

## **Outline of Proposed Welfare Reform Bill**

### Outline of the Welfare Forum Bill

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

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family, and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from the one that writes checks to one that puts people to work. Two-year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for caseworkers to operate within and encourage a quick return to the workforce of the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the more than 14 million persons receiving welfare.

Proposal - At the time of enrollment in the Work First program, individuals will be operating under a time-limited assistance program:

- imposes a two-year limit on participation in the Work First (WF) program;

- after two years, the bill imposes a general two-year limit on participation in the Community Service Program (CSP)
- a State is permitted to allow repeat participation in the WF or CSP program but the number could not exceed 10 percent of the estimated total of participants during the year.
- allows state to drop recipients from both welfare and work program after two years if recipient has spent at least two years in the work program.
- Exemptions to the Two Year Lifetime Time Limit:
- Clients under age 20 who complete high school or GED certification, if school has a Vocational Technical Program
- Clients who are employed and participating part-time in technical/vocational education
- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative.
- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

#### Work Program Time-Line

- The phase-in of the time limit and all other provisions included in this bill will begin October 1, 1995.
- The Work First program will start in October 1, 1995. The following is the required percentage of AFDC recipients states must have at a given year. This number will be achieved through a combination

of recipients from the Work First Program and Community Service program as set forth in the time line.

- In FY 1996, 2% of a state's AFDC families must participate.
- In FY 1997, 4% of a state's AFDC families must participate.
- In FY 1998, 8% of a state's AFDC families must participate.
- In FY 1999, 12 % of a state's AFDC families must participate.
- In FY 2000, 17% of a state's AFDC families must participate.
- In FY 2001, 29% of a state's AFDC families must participate.
- In FY 2002, 40% of a state's AFDC families must participate.
- In FY 2003 and each succeeding fiscal year, 50% of a state's AFDC families must participate.
- This program will be a capped entitlement based on a formula to accommodate increases in case load and inflation.
- The matching rate for the Work First Component of the program will be 70% or the Medicaid match + 10%, whichever is higher.

## II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system which make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing Medicaid coverage deters many from taking low-wage jobs which do not offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

- Extended Transitional Medical Assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.
- Change the definition of who is eligible for Transitional Medical Assistance to count only earned income and extended eligibility to those who got off assistance due to earned income.
- Enact a quarterly income verification by the IRS for recipients during the two years of Transitional Medical benefits.
- Change the eligibility criteria from three months of the last six months to one month of the last 24 months.

EITC: We strongly support the recent five-year, \$21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty.

However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of the EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.
- Requiring that employers inform new employees earning less than \$30,000 annually, of the option of having advance EITC payments available through their payroll.
- EITC payments be exempt from counting against food stamps and AFDC assets limits for 12 months.

Child Care: Safe affordable quality child care is a vital factor in the success of any work-based welfare proposal. 90% of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate safe child care. We recommend changes in Title IV-A child care programs including the At-Risk child care program, AFDC child care and Transitional Child Care. We recommend the following:

- Phase out Dependent Tax Care Credit between \$70,000 - \$90,000 and make the credit refundable for families with no tax liability.

- Federal funding for child care assistance would be consolidated into an earmarked grant under the Title XX social services block grant. Title XX is a capped entitlement program without a specific authorization. This consolidated block grant would replace the Title IV (AFDC) child care program, the transitional child care program, the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance.
- The earmarked funds for child care services would be \$2.6 billion in 1996, \$2.7 billion in 1997, \$2.8 billion in 1998, \$2.9 billion in 1999 and \$3.0 billion in 2000. The funding level for 1996 combines the funding for Title IV child care (\$528 million in fy94), the transitional child care program (\$140 million in fy94), the At Risk Child Care program (\$361.4 million in fy94) and 75% of the Child Care Development Block Grant (\$669 million in fy94) and increases the funding level by \$800 million to accommodate the costs CBO estimates will be required to accommodate the increased caseload resulting from the expansion of the Work First program and to eliminate current gaps in assistance under the At Risk Child Care program. The discretionary spending limits would be reduced to reflect the shift of discretionary spending under CCDBG program to the Title XX entitlement.
- The earmarked increase for child care would be in addition to the Title XX funds states currently use for child care services. Currently, states use approximately 16% (\$430 million) of Title XX funds for child care. States would continue to be able to use the existing pool of Title XX funds for child care services in addition to the earmarked funds.
- States could use the funds to provide child care assistance on a sliding fee scale basis, giving priority to children in families with very low family incomes or who are at risk of becoming eligible for

welfare if child care assistance were not provided. States would be required to provide child care assistance to participants in the Work First program.

- States could fund a variety of services with the block grant funds, with an emphasis on expanding parental choice as set forth in the Child Care and Development Block Grant. Other services that could be funded included contracts and grants for regular child care services, improving the availability and quality of child care, expanding the range of choices of child care services available.
- States must report on how funds are used to expand parental choice in child care services, address deficiencies in availability, promote health and safety, and improve quality of child care services.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment, virtually every net additional dollar results in a dollar reduction in AFDC benefits. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

- States must liberalize the earned-income disregard. States have the discretion to determine the extent of the liberalization providing it is moved to a level that encourages work over welfare. However, states must stay within the following guideline of enacting AFDC countable income tests up to a ceiling whereby the maximum monthly disregard is \$225 in addition to 1/2 of all remaining earned income
- At state option, eliminate the 100 rule for two-party families (covered in detail in the Family Stability section).

- State flexibility to establish a voluntary AFDC grant diversion program in all or part of the state. Diversion payments are not to be considered an entitlement nor for eligibility, which is to be determined by the caseworker. Payments may not exceed three times the household's monthly payment level. If a family applies and is eligible for additional AFDC benefits during this three-month period, any payment must be prorated against benefits within those three months. The purpose of this program is to prevent families from entering the AFDC rolls by providing them with a one-time grant to cover a short-term financial emergency, such as a short fall on rent or other emergency that could place an otherwise financially stable family on AFDC.

Asset Limitation: While work is a first step out of poverty, assist accumulation is the step that keeps a person out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

- Increasing the vehicle asset threshold to \$5,000 following the food stamp language contained in OBRA '93 and employing the definitions for what constitutes an automobile and the value thereof, as used in the food stamp program.
- Increasing the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or increasing non-vehicle asset level up to \$10,000 for specific use in setting up a microenterprise, for purchase of a first home or for higher education. Those who use savings over \$2,000 for purposes other than those designated shall

have a state-attached lien on any future wages or assets.

Job Search: Job search must begin immediately upon eligibility for AFDC and continue for the duration of enrollment in AFDC, the "Work First" program, community service, and for those non-working males deemed delinquent in their child support payments. Each client will be individually assessed when he or she enters the AFDC system. Education and/or training should not be a substitute for work, but should rather complement and reinforce a revamped system that puts work first.

Other

The federal government with the assistance of the states must develop a federal data base to track AFDC receipt and enrollment in the Work First program to ensure that the two-year lifetime limit is administered fairly and properly, and deters fraud and abuse.

### **III. Putting Work First**

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections, and self-esteem necessary to become self-reliant members of the community. The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training, and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs which put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is even more important. Once someone is working, education and training can help them upgrade their skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of burgeoning welfare architecture. The danger in this approach is that we will end up with a cast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence-- these successes arise from an emphasis on work and job

placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement and support agency efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people to private jobs.

The bill would establish a WF program to move welfare recipients off of welfare into jobs.

The WF would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own

program within the broad federal guidelines set in this bill.

In the Federal model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

### Federal Model

- **Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will show bottom line results.
- **Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.
- **Job Search:** Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.
- **Employability Contract:** Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient must meet with a case management team to develop an individual employability contract, termed the Work First Agreement. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time unsubsidized work. The Employability Contract should include to the greatest extent possible a "ladder to work" approach meaning that recipients should move as quickly as possible into whatever type and amount

of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two year time limit shall not begin until the employability contract has been signed by both parties.

- **Participation:** Every able-bodied individual (as defined by the state) will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include job search and some work or education and training leading to work.
- **The Federal "Work First" model must include at least one of the following choices for WF program:** a temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.
- **Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal model.

States are encouraged to submit their own plans to the Secretary of HHS. After five years, they must submit a plan which can be the federal model. Secretary of HHS is to consider the following criteria in deciding whether to approve the States' plans.

**Federal Guidelines -- all state programs must follow these guidelines in their State programs:**

- **Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will

show bottom line results.

- **Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.
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job search and some work or education and training leading to work.

- **The Federal "Work First" model must include at least one of the following choices for WF program:** a Temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.
- **Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal guidelines.

**Others Factors the Secretary of HHS should consider in approving plan:**

- **Job Development:** Job development shall be a mandatory component of the Work First program and shall be a priority for every Work First and JOBS office.
- **Incentives:** States must implement widespread use of internal incentives to change the culture of the welfare office, improve employee performance and shift employee objectives to unsubsidized paid employment. A percentage of the funds for the Work First Program (JOBS and other choices involving government caseworkers and related employees) will be allocated to the states for caseworker training and creation of incentives to caseworkers and related personnel for successful job placements which result in full-time public or private sector employment outside of the AFDC system. Additionally, caseworkers who combine education and/or training with work when negotiating the employability contract will be rewarded.

- **Performance-Based Measures:** States are required to set performance-based standards and measures for full-time job placement. The measures must be reported to the Sec. of HHS who will have the option to evaluate and amend the measures if such measures fall short of expectations to assure a work-based system. Additionally, each Work First site must make monthly statistical reports of job placements and quantity of welfare recipients removed from AFDC as the result of the Work First program. Such reports shall be distributed in a timely manner to the governing body of each state, county, and city.
- **One-Stop Shops:** Make available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and force cooperation between other federal and stated government agencies to make available all training and education programs to AFDC recipients. Welfare recipients are currently eligible for most of the programs listed below, however there is no interaction between the caseworkers and those who administer these programs. We must mandate interaction between caseworkers and the administrators of these programs in the One-Stop-Shops.

The programs are as follows:

- JTPA -- Adult Training Program  
Summer Youth Training Program  
Youth Training Program  
Economic Dislocated Workers Adjustment Act  
Job Corps
- DOE -- Perkins Act programs (Voc-Ed)  
Adult education Act  
Even-Start Program

McKinney -- Adult Education for the Homeless  
Act Education for Homeless Children and Youth  
Job Training for the Homeless

School-To-Work

Empowerment and Enterprise Zones

National Service

National Voluntary Skills Standards.

- **Illness or substance abuse:** States must develop a sick leave policy. Substance abuse treatment will be required in addition to work/education/training as appropriate.
- **Sanctions:** Non-compliant recipients except for good cause will have their AFDC benefits and food stamps benefits reduced for one month by 25% for each act of non-compliance. Each additional act of non-compliance will result in a corresponding one-month 25% cut in AFDC and food stamp benefits. 25% cuts are not cumulative. The state must define acts of non-compliance but must include failure to accept a non-subsidized, full-time private or public sector job without good cause.

#### **IV. Family Responsibility and Improved Child Support Enforcement**

Our proposal believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of our proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, this bill takes a very tough stance on non-payment of child support. This proposal has four distinct sections.

##### Enhance non-custodial parent location and identification by:

- Expanding the functions of the parent locator in the Department of Health and Human Services.
- Requiring states to maintain registries of child support orders.

The first step of expanding the federal parent locator is fulfilled by requiring states to maintain registries of child support orders. The Interstate locator should be designated to link state-to-state child support order registers into a central system under the guidance of the Secretary of HHS. The system should be fully automated.

- As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.

The W-4 form completed by the new employee would include a statement of whether a child supporter obligation is owed and, if so, to whom it is payable and the amount to be paid, and whether the payment is by

income withholding. Employers would immediately withhold the support based on the information provided the obligor on the W-4 until notified differently and would then forward the withheld child support to the designated public entity in the rendering state. This will come into effect two years after enactment.

Improve the process by which child support orders are established through:

- Creating a National Child Support Guidelines Commission to oversee the child support process.

Establish hospital-based paternity by:

- Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers. Ensure that states have simple civil consent procedures for paternity establishment available at hospitals at the time of birth.
- Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
- Encourage states to make available on-site hospital social services for pregnancies resulting from rape or incest.
- Require states to offer positive paternity/parenting social services for new fathers. The Secretary of HHS shall develop regulations for programs which provide new father positive parenting counseling stressing the importance of maintaining child support payments.
- Make benefits contingent on paternity establishment except for limited exemptions -- According to HHS, AFDC benefits are already contingent on the listing of the identity of a non-custodial parent.

However, many loopholes remain in enforcing the AFDC parental identification. At this time, there is no reciprocal obligation for welfare recipients to help the government locate an absent parent. Accordingly, it has been proposed that we shift the onus of certain parent locator services of an absent parent to the AFDC applicant. All new AFDC applicants will be required to provide detailed information (i.e. more than just a name) about an absent parent or risk being denied or losing their benefits. The following information is required:

- Full name
- Telephone number if applicable
- Last known address
- Last known employer
- Closest living relative
- Social Security number
- One other reference of identity
- Driver's license ownership

Those who are not able to provide the above stated documentation, would be required to document and show diligence that they made a serious and earnest attempt to obtain the documentation.

If a mother claims fear of harm to herself or to her child in order to exempt herself from paternity establishment, she should provide documentation to prove such danger exists (i.e. police report or a restraining order or an affidavit by a social service provider). Require HHS and the states to provide information about available social service agencies that will evaluate claims of prior or potential harm if no documentation exists.

Victims of rape and incest should be exempt from providing names of parents. The Secretary of HHS will be required to develop federal guidelines concerning this exemption.

- Eliminate child support pass through of \$50 per month.
- States will be sanctioned for non-compliance in establishing paternity -- the state will lose federal money for funding AFDC benefits to those compliant persons for whom paternity establishment has not been set in a timely manner.
- Parents who willfully and fully comply with paternity establishment requirements will not be denied benefits, nor will they be denied benefits if the state has not met its responsibilities and obligations in assisting with paternity establishment.

Enforce child supporter through demanding and uncompromising punitive measures for dead-beat parents including:

- Strongly reinforcing direct income withholding measures for child support orders.
- Allowing workers' compensation to be subject to income withholding of child support.
- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payout, and other awards.
- Require non-compliant fathers delinquent in their support payments to enter a work program in which they work to pay off benefits going to support their children. Follow Wisconsin model, "The Children First Program."

## V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

- Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap). States may opt out of this requirement under state plan amendment.
- Prevent minor mothers from setting up their own households by disallowing them from receiving separate AFDC benefits. The minor mother shall be required to live with a responsible adult, preferably a parent (with certain exceptions when deemed necessary). AFDC benefits shall be calculated on the household of the parent or responsible adult, not on the situation of the minor mother. Extensive case management for minor parents under 18 is required to screen and assess the individual home situations.
- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long term-welfare dependency.
- Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and will receive a penalty of 25% per month if this requirement is not met.

- Allocate a percentage of the Work First funds to states to create or expand programs for male non-custodial parents born 1972 or later (25 and under by 1997) to promote responsibility and work in the same way the Work First program does for young single mothers.
- The parent of a dependent person under the age of 18 shall maintain (financially and otherwise) a child of the dependent person so far as the parent is able and to the extent that the dependent person is able to reside in the household. States may opt out of this provision by state plan amendment.
- At state option, eliminate the 100-hour-rule and the six-month benefit receipt maximum for two-parent families as well as other provisions that create a disincentive to marry, by allowing two-parent families to receive the same benefits single parent families receive. Additionally,
  - \*eliminate the quarter of coverage requirement under AFDC-UP for married individuals if both are under the age of 20, and
  - \*a stepparent's income shall not be calculated as countable income if the family unit's total income is at or below 130% of the Federal poverty line. If the family unit's total income is above 130% of the Federal poverty line, that income which is above the limit shall be counted against any potential AFDC benefit.
  - \*Maintain restrictions in current law for non-married couples.

These provisions effectively eliminate the AFDC-UP program for those states who choose to follow this option.

State Goals

- Educate our children about the risks involved when choosing parenthood at an early age.
- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.
- States are encouraged to use Title XX money for comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help changes the environment.
- Work with schools for early identification and referral of children at risk.

## VI. Community Service

- At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the **state** will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section.
- Also required is an additional five hours per week of job search, bringing the total minimum hours of activity to 35 hours a week.
- The administrative costs of Community service will be funded at 70% matching rate or Medicaid matching rate + ten percent, whichever is higher.
- The wage portion of community service will be funded by the current Medicaid matching rate. Recipients shall be paid minimum wage except that benefit shall not exceed 150% of the AFDC payment.
- Community service jobs will act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

**State Participation:** State Governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

### **Community Service Required Guidelines:**

- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.

- Recipients should work full-time (30 hours a week or more) for wages instead of benefits to foster increased self-sufficiency. In addition, they must engage in at least five hours of job search bringing their total minimum hours of activity to 35 hours a week.
- Current public sector employees shall not be displaced due to job creations for welfare recipients.
- Recipients will be paid no more than 150 % of AFDC payment.
- Community Service will be time-limited to two years.
- States will have the option to receive federal funds to readmit persons who have not found employment after two years of the Work First program and two-year community service or persons who have used up their two-year Work First and two-year community service time limits but were successful at finding work or otherwise leaving welfare but need to return because of a change of circumstances. Any persons being readmitted must be re-evaluated by a caseworker or case management team and will have a choice to cycle back into the transition program and/or community service. The number of each people in a state may readmit will be calculated from taking 10% of the year's total projected number of entrants into the Work First program for the calendar year the said person applies to her caseworker to recycle, as determined by each state. The time period and the number of times each person will be allowed to be readmitted back into either program will be re-negotiated in a new contract between the recipient and the state or social service agency. Only true hardship cases should be considered for by the states to readmit -- people truly not ready to work.

STAFF DRAFT PROPOSAL  
DECEMBER 13, 1994

- Recipients will not be eligible for the EITC while enrolled in community service.
- At state option, those enrolled in "Work First" may have the option to choose community service before the two year limit.
- Case management and caseworker services must be available for those enrolled in community service and subsidized jobs.
- A community service enrollee will be given a maximum of three placements during which instances of non-compliance may occur after which the enrollee will no longer be allowed to participate in community service placements. A definition of acts of non-compliance shall be determined by the state and/or employee but must include sanctions for those who are offered a private sector job but do not accept that job without good reason.
- Under Community Service, states with especially low benefit levels might be subject to higher community service costs than other states as they work to pay for the 35 hour a week, minimum wage community service requirement for those recipients who have hit the two-year limit. These low benefit states (Mississippi and Texas for example) should have the option to start with a part-time community service work requirement in 1999 (the first year of community service) and phase in the full-time community service work requirement by the year 2001.

## **VII. Program Simplification and SSI Reform**

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. We propose to simply the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

Most importantly, our proposal would eliminate the waiver process which is so bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, our bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

**Simply the application process for AFDC and Food Stamps:** Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Nineteen specific provisions are included in this bill which will significantly improve this process. These include provisions to unify rules for AFDC and Food Stamps. These changes will improve the efficiency of programs for both clients and caseworkers.

**Simplify the verification requirements for processing Food Stamps and AFDC applications:** One of the most significant challenges faced by state

and social workers is verifying eligibility information submitted by assistance applicants. States have found it difficult meeting federal quality control guidelines. States should be able to decide what to verify.

Encourage improved automation and technology: Increased use of automation serves to improve the efficiency of programs and reduces the level of fraud and abuse of programs. In addition, a recent study by the Office of Technology Assessment has cited the implementation of Electronic Benefit Transfer Systems for Food Stamps as a potential to significantly reduce fraud and abuse in the system. States are strongly encouraged to implement such programs.

**Revise allowable income deductions under the AFDC and Food Stamp programs so that they are consistent with each other. The following revisions are suggested as possible changes in current policy and include, but are not limited to:**

- Amend Food Stamp Act to allow a state which exempts funds from a complementary program in AFDC to also exempt income from that program for Food Stamps;
- Exclude earnings of full or part-time students under 18 for both eligibility and benefit determinations for both programs;
- Disregard for both AFDC and Food Stamps any energy assistance payments based on financial need received on behalf of a household to cover the costs of heating or cooling from either public or other general assistance programs.
- Amend existing legislation (Food Stamp Act and Social Security Act) to completely disregard all educational assistance, even that portion that is used for current living costs;
- Exclude as a resource from both programs income-producing real

property, essential to employment or self-employment, that produces income consistent with its fair market value;

- Exclude life insurance as a resource from both programs;
- Exclude medical expenses as an allowable deduction under both programs.
- Exclude as a resource for both programs, real property that the household unit is making a good faith effort to sell. (Under current AFDC law, real property for sale counts as a household resource after 6 to 9 months) Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.
- Amend AFDC law and Food Stamp Act to make lists of excluded income identical. Amend both laws so that the Secretary of HHS and USDA may issue regulations at any time to accomplish this.

A more complete list of suggested changes in allowable income deductions under the AFDC and Food Stamp program is available upon request.

- Allow states to have flexibility in handling recertification and redetermination issues: Social workers need more latitude in authorizing benefits and reviewing eligibility for Food Stamps and AFDC recipients. States should be allowed open-ended authorization of benefits. States should also be allowed to decide the certification period that will be assigned for reviewing monthly and on-monthly households. A certification period may range from one to twelve months.
- Modify AFDC law to conform with the Food Stamp 12-month limit on restored benefits: Under current AFDC law, there is no time limit

for the correction of underpayment. The Food Stamp program on the other hand, imposes a 12-month limit on restoring lost benefits unless there is a special exception. Allow states to develop exceptions to the 12 month limit, subject to approval HHS.

- Require the Secretary of HHS to review States' applications for Work First program within sixty days. These applications must only meet the federal guidelines to be approved.

### **SSI Reform**

- Within six months of enactment of this bill, the GAO must submit a report containing recommendations to combat waste, fraud and abuse in the SSI system.

## **VII. FINANCING WELFARE**

Through our efforts over the past several months, we have drafted a plan that will attempt to reform the welfare system in our country.

Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

Our plan proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years.

We base this proposal on the common-sense idea that only American citizens qualify for benefits from our government. And it does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges.

We recognize that some states will be adversely affected by this decision and pledge to help these states offset some of the potential costs. We propose a billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

We understand the rich tradition of hard work brought to this country by immigrant ancestors. Our nation's ethnic diversity remains one of its strengths, and studies repeatedly demonstrate that immigration is a net economic boon to this country.

But in this time of unprecedented budgetary pressure, a fundamental sense of fairness demands that the U.S. government place the welfare of its own citizens first. We believe that neither federal nor state governments can continue to bear the cost of most public assistance for those immigrants who have not become citizens.

Simple humanity requires that we not deny anyone emergency medical services and common sense suggests that the children of noncitizens should not be barred from our schools. We must help immigrants look to other sources besides state and federal government for help, such as relatives, sponsors and nonprofit groups. But the U.S. government cannot, in the end, be responsible for the welfare of those who are not its citizens.

Throughout this process, we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system which adversely affect American citizens.

## **Welfare Immigration Proposal**

### Benefit Termination

Eliminates Supplemental Security Income (SSI) benefits, Medicaid benefits (excluding emergency medical assistance), food stamp benefits, and

AFDC benefits for non-citizens. All legal immigrants residing in the United States will be allowed a one-year grace period before their benefits will be terminated. There are four exceptions to this provision:

- a. Refugee - Shall not apply to an alien admitted as refugee until 6 years after the date of such alien's arrival into United States.
- b. Asylee - Shall not apply to an alien **granted** asylum until 6 years after the date of such alien's arrival into the United States.
- c. Age - Shall not apply to an alien who has been lawfully admitted to the United States for permanent residence; is over 75 years of age; and has resided in the United States for at least 5 years.
- d. Unforeseeable - Shall not apply to an alien who has been lawfully admitted to the United States for permanent residence but who is subject to events unforeseeable such as getting hit by a car.

### Affidavits of Support

The proposal also makes affidavits of support legally enforceable. An affidavit of support requires a sponsor to swear to the ability and willingness to contribute to the prospective immigrant's financial support. Currently, these affidavits are not legally binding on U.S. resident sponsors for the benefit of state agencies providing assistance. This bill would provide that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien. The bill would make affidavits of support legally binding which gives the immigrant the right to sue a sponsor who does not fulfill the affidavit of support.

Also, the proposal contains a provision allowing states to deny state funded public benefits to legal aliens. Since immigration is under the jurisdiction of the federal government, states have not had the ability to distinguish among legal aliens. States are also given the authority to ask about citizenship status.

The bill would authorize \$1 billion over 5 years to offset costs that may occur as a result of the immigration proposal.

### Savings

CBO scored the savings from elimination of benefits to most non-citizens at \$21.3 billion. Estimated savings from the entire immigration proposal with the offset to states is **\$20.3 billion over five years.**

### **Other Financing Provisions**

1. Cap Emergency Assistance Program - Establish a federal matching cap for each state's EA expenditure so that the cap equals three percent of the State's total AFDC benefits incurred during the pervious fiscal year. States that are above that level would be grandfathered at their FY 1993 expenditure level. **CBO scored this proposal at a savings of \$800 million over five years.**

2. Phase-out the Dependent Care Tax Credit - Phase-out the Dependent Care Tax Credit for families between \$70,000 - \$90,000. **This has been estimated to save about \$700 million over five years.**

3. Modify the Family Day Care Homes - Target meal subsidies in family day care homes toward low-income areas or providers by introducing an income test. **CBO scored this proposal at a savings of \$500 million over five years.**

## **State Flexibility**

### **I. Time-Limited Transitional Assistance:**

Allow states to terminate AFDC payments to families who receive such assistance after they complete two years in the Work First program.

### **II. Child Care:**

Instead of providing for four major child care programs with separate requirements for states, federal funding for child care assistance would be consolidated into an earmarked grant under the Title XX social services block grant. Funding for the child care block grant would be sufficient to accommodate the increased caseload resulting from the expansion of the Work First program and inflation.

### **III. Work First Program:**

Instead of requiring states to go through a cumbersome state waiver process to justify why they should be allowed to deviate from federal guidelines, states would be encouraged to develop their own programs. States' programs would be approved as long as they met a few minimum standards.

### **V. Teen Pregnancy and Family Stability:**

Give states the option to implement a family cap and eliminate the current disincentives to marriage.

### **VI. Community Service:**

Unlike other welfare reform proposals, states would not be required to establish community service programs. States would have the option to recycle up to 10% of a particular year's caseload back into the system if they chose to do so. In addition, states may petition the Secretary to allow them to increase the recycle percentage to 15% if they can show that there is a significant economic hardship to justify the increase.

## **VIII. Immigration Proposal**

States which qualify for assistance to offset the effects of our immigration proposal will be allowed to use those funds in any manner they see fit. In addition, our bill gives states the option to distinguish between classes of aliens for state programs, determine the legal status of recipients receiving government assistance and sue sponsors who do not abide by affidavits of support.

## Major Differences with the Clinton Welfare Reform Proposal

1. **Time-Limited Transitional Assistance** - The proposal places a two-year limit on the Work First program and gives states the option to drop welfare recipients after two years. Places a two-year limit on Community Service program. States have option to recycle up to 10 percent of caseload back into the program.

The Clinton Plan places a two-year limit on the JOBS program. It does not give the states the option to drop welfare recipients. And as long as individuals play by the rules, they can stay in a Community Service program indefinitely.

2. **State Flexibility in Work First Program** - In the proposal, the WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program. In addition, our proposal would eliminate the waiver process which is bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers. In its place, the bill sets forth guidelines that if met by state plans will assure approval by the Secretary of HHS.

The Clinton proposal retained the state waiver process which forces states to go through an bureaucratic maze so their programs can be approved.

3. **Child Care** - Our proposal would consolidate all of the child care programs into one capped entitlement block grant program. Funding would be increased to allow for the increase in caseload and inflation and to eliminate current gaps in assistance.

The Clinton plan increases child care funding for caseload and inflation, but kept the existing patchwork of separate programs for child care assistance with different requirements.

4. **Participation Rates** - Our proposal would match the Contract for America participation rates which will put more people in the WF(JOBS) and Community Service programs than the Clinton Plan. The following is a comparison of the combined participation in WF (JOBS) and Community Service program for the Clinton Plan and our proposal.

### Our Proposal (Numbers in thousands)

FY 97	FY 98	FY 99	FY 00	FY 01
800(16%)	1,000(20%)	1,200(24%)	1,400(28%)	1,550(32%)
FY 02	FY 03			
2,000(40%)	2,600 (52% and subsequent years)			

**Clinton Plan (Numbers in thousands)**

FY 97	FY 98	FY 99	FY 00	FY 01
764	914	994	1,198	1,304

5. **Financing** - Our plan proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. The proposal also adds an exemption for unforeseeable circumstances, provides states with the authority to ask individuals about their legal status for government assistance program, and creates a targeted assistance program for states affected by the denial of benefits to most noncitizens. Proposal also contains other spending cuts all of which are within the welfare system.

The Clinton plan pays for its proposal with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system which adversely affect American citizens.

## Major Differences with Contract for America Proposal

1. Allows individuals be able to participate in the Work First program to help individuals move from welfare to work for up to two years. States would not be allowed to drop individuals who have not had the opportunity to participate in the Work First program for at least two years. The Contract allow states to drop individuals from the WORK program after one year and requires states to terminate all benefits after five years even if the individual has not had an opportunity to participate in the WORK program.
2. Sets more reasonable matching rates that states can meet for participation in the JOBS component and Community Service Program. The bill establishes the following matching rates:
  - a. JOBS component - Seventy-one percent matching rate or the Medicaid matching rate plus ten percent, whichever is higher.
  - b. Community Service - Seventy-one percent matching rate or Medicaid matching rate plus ten percent for the Administrative costs, whichever is higher. For wages, Medicaid matching rate would apply.

The Contract proposal requires states to draw down JOBS funds under the current match before WORK money would be available. Over two-thirds of states currently do not draw down JOBS funds because of financial constraints. The Contract proposal would force states to either dramatically increase state spending on welfare programs to meet Federal participation requirements, or not participate in the WORK program at all.

3. Places a four year limit on total participation in the Work First and Community Service programs. The Contract places a five year time limit on participation in the Work Program.
4. Consolidates all child care programs into a capped entitlement program that is distributed through a block grant that provides state flexibility. Increases funding to accommodate caseload and eliminates existing funding shortfalls in order to provide assistance to all families who need child care assistance to work to get off / stay off welfare. The Contract does not change the existing patchwork of childcare programs and does not provide sufficient funding to eliminate gaps in assistance. Without adequate funding for child care assistance, many families will be forced back into welfare programs.

5. Immigration proposal is not as punitive as the Contract for America.
  - a. Eliminate only four programs-SSI, food stamps, Medicaid and AFDC for most noncitizens. The Contract eliminates a total of 61 programs.
  - b. Puts in unforeseeable clause in which an alien may qualify for benefits if something unforeseen happened.
  - c. Makes affidavits of support legally enforceable.
  - d. Contains provision allowing states to deny state-funded, public benefits to legal aliens.
  - e. The bill authorizes \$1 billion over 5 years to offset costs that may occur as a result of the immigration proposal.
6. Does not eliminate entitlement status of nutrition programs.
7. Does not deny benefits to individuals under 18 years old but requires them to live with parents or guardians to receive benefits.
8. Allows states to create an additional number of slots in the Work First to recycle individuals who were unable to find jobs within four years back into the system equal to ten percent of the new entrants to the program. Caseworkers would determine whether individuals should be re-admitted based on individual circumstances of the case. The Contract does not provide states with any flexibility to create a safety net to deal on a case-by-case basis with individuals who were unable to find private sector employment within the time limit.
9. Creates a "good faith" exemption to requirement for paternity establishment. The Contract would deny benefits to individuals who make a good faith effort to determine paternity but are unable to do so because the state does not have the resources for paternity establishment.

# Pennsylvania Avenue

By Morton M. Kondracke

## Dems Must Heed 'Coalition,' Quit Being So Liberal

After last week's House welfare reform debate, Republican Rep. Clay Shaw (Fla.) told conservative Democrat Nathan Deal (Ga.) that Democrats "would still be in the majority" if they had pushed Deal's "work first" bill in the 103rd Congress instead of waiting until this year.

Minority Leader Richard Gephardt (D-Mo.) was with Deal, and to him Shaw added "and you'd be Speaker."

It's a message that the electorate has been trying to pound into the Democratic party's head for 25 years now, by electing GOP presidents in five out of the last seven elections and finally by delivering Congress into Republican hands. The message is: You're too liberal.

The word repeatedly has been conveyed within the party to little avail — by the Coalition for a Democratic Majority after the 1972 debacle and by the Democratic Leadership Council after 1980. Bill Clinton ran as a DLC Democrat in 1992, but quickly got trapped by liberals in Congress and in his own entourage.

The disaster of 1994 was the consequence, and now the message carrier is a new group, the Coalition, consisting of 23 conservative Democratic House Members usually treated as pariahs by the party's dominant liberals.

Having failed to heed the CDM and the DLC, Democrats had better listen to the Coalition or find the party isolated in the nation's inner cities and university campuses and ex-tinct in most suburbs and in the South.

There is some slight evidence that listening has begun. On March 10, Clinton invited the Coalition to lunch at the White House, praised its crucial work on passing the unfunded man-



Photo by Maureen Keating  
Can the Coalition — including (above, from left) Reps. John Tanner, Bill Brewster, Billy Tauzin, and Nathan Deal — point Democratic leaders in the right direction?

dates bill and securities litigation reform, and asked its help in reforming affirmative action.

In the House, the Coalition now has two representatives in the leadership structure, Reps. Charles Stenholm (Texas) and Collin Peterson (Minn.).

Also, in a stunning move two weeks ago, the leadership endorsed the Coalition's welfare reform alternative, authored by Deal, instead of a liberal measure sponsored by Rep. Patsy Mink (Hawaii).

Still, it's doubtful that the Administration or Congressional Democrats will give more than token respect to Boll Weevil sentiment. Even leadership sources admit that they took up Deal's welfare bill because they lacked any alternative but Mink's, which would have positioned the party behind the status quo.

What's more, every indication is that Clinton will modify affirmative action only slight-

ly for fear of offending liberal civil rights and women's groups, and possibly will create a blue-ribbon national commission to consider the problem, as recommended by former Urban League director Vernon Jordan.

There's no question that moving right is a dicey proposition for the Democratic party. Right of liberal is the middle of the road, which proved to be the most dangerous place of all in 1992.

As former Rep. and DLC chairman Dave McCurdy (D-Okla.) puts it, "The only thing in the middle of the road is a yellow line and dead animals. We're the political equivalent of road-kill."

Of 40-odd members of the moderate Mainstream Forum that McCurdy headed in the 103rd Congress, 32 are out of office, including McCurdy.

For its part, the Coalition is distinctly leery

of the Democratic party's embrace and wants to stay to the right of the DLC.

What got created (in 1992) was the center of the party, says Rep. Billy Tauzin (D-La.), a Coalition stalwart. "It was too mushy at a time when the people are polarizing left and right. That's Clinton's problem; he's always caught in the middle."

The Coalition is distinctly "conservative," whereas the DLC terms itself "progressive." Tauzin passes out lapel buttons, with a blue dog in the middle, surrounded by the words "Conservative Democrat." Blue dog Democrats have replaced dependable yellow dog Democrats in the South, Tauzin says, because "we're more discriminating."

The blue dog Coalition, so far, has been amazingly successful at maximizing the power of its tiny membership, at getting legislation passed and at improving its members' chances of surviving in districts that lean strongly Republican.

The Coalition is more tightly organized than the Mainstream Forum; the DLC's Congressional arm, with its own whip structure and internal discipline. Unlike the DLC, it also is entirely willing to play hardball with the Democratic leadership and team up with Republicans.

Coalition members supported much of the "Contract with America," but are now showing their independence of the GOP by putting deficit reduction ahead of tax cuts.

Like the DLC, the Coalition is now considering outside fundraising and creation of a research think-tank.

And, like the DLC, Coalition members are Democrats. They want smaller government, but they don't hate government. As Tauzin puts it, "If a program doesn't work, Republicans want to kill it. We want to fix it."

It's an attitude that the Democratic party was urged to adopt a long time ago but didn't. Now it faces the threat of being a permanent minority.

# Deal Welfare Reform Proposal



JON SPILLMAN  
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cc: Jeremy Belle

return to me

Mr. Reed-----

This is the current staff draft of our welfare reform proposal. It was developed by our office with staff from Bob Clement and John Tanner of Tennessee, Charlie Stenholm, and Karen Thurman of Florida. We are currently in the process of circulating this among moderate and conservative Democrats. There are approximately 25 members who are potential supporters of a proposal along these lines. We are also trying to work with moderate Republicans who are developing an alternative to the contract for America proposal.

At the moment, we are keeping this proposal relatively quiet. In addition to you, the only people who we have sent this proposal to a few moderate Republicans, the moderate-conservative Democrats we are targeting and the Washington representatives of a few moderate Democratic governors (Carper, Chiles, Carnahan).

I look forward to talking with you in the next couple of days.

-----Jon Spillman

## Welfare Reform Proposal - Summary

### Outline of Welfare Reform Bill

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

**I Time-Limited Transitional Assistance:** Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Our two-year lifetime, **Work First** time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance should be phased-in beginning with 775,000 recipients in FY 1997: 950,000 recipients in FY 1998: 1,125,000 recipients will be required in FY 1999: 1,300,000 recipients will be required in FY 2000: 1,550,000 recipients will be required in FY 2001.

**II Making Work Pay:** Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

\*Health Care Reform - Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing Medicaid coverage deters many from taking low-wage jobs that do not offer health coverage. Our national policy must guarantee access to health care for America's poor families and children. Proposal would Extended Transitional Medical assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.

\* EITC - We strongly support the recent five-year, \$21 billion expansion of the Earned Income Tax Credit, enacted by Congress. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

\*Child Care - Federal funding for child care assistance would be consolidated into an earmarked grant under the Title XX social services block grant. Title XX is a capped entitlement program without specific authorization. This consolidated block grant would replace the Title IV (AFDC) child care program, the transitional child care program, the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance.

The earmarked funds for child care services would be \$2.6 billion in 1996, \$2.7 billion in 1997, \$2.8 billion in 1998, \$2.9 billion in 1999 and \$3.0 billion in 2000. The funding level for 1996 combines the funding for Title IV child care (\$528 million in fy 94), the transitional child care program (\$140 million in fy 94), the At Risk Child Care program (\$361.4 million in fy 94) and 75% of the Child Care Development Block Grant (\$669 million in fy 94) and increases the funding level by \$800 million to accommodate the costs CBO estimates will be required to accommodate the increased caseload resulting from the expansion of the Work First program and to eliminate current gaps in assistance under the At Risk Child Care program. The discretionary spending limits would be reduced to reflect the shift of discretionary spending under CCDBG program to the Title XX entitlement.

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

\*Asset Limitation - While work is a first step out of poverty, asset accumulation is the step that keeps a person out of poverty. We support increasing vehicle asset threshold to \$5,000; increasing the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or increasing non-vehicle level up to \$10,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

**III Work First Program:** The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections, and self-esteem necessary to become self-reliant members of the community. Education and training are important, but getting a real job is even more important. The bill would establish a WF program to move welfare recipients off of welfare into jobs.

The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also

recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

The Federal model is expected only to be a transitional program until states develop their own programs.

States are required to submit their own programs within five years of the enactment of this bill.

States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill.

**IV. Family Responsibility and Improved Child Support Enforcement:** We believe that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of our proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- \* Enhance non-custodial parent location and identification by: Expanding the functions of the parent locator in the Department of Health and Human Services. Requiring states to maintain registries of child support orders.

- \* Improve the process by which child support orders are established through creation of a National Child Support Guidelines Commission to oversee the child support process.

- \* Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; make benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.

- \* Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

## **V. Teen Pregnancy and Family Stability**

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. We support the promotion of individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits; requiring minor mothers to live with a responsible adult, preferably a parent; support a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; provide incentives for teen parents to stay in school; provide funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and at state option eliminate current disincentives to marriage.

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

**VII Program Simplification** - States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. We propose to simply the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

Most importantly, our proposal would eliminate the waiver process which is so bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, our bill sets

forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

**VII Financing:** Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

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

Throughout this process, we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system which adversely affect American citizens.

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

## Top Ten Differences with Contract for America Proposal

1. Has separate JOBS component and Community Service Program. The Contract for America has only a WORK component.
2. Provides more funding for the JOBS component and Community Service Program. Our matching rates are as follows :
  - a. JOBS component - Seventy-one percent matching rate or the Medicaid matching rate + ten percent, whichever is higher.
  - b. Community Service - Seventy-one percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher. For wages Medicaid matching rate.
  - c. Child Care - Seventy-one percent matching rate or Medicaid matching rate + ten percent, whichever is higher.

Unlike the Administration proposal, the matching rate would not be phased-in.

3. Consolidates all child care programs into a capped entitlement program. Increases funded to accommodate caseload and eliminate existing gaps in assistance.
4. Places a two-year limit on the Work First program with states the option to drop after recipients after two years. Place a two-year limit on Community Service program. States have option to recycle up to 10 percent of caseload back into the program. Contract for America allows states to drop recipients after two-years and requires them to drop recipients after five years.
5. Greater number of participants in welfare programs than Contract for America.

### Our Proposal (Numbers in thousands)

FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
600	775	950	1,125	1,300	1,550

### Contract for America (Numbers in thousands)

FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
100	200	400	600	900	1.5

6. Immigration proposal is not as punitive as the Contract for America.

a. Eliminate only four programs-SSI, food stamps, Medicaid and AFDC for most noncitizens. The Contract eliminates a total of 61 programs.

b. Puts in unforeseeable clause in which an alien may qualify for benefits if something unforeseen happened.

c. Makes affidavits of support legally enforceable.

d. Contains provision allowing states to deny state-funded, public benefits to legal aliens.

e. The bill authorizes \$1 billion over 5 years to offset costs that may occur as a result of the immigration proposal.

7. Does not eliminate entitlement status of nutrition programs.

8. Does not deny benefits to individuals under 18 years old but requires them to live with parents or guardians to receive benefits.

9. Allows states to create an additional number of slots in the Work First to recycle individuals back into the system equal to ten percent of the new entrants to the program.

10. Creates a "good faith" exemption to requirement for paternity establishment.

## **Outline of Proposed Welfare Reform Bill**

### Outline of the Welfare Forum Bill

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

### Title I: Time-Limited Transitional Assistance

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family, and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from the one that writes checks to one that puts people to work. Two-year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for caseworkers to operate within and encourage a quick return to the workforce of the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the more than 14 million persons receiving welfare.

Proposal - At the time of enrollment in the Work First program, individuals will be operating under a time-limited assistance program:

imposes a two-year limit on participation in the Work First (WF) program;

after two years, the bill imposes a general two-year limit on participation in the Community Service Program (CSP)

a State is permitted to allow repeat participation in the WF or CSP program but the number could not exceed 10 percent of the estimated total of participants during the year.

allows state to drop recipients from both welfare and work program after two years if recipient has spent at least two years in the work program.

Exemptions to the Two Year Lifetime Time Limit:

Clients under age 20 who complete high school or GED certification, if school has a Vocational Technical Program

Clients who are employed and participating part-time in technical/vocational education

Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative.

Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Work Program Time-Line

The phase-in of the time limit and all other provisions included in this bill will begin October 1, 1997.

The Work First program will start in October 1, 1997. The following is the required number AFDC recipients states must have at a given year. This number will be achieved through a combination of

recipients from the Work First Program and Community Service program as set forth in the time line.

In FY 1997, 775,000 recipients will be required.

In FY 1998, 950,000 recipients will be required.

In FY 1999, 1,125,000 recipients will be required.

In FY 2000, 1,300,000 recipients will be required.

In FY 2001, 1,550,000 recipients will be required.

This program will be a capped entitlement based on a formula to accommodate increases in case load and inflation.

The matching rate for the Work First Component of the program will be 70% or the Medicaid match + 10%, whichever is higher.

## II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system which make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing Medicaid coverage deters many from taking low-wage jobs which do not offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

Extended Transitional Medical Assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.

Change the definition of who is eligible for Transitional Medical Assistance to count only earned income and extended eligibility to those who got off assistance due to earned income.

Enact a quarterly income verification by the IRS for recipients during the two years of Transitional Medical benefits.

Change the eligibility criteria from three months of the last six months to one month of the last 24 months.

EITC: We strongly support the recent five-year, \$21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and

employers to ensure that they make use of the EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

Requiring that employers inform new employees earning less than \$30,000 annually, of the option of having advance EITC payments available through their payroll.

EITC payments be exempt from counting against food stamps and AFDC assets limits for 12 months.

Child Care: Safe affordable quality child care is a vital factor in the success of any work-based welfare proposal. 90% of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate safe child care. We recommend changes in Title IV-A child care programs including the At-Risk child care program, AFDC child care and Transitional Child Care. We recommend the following:

Phase out Dependent Tax Care Credit between \$70,000 - \$90,000 and make the credit refundable for families with no tax liability.

Federal funding for child care assistance would be consolidated into an earmarked grant under the Title XX social services block grant. Title XX is a capped entitlement program without a specific authorization. This consolidated block grant would replace the Title IV (AFDC) child care program, the transitional child care program, the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance.

The earmarked funds for child care services would be \$2.6 billion in 1996, \$2.7 billion in 1997, \$2.8 billion in 1998, \$2.9 billion in 1999 and \$3.0 billion in 2000. The funding level for 1996 combines the funding for Title IV child care (\$528 million in fy94), the transitional child care program (\$140 million in fy94), the At Risk Child Care program (\$361.4 million in fy94) and 75% of the Child Care Development Block Grant (\$669 million in fy94) and increases the funding level by \$800 million to accommodate the costs CBO estimates will be required to accommodate the increased caseload resulting from the expansion of the Work First program and to eliminate current gaps in assistance under the At Risk Child Care program. The discretionary spending limits would be reduced to reflect the shift of discretionary spending under CCDBG program to the Title XX entitlement.

The earmarked increase for child care would be in addition to the Title XX funds states currently use for child care services. Currently, states use approximately 16% (\$430 million) of Title XX funds for child care. States would continue to be able to use the existing pool of Title XX funds for child care services in addition to the earmarked funds.

States could use the funds to provide child care assistance on a sliding fee scale basis, giving priority to children in families with very low family incomes or who are at risk of becoming eligible for welfare if child care assistance were not provided. States would be

required to provide child care assistance to participants in the Work First program.

States could fund a variety of services with the block grant funds, with an emphasis on expanding parental choice as set forth in the Child Care and Development Block Grant. Other services that could be funded included contracts and grants for regular child care services, improving the availability and quality of child care, expanding the range of choices of child care services available.

States must report on how funds are used to expand parental choice in child care services, address deficiencies in availability, promote health and safety, and improve quality of child care services.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment, virtually every net additional dollar results in a dollar reduction in AFDC benefits. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

States must liberalize the earned-income disregard. States have the discretion to determine the extent of the liberalization providing it is moved to a level that encourages work over welfare. However, states must stay within the following guideline of enacting AFDC countable income tests up to a ceiling whereby the maximum monthly disregard is \$225 in addition to 1/2 of all remaining earned income

At state option, eliminate the 100 rule for two-party families (covered in detail in the Family Stability section).

State flexibility to establish a voluntary AFDC grant diversion program in all or part of the state. Diversion payments are not to be considered an entitlement nor for eligibility, which is to be determined by the caseworker. Payments may not exceed three times the household's monthly payment level. If a family applies and is eligible for additional AFDC benefits during this three-month period, any payment must be prorated against benefits within those three months. The purpose of this program is to prevent families from entering the AFDC rolls by providing them with a one-time grant to cover a short-term financial emergency, such as a short fall on rent or other emergency that could place an otherwise financially stable family on AFDC.

Asset Limitation: While work is a first step out of poverty, assist accumulation is the step that keeps a person out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

Increasing the vehicle asset threshold to \$5,000 following the food stamp language contained in OBRA '93 and employing the definitions for what constitutes an automobile and the value thereof, as used in the food stamp program.

Increasing the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or increasing non-vehicle asset level up to \$10,000 for specific use in setting up a microenterprise, for purchase of a first home or for higher education. Those who use savings over \$2,000 for purposes other than those designated shall have a state-attached lien on any future wages or assets.

Job Search: Job search must begin immediately upon eligibility for AFDC and continue for the duration of enrollment in AFDC, the "Work First" program, community service, and for those non-working males deemed delinquent in their child support payments. Each client will be individually assessed when he or she enters the AFDC system. Education and/or training should not be a substitute for work, but should rather complement and reinforce a revamped system that puts work first.

Other

The federal government with the assistance of the states must develop a federal data base to track AFDC receipt and enrollment in the Work First program to ensure that the two-year lifetime limit is administered fairly and properly, and deters fraud and abuse.

### III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections, and self-esteem necessary to become self-reliant members of the community. The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training, and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs which put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is even more important. Once someone is working, education and training can help them upgrade their skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of burgeoning welfare architecture. The danger in this approach is that we will end up with a cast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful --such as California's GAIN program, especially the Riverside site, and Florida's Project Independence-- these successes arise from an emphasis on work and job

placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement and support agency efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people to private jobs.

The bill would establish a WF program to move welfare recipients off of welfare into jobs.

The WF would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

The Federal model is expected only to be a transitional program until states develop their own programs.

States are required to submit their own programs within five years of the enactment of this bill.

States could choose to adopt the Federal Model or adopt their own

program within the broad federal guidelines set in this bill.

In the Federal model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

### Federal Model

**Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will show bottom line results.

**Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.

**Job Search:** Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.

**Employability Contract:** Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient must meet with a case management team to develop an individual employability contract, termed the Work First Agreement. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time unsubsidized work. The Employability Contract should include to the greatest extent possible a "ladder to work" approach meaning that recipients should move as quickly as possible into whatever type and amount

of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two year time limit shall not begin until the employability contract has been signed by both parties.

**Participation:** Every able-bodied individual (as defined by the state) will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include job search and some work or education and training leading to work.

**The Federal "Work First" model must include at least one of the following choices for WF program:** a temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.

**Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal model.

States are encouraged to submit their own plans to the Secretary of HHS. After five years, they must submit a plan which can be the federal model. Secretary of HHS is to consider the following criteria in deciding whether to approve the States' plans.

**Federal Guidelines -- all state programs must follow these guidelines in their State programs:**

**Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will

show bottom line results.

**Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.

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**Participation:** All able-bodied individuals (as defined by the state) will be required to work and/or participate in education and training in combination with work to earn benefits and/or wages. A minimum of 20 hours of activity will be required and must include

job search and some work or education and training leading to work.

**The Federal "Work First" model must include at least one of the following choices for WF program:** a Temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.

**Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal guidelines.

**Others Factors the Secretary of HHS should consider in approving plan:**

**Job Development:** Job development shall be a mandatory component of the Work First program and shall be a priority for every Work First and JOBS office.

**Incentives:** States must implement widespread use of internal incentives to change the culture of the welfare office, improve employee performance and shift employee objectives to unsubsidized paid employment. A percentage of the funds for the Work First Program (JOBS and other choices involving government caseworkers and related employees) will be allocated to the states for caseworker training and creation of incentives to caseworkers and related personnel for successful job placements which result in full-time public or private sector employment outside of the AFDC system. Additionally, caseworkers who combine education and/or training with work when negotiating the employability contract will be rewarded.

**Performance-Based Measures:** States are required to set

performance-based standards and measures for full-time job placement. The measures must be reported to the Sec. of HHS who will have the option to evaluate and amend the measures if such measures fall short of expectations to assure a work-based system. Additionally, each Work First site must make monthly statistical reports of job placements and quantity of welfare recipients removed from AFDC as the result of the Work First program. Such reports shall be distributed in a timely manner to the governing body of each state, county, and city.

**One-Stop Shops:** Make available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and force cooperation between other federal and stated government agencies to make available all training and education programs to AFDC recipients. Welfare recipients are currently eligible for most of the programs listed below, however there is no interaction between the caseworkers and those who administer these programs. We must mandate interaction between caseworkers and the administrators of these programs in the One-Stop-Shops.

The programs are as follows:

- JTPA -- Adult Training Program  
Summer Youth Training Program  
Youth Training Program  
Economic Dislocated Workers Adjustment Act  
Job Corps
  
- DOE -- Perkins Act programs (Voc-Ed)  
Adult education Act  
Even-Start Program
  
- McKinney -- Adult Education for the Homeless  
Act Education for Homeless Children and Youth

## Job Training for the Homeless

School-To-Work

Empowerment and Enterprise Zones

National Service

National Voluntary Skills Standards.

**Illness or substance abuse:** States must develop a sick leave policy. Substance abuse treatment will be required in addition to work/education/training as appropriate.

**Sanctions:** Non-compliant recipients except for good cause will have their AFDC benefits and food stamps benefits reduced for one month by 25% for each act of non-compliance. Each additional act of non-compliance will result in a corresponding one-month 25% cut in AFDC and food stamp benefits. 25% cuts are not cumulative. The state must define acts of non-compliance but must include failure to accept a non-subsidized, full-time private or public sector job without good cause.

#### **IV. Family Responsibility and Improved Child Support Enforcement**

Our proposal believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of our proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, this bill takes a very tough stance on non-payment of child support. This proposal has four distinct sections.

##### Enhance non-custodial parent location and identification by:

Expanding the functions of the parent locator in the Department of Health and Human Services.

Requiring states to maintain registries of child support orders.

The first step of expanding the federal parent locator is fulfilled by requiring states to maintain registries of child support orders. The Interstate locator should be designated to link state-to-state child support order registers into a central system under the guidance of the Secretary of HHS. The system should be fully automated.

As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.

The W-4 form completed by the new employee would include a statement of whether a child supporter obligation is owed and, if so, to whom it is payable and the amount to be paid, and whether the payment is by

income withholding. Employers would immediately withhold the support based on the information provided the obligor on the W-4 until notified differently and would then forward the withheld child support to the designated public entity in the rendering state. This will come into effect two years after enactment.

Improve the process by which child support orders are established through:

Creating a National Child Support Guidelines Commission to oversee the child support process.

Establish hospital-based paternity by:

Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers. Ensure that states have simple civil consent procedures for paternity establishment available at hospitals at the time of birth.

Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.

Encourage states to make available on-site hospital social services for pregnancies resulting from rape or incest.

Require states to offer positive paternity/parenting social services for new fathers. The Secretary of HHS shall develop regulations for programs which provide new father positive parenting counseling stressing the importance of maintaining child support payments.

Make benefits contingent on paternity establishment except for limited exemptions -- According to HHS, AFDC benefits are already contingent on the listing of the identity of a non-custodial parent.

However, many loopholes remain in enforcing the AFDC parental identification. At this time, there is no reciprocal obligation for welfare recipients to help the government locate an absent parent. Accordingly, it has been proposed that we shift the onus of certain parent locator services of an absent parent to the AFDC applicant. All new AFDC applicants will be required to provide detailed information (i.e. more than just a name) about an absent parent or risk being denied or losing their benefits. The following information is required:

- Full name
- Telephone number if applicable
- Last known address
- Last known employer
- Closest living relative
- Social Security number
- One other reference of identity
- Driver's license ownership

Those who are not able to provide the above stated documentation, would be required to document and show diligence that they made a serious and earnest attempt to obtain the documentation.

If a mother claims fear of harm to herself or to her child in order to exempt herself from paternity establishment, she should provide documentation to prove such danger exists (i.e. police report or a restraining order or an affidavit by a social service provider). Require HHS and the states to provide information about available social service agencies that will evaluate claims of prior or potential harm if no documentation exists.

Victims of rape and incest should be exempt from providing names of parents. The Secretary of HHS will be required to develop federal guidelines concerning this exemption.

Eliminate child support pass through of \$50 per month.

States will be sanctioned for non-compliance in establishing paternity -- the state will lose federal money for funding AFDC benefits to those compliant persons for whom paternity establishment has not been set in a timely manner.

Parents who willfully and fully comply with paternity establishment requirements will not be denied benefits, nor will they be denied benefits if the state has not met its responsibilities and obligations in assisting with paternity establishment.

Enforce child supporter through demanding and uncompromising punitive measures for dead-beat parents including:

Strongly reinforcing direct income withholding measures for child support orders.

Allowing workers' compensation to be subject to income withholding of child support.

Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payout, and other awards.

Require non-compliant fathers delinquent in their support payments to enter a work program in which they work to pay off benefits going to support their children. Follow Wisconsin model, "The Children First Program."

## **V. Teen Pregnancy and Family Stability**

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap). States may opt out of this requirement under state plan amendment.

Prevent minor mothers from setting up their own households by disallowing them from receiving separate AFDC benefits. The minor mother shall be required to live with a responsible adult, preferably a parent (with certain exceptions when deemed necessary). AFDC benefits shall be calculated on the household of the parent or responsible adult, not on the situation of the minor mother. Extensive case management for minor parents under 18 is required to screen and assess the individual home situations.

Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long term-welfare dependency.

Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and will receive a penalty of 25% per month if this requirement is not met.

Allocate a percentage of the Work First funds to states to create or expand programs for male non-custodial parents born 1972 or later (25 and under by 1997) to promote responsibility and work in the same way the Work First program does for young single mothers.

The parent of a dependent person under the age of 18 shall maintain (financially and otherwise) a child of the dependent person so far as the parent is able and to the extent that the dependent person is able to reside in the household. States may opt out of this provision by state plan amendment.

At state option, eliminate the 100-hour-rule and the six-month benefit receipt maximum for two-parent families as well as other provisions that create a disincentive to marry, by allowing two-parent families to receive the same benefits single parent families receive. Additionally,

- \*eliminate the quarter of coverage requirement under AFDC-UP for married individuals if both are under the age of 20, and

- \*a stepparent's income shall not be calculated as countable income if the family unit's total income is at or below 130% of the Federal poverty line. If the family unit's total income is above 130% of the Federal poverty line, that income which is above the limit shall be counted against any potential AFDC benefit.

- \*Maintain restrictions in current law for non-married couples.

These provisions effectively eliminate the AFDC-UP program for those states who choose to follow this option.

State Goals

Educate our children about the risks involved when choosing parenthood at an early age.

Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

States are encouraged to use Title XX money for comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help changes the environment.

Work with schools for early identification and referral of children at risk.

## **VI. Community Service**

At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the **state** will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section.

Also required is an additional five hours per week of job search, bringing the total minimum hours of activity to 35 hours a week.

The administrative costs of Community service will be funded at 70% matching rate or Medicaid matching rate + ten percent, whichever is higher.

The wage portion of community service will be funded by the current Medicaid matching rate. Recipients shall be paid minimum wage except that benefit shall not exceed 150% of the AFDC payment.

Community service jobs will act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

**State Participation:** State Governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

### **Community Service Required Guidelines:**

States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.

Recipients should work full-time (30 hours a week or more) for wages instead of benefits to foster increased self-sufficiency. In addition, they must engage in at least five hours of job search bringing their total minimum hours of activity to 35 hours a week.

Current public sector employees shall not be displaced due to job creations for welfare recipients.

Recipients will be paid no more than 150 % of AFDC payment.

Community Service will be time-limited to two years.

States will have the option to receive federal funds to readmit persons who have not found employment after two years of the Work First program and two-year community service or persons who have used up their two-year Work First and two-year community service time limits but were successful at finding work or otherwise leaving welfare but need to return because of a change of circumstances. Any persons being readmitted must be re-evaluated by a caseworker or case management team and will have a choice to cycle back into the transition program and/or community service. The number of each people in a state may readmit will be calculated from taking 10% of the year's total projected number of entrants into the Work First program for the calendar year the said person applies to her caseworker to recycle, as determined by each state. The time period and the number of times each person will be allowed to be readmitted back into either program will be re-negotiated in a new contract between the recipient and the state or social service agency. Only true hardship cases should be considered for by the states to readmit -- people truly not ready to work.

Recipients will not be eligible for the EITC while enrolled in community service.

At state option, those enrolled in "Work First" may have the option to choose community service before the two year limit.

Case management and caseworker services must be available for those enrolled in community service and subsidized jobs.

A community service enrollee will be given a maximum of three placements during which instances of non-compliance may occur after which the enrollee will no longer be allowed to participate in community service placements. A definition of acts of non-compliance shall be determined by the state and/or employee but must include sanctions for those who are offered a private sector job but do not accept that job without good reason.

Under Community Service, states with especially low benefit levels might be subject to higher community service costs than other states as they work to pay for the 35 hour a week, minimum wage community service requirement for those recipients who have hit the two-year limit. These low benefit states (Mississippi and Texas for example) should have the option to start with a part-time community service work requirement in 1999 (the first year of community service) and phase in the full-time community service work requirement by the year 2001.

## **VII. Program Simplification and SSI Reform**

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. We propose to simply the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

Most importantly, our proposal would eliminate the waiver process which is so bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, our bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

**Simply the application process for AFDC and Food Stamps:** Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Nineteen specific provisions are included in this bill which will significantly improve this process. These include provisions to unify rules for AFDC and Food Stamps. These changes will improve the efficiency of programs for both clients and caseworkers.

**Simplify the verification requirements for processing Food Stamps and AFDC applications:** One of the most significant challenges faced by state

and social workers is verifying eligibility information submitted by assistance applicants. States have found it difficult meeting federal quality control guidelines. States should be able to decide what to verify.

Encourage improved automation and technology: Increased use of automation serves to improve the efficiency of programs and reduces the level of fraud and abuse of programs. In addition, a recent study by the Office of Technology Assessment has cited the implementation of Electronic Benefit Transfer Systems for Food Stamps as a potential to significantly reduce fraud and abuse in the system. States are strongly encouraged to implement such programs.

**Revise allowable income deductions under the AFDC and Food Stamp programs so that they are consistent with each other. The following revisions are suggested as possible changes in current policy and include, but are not limited to:**

Amend Food Stamp Act to allow a state which exempts funds from a complementary program in AFDC to also exempt income from that program for Food Stamps;

Exclude earnings of full or part-time students under 18 for both eligibility and benefit determinations for both programs;

Disregard for both AFDC and Food Stamps any energy assistance payments based on financial need received on behalf of a household to cover the costs of heating or cooling from either public or other general assistance programs.

Amend existing legislation (Food Stamp Act and Social Security Act) to completely disregard all educational assistance, even that portion that is used for current living costs;

Exclude as a resource from both programs income-producing real

property, essential to employment or self-employment, that produces income consistent with its fair market value;

Exclude life insurance as a resource from both programs;

Exclude medical expenses as an allowable deduction under both programs.

Exclude as a resource for both programs, real property that the household unit is making a good faith effort to sell. (Under current AFDC law, real property for sale counts as a household resource after 6 to 9 months) Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.

Amend AFDC law and Food Stamp Act to make lists of excluded income identical. Amend both laws so that the Secretary of HHS and USDA may issue regulations at any time to accomplish this.

A more complete list of suggested changes in allowable income deductions under the AFDC and Food Stamp program is available upon request.

Allow states to have flexibility in handling recertification and redetermination issues: Social workers need more latitude in authorizing benefits and reviewing eligibility for Food Stamps and AFDC recipients. States should be allowed open-ended authorization of benefits. States should also be allowed to decide the certification period that will be assigned for reviewing monthly and on-monthly households. A certification period may range from one to twelve months.

Modify AFDC law to conform with the Food Stamp 12-month limit on restored benefits: Under current AFDC law, there is no time limit

for the correction of underpayment. The Food Stamp program on the other hand, imposes a 12-month limit on restoring lost benefits unless there is a special exception. Allow states to develop exceptions to the 12 month limit, subject to approval HHS.

Require the Secretary of HHS to review States' applications for Work First program within sixty days. These applications must only meet the federal guidelines to be approved.

### **SSI Reform**

Within six months of enactment of this bill, the GAO must submit a report containing recommendations to combat waste, fraud and abuse in the SSI system.

## **VII. FINANCING WELFARE**

Through our efforts over the past several months, we have drafted a plan that will attempt to reform the welfare system in our country.

Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

Our plan proposes to end welfare for most noncitizens except for

emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years.

We base this proposal on the common-sense idea that only American citizens qualify for benefits from our government. And it does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges.

We recognize that some states will be adversely affected by this decision and pledge to help these states offset some of the potential costs. We propose a billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

We understand the rich tradition of hard work brought to this country by immigrant ancestors. Our nation's ethnic diversity remains one of its strengths, and studies repeatedly demonstrate that immigration is a net economic boon to this country.

But in this time of unprecedented budgetary pressure, a fundamental sense of fairness demands that the U.S. government place the welfare of its own citizens first. We believe that neither federal nor state governments can continue to bear the cost of most public assistance for those immigrants who have not become citizens.

Simple humanity requires that we not deny anyone emergency medical

services and common sense suggests that the children of noncitizens should not be barred from our schools. We must help immigrants look to other sources besides state and federal government for help, such as relatives, sponsors and nonprofit groups. But the U.S. government cannot, in the end, be responsible for the welfare of those who are not its citizens.

Throughout this process, we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system which adversely affect American citizens.

## **Welfare Immigration Proposal**

### Benefit Termination

Eliminates Supplemental Security Income (SSI) benefits, Medicaid benefits (excluding emergency medical assistance), food stamp benefits, and AFDC benefits for non-citizens. All legal immigrants residing in the United States will be allowed a one-year grace period before their benefits will be terminated. There are four exceptions to this provision:

- a. Refugee - Shall not apply to an alien admitted as refugee until 6 years after the date of such alien's arrival into United States.
- b. Asylee - Shall not apply to an alien **granted** asylum until 6 years after the date of such alien's arrival into the United States.

c. Age - Shall not apply to an alien who has been lawfully admitted to the United States for permanent residence; is over 75 years of age; and has resided in the United States for at least 5 years.

d. Unforeseeable - Shall not apply to an alien who has been lawfully admitted to the United States for permanent residence but who is subject to events unforeseeable such as getting hit by a car.

### Affidavits of Support

The proposal also makes affidavits of support legally enforceable. An affidavit of support requires a sponsor to swear to the ability and willingness to contribute to the prospective immigrant's financial support. Currently, these affidavits are not legally binding on U.S. resident sponsors for the benefit of state agencies providing assistance. This bill would provide that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien. The bill would make affidavits of support legally binding which gives the immigrant the right to sue a sponsor who does not fulfill the affidavit of support.

Also, the proposal contains a provision allowing states to deny state funded public benefits to legal aliens. Since immigration is under the jurisdiction of the federal government, states have not had the ability to distinguish among legal aliens. States are also given the authority to ask about citizenship status.

The bill would authorize \$1 billion over 5 years to offset costs that may occur as a result of the immigration proposal.

## Savings

CBO scored the savings from elimination of benefits to most non-citizens at \$21.3 billion. Estimated savings from the entire immigration proposal with the offset to states is **\$20.3 billion over five years.**

## **Other Financing Provisions**

1. Cap Emergency Assistance Program - Establish a federal matching cap for each state's EA expenditure so that the cap equals three percent of the State's total AFDC benefits incurred during the pervious fiscal year. States that are above that level would be grandfathered at their FY 1993 expenditure level. **CBO scored this proposal at a savings of \$800 million over five years.**
2. Phase-out the Dependent Care Tax Credit - Phase-out the Dependent Care Tax Credit for families between \$70,000 - \$90,000. **This has been estimated to save about \$700 million over five years.**
3. Modify the Family Day Care Homes - Target meal subsidies in family day care homes toward low-income areas or providers by introducing an income test. **CBO scored this proposal at a savings of \$500 million over five years.**

## **Individual Responsibility Act of 1995**

### **Outline of the Welfare Forum Bill**

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

### **Title I: Time-Limited Transitional Assistance**

At the time of enrollment in the Work First program, individuals will be operating under a time-limited assistance program:

- the bill imposes a two-year limit on participation in the Work First (WF) program;
- after two years, the bill imposes a general two-year limit on participation in the Community Service Program (CSP)
- a State is permitted to allow repeat participation in the Work First or Community Service Program, but the number could not exceed 10 percent of the total caseload for the previous year. In the event of economic hardship by a state, the Secretary may allow states to recycle up to 15 percent.
- the bill allows state to drop recipients from both welfare and work program after two years if recipient has spent at least two years in the work program.

## II. Making Work Pay

### Health Care Reform:

- Provides extended Transitional Medical Assistance (TAM) from one to two years.
- Changes the definition of who is eligible for Transitional Medical Assistance to count only earned income and extended eligibility to those who got off assistance due to earned income.
- Enacts a quarterly income verification by the IRS for recipients during the two years of Transitional Medical benefits.
- Changes the eligibility criteria from three months of the last six months to one month of the last 24 months.

### EITC:

- Requires that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.
- Requires that employers inform new employees earning less than \$30,000 annually, of the option of having advance EITC payments available through their payroll.
- Exempts EITC payments from food stamps and AFDC assets limits for 12 months.

### Child Care:

- Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. This consolidated program would replace the Title IV (AFDC) child care

program, the transitional child care program, the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance.

- States would be required to submit one plan, which may be in the form of an amendment to the state plan previously submitted under the Child Care Development Block Grant, to the Secretary of HHS for all child care assistance. All federal child care assistance would be subject to one set of regulations.
- States would be given flexibility in providing child care assistance. However, the bill includes several provisions to ensure that the states provide maximum parental choice under their programs and do not impose any regulations or requirements that restrict the child care options for families receiving assistance under this bill.
- States would be required to provide child care assistance to participants in the Work First program and families that have moved off of welfare in the last twelve months and require child care assistance to remain self-sufficient. States would be reimbursed for the cost of providing assistance to these two populations through a matching rate of 70% or the Medicaid matching rate plus ten percent, whichever is higher.
- In addition to the matching funds for the two populations guaranteed child care assistance under the bill, the bill would provide an additional block grant to the states to provide assistance to low income families in need of child care assistance who are not guaranteed assistance. The block grant would be a capped entitlement authorized at \$1.15 billion in fy97 and \$1.2 billion in fy98, fy99 and fy00.
- States could use the block grant funds to provide child care assistance on a sliding fee scale basis, giving priority to children in families with very low family incomes or who are at risk of becoming eligible for welfare if child care assistance were not provided.

## Individual Responsibility Act of 1995

- The federal matching funds for the child care entitlement and the block grant for child care would be in addition to the Title XX funds states currently use for child care services. Currently, states use approximately 16% (\$430 million) of Title XX funds for child care.
- States could fund a variety of services with the block grant funds, with an emphasis on expanding parental choice as set forth in the Child Care and Development Block Grant. Other services that could be funded included contracts and grants for regular child care services, improving the availability and quality of child care, expanding the range of choices of child care services available.
- States must report on how funds are used to expand parental choice in child care services, address deficiencies in availability, promote health and safety, and improve quality of child care services.
- Phase out Dependent Tax Care Credit between \$70,000 - \$90,000 and make the credit refundable for families with no tax liability.

### AFDC Work Disregards:

- States must liberalize the earned-income disregard. States have the discretion to determine the extent of the liberalization providing it is moved to a level that encourages work over welfare. However, states must stay within the following guideline of enacting AFDC countable income tests up to a ceiling whereby the maximum monthly disregard is \$225 in addition to 1/3 of all remaining earned income
- States would have the option to eliminate the 100 rule for two-party families (covered in detail in the Family Stability section).
- States would have the option to establish a voluntary AFDC grant diversion program in all or part of the state. Diversion payments are not to be considered an entitlement nor for eligibility, which is to be determined by the caseworker. Payments may not exceed three times the household's monthly payment level. If a family applies and is eligible

for additional AFDC benefits during this three-month period, any payment must be prorated against benefits within those three months. The purpose of this program is to prevent families from entering the AFDC rolls by providing them with a one-time grant to cover a short-term financial emergency, such as a short fall on rent or other emergency that could place an otherwise financially stable family on AFDC.

Asset Limitation:

- Increases the vehicle asset threshold to \$5,000 following the food stamp language contained in OBRA '93 and employing the definitions for what constitutes an automobile and the value thereof, as used in the food stamp program.
- Increases the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000. Increasing non-vehicle asset level up to \$8,000 for specific use in setting up a microenterprise, for purchase of a first home or for higher education. Those who use savings over \$2,000 for purposes other than those designated shall have a state-attached lien on any future wages or assets.

### III. **Work First Program and Community Service**

The bill would establish a Work First program to move welfare recipients off of welfare into jobs.

The Work First program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a Work First program immediately. The bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own WORK FIRST program within the broad federal guidelines set in the bill.

In the Federal model outlined below, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

#### **Federal Model**

- **Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will show bottom line results.
- **Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the

program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.

- **Job Search:** Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.
- **Agreement of Mutual Responsibility:** Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient must meet with a case management team to develop an individual contract for participation in the program, termed the Contract of Mutual Responsibility. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time Unsubsidized work. The Contract of Mutual Responsibility should include to the greatest extent possible a "ladder to work" approach meaning that recipients should move as quickly as possible into whatever type and amount of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two year time limit shall not begin until the Contract of Mutual Responsibility has been signed by both parties.
- **Work Requirement:** Every able-bodied individual (as defined by the state) will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 30 hours of activity will be required and must include job search and some work or education and training leading to work.
- **The Federal "Work First" model must include at least one of the following choices for WORK FIRST program:** a temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.

- **Job Creation:** The creation of jobs, with an emphasis on private sector jobs.
- **Sanctions:** Non-compliant recipients except for good cause will have their AFDC benefits and food stamps benefits reduced for one month by 25% for each act of non-compliance. Each additional act of non-compliance will result in a corresponding one-month 25% cut in AFDC. 25% cuts are not cumulative. The state must define acts of non-compliance but must include failure to accept a non-subsidized, full-time private or public sector job without good cause.
- **Incentives:** States must implement widespread use of internal incentives to change the culture of the welfare office, improve employee performance and shift employee objectives to Unsubsidized paid employment.
- **Performance-Based Measures:** States would be required to set performance-based standards and measures for full-time job placement. The measures must be reported to the Secretary of HHS who will have the option to evaluate and amend the measures if such measures fall short of expectations to assure a work-based system. Additionally, each Work First site must make monthly statistical reports of job placements and quantity of welfare recipients removed from AFDC as the result of the Work First program. Such reports shall be distributed in a timely manner to the governing body of each state, county, and city.
- **One-Stop Shops:** Makes available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and force cooperation between other federal and stated government agencies to make available all training and education programs to AFDC recipients. Welfare recipients are currently eligible for most of the programs listed below, however there is no interaction between the caseworkers and those who administer these programs. We must mandate interaction between caseworkers and the administrators of these programs in the One-Stop-Shops. The programs that would be required to work

together include all of the job training programs, Job Corps, Perkins Act programs (Voc-Ed), Adult education Act, Even-Start Program, Adult Education for the Homeless Act, Education for Homeless Children and Youth, Job Training for the Homeless, School-To-Work, Empowerment and Enterprise Zones, National Service and National Voluntary Skills Standards.

- **Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal model.

States are encouraged to submit their own plans to the Secretary of HHS. After five years, they must submit a plan which can be the federal model. Secretary of HHS is to consider the following criteria in deciding whether to approve the States' plans.

**Federal Guidelines -- all state programs must follow these guidelines in their State programs:**

- **Overall objective:** Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion which will show bottom line results.
- **Work:** The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.
- **Job Search:** Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.
- **Agreement of Mutual Responsibility:** Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient

must meet with a case management team to develop a Contract of Mutual Responsibility with the state welfare agency. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time Unsubsidized work. The Employability Contract should include to the greatest extent possible a "ladder to work" approach meaning that recipients should move as quickly as possible into whatever type and amount of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two-year time limit shall not begin until the employability contract has been signed by both parties.

- **Job Creation:** The creation of jobs, with an emphasis on private sector jobs.
- **Sanctions:** States must develop sanctions for individuals who refuse to work or otherwise fail to comply with their Contract of Mutual Responsibility.
- **The State "Work First" model must include at least one of the following choices for WORK FIRST program:** a Temporary Subsidized Job program, Revamped JOBS program or Hiring Placement companies. A case manager will present the "Work First" option(s) to each welfare recipient required to enroll in the program.
- **Performance-Based Measures:** The Secretary will set performance-based standards and measures for full-time job placement.
- **Submit Report:** Each State is required to submit a yearly report to the Secretary of Health and Human Services. This report must show that the states are meeting the criteria set forth in the federal guidelines.

## Community Service

- At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the **state** will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section.
- Also required is an additional five hours per week of job search, bringing the total minimum hours of activity to 35 hours a week.
- The administrative costs of Community service will be funded at 70% matching rate or Medicaid matching rate + ten percent, whichever is higher.
- The wage portion of community service will be funded by the current Medicaid matching rate. Recipients shall be paid minimum wage except that total wages for individuals in Community Service jobs shall not exceed 75% of the AFDC payment.
- Community service jobs will act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

**State Participation:** State Governments would be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

**Community Service Required Guidelines:**

- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
- Recipients should work full-time (30 hours a week or more) for wages instead of benefits to foster increased self-sufficiency. In addition,

they must engage in at least five hours of job search bringing their total minimum hours of activity to 35 hours a week.

- Current public sector employees shall not be displaced due to job creations for welfare recipients.
- Recipients will be paid no more than 75% of AFDC payment. ✓
- Community Service will be time-limited to two years.
- States will have the option to receive federal funds to readmit persons who have not found employment after two years of the Work First program and two-year community service or persons who have used up their two-year Work First and two-year community service time limits but were successful at finding work or otherwise leaving welfare but need to return because of a change of circumstances. Any persons being readmitted must be re-evaluated by a caseworker or case management team and will have a choice to cycle back into the transition program and/or community service. NOT lifetime
- The number of each people in a state may readmit will be calculated from taking 10% of the year's total projected number of entrants into the Work First program for the calendar year the said person applies to her caseworker to recycle, as determined by each state. The time period and the number of times each person will be allowed to be readmitted back into either program will be re-negotiated in a new contract between the recipient and the state or social service agency. Only true hardship cases should be considered for by the states to readmit -- people truly not ready to work. In the event of economic hardship by a state, the Secretary may allow states to recycle up to 15 percent.
- Recipients will not be eligible for the EITC while enrolled in community service.
- At state option, those enrolled in "Work First" may have the option to

choose community service before the two year limit.

- Case management and caseworker services must be available for those enrolled in community service and subsidized jobs.
- A community service enrollee will be given a maximum of three placements during which instances of non-compliance may occur after which the enrollee will no longer be allowed to participate in community service placements. A definition of acts of non-compliance shall be determined by the state and/or employee but must include sanctions for those who are offered a private sector job but do not accept that job without good reason.

### **Participation rates**

The Work First program will start in October 1, 1996. The following is the required percentage of AFDC adult recipients states must have at a given year. This number will be achieved through a combination of recipients from the Work First Program and Community Service program as set forth in the timeline.

- In FY 1997, 16% of a state's AFDC families must participate. This represents approximately 700,000 people in work programs.
- In FY 1998, 20% of a state's AFDC families must participate. This represents approximately 900,000 people in work programs.
- In FY 1999, 24% of a state's AFDC families must participate. This represents approximately 1,000,000 people in work programs.
- In FY 2000, 28% of a state's AFDC families must participate. This represents approximately 1,325,000 people in work programs.
- In FY 2001, 32% of a state's AFDC families must participate. This represents approximately 1,475,000 people in work programs.

- In FY 2002, 40% of a state's AFDC families must participate. This represents approximately 1,820,000 people in work programs.
- In FY 2003 and each succeeding fiscal year, 52% of a state's AFDC families must participate.

### Funding

- The matching rate for the Work First Component of the program will be 70% or the Medicaid match + 10%, whichever is higher.
- This program will be a capped entitlement authorized at the following levels: \$1,4 billion for fiscal year 1997; \$1,8 billion for fiscal year 1998; \$2,4 billion for fiscal year 1999; and \$3.0 billion for fiscal year 2000.
- Funding for fiscal year 2001 and each succeeding fiscal year will be adjusted based on a formula to accommodate increases in caseload and inflation.

#### **IV. Family Responsibility and Improved Child Support Enforcement**

The bill takes a very tough stance on non-payment of child support. This proposal has four distinct sections.

##### Enhance non-custodial parent location and identification by:

- Expands the functions of the parent locator in the Department of Health and Human Services.
- Requires states to maintain registries of child support orders.

The first step of expanding the federal parent locator is fulfilled by requiring states to maintain registries of child support orders. The Interstate locator should be designated to link state-to-state child support order registers into a central system under the guidance of the Secretary of HHS. The system should be fully automated.

- As stated in OBRA 1993, require Secretary of Treasury will be required to modify W-4 forms for new employees to include a statement about child support responsibilities.

The W-4 form completed by the new employee would include a statement of whether a child supporter obligation is owed and, if so, to whom it is payable and the amount to be paid, and whether the payment is by income withholding. Employers would immediately withhold the support based on the information provided the obligor on the W-4 until notified differently and would then forward the withheld child support to the designated public entity in the rendering state. This will come into effect two years after enactment.

##### Improve the process by which child support orders are established through:

- Creates a National Child Support Guidelines Commission to oversee the child support process.

- Improves interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.

Establish hospital-based paternity by:

- Follows OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers. Ensure that states have simple civil consent procedures for paternity establishment available at hospitals at the time of birth.
- Follows OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
- Encourages states to make available on-site hospital social services for pregnancies resulting from rape or incest.
- Requires states to offer positive paternity/parenting social services for new fathers. The Secretary of HHS shall develop regulations for programs which provide new father positive parenting counseling stressing the importance of maintaining child support payments.
- Makes benefits contingent on good faith cooperation in paternity establishment. All new AFDC applicants will be required to provide detailed information (i.e. more than just a name) about an absent parent or risk being denied or losing their benefits. The following information is required:

- Full name
- Telephone number if applicable
- Last known address
- Last known employer
- Closest living relative
- Social Security number
- One other reference of identity

--Driver's license ownership

Those who are not able to provide the above stated documentation, would be required to document and show diligence that they made a serious and earnest attempt to obtain the documentation.

- If a mother claims fear of harm to herself or to her child in order to exempt herself from paternity establishment, she should provide documentation to prove such danger exists (i.e. police report or a restraining order or an affidavit by a social service provider). Require HHS and the states to provide information about available social service agencies that will evaluate claims of prior or potential harm if no documentation exists.

Victims of rape and incest should be exempt from providing names of parents. The Secretary of HHS will be required to develop federal guidelines concerning this exemption.

- Eliminates child support pass through of \$50 per month.
- States will be sanctioned for non-compliance in establishing paternity - the state will lose federal money for funding AFDC benefits to those compliant persons for whom paternity establishment has not been set in a timely manner.
- Parents who willfully and fully comply with paternity establishment requirements will not be denied benefits, nor will they be denied benefits if the state has not met its responsibilities and obligations in assisting with paternity establishment.
- Includes incentives as well as penalties for states to improve child support enforcement programs. States would be eligible for incentive grants if they demonstrate significant improvement and exceed the national average in paternity establishment.

Enforce child supporter through punitive measures for dead-beat parents:

Individual Responsibility Act of 1995

- Strongly reinforcing direct income withholding measures for child support orders.
- Allows states to revoke professional, recreational and driver's licenses to absent parents.
- Allows workers' compensation to be subject to income withholding of child support.
- Requires states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payout, and other awards.
- Requires non-compliant fathers delinquent in their support payments to enter a work program in which they work to pay off benefits going to support their children. Follow Wisconsin model, "The Children First Program."



**V. Teen Pregnancy and Family Stability**

- Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap). States may opt out of this requirement under state plan amendment.
- Prevent minor mothers from setting up their own households by disallowing them from receiving separate AFDC benefits. The minor mother shall be required to live with a responsible adult, preferably a parent (with certain exceptions when deemed necessary). AFDC benefits shall be calculated on the household of the parent or responsible adult, not on the situation of the minor mother. Extensive case management for minor parents under 18 is required to screen and assess the individual home situations.
- Allow states to deny AFDC benefits to mothers under the age of 18 starting in January 1, 1998.
- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long term-welfare dependency.
- Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and will receive a penalty of 25% per month if this requirement is not met.
- Allocates a percentage of the Work First funds to states to create or expand programs for male non-custodial parents born 1972 or later (25 and under by 1997) to promote responsibility and work in the same way the Work First program does for young single mothers. ✓
- The parent of a dependent person under the age of 18 shall maintain (financially and otherwise) a child of the dependent person so far as

the parent is able and to the extent that the dependent person is able to reside in the household. States may opt out of this provision by state plan amendment.

- At state option, eliminate the 100-hour-rule and the six-month benefit receipt maximum for two-parent families as well as other provisions that create a disincentive to marry, by allowing two-parent families to receive the same benefits single parent families receive. Additionally,

- \*eliminate the quarter of coverage requirement under AFDC-UP for married individuals if both are under the age of 20, and

- \*a stepparent's income shall not be calculated as countable income if the family unit's total income is at or below 130% of the Federal poverty line. If the family unit's total income is above 130% of the Federal poverty line, that income which is above the limit shall be counted against any potential AFDC benefit.

- \*Maintain restrictions in current law for non-married couples.

These provisions effectively eliminate the AFDC-UP program for those states who choose to follow this option.

### State Goals

- Educate our children about the risks involved when choosing parenthood at an early age.
- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.
- States are encouraged to use Title XX money for comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

- **Work with schools for early identification and referral of children at risk.**

## **VI. Program Simplification and SSI Reform**

The bill includes twenty specific provisions are included that will significantly improve the application and eligibility process for AFDC and Food Stamps. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps. In addition, the bill would eliminate the waiver process which is so bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, the bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

**Simply the application process for AFDC and Food Stamps:** Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Nineteen specific provisions are included in this bill which will significantly improve this process. These include provisions to unify rules for AFDC and Food Stamps. These changes will improve the efficiency of programs for both clients and caseworkers.

### **Simplify the verification requirements for processing Food Stamps and AFDC applications:**

- The bill encourages improved automation and technology: Increased use of automation serves to improve the efficiency of programs and reduces the level of fraud and abuse of programs. In addition, a recent study by the Office of Technology Assessment has cited the implementation of Electronic Benefit Transfer Systems for Food Stamps as a potential to significantly reduce fraud and abuse in the system. States are strongly encouraged to implement such programs.

**Revise allowable income deductions under the AFDC and Food Stamp programs so that they are consistent with each other. The following revisions are suggested as possible changes in current policy and include, but are not limited to:**

- Amends Food Stamp Act to allow a state which exempts funds from a complementary program in AFDC to also exempt income from that program for Food Stamps;
- Excludes earnings of full or part-time students under 18 for both eligibility and benefit determinations for both programs;
- Amends existing legislation (Food Stamp Act and Social Security Act) to completely disregard all educational assistance, even that portion that is used for current living costs;
- Excludes as a resource from both programs income-producing real property, essential to employment or self-employment, that produces income consistent with its fair market value;
- Excludes life insurance as a resource from both programs;
- Excludes medical expenses as an allowable deduction under both programs.
- Excludes as a resource for both programs, real property that the household unit is making a good faith effort to sell. (Under current AFDC law, real property for sale counts as a household resource after 6 to 9 months) Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.
- Amends AFDC law and Food Stamp Act to make lists of excluded income identical. Amend both laws so that the Secretary of HHS and USDA may issue regulations at any time to accomplish this.

- Allow states to have flexibility in handling recertification and redetermination issues: Social workers would be given more latitude in authorizing benefits and reviewing eligibility for Food Stamps and AFDC recipients. States would be allowed open-ended authorization of benefits. States would also be allowed to decide the certification period that will be assigned for reviewing monthly and on-monthly households. A certification period may range from one to twelve months.
- Modify AFDC law to conform with the Food Stamp 12-month limit on restored benefits: Under current AFDC law, there is no time limit for the correction of underpayment. The Food Stamp program on the other hand, imposes a 12-month limit on restoring lost benefits unless there is a special exception. The bill allows states to develop exceptions to the 12 month limit, subject to approval HHS.
- Requires the Secretary of HHS to review States' applications for Work First program within sixty days. These applications must only meet the federal guidelines to be approved
- Gives states the option to eliminate the work history for all two-parent families
- Limit the types of individuals that could be considered "essential" to five categories. These categories are limited to persons providing child care or care for an incapacitated member of the family.
- Allow states the option to apply only earned income in fill the gap budgeting. In addition, allow these fill the gap states to eliminate the supplemental payment to families who have less disposable income because the child support is paid to the child support agency instead of directly to the family.
- Conform AFDC rules with respect to lump sum income to Food Stamp.

- Exclude all income of a dependent child who is a student.

**SSI Reform**

Ninety days after the receipt of Slattery Commissions Report on Childhood Disability funding for the Supplemental Security Income program for children will be capped at 1994 levels.

## VII. FINANCING WELFARE

The Individual Responsibility Act is funded entirely through cuts within the welfare system. The total amount of money the federal government spends on welfare will be reduced by the bill.

### Benefit Termination for Immigrants

The bill eliminates Supplemental Security Income (SSI) benefits, Medicaid benefits (excluding emergency medical assistance), food stamp benefits, and AFDC benefits for non-citizens. All legal immigrants residing in the United States will be allowed a one-year grace period before their benefits will be terminated. There are four exceptions to this provision:

- a. Refugee - Shall not apply to an alien admitted as refugee until 6 years after the date of such alien's arrival into United States.
- b. Asylee - Shall not apply to an alien **granted** asylum until 6 years after the date of such alien's arrival into the United States.
- c. Age - Shall not apply to an alien who has been lawfully admitted to the United States for permanent residence; is over 75 years of age; and has resided in the United States for at least 5 years.
- d. Armed Service - Shall not apply to lawfully admitted aliens (and for their children and survivors) who are veterans, or who served in the U.S. Armed Forces.

### Affidavits of Support

The proposal also makes affidavits of support legally enforceable. An affidavit of support requires a sponsor to swear to the ability and willingness to contribute to the prospective immigrant's financial support. Currently, these affidavits are not legally binding on U.S. resident sponsors

for the benefit of state agencies providing assistance. This bill would provide that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien. The bill would make affidavits of support legally binding which gives the immigrant the right to sue a sponsor who does not fulfill the affidavit of support.

#### Increased state options

The bill would allow states to deny state funded public benefits to legal aliens. Since immigration is under the jurisdiction of the federal government, states have not had the ability to distinguish among legal aliens. States are also given the authority to ask about citizenship status.

The bill would guarantee \$6 billion over 4 years to states who will be detrimentally affected by this provision.

#### Savings

CBO scored the savings from elimination of benefits to most non-citizens at \$21.3 billion. Estimated savings from the entire immigration proposal with the offset to states is **\$15.3 billion over five years.**

#### **Other Financing Provisions**

1. Include AFDC, Food Stamps and Section 8 Housing benefits in taxable income - Currently AFDC, Food Stamps and Section 8 housing benefits are not counted as taxable income. **Estimated that this provision would save \$9 billion over five years**

2. EITC Fraud - Only people who had a valid Social Security number for themselves, their spouses and qualifying children would be eligible for the EITC. The same person that claims the child as dependent in receiving their AFDC benefit must also count the person toward EITC payment. Taxpayers who have an aggregate interest and dividend income during a taxable year exceeds \$2,500. **Estimated that this provision would save \$3.5 billion over**

five years.

3. Energy Assistance counted toward AFDC and Food Stamp eligibility - Count energy assistance as income in determining eligibility for and size of AFDC and Food Stamp grants. **Estimated that this provision would save \$1.4 billion over five years**

4. Phase-out the Dependent Care Tax Credit - Phase-out the Dependent Care Tax Credit for families between \$70,000 - \$90,000. **The Joint Tax Committee estimated that this provision would save about \$700 million over five years.**

5. Modify the Family Day Care Homes - Target meal subsidies in family day care homes toward low-income areas or providers by introducing an income test. **CBO scored this proposal at a savings of \$600 million over five years.**

6. Cap Emergency Assistance Program - Establish a federal matching cap for each state's Emergency Assistance expenditure so that the cap equals three percent of the State's total AFDC benefits incurred during the previous fiscal year. States that are above that level would be grandfathered at their FY 1994 expenditure level. **CBO scored this proposal at a savings of \$400 million over five years.**

## **Major Differences Between Individual Responsibility Act and Personal Responsibility Act (Contract with America welfare reform)**

1. **State Flexibility**- The proposal gives states flexibility in the following areas in which the Contract does not provide flexibility:

- a. States have option to recycle up to 10 percent of the caseload back into the Work First program;
- b. Allows state the option to distinguish between classes of aliens for state programs.
- c. States have option to implement family cap and eliminate the current disadvantages for marriage;
- d. Allows states to use the assistance given to offset immigration proposal in the manner they see fit.

2. **Give States the Necessary Funds to Operate Work Programs** - The Individual Responsibility Act sets more reasonable matching rates that states can meet for participation in the WF component and Community Service Program. The bill establishes the following matching rates:

- a. JOBS component - Seventy percent matching rate or the Medicaid matching rate plus ten percent, whichever is higher.
- b. Community Service - Seventy percent matching rate or Medicaid matching rate plus ten percent for the Administrative costs, whichever is higher. For wages, Medicaid matching rate would apply.

The Contract proposal requires states to draw down JOBS funds under the current match before WORK money would be available. Over two-thirds of states currently do not draw down JOBS funds because of financial constraints. The Contract proposal would force states to either dramatically increase state spending on welfare programs to meet Federal participation requirements, or not participate in the WORK program at all. Enacting welfare reform without providing the states with resources to implement the reforms will repeat the mistakes of the JOBS program.

3. **Time-Limited Transitional Assistance** - The Individual Responsibility Act places a four year limit on total participation in the Work First and Community Service programs. The Contract places a five year time limit on participation in the Work Program.

4. **Nutrition Programs** - The Individual Responsibility Act does not eliminate entitlement status of nutrition programs.

5. **Denying Benefits to Minor Mothers** - The Individual Responsibility Act does not deny benefits to individuals under 18 years old but requires them to live with parents or guardians to receive benefits. It requires minor mother to live with parents to receive benefits.

6. **Child Care** - The Individual Responsibility Act would consolidate all child care programs into a capped entitlement program that is distributed through a block grant that provides state flexibility. Increases funding to accommodate caseload and eliminates existing funding shortfalls in order to provide assistance to all families who need child care assistance to work to get off / stay off welfare. The Contract does not provide sufficient funding to eliminate gaps in assistance. Without adequate funding for child care assistance, many families will be forced back into welfare programs.

7. **Participation Rates** - The Individual Responsibility Act would put more people in the WF(JOBS) and Community Service programs than the Contract with America. The following is a comparison of the combined participation in WF (JOBS) and Community Service program for the Contract with America and our proposal.

**Individual Responsibility Act Proposal (Numbers in thousands)**

FY 97	FY 98	FY 99	FY 00	
16%(707)	20%(905)	24%(1111)	<u>28%(1325)</u>	= double Shaw bill

**Contract for America (Numbers in thousands)**

FY 97	FY 98	FY 99	FY 00
4%(214)	8%(439)	12%(673)	17%(974)

8. **Making work pay**

The Individual Responsibility Act would extend Transitional Medical Assistance from one to two years, increase asset limitation, allow states to liberalize work disregards and provide additional child care assistance to ensure that individuals are better off financially by working than they were on welfare. The Contract does not include any of these proposals to make work pay.

9. **Immigration** - The immigration proposal in the Individual Responsibility Act is not as punitive as the Contract for America.

- a. Eliminates assistance to aliens for four programs-SSI, food stamps, Medicaid and AFDC for most noncitizens. The Contract eliminates benefits for aliens under 61 programs.
- b. Makes affidavits of support legally enforceable.
- d. Contains provision allowing states to deny state-funded, public benefits to legal aliens.
- e. The bill authorizes \$1 billion over 5 years to offset costs that may occur as a result of the immigration proposal.

10 **Paternity Establishment** - The Individual Responsibility Act would create a "good faith" exemption to requirement for paternity establishment. The Contract would deny benefits to individuals who make a good faith effort to determine paternity but are unable to do so because the state does not have the resources for paternity establishment.

Statement of  
**Congressman Nathan Deal**  
**WELFARE REFORM**  
Press Conference  
Thursday, February 9, 1995

**Ladies and gentlemen, thank you for coming. The six of us are here today to offer a solution to welfare reform beyond sound bites.**

**This is the most comprehensive, realistic, workable, single piece of welfare reform legislation that you will see introduced.**

**This bill incorporates principles for welfare reform that have strong support among the American public and within Congress.**

**This proposal establishes a framework around which a bi-partisan consensus on welfare reform can be reached.**

**It accepts the responsibility of Congress and the federal government to clean up the bureaucratic mess first and then offers a partnership to the states backed up with more than a handshake and a good luck wish.**

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The solutions in this bill come from two years of careful analysis of the problems in the current welfare system. Our message is that the only entitlement is the Entitlement of Opportunity based on Individual Responsibility. It redirects the focus toward work, for we recognize that the best antidote for welfare and poverty is a job. Our bill provides the incentives, the opportunities, and the assistance to those who are willing to assume their individual responsibility for their own destiny.

The other members of the group will outline the specific features of our legislation in comparison with the other major proposals, but I would like to point out some of the distinctive differences between this legislation and the others being seriously considered.

- It streamlines and refocuses the entire system toward work;
- It does not throw it back to the states to solve the problem, but it gives states resources and flexibility to move people

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**off welfare into private sector jobs;**

- **It does not cut basic nutrition programs which affect the daily lives of children and the elderly;**

- **It does not replace liberal mandates with conservative mandates;**

- **And it pays for itself with cuts in the current welfare system, as well as saves more money for deficit reduction.**

**This bill will cost approximately \$17 Billion over five years, but it will generate \$29 Billion in savings within the welfare system during the same period.**

**Congressman Bob Clement of Tennessee will explain more of the details of the Work First program in the bill; Congressman Charlie Stenholm of Texas will outline the Individual Responsibility requirements, including child support enforcement; Congressman John Tanner of Tennessee will point**

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out how much flexibility the states will have; Congresswoman  
Blance Lambert Lincoln of Arkansas will cover Supplemental  
Security Income; and Congresswoman Karen Thurman of Florida  
will review the considerations for rural communities included in  
the legislation.

**SUMMARY OF FINANCING PROVISIONS**

<u>Individual Responsibility Act of 95</u>	<b>Five-Year Federal (in billions)</b>
Denial of SSI, Food Stamps Medicaid and AFDC	21.3
Include AFDC, Food Stamps and Housing in Taxable Income	9.0
EITC Compliance Provisions	3.5
Energy Assistance counted toward AFDC and Food Stamp Eligibility	1.4
Income Test Meal Reimbursements to Family Day Care Homes	0.6
Limitation Emergency Assistance expenditures	0.4
Reducing Fraud and Abuse through National Data System	0.4
State assistance to offset immigration proposal	(6.0)
<b>TOTAL SAVINGS</b>	<b>30.6</b>
<b>TOTAL COST OF BILL</b>	<b>17.3</b>
<b>TOTAL SAVINGS FOR DEFICIT REDUCTION</b>	<b>13.3 billion</b>