS sanction - a joke (Md.)
 - Md. - monthly cost of \$20-25 - 10% choose to take it.
 - State option: full family sanction after 6 mos.

Key Issues

① Flexibility
 ② Financing
 - Adequate
 - Cost to states

④ Prefer paternity estab. incentive payment

- Are there any items that your state believes must be added to the plan to make it acceptable to you?

State/ Commonwealth _____

Governor _____

Staff Contact for Questions _____

Staff Contact Phone Number _____

~~CALL DATE~~
WR-NGA

In Brief



August 1993

Employment and Social Services Policy Studies

Contact: Linda McCart, (202) 624-5336

The New Welfare Reform

Summary

The continuing increase in caseloads, ongoing state budget problems, and growing concern about children in poverty have, once again, brought welfare reform to the forefront of national debate. Both state and national reform efforts currently focus on four broad areas: making work pay, placing time limits on benefits, improving child support enforcement, and implementing federal waivers and other reforms. This *In Brief* describes the major issues in each area and highlights the most recent state reform efforts.

Background

The Aid to Families with Dependent Children (AFDC) program was initially created in 1935 by the Social Security Act as a cash grant program to aid needy children without fathers. Today, the program provides cash assistance for needy children who have been deprived of parental support or care because their father or mother is absent from the home, incapacitated, deceased, or unemployed. All states, the District of Columbia, and four of the five territories operate an AFDC program. Effective October 1, 1990, all states were required to implement AFDC programs to provide benefits to children in two-parent families who are needy because of the unemployment of one of their parents.

The AFDC program is voluntary. States have the flexibility to establish their own need standard (i.e., the amount of income the state decides is essential for basic needs such as food, clothing, shelter, utilities, and personal care), set their own benefit levels (i.e., payment levels that represent 100 percent or less than the need standard), establish income and resource limits (based on federal guidelines), and administer the program or supervise its administration. Funding is provided through a federal-state partnership, with federal resources covering from 50 to 80 percent of the cost of benefits and 50 percent of the cost of administration.

Eligibility for AFDC requires that a family meet two income criteria: a gross income test (defined as 185 percent of the state's need standard), and a net or countable income test (defined as 100 percent of the need standard). To receive benefits, a family's net income also must be below the state's payment level. The payment level is below the need standard in thirty states.

Federal law requires that all income received by an AFDC family be counted against the AFDC grant unless explicitly excluded by definition or deduction. To provide a financial incentive for recipients to seek and maintain employment, current deductions for earned income include \$90 per month plus \$30 and one-third of the remainder (of earnings), and up to \$175 per month per child (or up to \$200 per month for a child below age two) for child care expenses. The \$30 deduction expires after the first twelve months. The deduction of one-third of the remainder is available only for the initial four months following employment.

Under the current AFDC program, two-parent families fare much worse than single-parent families. To be eligible for assistance, single-parent families must only show that they are poor enough and that the other parent is not in the home. Two-parent families, in contrast, must show that one parent is either incapacitated or is unemployed and meets the various work history rules. Federal regulations require that an AFDC parent must work fewer than 100 hours per month to be classified as unemployed. In addition, the principal earner must have six or more quarters of work in any thirteen-calendar-quarter period ending within one year prior to application for assistance or have received or been eligible to receive unemployment compensation within one year prior to application. The impact of these requirements is that many families are not eligible, especially young families with little or no work history.

AFDC Caseloads. By 1991 enrollment in AFDC had grown to more than 4.3 million families. These 4.3 million cases represent approximately 4.95 percent of the U.S. population and include an estimated 8.3 million children (12.9 percent of the total child population). Caseloads are expected to gradually increase to about 4.8 million in 1997. The percentage of children receiving assistance is expected to rise to slightly more than 13 percent in 1993. These children represent about 60 percent of all children in poverty.

AFDC Characteristics. AFDC families are not a homogenous group. They represent all races, ages, and levels of education. In 1990 about 38 percent of all AFDC families were white and more than 39 percent were African-American. The average family size was 2.9, with about 42 percent of all AFDC families having only one child. About 24.3 percent of children in AFDC families are younger than three, 21.5 percent range in age from three to five, and 27.5 percent range in age from six to eleven. Eligibility for 54 percent of all AFDC families is based on no marriage ties (i.e., children born out of

wedlock). In 16.5 percent of all AFDC families, the mother has one to three years of high school and in 19.3 percent of the cases, the mother has a high school degree. More than 80 percent of all AFDC families have no other source of income.

The median number of months on AFDC since initial application is twenty-three. More than 21 percent of all AFDC families have received assistance for longer than five years. Marital status is the most powerful predictor of long-term welfare receipt, with single mothers averaging nine years on AFDC. In addition, it is estimated that more than 40 percent of never-married mothers who enter the AFDC system at age twenty-five or below with a child younger than three years of age will spend ten years or more on AFDC.

The Family Support Act. The Family Support Act (FSA) was approved in October 1988, amending Title IV of the Social Security Act. The goal of FSA is to shift welfare from a program that fosters dependency to one that encourages work. It is based on the premise that there is a mutual obligation between government and its citizens (i.e., government has a responsibility to provide sufficient tools and opportunities for work, while recipients have an obligation to use those tools and seek employment). FSA provides support to individuals and families in four major areas.

- **Employment Assistance.** The Job Opportunities and Basic Skills Training program (JOBS) provides a variety of services to promote self-sufficiency, including education, job training, job placement, and child care. States are given broad flexibility regarding program design and administration. In fiscal 1993, the authorized appropriation for JOBS is \$1 billion.
- **Child Support Enforcement.** FSA strengthens states' ability to establish paternity and to improve the collection of child support payments through computerized tracking and wage withholding systems.
- **Child Care.** FSA guarantees child care for all JOBS participants, as well as AFDC recipients who are in other approved training, education, or employment programs.
- **Transitional Services.** Individuals who leave public assistance are eligible for twelve months of child care and medical services (Medicaid), as long as their incomes are low enough to meet program requirements.

The purpose of JOBS is to ensure that needy families with children are able to obtain the education, training, and employment necessary to help them avoid long-term

dependency on welfare. States have great flexibility in the services they can offer and in the methods they can use to deliver services. JOBS participation standards are established through fiscal 1995 for the AFDC caseload. States that fail to meet the standards face a reduction of federal matching funds. In addition, states must target resources to certain populations or face reduced funding.

The Current Debate

The following discussion highlights the four primary issues in the current debate about reforming welfare. The issues are followed by several examples of recent state reform initiatives.

"Making Work Pay." "Making work pay" is a new phrase that refers to changing the way earned income is considered in the AFDC budgeting process. It also includes changes to the tax code such as expanding the Earned Income Tax Credit and making the Child and Dependent Care Tax Credit refundable. Under the rubric of making work pay are two separate concepts.

- Welfare recipients who work should be better off financially than welfare recipients who do not work. At a minimum, recipients should be better off after working than they were while they were receiving welfare.
- Parents who work full time should be ensured an income at least equal to the poverty level for their family.

Federal regulations make eligibility for the AFDC program dependent on deprivation—either in terms of the absence or loss of at least one parent or in terms of the loss of employment by a parent with a strong labor force connection. This means that many intact families with income below the state's standard of need are not eligible for cash assistance. In addition, two-parent families become ineligible for cash benefits when the primary wage earner works more than 100 hours per month, regardless of the amount of earnings.

There are two primary policy issues under the construct of making work pay. First, is how to restructure the AFDC program to eliminate or reduce the existing disincentives to work. Under the current program, earnings reduce the AFDC grant dollar for dollar (i.e., the family loses one AFDC dollar for every dollar in earnings). In addition, families with even minimal earnings often exceed the income threshold for AFDC eligibility and subsequently lose Medicaid and child care benefits. This frequently makes the family financially worse off than when they were receiving AFDC.

The current debate focuses on three primary strategies to promote work.

- "Fill-the-gap budgeting" allows AFDC recipients to keep a greater proportion of their grant, as well as medical and child care benefits, while increasing their income through earnings. It has been implemented in ten states—Colorado, Georgia, Kentucky, Maine, Michigan, Mississippi, North Carolina, South Carolina, Tennessee, and Utah.
- The Earned Income Tax Credit (EITC) is a tax credit given to low-income families with children and with members who are working. By 1994 EITC will provide working families with a credit of 23 percent of a maximum income base of \$7,990 for one child and a credit of 25 percent for two or more children. The credit percentage begins to decline after family income reaches \$12,790 and phases out completely when family income rises above \$23,760 per year. The Internal Revenue Service (IRS) reports that 13.9 million families claimed EITC benefits worth \$11,417 million in fiscal 1991, while about 25 percent of eligible families failed to claim their benefits.
- The Child Care and Dependent Tax Credit is based primarily on the amount the family pays for child care to allow the parents and guardians to pursue work or educational efforts and is used to reduce child care expenditures. For example, for a family with two children and an income of \$10,000, the credit would be 30 percent of the family's child care expenses. The credit decreases as income increases and phases out completely after income reaches \$28,000 per year. The dependent care credit is not refundable.

The second policy issue under the construct of making work pay is how to support working poor families. The National Commission on Children reports that among poor two-parent families with children, 40 percent have a full-time, full-year worker. Another 46 percent of these families have one or two adults who work at least part time or part of the year. Often these earnings, combined with the fact that both parents are in the home, preclude their eligibility for cash assistance and other government programs.

Current strategies under discussion on this issue include the following.

- Expanding and simplifying the EITC so that it is easier for families to access and to obtain monthly payments. Ideally, the EITC should provide an income supplement that enables an individual working full time at minimum

wage to support a family of four at or above the poverty level. The EITC should be indexed to family size.

- Increasing the minimum wage so that it provides sufficient income for a single wage earner to support a family of four at or above the poverty level.
- Making the existing Child and Dependent Care Tax Credit refundable.
- Eliminating the current tax exemption for dependents and replacing it with a child allowance.

Time-Limited Benefits. The Family Support Act has made some progress in changing the focus of AFDC from a program of permanent support to a work program that provides temporary cash assistance. The first challenge in moving to a time-limited program is changing the nature and expectations of the welfare system. Second, there must be a system (or systems) in place to provide support to those who work, to those who cannot work, and to the children of those who refuse to work. Success in each area certainly requires careful definition of who is expected to work and likely requires separate programs for those who can work and for the unemployable.

Although this construct has wide support, both from the public and state and national policymakers, there are several major areas of concern. First and foremost, is where the jobs will come from. Given the current state of the economy, it is unlikely that sufficient private or public sector jobs can be created to absorb the thousands of recipients who will need employment. The proposed alternative is public service jobs. Although time-limiting benefits is a popular concept, the costs, in terms of administration, job creation, and salaries, pose a major hurdle. Other alternatives—community service and community work experience (i.e., “work off the grant”)—pose similar challenges.

Child Support Enforcement. Both mothers and fathers must assume full responsibility for the care and nurturing of their children. About 75 percent of mothers who are entitled to child support either lack support orders or do not receive the full amount due under existing orders. About 33 percent of all child support cases are interstate cases. There are two major concerns with the current child support enforcement system.

- States do not have sufficient tools and resources to operate an effective and efficient system for all who need it. (The Family Support Act provided some additional tools for enforcement but staggered implementation dates have delayed realization of the full impact of these changes.)

- Many noncustodial parents are unable or unwilling to pay.

Child support enforcement is complicated by the fact that the establishment and enforcement of child support obligations are deeply embedded in concepts of family law and by the fact that within federal guidelines, each state operates its own system of enforcement. Success in improving collections will depend on addressing these issues.

The policy options in this area fall into four primary categories: interstate issues, enforcement tools, noncustodial parents, and child support assurance. Options include the following.

- Creating incentives for states to adopt uniform laws to facilitate the establishment and enforcement of interstate support orders.
- Establishing a variety of enforcement tools, such as data system linkages with the IRS, so that states can readily access needed information; providing incentives for states to implement hospital-based paternity establishment and that give the recognition of paternity the force of law; and developing outcome-based accountability measures with incentives for states that reach these measures.
- Establishing incentives for states to invest in education, training, and employment programs that target unemployed or underemployed noncustodial parents for services; and establishing incentives for states to experiment with strategies to encourage family unity, such as mediation services.
- Creating multistate demonstration projects to test the feasibility and effectiveness of child support assurance, an approach that provides a guaranteed minimum child support payment to every parent who has a valid child support order.

Federal Waivers and Other Reforms. There are a variety of short-term changes that can be implemented immediately to improve state efforts to test innovative approaches to welfare and to improve the delivery of services. Primary among these is simplification of the process states must go through to obtain federal waivers. To encourage state innovation and experimentation, states recommend that the federal government establish a central registry of all state waiver requests to facilitate information sharing among and between states. The majority of states also believe that more options for state flexibility through the AFDC state plan should be allowed to decrease the need for waivers and to facilitate statewide program design

experimentation, rather than the current demonstrations in small areas.

States have implemented a variety of strategies to improve the delivery of services to families. These efforts include "one-stop" service centers, single intake forms, and electronic benefit transfers. States recommend that more incentives be provided to continue and expand these initiatives and to experiment with new approaches. In addition, states recognize a need for more staff training to create new environments that seek to prevent long-term dependency, foster the expectation that all recipients should work, treat families as a unit, and build on individual and family strengths. Finally, given state economic conditions, states recommend that the federal appropriation for JOBS be enhanced to allow them to meet the demand for education, training, and employment services, as well as the demand for child care this would entail.

State Reform Efforts

As of June 1993, thirteen states—California, Georgia, Illinois, Maryland, Michigan, Minnesota, Missouri, New Jersey, Oregon, Utah, Virginia, Vermont, and Wisconsin—have received approval of federal waiver requests to restructure their welfare systems. Section 1115 of the Social Security Act authorizes the secretary of the Department of Health and Human Services (HHS) to waive compliance with specified requirements of the statute that are judged likely—based on experimental, pilot, or demonstration projects—to promote the objectives of the AFDC, child support, or Medicaid programs. Demonstrations under waiver authority must be cost-neutral to the federal government and the participating state must agree to a rigorous evaluation of its demonstration project, usually based on an experimental evaluation design. Federal waivers should not necessarily be equated with reform. They do, however, allow states to experiment with a variety of approaches to improve the welfare system.

Following are brief highlights of several of the most recent state reform efforts, including initiatives that do not require federal approval. Additional information is available in the January 31, 1993, NGA *Backgrounder* or in the June 1993 issue of *W Memo* from the American Public Welfare Association.

Colorado. The primary goal of Colorado's Personal Responsibility and Employment Program is to eliminate or reduce the economic "cliff effect" (losing all government benefits) that current recipients experience when they try to move from welfare to self-sufficiency. For example, an AFDC family with one adult and two children moving from

AFDC to a minimum-wage job currently gains only \$12 per month in net income after child care, taxes, and expenses for employment are subtracted.

Highlights of Governor Roy Romer's proposal include the following.

- A two- to three-year lifetime eligibility limit for able-bodied adult recipients, unless the recipient is employed or participates in education or training activities.
- A comprehensive benefit package that combines AFDC, Food Stamps, and child care subsidies into a single check. Eligibility will continue until the family's earnings reach 130 percent of poverty.
- Financial sanctions against AFDC adult caretakers who do not verify immunizations for preschool dependents.
- Financial incentives for recipients who achieve their educational goals of a high school diploma or General Educational Development diploma.
- Child care benefits paid directly to the family based on a sliding fee scale until earnings exceed 185 percent of poverty.
- An increase in the asset limits from \$1,000 to \$5,000 for AFDC families with an employed adult and from \$1,000 to \$2,000 for all other AFDC families, plus exemption of the resource value of one car.
- A requirement that private employers provide open enrollment into company health insurance programs for former AFDC recipients who lose eligibility for Medicaid.
- Replacement of all current income disregards with a 49 percent disregard in calculating benefits. (See page 2 for explanation.)

The applicable federal waivers were submitted to HHS in June 1993.

Florida. Governor Lawton Chiles has recently approved legislation establishing the Family Transition Act program to fundamentally change the concept of welfare from a permanent entitlement to a transitional program leading to self-sufficiency. Provisions of the new law include the following.

- Promotes an upfront expectation that welfare is a short-term program and that services will be provided to help individuals go to work.
- Increases the earnings disregard from the first \$30 and one-third of the remainder to the first \$200 and one-half of the remainder. (See page 2 for explanation.)

- Allows individuals to own one car for employment or training and permits recipients to accumulate savings of up to \$5,000 without affecting their eligibility for AFDC.
- Extends transitional child care from twelve months to twenty-four months.
- Eliminates the 100-hour rule and work history as conditions of eligibility for two-parent families. (See page 2 for explanation.)
- Establishes an independent review panel of community leaders to ensure that the welfare department and participants are meeting their obligations.

The applicable federal waivers are being pursued.

Georgia. In addition to requiring parents to provide immunization and health care for their preschool children, Governor Zell Miller recently signed legislation that does the following.

- Establishes a presumption of paternity if the statistical probability that the defendant is the father is 97 percent or greater; the burden of proof shifts to the father to rebut paternity.
- Requires employers with seven or more employees to report their new hires weekly by sending a copy of the W-4 form to the state Child Support Registry.
- Expands health care coverage to include the needs of children between the ages of one and six living in families with incomes that are below 185 percent of the federal poverty level. The provision could provide coverage for almost 59,000 children, at no cost to the taxpayer.

Federal waivers are not required for these changes.

Iowa. Governor Terry E. Branstad recently announced a welfare reform proposal that focuses on changing the culture of the welfare system to facilitate the transition to work. This will include informing the public about the reforms and how they affect services and modifying the public's attitudes toward poor people through education and success stories. Substantial changes also are being made in Medicaid and the Food Stamp program to ensure compatibility with the new reforms. Upon federal approval of the necessary waivers, Iowa's Family Investment Program (IFIP) will replace the AFDC program and will do the following.

- Reward work by changing the work expense deduction to 20 percent of gross earnings, increasing the earned income disregards to 50 percent of net earnings, remov-

ing the time limit on the disregards, allowing step-parents the same deductions as parents, and not counting earnings for the first four months of work for the long-term unemployed.

- Extend subsidized child care from the existing twelve months to twenty-four months for families that lose eligibility for IFIP due to earnings.
- Eliminate deprivation (absence of one parent) as a condition of eligibility, eliminate the work history requirements, and eliminate the 100-hour rule. (See page 2 for explanation.)
- Help families accumulate assets by increasing the asset limit to \$2,000 for applicants and \$5,000 for recipients, increasing the equity limit on motor vehicles to \$3,000, and establishing an Individual Development Account for each family.
- Adopt a more holistic approach to families by addressing the broad range of family issues that present barriers to self-sufficiency through a Family Investment Agreement, a binding contract between the family and the state that details the responsibilities of each.

The reform proposal took a year to develop and benefited from the input of welfare recipients, advocates, and policymakers. As a component of the Iowa Human Investment Plan, IFIP will be implemented concurrently with workforce development centers and individual development accounts.

Missouri. Missouri's 21st Century Communities is an innovative initiative that links economic development and human services. The initiative is a partnership between the department of social services, the business community, foundations, and civic organizations, and among local, state, and federal government. The target population is families in urban neighborhoods of Kansas City. The ten-year demonstration will:

- use AFDC grants to supplement wages for a period of up to forty-eight months, with Medicaid and child care services extended for the same period;
- allow the accumulation of assets up to \$10,000 during the forty-eight-month period;
- allow child support payments that are paid directly to the family and that exceed the AFDC grant amount to be disregarded when determining eligibility and the amount of benefits;
- create community banks for personal and business credit to support community-based enterprises;

- assist in the revitalization of employers based in urban Kansas City to participate in wage supplementation and job progression; and
- establish rent ceilings within the target area in conjunction with the U.S. Department of Housing and Urban Development.

Governor Mel Carnahan announced HHS's conditional approval of the AFDC waivers in February 1993. Approval is pending from the Department of Agriculture to "cash out" Food Stamps.

Pennsylvania. Pennsylvania has focused its attention on strengthening child support enforcement. A new statute builds on legislation implemented in 1992 that requires noncustodial parents to provide health insurance for their children and allows garnishment of lottery winnings of more than \$2,500. The newly approved statute authorizes:

- the state to suspend the professional licenses of noncustodial parents who are three months delinquent in paying child support, with a potential impact on 696,000 individuals who hold state licenses;
- the counties to publish the names of parents who are more than thirty days delinquent in child support payments;
- the courts to order noncustodial parents to help pay the cost of their children's college education or post-high school vocational studies; and
- the hospitals and birthing centers to provide unmarried birth parents with the opportunity to sign notarized affidavits of paternity.

Federal waivers are not required for these changes to the child support enforcement program.

Vermont. Approval was received from HHS on April 12, 1993, to implement a statewide demonstration project called the "Family Independence Project" (FIP). Approval from the state legislature is pending. The major components include the following.

- Pregnant and parenting minors must live either with a parent or in an approved and supervised alternative living arrangement.
- Following receipt of AFDC benefits for thirty months, single parents with children below age thirteen will be required to find half-time work or accept a subsidized community service job. Parents with children above age thirteen are required to work full time. Unemployed parents in a two-parent family will be required to work

after fifteen months on AFDC or take a subsidized community service job.

- The state will provide incentive payments to participants who successfully complete parenting education and other activities.
- When determining eligibility for both AFDC and Food Stamps, the value of one vehicle will be excluded.
- Current AFDC and Food Stamp rules will be replaced with a permanent earned income disregard of \$150 of earnings plus 25 percent of the remainder for individuals in unsubsidized jobs and a disregard of \$90 for individuals employed in a community service job. (See page 2 for explanation.)
- The 100-hour rule, the thirty-day unemployment requirement, and the six-quarter work history requirement all will be eliminated. (See page 2 for explanation.)
- Child support payments will go directly to the family; payments exceeding the \$50 pass-through will be counted as income in the month the family receives it.
- Medicaid coverage will be extended for thirty-six months after a family member goes to work, up to an income of 185 percent of the poverty line.

Virginia. Governor L. Douglas Wilder announced the Welfare Reform Demonstration Project in December 1992 as an opportunity for "everyone—recipients, businesses, and individual taxpayers—to win." The proposal is supported by the Commission to Stimulate Personal Initiative to Overcome Poverty and has been approved by the Virginia General Assembly. The centerpiece of the proposal is to provide 600 recipients with self-sustaining, permanent jobs that pay between \$15,000 and \$18,000, which are identified through partnerships with businesses. A Welfare Reform Advisory Commission, chaired by the lieutenant governor and composed of private business leaders, state and local elected officials, and consumers, will oversee the implementation of the project and work statewide to encourage business participation and to identify employment opportunities.

Highlights of the statewide initiative include the following.

- Creating a subsidized training period of up to one year with training specifically designed to meet the needs of individual employers who have committed to hire.
- Establishing a Job Investment Trust Fund from AFDC, "cashing out" Food Stamp benefits, state appropriated

dollars, and JOBS and JTPA training funds. All expenses of the demonstration project will be paid by the fund through individual work accounts.

- Providing training stipends for participants in lieu of AFDC and Food Stamps.
- Offering incentives for employers to participate, such as subsidies for unemployment insurance, tax credits, and post-employment health care coverage.
- Earmarking federal and state taxes that recipients pay after becoming permanent employees to return to the trust fund and setting aside for the trust fund a percentage of accumulated federal and state welfare savings for two years following job placement.
- Implementing a social contract among the commonwealth, the employer, and the participant.
- Implementing a mentoring program during training and job placement.
- Removing disincentives to work, including extension of Medicaid, greater retention of earnings, retention of

child support, and a rental freeze on public housing subsidies.

Waiver requests have been submitted to the Internal Revenue Service, the Office of Management and Budget, and the Departments of Agriculture, Health and Human Services, and Housing and Urban Development.

Conclusion

The examples highlighted here are evidence of the need to examine the structural flaws in the welfare system that discourage individual responsibility, work, and family unity. With an estimated 2,300 children being added daily to the welfare rolls, it is time to make fundamental changes in the nation's largest cash assistance program. It is time to quit tinkering around the edges and create a new system that recognizes the value of children and supports parents in meeting their basic needs. It is time to build on state experiences under the Family Support Act and, as President Bill Clinton has said, "end welfare as we know it."