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WELFARE REFORM ISSUE PAPER

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Meeting of the Working Group on
Welfare Reform, Family Support and Independence

WELFARE REFORM ISSUE PAPER

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GLOSSARY

AFDC -- Aid to Families with Dependent Children program: The primary welfare program, which provides cash assistance to needy families with dependent children that have been deprived of parental support.

CSE -- Child Support Enforcement program: This program provides Federal matching funds to enforce the support obligations of absent parents to their children and spouse or former spouse, to locate absent parents, and to establish paternity and support orders. States must provide child support enforcement services to persons receiving AFDC, Medicaid, and Title IV-E foster care benefits.

CSEA -- Child Support Enforcement and Assurance: A system designed to guarantee that custodial parents get some assured level of child support, even when the absent parent fails to pay.

CWEP -- Community Work Experience Program: This is a JOBS program activity which States can, but are not required to, make available to JOBS participants. CWEP provides experience and training for individuals not otherwise able to obtain employment. The required number of CWEP hours can be no greater than the AFDC benefit divided by the higher of Federal or State minimum wage.

EITC -- Earned Income Tax Credit program: A tax credit that targets tax relief to working low-income taxpayers with children, to provide relief from the Social Security payroll tax (FICA) and to improve incentives to work.

FSP -- Food Stamp Program: A national program designed primarily to increase the food purchasing power of eligible low-income households to a point where they can buy a nutritionally adequate, low-cost diet. Eligible households receive food stamp benefits on a monthly basis in the form of coupons that are accepted at most retail grocery stores.

JOBS -- Job Opportunities and Basic Skills Training Program: The work, education, and training program for AFDC recipients. In a greatly expanded form, this program would be the central focus of the Administration's reformed system.

JOBS-Prep: The program proposed for persons not yet able to work or enter JOBS. Persons in this program, including mothers with very young children, will be expected to do something to contribute to themselves and their community. While in JOBS-Prep, they would not be subject to the time limit.

JTPA -- Job Training Partnership Act program: The goal of this Department of Labor block grant program is to train or retrain and place eligible individuals in permanent, unsubsidized employment, preferably in the private sector. Eligible individuals are primarily economically disadvantaged individuals.

Healthy Start: Healthy Start is a demonstration project designed to reduce infant mortality by 50% over 5 years in 15 U.S. communities with extremely high infant mortality rates. Medical and social service providers within the targeted communities work collaboratively to develop new and innovative service delivery systems to meet the needs of pregnant women and infants.

PIC – Private Industry Councils: These Councils are composed of business leaders from the private sector and representatives of the public sector and unions. Their role is to guide and oversee the direction of JTPA employment and training programs. PICs are responsible for providing policy guidance in partnership with local governments.

School-to-Work Initiative: The pending School-to-Work Opportunities Act of 1993 would provide States and local communities with seed money to develop and implement systems to help youth make an effective transition from school to career-oriented work. The program would be designed and administered jointly by the Departments of Education and Labor, and would fund work-based learning, school-based learning, and connecting activities.

Title X – Family Planning Services: These grants are provided to State agencies for family planning services including contraceptive services, infertility services and special services to adolescents.

Transitional Assistance Program: The Administration's proposed two-year limit cash assistance program for needy families with dependent children.

UIFSA – Uniform Interstate Family Support Act: A model law which, if adopted, would make State laws uniform and simplify the processing of child support actions which involve parents who live in different States.

WIB – Workforce Investment Board: A body to be created at the Federal level which would be responsible for serving as a "Board of Directors" for workforce development programs in a labor market. The Workforce Investment Board would provide policy oversight and strategic planning for Department of Labor-funded and other training programs in an area. The majority of the Workforce Investment Board would be composed of employers, but the boards would also be required to have labor, public sector and community representation. The WIB is intended to subsume the Private Industry Council at the local level (although a PIC that met the criteria could become the Workforce Investment Board).

WORK: The Administration's proposed publicly-subsidized work program for persons who have exhausted their two-year time limit without obtaining an unsubsidized private sector job.

INTRODUCTION

Everyone is frustrated with the welfare system. Welfare reform is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing work and family and opportunity and responsibility.

The current system pays cash when people lack adequate means to provide for their families. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It indicates that people should not have children until they are able to support them. It signals that parents--*both parents*--have responsibilities to support their children. It gives people access to the training they need, but also expects work in return. It limits cash assistance to two years, and then requires work, preferably in the private sector, but in community service jobs if necessary. Most importantly, it requires changing the culture of welfare offices, getting them out of the check-writing business and into the training and job-placement business.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR THEMES

Transitional Assistance Followed by Work

- Full participation. Everyone who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work, to those who are past the time limit, and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education or employment services.
- Training, education and employment services (the JOBS program). As soon as people begin receiving public assistance, they will sign a personal responsibility contract and develop an employability plan to move them into work as quickly as possible. Many will get jobs quickly--in weeks or months--after assistance with job search and job preparation. Others will spend time in education and training services as needed. The program will be closely coordinated with existing mainstream education and training programs including JTPA, School-to-Work and vocational education.
- Time limits. People who are able to work will be limited to two years of cash assistance. Most people are expected to enter employment well before the two years are up. Extensions to complete an education program will be granted in a limited number of cases.
- Work for those who exhaust their time limit (the WORK program). Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. These are intended to be real,

work-for-wages jobs. The program will be designed to favor unsubsidized work and to ensure that subsidized jobs are short-term and non-displacing.

Making Work Pay

- Health care reform. An essential part of moving people from welfare to work is ensuring that working persons get health protection. The current system keeps people from leaving welfare for fear of losing their health insurance.
- Advance payment of the Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.
- Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Parental Responsibility

- Child support enforcement. The child support enforcement system will be strengthened to ensure that awards are established in every case, that fair award levels are maintained and that awards that are owed are in fact collected. Demonstrations of child support assurance and of programs for noncustodial parents will be conducted.
- Efforts aimed at minor mothers, responsible family planning and prevention. Minor mothers will receive special case management services and will be required to live at home and stay in school to receive income support. Access to family planning will be ensured. A strategy for investing in and learning from programs to prevent high-risk behavior and teen pregnancy will be pursued.
- Efforts to promote two-parent families. We will provide better support for two-parent families by eliminating or reducing the current bias in the welfare system in which two-parent families are subject to more stringent eligibility rules than single-parent families.

Reinventing Government Assistance

- Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and Food Stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation.
- A performance-based system. In addition to incentives for clients, incentives will be designed to bring about a systemic change in the culture of welfare offices with an emphasis on work and performance.

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ISSUES TO BE RESOLVED

This paper lays out the major unresolved issues that need to be addressed. It is organized around each of the first three broad elements listed above. In each case, a description of the proposed policy is provided and remaining issues discussed. (The details of the fourth element--Reinventing Government Assistance--will be addressed later in a separate paper. We anticipate that changes will be cost neutral for that part of the proposal, so they will not affect cost estimates or financing needs.)

There are four particularly significant issues that need to be resolved:

- **The scale and phase-in of the reformed welfare system--Should we seek to bring in all persons quickly, or should we initially target our resources to sub-groups, such as new applicants or the youngest third of the caseload?**
- **The structure and requirements of the WORK program for people who have exceeded the time limit--After a person hits the time limit, should we mandate States to provide a job which pays an hourly wage, or should we allow States to continue paying a welfare check while requiring work as a condition of receipt? How many hours of work should be required? What methods should we use to minimize long-term participation in this work program?**
- **The level and focus of child care for the working poor--What level of resources should we devote to child care for the working poor? How should limited resources be targeted?**
- **Financing--What measures should be used to finance the welfare reform package? How should the burden be shared between States and the Federal government?**

Financing is not discussed in this paper.

To provide a sense of the scale of a program and the cost of particular elements, we have created a hypothetical proposal. The actual cost of the program will differ depending on what decisions are made about the issues identified above. In the remainder of the document, we will refer to this hypothetical baseline and indicate where different programmatic decisions would have led to a larger or smaller program. The table which follows is provided only as a basis of discussion--not as an indication that policy decisions have been made.

**TABLE 1.—PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)**

	1995	1996	1997	1998	1999	5-Year Total
PARENTAL RESPONSIBILITY						
Minor Mothers	0	(45)	(50)	(50)	(50)	(195)
Comprehensive Demonstration Grants	0	50	50	50	50	200
Two-Parent Provisions	0	0	440	680	945	2,065
No Additional Benefits for Additional Children	(35)	(100)	(110)	(140)	(150)	(535)
Child Support Enforcement						
Paternity Establishment (Net)	5	20	(110)	(165)	(215)	(465)
Enforcement (Net)	(10)	(20)	(65)	(80)	(320)	(495)
Computer Costs	15	35	95	160	160	465
Non-Custodial Parent Provisions	0	25	80	110	175	390
Access Grants and Parenting Demonstrations	20	25	30	30	30	135
Child Support Assurance Demonstrations	0	0	100	200	250	550
SUBTOTAL, CSE	30	85	130	255	80	580
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK						
JOBS-Prep	0	15	50	60	70	195
Additional JOBS Spending	0	210	750	920	1,000	2,880
WORK Program	0	0	0	130	690	820
Additional Child Care for JOBS/WORK	0	190	630	745	900	2,465
Transitional Child Care	0	70	230	280	360	940
Enhanced Teen Case Management	0	30	90	105	110	335
Economic Development	0	0	100	100	100	300
Savings - Caseload Reduction	0	0	(30)	(60)	(80)	(170)
SUBTOTAL, JOBS/WORK	0	515	1,820	2,280	3,150	7,765
MAKING WORK PAY						
Working Poor Child Care	0	500	1,000	1,500	2,000	5,000
Advance EITC	0	0	0	0	0	0
GRAND TOTAL	(5)	1,005	3,280	4,575	6,025	14,880

Note: Parentheses denote savings.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

BACKGROUND INFORMATION ON THE AFDC PROGRAM

Before turning to the key policy issues, we provide brief background information regarding the current AFDC program.

AFDC Program under Current Law

The Aid to Families with Dependent Children (AFDC) program was enacted as Title IV of the Social Security Act of 1935. Its primary goal is to provide cash assistance to children in need of economic support due to the death, continued absence or incapacity of the primary wage earner (typically the child's father). AFDC provided benefits to a monthly average of 4.8 million families (13.6 million persons) in fiscal year 1992. This includes 322,000 families in the AFDC-Unemployed Parents (AFDC-UP) program. The total AFDC caseload represents 5.0 percent of the total resident U.S. population. Two-thirds (9.2 million) of AFDC recipients each month are children.

AFDC benefits totaled \$22.2 billion in 1992. Total AFDC monthly benefits averaged \$388 per month, per family, but benefits vary widely across States. In January 1993, the maximum monthly AFDC benefit for a family of three with no countable income ranged from \$120 in Mississippi to \$923 in Alaska. In real dollars, the average monthly benefit per AFDC family has declined from \$644 in 1970 to \$388 in 1992, a 40 percent reduction, attributable mostly to inflation rather than reductions in nominal benefit levels. The Federal government's share of total benefit expenditures was \$12.2 billion in 1992, and \$10.0 billion was paid by the States. Total administrative costs, shared equally between the Federal government and the States, were \$2.7 billion in 1992. Overall, the Federal government pays roughly 55 percent of total AFDC benefit costs and 50 percent of administrative costs.

The Family Support Act of 1988 created the Job Opportunities and Basic Skills (JOBS) program to provide education, training, and employment-related services to AFDC recipients to promote self-sufficiency. To the extent resources are available, all non-exempt recipients are required to participate in JOBS activities. Exemption categories include most children, those who are employed 30 or more hours per week, those who are ill, incapacitated, or of advanced age, women in their second trimester of pregnancy, and those who are caring for a young child, or caring for an ill or incapacitated family member. Federal matching to States for JOBS program costs is available as a capped entitlement limited to \$1.1 billion in fiscal year 1994. The matching rates vary between 50 percent and 90 percent, depending on the type of costs being reimbursed.

Most AFDC families are eligible for and participate in the food stamp program, which provides an important in-kind supplement to cash assistance. While participation rates varied among States, 86.2 percent of AFDC households also received food stamp benefits in fiscal year 1992. AFDC benefits are counted when determining food stamp benefit amounts; one dollar of AFDC reduces food stamps by 30 cents. Additionally, all AFDC families are eligible for Medicaid coverage, and under the provisions of the Family Support Act, all families who leave AFDC due to increased earnings or hours of work are eligible for one year of transitional Medicaid coverage.

Welfare Dynamics and Characteristics

It is extremely common for women to leave the welfare rolls very soon after they begin a spell of welfare receipt. More than half of all welfare recipients leave the welfare rolls within their first year of welfare receipt; by the end of two years the percentage who have left increases to 70 percent. By the end of five years, about 90 percent have left the welfare rolls. However, many of those who have left welfare cycle back on. Within the first year after leaving the welfare rolls, 45 percent return; almost two-thirds return by the end of three years. By the end of seven years, more than three-quarters of those who have left the welfare system have returned at some point. Almost half of all spells of welfare end when a recipient becomes employed; other reasons for leaving AFDC include marriage and children growing up. About 40 percent of women who ever use welfare are short-term users, about one-third are episodic users and one-quarter are long-term users. Using data from 1968 through 1989, the average time spent on welfare was 6.2 years.

While the number of AFDC recipients remained relatively constant between 1975 and 1988, AFDC caseloads rose sharply during the early 1990s. The monthly average of 13.6 million recipients in 1992 represented a 2.1 million increase since 1990. According to a recent Congressional Budget Office study, the primary reasons for the sharp increase in the AFDC caseload between late 1989 and 1992 are the growth in the number of female-headed families, especially those headed by women who never married, the recession and the weak economy.

The vast majority of AFDC families are headed by a single female. Among single female-headed AFDC households, the proportion of AFDC mothers who have never been married has significantly increased, although the proportion of divorced AFDC mothers still remains sizable. The AFDC caseload is racially and ethnically diverse. Thirty-nine percent of AFDC family caseloads are African-American, 38.1 percent are white, 17.4 percent are Hispanic, 2.8 percent are Asian, 1.3 percent are Native American, and 1.6 percent are of another race or ethnicity.

The average AFDC family is small. In 1991, 72.3 percent of AFDC families had 2 or fewer children, and 42.2 percent had only one child. Only a small proportion of AFDC families -- 10.1 percent -- have four or more children. The average family size of an AFDC family has also become smaller over time, from 4.0 in 1960 to 2.9 in 1992. Over two-thirds of AFDC recipients are children. In 1991, almost one-half of AFDC children were under six years of age; 24.8 percent were under age 3, and 21.4 percent were between ages 3 and 5. One-third (32.6) of AFDC children were aged 6 to 11, and 21.4 percent were age 12 or over.

Over half of AFDC mothers began their receipt of AFDC as teenagers; however, AFDC cases with teenage mothers (i.e., under age 20) make up only a small fraction of the AFDC caseload at any one time. In 1992, 8.1 percent of the AFDC caseload was headed by a teenage mother. Almost half of AFDC mothers (47.2 percent) were in their twenties, a third (32.6 percent) were in their thirties, and 12.1 percent were in their forties.

JOB

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The proposal calls for replacing the AFDC program with a transitional assistance program, to be followed by work. The new program includes four key elements: full participation, education and training, time limits, and work.

KEY ELEMENTS

- **Full Participation.** Everyone who wishes to receive cash support would be expected to do something to help themselves and their community. Recipients would sign a personal responsibility contract indicating exactly what was expected of them and the government. Most would go immediately into the JOBS program. A limited number of persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) would be assigned to a JOBS-Prep program until they are ready for the time-limited JOBS program. Everyone has something to contribute. Everyone has a responsibility to move toward work and independence.
- **Training, Education, and Placement (the JOBS program).** The core of the transitional support program would be an expanded and improved JOBS program, which was established by the Family Support Act of 1988 and provides training, education, and job placement services to AFDC recipients. The JOBS program would be revamped. Every aspect of the new program would emphasize paid work. Recipients and agency workers will, as under current law, design an employability plan. One option would be to require all persons applying for assistance to engage in supervised job search from the date of application. For those who need it, the JOBS program will help recipients gain access to the education and training services they need to find an appropriate job. Recipients who willfully fail to comply with their JOBS program employability plan will be sanctioned. The new effort will seek close coordination with the JTPA program and other mainstream training programs and educational resources. Central to this welfare reform effort is recognition of the need to support workers who have recently left welfare to help them keep their jobs.
- **Time Limits.** Persons able to work would generally be limited to two years of cash assistance. While two years would be the maximum period for the receipt of cash aid by people able to work, the goal would be to place people in private sector jobs long before the end of the two-year period. In a very limited number of cases, extensions of the time limit would be granted for completion of an educational or training program or in unusual circumstances. The time limit would be a lifetime limit, but persons who leave welfare could potentially earn back time on assistance for time spent off welfare.
- **Work (the WORK program).** The new effort would be designed to help as many people as possible find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years would be required to take a job in the WORK program. WORK program jobs would include subsidized private sector jobs, as well as positions with local not-for-profit organizations and public sector positions. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve

as substitutes for unsubsidized private sector employment. The primary emphasis of the WORK program will be on securing private sector employment.

Key elements of the new program are described in greater detail in addenda on JOBS and WORK at the end of this section.

Changing what happens in welfare offices will require significant changes in what is measured and rewarded. The Federal government will create strong financial incentives linked to long-term job placement and will seek to minimize the number of people who reach the two-year limit. Ultimately the best time-limited welfare system is one in which nobody hits the limit because everyone is working before that point.

KEY QUESTIONS

Six key questions need to be addressed in designing the program of transitional assistance followed by work.

- Focus and phase-in. How quickly should the reforms be phased in and who should be targeted initially?
- JOBS-Prep rules. Who should be assigned to the JOBS-Prep program because they are not able to work or are needed at home? How many persons should States be allowed to place in the JOBS-Prep program?
- JOBS extensions. Who should be granted extensions of the two-year time limit? What limits, if any, should be put on the number of extensions allowed?
- Work-for-Wages versus Work-for-Welfare. Should States be required to provide jobs, paying wages, to those in the WORK program? Would States be allowed to use CWEP placements for all or part of the WORK slots?
- Part-time versus full-time work expectations. Should persons working part-time while on welfare be subject to time limits? How many hours should WORK participants be required to work? Should States be allowed or required to supplement WORK earnings in a work-for-wages program?
- Discouraging extended WORK participation. What can be done to keep the duration of WORK participation short and to move people into unsubsidized work? Should the EITC be denied to WORK program participants? Should any particular WORK placement be limited to 12 months? Should the total time people are allowed to spend in the WORK program be limited?

Focus and Phase-In

The ultimate distribution of persons among the various elements of the program (JOBS-Prep, JOBS and WORK) depends on policy decisions. As a starting point, consider what would happen if we chose to undertake the extremely ambitious task of beginning the program full-scale in 1997. Most

States will need at least 2 years to pass implementing legislation and get the program up and running. This would entail requiring everyone on welfare in 1997 and all those who apply subsequently to meet the new requirements. The JOBS program, which now serves an average of 600,000 persons monthly, would have to expand to almost 2.7 million participants in 1997. By the year 2000, about 1.0 million WORK slots might be needed for persons who had reached the two-year time limit.

It is very unlikely that States could implement the new program so rapidly. Even if resources were plentiful, proceeding so swiftly to full-scale implementation would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve millions of new JOBS clients and to create hundreds of thousands of WORK slots, many States might be unable to deliver meaningful services to JOBS participants. An effective JOBS program is essential to moving people from welfare to work and to transforming the culture of welfare offices. Accordingly, it is critical that States, as part of the welfare reform effort, be able to focus on building such a JOBS program.

Phasing in the program gradually, starting with a subset of recipients, clearly seems a preferable approach. There are a number of different strategies for a more gradual phase-in. One strategy, as in the House Republican bill, applies new rules, including time limits, to applicants (both new and returning). This strategy has the obvious appeal of changing the rules initially for people who enter the welfare system in the future, rather than for those who entered earlier, under a different set of expectations. Such a method, however, raises serious equity concerns. A 25-year old mother who had children before age 20 and had been on welfare continuously since that point would face no time limit for several years, as long as she remained on assistance. Meanwhile, another mother of the same age, with the same number of children, who had been married or had worked to stay off welfare but suddenly found herself in need of support would be subject to time limits. Applying the time limits to re-applicants also creates very perverse incentives to *stay on welfare*. Most of the persons who leave welfare do return at some stage, and consequently many recipients who would otherwise leave might be inclined to stay on welfare to avoid the time limit.

An alternate strategy would be to phase-in by State. The costs to the Federal Government during the phase-in period would be lower, since not all States would be implementing the program at the same time. However, States implementing the program would still have to grapple with the difficulties accompanying the massive expansion of services described earlier in this paper.

An attractive alternative to these strategies is to focus on young parents, for example, those under 25. It is the younger generation of actual and potential welfare recipients that are the source of greatest concern. They are also the group for which there is probably the greatest hope of making a profound difference. Younger recipients are likely to have the longest stays on welfare, in part because they are at the beginning of their spells. Under this approach, we would devote energy and new resources to end welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

One method of focusing on younger recipients would be to place all persons born in 1973 or later (under 25 in 1997) into the transitional support system. All persons of the same age and circumstances would then face the same rules, regardless of when they entered the system. This plan implies a gradual phase-in of more and more of the welfare caseload, since the fraction of those on assistance who were born in 1973 or later would rise with each year. As of 1997, the new rules would apply to everyone under age 25. Ten years later, everyone under age 35 would be in this new

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transitional support structure. For this age cohort and all younger cohorts following, the welfare system would be transformed. Note that such a plan would not contemplate any reduction in existing education and training services for older recipients. They would still be eligible for JOBS services. But the new resources would be focused on young people. This plan would call for a reassessment five years after enactment, to determine whether we are successfully implementing the program for the younger generation and can accelerate it to phase in older recipients.

The number of persons served under such a strategy is shown on the table on the next page. In 1997, the first year of implementation, everyone in the program would be either working, in JOBS-Prep, or in the JOBS program. There would be no one in the WORK program until 1998, when persons would begin to reach the two-year limit. Note that most people who entered the welfare system would not reach the limit two years later. Many persons would, as is the case now, leave welfare within a short period of time and consequently would not be affected by the time limit. Others would cycle on and off welfare and so would accumulate 24 months of receipt over four or five years or more. Estimates indicate that as a result of the implementation of the new program and other reforms (health reform, child care for the working poor) more people will choose to work while on welfare and others who would not have left without these changes will leave altogether.

The projected costs of focusing on this target group are shown on in the introduction. Clearly, phasing in a larger group would increase these costs, while targeting a smaller group would decrease them. A decision to focus on young people initially in no way precludes adding all or part of the older cohorts to the program at a later time. For example, States could have the option to phase in the program more quickly.

The JOBS-Prep Program

Any policy where work is required and time-limits imposed must take account of differences in people's ability to work. People who are permanently disabled and thus unable to work for at least one year should in theory be covered under the Supplemental Security Income (SSI) Program. But some disabilities and most illnesses, even severe ones, last less than a year. Many other people suffer from partial disabilities that limit their ability to work. Sometimes a parent is needed in the home to care for a severely disabled child. There also are persons who have great difficulty coping with the day-to-day challenges of parenting and survival in what are often highly stressful environments.

One solution would be simply to exempt persons facing such obstacles to employment from participation requirements, as is the case under current law. Having large numbers of exemptions, however, may serve as an obstacle to changing the culture of welfare offices. Moreover, deferrals are not necessarily beneficial to those who receive them. Advocates for persons with disabilities often complain that current programs send both explicit and subtle messages that persons with disabilities cannot and should not work, and thus cannot really contribute to themselves or their communities. Still, for many persons, immediate work or training may not be appropriate.

PROJECTED CASELOADS UNDER A HYPOTHETICAL PROPOSAL, ASSUMING IMPLEMENTATION FOR PERSONS BORN AFTER 1972			
	FY 1997	FY 1999	FY 2004
Projected Adult Cases With Parent Born After 1972 Without Reform	1.20 million	1.67 million	2.90 million
Off welfare with Reform (Health reform after 1999, EITC, Child Care, JOBS, WORK, etc.)	.03 million	.07 million	.50 million
Program Participants	1.17 million	1.60 million	2.4 million
Working While on Welfare	.14 million	.20 million	.30 million
JOBS Participants	.74 million	.89 million	.87 million
WORK Participants	.00 million	.13 million	.63 million
Pre-JOBS-- disability/age limits work	.13 million	.20 million	.30 million
Pre-JOBS--severely disabled child	.03 million	.04 million	.06 million
Pre-JOBS--caring for child under one	.13 million	.16 million	.24 million

Notes:

Numbers assume modest behavioral effects that increase over time. These behavioral effects include a 50 percent increase in the percent of recipients working part-time, employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the full implementation of health reform.

The hypothetical proposal assumes the policy will be implemented in all States by Federal law by October 1996. In addition, the estimates assume that for 40 percent of the caseload, States will implement the policy by October 1995. This follows the pattern of State implementation under the Family Support Act.

One very intriguing formulation has been proposed by the American Public Welfare Association. They suggest a "JOBS preparation phase" for persons not yet able to work or enter an education or training program. All persons in this phase would be expected to do something to contribute to themselves and their community, but they would not be subject to the time limit until they were ready to enter the JOBS program. We have drawn heavily on this formulation in designing the new JOBS-Prep program, which would provide services intended to prepare persons for entry into the JOBS program.

Naming the program JOBS-Prep establishes the expectation that eventually many, if not most, people in this category will be able to join the regular JOBS program. But who should be placed in JOBS-Prep status? Virtually everyone seems to agree that persons of advanced age (over 60), those with severe disabilities or those who are caring for a severely disabled child should be assigned to the JOBS-Prep program. But the question of how far along the continuum of disability the line should be drawn is a difficult one.

A somewhat different set of problems is posed by the mothers of very young children. Should all mothers with children be expected to work, provided neither the mother nor the child is disabled? The Family Support Act exempts mothers with children under the age of 3 from participation in the JOBS program. States have the option of requiring participation of mothers with children over the age of 1 if they choose to do so. Eight States currently choose this stricter option. Five other States require mothers of children over 2 to participate.

Obviously, the more people who are placed in the JOBS-Prep program and consequently not yet subject to a time limit, the fewer people will be in the JOBS and WORK programs. It is estimated that the following percentages of the current caseload would be in JOBS-Prep under different policies:

Option A: Case head is 60 years or over, case head has a severe disability or is caring for a child with a severe disability.

8 percent in JOBS-Prep

Option B: Case head is 60 years or over, case head has a disability which limits work, or is caring for a child with a severe disability.

15 percent in JOBS-Prep

Option C: Option B, plus cases with a child under 1 in the household or with a woman in the final trimester of pregnancy. Mothers of children conceived while the mother is on welfare would be assigned to JOBS-Prep for a period of time consistent with the Family Leave Act.

25 percent in JOBS-Prep

Option D: Option B, plus cases with child under 3 years in the household or woman in the final trimester of pregnancy. Mothers of children conceived while the mother is on welfare would be assigned to JOBS-Prep for a period of time consistent with the Family Leave Act.

58 percent in JOBS-Prep

Except for the shorter time limits for children conceived while the mother was receiving assistance, Option D is essentially the strategy used in the Family Support Act, though States are currently permitted to elect Option C (as noted above, only eight have done so). Option C, which would

reduce the number of exemptions by nearly half from current law, is the strategy used for the cost estimates in the hypothetical proposal.

It is easy to determine the age of youngest child, but difficult to define disability, illness or the need to care for a relative for purposes of assignment to JOBS-Prep as opposed to JOBS. Rather than set up elaborate Federal rules for defining ability to work and then auditing performance, the Working Group may want to recommend that the Federal government set a maximum percentage of the caseload which can be placed in JOBS-Prep for reasons other than the age of the youngest child, and provide guidance as to the other criteria for assignment to the JOBS-Prep program. The hypothetical plan estimates assume that States can place all mothers of children under age 1 and, in addition, up to 15 percent of the total adult caseload in JOBS-Prep.

JOBS Extensions

A related, but conceptually distinct question is that of extensions. Not all persons will be able to complete the needed education or training programs within two years. For example, some individuals with learning disabilities may not be able to obtain a high school degree or a GED within a two-year period. Other persons may be enrolled in post-secondary education, such as a four-year college degree program, which requires more than two years to complete. Some programs, including school-to-work programs, involve both a period to finish high school and an additional year or more of postgraduate training.

There seems to be little disagreement that persons who are making satisfactory progress toward attaining a high school degree or completing a GED, school-to-work or similar program should be granted extensions to attain their degrees or complete their programs. Extension policy should also be sensitive to the particular circumstances of recipients. Persons with language difficulties may need, for example, to complete an English as a Second Language (ESL) course before they can obtain a GED or job training.

The controversial question is whether a person should be able to receive full welfare benefits while he or she goes on to complete a four-year college degree. Those who favor such a proposal emphasize that assisting people to obtain a bachelor's degree is the best way to ensure that they do not return to welfare. Pushing people into low-wage positions which do not bring the family up to the poverty line or offer upward mobility may be counter-productive.

Those who oppose extensions to allow individuals to complete a four-year college degree note that only one-quarter of all high school graduates obtain a bachelor's degree, and that among welfare recipients the fraction is much lower. They question whether it is fair to use welfare benefits to help support persons who are getting four-year degrees when the vast majority of persons paying for that support will never get such a degree. There is also a concern that single parents who receive cash assistance would actually have greater access to economic support for higher education than persons who did not become single parents. A partial resolution to this dilemma may emerge if part-time work fulfills the work obligation. In those circumstances, persons working part time and attending school part time would continue to be eligible for some supplemental cash support in most States. Another option would be to let States apply for waivers to allow extensions for college.

As with the issue of assignments to JOBS-Prep, the Working Group may want to recommend that the number of extensions be capped at a fixed percentage of the caseload. The current proposal allows States to grant extensions to persons for attaining a high school diploma or GED or for completing a school-to-work or other appropriate education or training program, as well as to persons facing a language barrier or other serious obstacle to employment. States could also opt to use extensions for persons in post-secondary education, especially persons in work-study programs.

We believe that setting the cap at 10 percent of the JOBS program caseload will provide States a sufficient number of extensions, barring unusual circumstances. A State could apply to the Secretary of HHS for additional extensions as an amendment to the State plan if it could demonstrate that its caseload is very different from that in the nation as a whole or if it had developed an alternative program which is structured in such a way that additional extensions are required.

Work-for-Wages Versus Work-for-Welfare

Unquestionably the hardest part of designing a time-limited welfare system is structuring the work program for persons who have reached the time limit. The welfare reform effort will focus on making work pay, collecting child support, and creating a first-rate education, training and placement program in order to keep the number of persons reaching the time limit to a minimum. In addition, all persons approaching the two-year limit will be required to engage in a period of intensive job search. Despite these efforts, some persons will hit the time limit without finding a job on their own, and work opportunities must be provided for them.

The first and most visible choice in the WORK program involves work-for-wages versus work-for-welfare. Under a *work-for-wages* plan, the State or locality is required to offer a work opportunity to persons who have reached the time limit. Hours and wages are set by the State or locality. Persons receive a paycheck for hours worked. If the person does not work, he or she does not get paid. In principle, persons are wage earners rather than recipients. In a *work-for-welfare* plan, the person continues to receive a welfare check but is required to work at a designated community service job as a condition of eligibility for cash benefits. Persons who fail to report for work or who perform poorly can have their welfare benefits reduced, so long as the State can establish that there was no good cause for their absence or poor performance. In effect, under a work-for-welfare plan, WORK program participants remain recipients, but they have additional obligations.

There seems to be considerable agreement on the strong appeal of a work-for-wages model. The structure is seen as providing a traditional work opportunity with the dignity and the responsibilities of a standard work place. Persons would receive wages rather than a welfare check.

The major question to be resolved is whether States should be permitted to opt for a work-for-welfare model if they choose to do so. If the decision is made to allow States to elect a work-for-welfare model, the Administration's plan could have provisions to encourage States, through financial incentives and technical assistance, to adopt a work-for-wages model.

Those who argue for allowing States the choice cite two major concerns: *implementation* and *recipient protection*. A work-for-wages program of this magnitude for this population has not been implemented previously.

Under a work-for-wages structure, communities would have to establish a system for linking WORK participants with the private sector, as well as with the not-for-profit and public sectors. They would need to determine how and by what method to pay organizations who employ WORK participants. In addition, they would need to set up procedures for monitoring WORK program participation and resolving disputes. There are also difficult questions involving worker protection. What happens if a WORK participant, or his or her child, is sick? What happens if the adult simply fails to show up for work repeatedly? What if the worker feels the work place is dangerous or abusive? We have limited real experience to draw on in addressing these concerns.

While a work-for-wages model has not been tested on this scale, work-for-welfare has been tried in various forms by many States. The payment structure is easy--participants get a welfare check. Dispute resolution is handled within the same sanctioning and appeal structure used for other disputes concerning cash benefits. States still have to find work sites, but protection for workers is less of a problem, since the benefit continues to be paid unless the State decides to begin a sanctioning process.

Before the State can reduce the benefit it must establish that the person failed to meet his or her work obligations without good cause. Such a test would never be met if a child were sick or transportation broke down. Though few people like the existing work-for-welfare programs (usually called Community Work Experience Program, CWEP), and evidence regarding their impact on employment and earnings is not encouraging, work-for-welfare is a known entity. A number of other welfare reform plans call for CWEP after two years of transitional assistance.

Those who argue against allowing States the option of selecting CWEP fear that many would choose the approach that they know, without giving the work-for-wages model serious consideration. This would undermine the goals and philosophy of the reform plan. They view the implementation problems in work-for-wages as difficult, but surmountable, especially if the program initially focuses on younger recipients. As discussed below, States would be given enormous flexibility in deciding how to implement a work-for-wages model. Moreover, under the phase-in strategy recommended above, the number of work slots would grow gradually, due to the targeting of young parents, giving States the time they need to design and implement new systems. The scale, rather than the structure, of the WORK program may be the primary concern for States.

Work-for-welfare sends adverse messages to recipients, prospective employers, and the public. CWEP slots are not generally perceived as "real jobs." CWEP participants in arguably one of the best run programs (in San Diego) reported that they thought the work requirement was fair, but they felt like they were working for free. There is little evidence that persons who go through CWEP subsequently fare better in the work place than people who were just on welfare. Employers will probably never see CWEP experience as serious work experience. No regular job pays its employees regardless of when and whether they show up unless the employer can prove the person did not stay out for good cause. Placements are virtually never in the private sector, nor are they likely to be. Work-for-wages programs by contrast can target private sector employers. Perhaps most importantly, without the responsibilities of regular work and the paycheck tied to performance, there will be far less dignity in WORK.

Advocates for a work-for-wages policy note that such a model would distinguish the Administration's plan from other proposals and serve to define and delineate our vision. A work-for-wages plan whereby persons are given transitional aid and training and then offered a job if they can't find one

on their own contrasts sharply with a plan which calls for people to work off their welfare check after two years.

The Working Group may want to recommend a very flexible work-for-wages program, with considerable State and local discretion in the operation of the program. Many of the details would be quite consciously left to States and local communities, who know their own needs and circumstances, including labor market conditions, best.

Part-time versus Full-time Work Expectations

The transitional support program will focus heavily on work. Persons would not be able to collect welfare benefits indefinitely without working. But the question remains: should someone who has reached the time limit and is working in a low-wage job, either a WORK position or an unsubsidized job, be able to receive cash benefits in addition to wages, if the family's income is below the eligibility standard in the State?

One option is to allow families in which one member is working part-time (20 hours per week in an unsubsidized job) to continue to collect cash assistance. Under this strategy, months in which an individual was working part-time would not count against the time limit, and persons who had reached the time limit and were in WORK positions or in unsubsidized jobs could collect cash benefits if otherwise eligible. Also, part-time work would meet the JOBS participation requirement.

This approach has several advantages. Part-time work may be the most reasonable standard for single parents, especially those with young children. All working parents face significant burdens in dealing with school schedules, child care, sick children, doctor visits and the like. Though the vast majority of married mothers work, only about 1/3 work full-time all year, and they have help from their spouse. Given that at present only 8 percent of adult AFDC recipients presently work at all in a given month, getting people to work part-time may be seen as a major accomplishment. Moreover, part-time work may serve as a stepping stone to both full-time work and to better-paying jobs. Employers typically have a strong preference for work experience in unsubsidized jobs.

In addition, if wages from WORK assignments could not be supplemented with cash benefits, the higher-benefit States would have to either make their WORK assignments full-time or leave people in WORK assignments worse off than those who were not working and on assistance (i.e., those who had not reached the time limit). It could be both expensive and counterproductive to take people who have reached the time limit and are working part-time out of their unsubsidized work to place them in full-time subsidized WORK slots.

The current cost estimates assume that part-time work stops the time-limit clock, and consequently more people choose to work part-time in unsubsidized employment than are doing so now. If part-time work does not stop the clock, the number of WORK positions needed might well be higher, because persons who would work part-time while on assistance might give up their unsubsidized work to obtain education and training within the two-year window.

Finally, some argue that since full-time work would always be much more financially rewarding than part-time work, persons would already have every incentive to work full-time rather than part-time. Part-time workers would generally be poor, even with their supplemental benefits.

A second option is to end cash assistance entirely at the end of two years and require participation in the WORK program, even for the working poor who might still qualify in some States. People in WORK slots or unsubsidized part-time work would not be eligible for supplementary benefits. It would encourage people to become self-sufficient, with the help of the EITC, child care and health care—rather than continuing to rely on welfare indefinitely. It would seem more equitable to single parents who are working full-time to support their children without the benefit of welfare. It might also be less costly in the long run than the first option.

A third alternative would be to stop the time-limit clock during part-time work only if the parent had a young child, on the grounds that these are the parents most likely to encounter difficulties working full-time as well as those for whom child care is likely to be the most expensive.

Finally, a fourth alternative could be to leave the decision to the States, whether to stop the clock for persons working part time.

Work Expectations in the WORK Program

Related to the treatment of part-time work is the key question of how to set the number of hours expected of participants in the WORK program. An obvious strategy is to calculate the required hours of work in the program by dividing the cash welfare benefit by the minimum wage. But this simple formula raises issues which vary depending on each state's level of benefits.

In low-benefit states, dividing cash benefits by the minimum wage yields a very low level of required work. In Mississippi, for example, a mother with two children would be required to work just 10 hours per week -- hardly a substantial work experience. One solution (consistent only with the work-for-wages model) is simply to set a minimum number of hours. In some states, this would mean that WORK participants would have more income than people receiving cash assistance only. Another solution (consistent only with the work-for-welfare model) is to include in the formula the value of food stamps in addition to cash benefits. Some would argue that it is unfair to require people to work off non-cash benefits, and this concern is intensified by the fact that this would occur in some states but not in others.

By contrast, in high-benefit states a different set of issues arises. In these states dividing cash benefits by the minimum wage yields a very high level of required work -- more than 35 hours per week. The greater the number of hours of work, the greater the associated child care costs, and the greater the difficulty of developing WORK assignments. Moreover, in some states if no supplemental cash benefits were provided, people earning minimum wage in WORK positions would actually be worse off than people receiving cash assistance only.

Because the issues in setting the number of hours vary depending on each state's level of benefits, the Working Group may want to recommend giving States flexibility to determine work hours within a reasonable range -- say, 15 to 35 hours per week. States would also have flexibility to decide whether to provide supplemental cash benefits to WORK participants. They could use whatever formulas or criteria they choose, provided that they ensure that (1) WORK participants receive at least minimum wage, and (2) WORK participants are better off than people receiving cash assistance only.

Discouraging Extended WORK Participation

WORK program jobs are not intended to serve as a substitute for or displace private sector placements. Rather, they are designed to provide temporary, last-resort work for persons who have reached the time limit without finding a private sector job. Unless long-term participation is deterred, the size of the WORK program could become prohibitively large. Indeed, the ultimate goal of the WORK program is to place people into unsubsidized work.

There are various ways in which a WORK program can be designed in order to discourage or prevent extended participation. These include the following provisions: limiting the duration of each individual WORK assignment, requiring frequent job search, denying the EITC to WORK program participants and placing limits on the total length of time people are allowed to spend in WORK assignments.

Limiting the duration of individual WORK assignments and following them with intensive job search.

There is little disagreement that individual WORK placements ought to be limited in duration to perhaps 12 months. This limit is designed to prevent participants from becoming attached to particular subsidized jobs. Of course, there would be strong encouragement to and incentives for employers to hire WORK participants as unsubsidized employees before or at the end of the 12 months. Before and after each WORK assignment, job search would be required.

Denying the EITC to WORK program participants. Perhaps the best way to ensure that people do not eschew private sector jobs for WORK positions is to make certain that any private sector position pays better than a WORK job. Though there are various mechanisms for accomplishing this, one of the easiest is to deny the EITC for money earned in the subsidized WORK assignments. Since WORK slots are already subsidized, it could be argued that it would not be appropriate to offer the additional subsidy of the EITC. There would be some administrative complexity to treating earnings received while a WORK participant differently from other earnings.

Some argue that if persons are being expected to work in real jobs they ought to receive the same benefits as other workers. They believe that limits on the duration of WORK assignments, frequent job search and the possibility of promotion will lead people to move toward private work without the need for special "penalties" for WORK workers.

Others argue that without such a requirement, the WORK program will not truly be a last resort for those unable to find unsubsidized jobs.

Requiring acceptance of any private sector job offer. Both JOBS and WORK program participants would be required to accept any offer of an unsubsidized job, provided the job met certain health and safety standards, or be denied assistance or a WORK job for several months. After two refusals, the person might be permanently denied access to a WORK assignment. Some argue that such provisions are unnecessary, hard to administer and potentially unfair, especially if the EITC is denied to WORK workers.

Limiting the total time people can be in the WORK program. Another way to limit WORK participation would be to time limit WORK, just as welfare is time-limited. Those who favor limiting the total length of time in WORK assignments to two or three years argue that other persons are not

guaranteed paid work if they cannot find it on their own. Theoretically, persons could stay in the WORK program for many years, and such extended WORK participation is seen by some as creating a work entitlement that may become as unpopular as welfare is now.

A second argument involves the best use of resources. WORK slots require resources for job creation and child care. If people have been in the WORK program for two years and in the JOBS program for two years prior to that, resources, including WORK positions, might be better focused on other recipients.

The biggest problem with limiting the duration of WORK participation is deciding what to do when individuals hit such a WORK time limit. One strategy would be to have individual evaluations for those who reach the WORK time limit to decide whether they should be returned to JOBS-Prep, have their welfare benefits reduced if they are job ready, or be classified as permanently deferred. Such a strategy would ensure that WORK slots were preserved for those first reaching the time limit. One need not require States to limit WORK assignments; one might only provide the flexibility to do so. Other welfare reform proposals allow States to terminate or reduce public assistance after 3 years in CWEP.

Opponents argue that there is no justification for limiting participation in the WORK program, especially if WORK participants are denied the EITC. If all the provisions listed above for limiting the length of WORK limiting provisions were adopted, anyone still eligible for a WORK assignment after, say, 2 or 3 years would have successfully met all WORK requirements in several different placements, been through 3 or 4 intensive searches for unsubsidized employment, not refused any private sector job offer and would be seeking a WORK assignment even though any private sector job opportunity would pay 40 percent more and probably offer a better future.

Opponents of WORK time limits argue that such people would most likely be individuals who genuinely could not find any private sector employment either because they lived in a weak labor market, or because they could not, despite their best efforts, successfully compete for available jobs. Denying them the opportunity to participate in the WORK program would very likely cause their incomes to fall sharply, potentially putting the family at serious risk of homelessness or other crises. Virtually none of these families would have had incomes above the poverty line while they were in the WORK program. Unless we are willing to provide cash benefits without a work expectation for people who are no longer eligible for the WORK program, we would be placed in the position of denying support to persons who had demonstrated a willingness to work. Finally, there is the question of what would happen to people who had exhausted both their JOBS support and WORK support, succeeded in finding work, but lost that work when the economy changed or for other reasons. What would be the temporary safety net for such families?

Time-limiting participation in the WORK program would not have any effect on cost estimates in the five-year cost estimation window used for the budget. Since it will likely take States two years to begin implementing the program, even a strict two-year limit on JOBS followed by a strict two-year limit on WORK would not affect anyone for six years. Since most people do not stay on welfare continuously for four years, in most cases it would not have any effect for seven or eight years. Eventually, however, such limits on WORK could have a significant impact. Unfortunately, we have no information on the extent to which extended stays in the WORK program will be a problem, nor any understanding of what would be the reasons for such extended stays. The issue could be revisited in later years if extended spells in WORK became a problem.

Individual Economic Development

As part of the welfare reform effort, we will be exploring a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Microenterprise development and incentives for saving will be among the complementary approaches to be examined. The hypothetical welfare reform plan includes two individual economic development demonstration programs, one testing the effect of Individual Development Accounts on savings and another attempting to encourage persons on assistance to start microenterprises (small businesses). Raising the asset limit for eligibility for cash benefits to \$10,000 for savings accounts designated for specific purposes such as purchase of a first home is also under consideration.

An Individual Development Account (IDA) would be a special type of savings account, in which savings by recipients would be matched by Federal government dollars. Savings from an IDA, including both the individual's share and the matching dollars, could only be withdrawn for a limited number of purposes, including paying for education or training, starting a business or purchasing a home. The IDA demonstration will attempt, through a randomized evaluation, to determine the effect of such savings incentives on both asset accumulation and movement toward self-sufficiency.

The hypothetical reform plan also includes a demonstration program to promote self-employment among welfare recipients by providing access to both microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration, which will, as above, be a random assignment study, will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance.

ADDENDUM: EXPANDED JOBS AND TIME-LIMITED CASH ASSISTANCE PROGRAM DESIGN

A greatly expanded JOBS program will be the centerpiece of the new transitional assistance program. JOBS will be a two-year job search, education, training and job placement program designed to help welfare recipients secure employment and achieve self-sufficiency. While individuals are in JOBS, they will be eligible for cash assistance. Following is the recommended expanded program design.

Administration. As under current law, State welfare agencies will administer the cash assistance and expanded JOBS program under broad Federal guidelines. States will have to submit a JOBS plan, which has been developed and coordinated with relevant employment, training, and educational programs in the State, to the Secretary of HHS for approval.

Funding. As under current law, Federal matching funds for JOBS will be available as a capped entitlement.

Activities. New entrants will be assessed and then enter into an agreement with the agency administering the JOBS program that stresses the mutual responsibilities of recipient and agency under a time-limited assistance program. The focus will be on the activities and services that the individual needs in order to achieve self-sufficiency. States will have the option to require persons applying for assistance to engage in job search from the date of application.

State JOBS services and activities will be largely those provided under current law, including education, training, CWEP and other work activities, job development and job placement. A key aspect of the plan is to increase coordination and integration of JOBS with mainstream education and training programs and initiatives. Current limitations on the duration of job search within the JOBS program will be relaxed to promote employment.

Recipients who are within 45-90 days of reaching their two-year time limit will be required to engage in job search at that point.

Participation standards. The new transitional assistance program will be phased-in gradually over several years. At full implementation, minimum State JOBS participation rates will be significantly higher than the current rate. The definition of participation will be expanded to include a broader range of activities that promote self-sufficiency.

Sanctions. We are considering strengthening the sanctions for failure to participate in the JOBS program. One option would be to adopt the APWA recommendation that the sanction be set at 25% of the total of cash benefits *plus* Food Stamps.

Earn-back provisions. Recipients who leave JOBS and transitional assistance for regular unsubsidized employment before reaching the two-year limit but subsequently lose their jobs will be able to return to the transitional assistance program. Persons who have left welfare can earn back potential months of assistance for time in which they were out of the welfare system.

JOBS-Prep. Recipients who are not able to work or to participate in a JOBS education or training program will be assigned to JOBS-Prep and expected to do something to contribute to themselves and

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their community. Individuals in the JOBS-Prep program would include persons of advanced age, those who have severe disabilities and mothers of very young, very ill or severely disabled children. Persons assigned to the JOBS-Prep program would not be subject to a time limit unless and until they entered the JOBS program. The percentage of the caseload that States could place in the JOBS-Prep program will be limited.

Extensions. States will be permitted to grant a limited number of extensions of the time limit for completion of education or training programs and in other appropriate circumstances. It is proposed that States be allowed to extend a maximum of 10 percent of their caseload at any one time. Under special circumstances, States could be permitted to exceed the cap on extensions.

ADDENDUM: WORK-FOR-WAGES PROGRAM DESIGN

The following are key policy elements and the initial recommended design. Elements with an * contain controversial policy questions:

Administration. States would be required to develop a WORK plan for joint approval by the Secretaries of HHS and Labor. States would be required to have a WORK advisory panel with membership from labor, business and community organizations. To be resolved: membership and links to Private Industry Councils (PICs) and Workforce Investment Boards (WIBs). The advisory panel would have to approve the WORK plan.

Funding. For each WORK placement, States would receive a flat amount for administrative costs and would be reimbursed for wages paid (hours times wage) according to a specified set of matching rules. Federal matching rates would significantly decline the longer the person stayed in the WORK program as a further incentive for States to move people into unsubsidized work. Additional monies or a higher match might be available to States in times of recession.

Placements. Placements in private sector establishments would be strongly preferred. States would be free to negotiate contracts with private companies, placement services, community organizations, State and local government agencies, and other organizations to accept or place WORK participants in exchange for payments from the government. Private sector placements would require that at least some portion of the wage be paid by the employer.

In addition, a major effort would be undertaken with State and Federal government agencies to find job placements through existing initiatives and program expansions such as child care, Head Start centers, housing rehabilitation projects, Empowerment Zones, and many others.

National Service placements would also be acceptable WORK assignments. States would be given the option of contracting with the National Service Board to provide a certain number of National Service Placements. In addition, National Service workers could be used to help work with and supervise WORK participants in community service activities.

* Displacement. Language to be developed, with National Service non-displacement language serving as the base.

* Hours. Hours would be set by the State--a minimum of 15 hours and a maximum of 35 hours. States would be free to use whatever criteria they choose in deciding upon hours so long as each hour of work was paid.

States could choose to offer anything from part-time to full-time work. If the WORK job paid less than the family would have received in cash benefits (before reaching the time limit) the State would be required to pay a supplement (see below). Requiring full-time work would be considerably more expensive, more than doubling the cost of the WORK program and complicating the job creation problem considerably. Particularly for mothers with young children, full-time work may not be deemed appropriate or practical by the local community.

* Wages, working conditions, and benefits. WORK assignments would have to pay at least the higher of the Federal and any State or local minimum wage, but States and localities could choose to set a higher wage rate in specific cases. An argument can be made that on the grounds of equity, total compensation (including any subsidized child care and other benefits) paid to individuals in WORK assignments would have to be similar to the compensation paid to other workers in the same job (taking experience and skills into account). Sick rules and absentee policy would be the same as that of similar workers in the establishment. States would set or negotiate such rules in cases in which a new organization or establishment was being formed to employ WORK participants. Workers compensation coverage would be provided, either through the employer or by another method. FICA taxes would be paid, with, again, the exact mechanism to be developed. Unemployment insurance payments, however, would not be required.

Supplemental support. If expected WORK program earnings net of work expenses were less than would have been received by a non-working family on cash assistance, the State would be required to pay the difference as a supplemental benefit. Note that such a supplemental benefit would never be higher than the supplement that would be paid under transitional assistance for someone with the same earnings in a private sector job.

* Treatment of earnings from WORK program for other government benefits. For purposes of determining eligibility and benefits for other government programs, the following rules would apply:

- For purposes of calculating food stamp, housing and other benefits, wages paid under the WORK program would be treated as earnings. Benefits would be calculated on a 3-month prospective basis under the assumption that the person were going to work the full number of hours assigned. No increases in food stamps or supplemental benefits would occur if the person did not work the required hours, provided he or she did not have good cause (e.g., a serious illness) for the missed work.
- Earnings received under the WORK program would not be eligible for the EITC and would not be included in adjusted gross income for tax purposes. This provision is designed to ensure that private unsubsidized work would always be significantly more attractive than WORK.

Limits on the duration of each placement with frequent requirements for supervised job search. WORK slots are designed to be temporary, available only when people really cannot find private sector work. Each individual placement would be limited to no more than 12 months as a subsidized placement and would have to be preceded and followed by a period of intensive job search. If the employer agreed to take the person on as an unsubsidized worker, the individual would be considered out of the WORK program.

* Required acceptance of any private sector job offer. WORK program participants would be required to accept any unsubsidized job offer or be denied a WORK job for several months. After two refusals, the person might be permanently denied access to a WORK assignment.

Tracking of placement and retention records. States would be required to maintain records on the rate at which WORK workers are retained by their WORK employers or placed in unsubsidized jobs by placement services. States would be expected to give preference for contracting with the WORK

program to the employers and placement services with the best performance. At a future date, the Secretary of HHS may impose retention or placement standards.

Returns to JOBS-Prep. Persons who became temporarily ill or faced a major new impediment to work could seek to be re-evaluated and placed in the JOBS-Prep program until such time as the State deemed them ready to work. Persons in this status would count against the limit on JOBS-Prep placements.

* Insufficient WORK slots. In cases where there are insufficient WORK slots, first preference would go to people just reaching the time limit. States would be required to pay ongoing cash benefits to persons who were not placed in WORK assignments, and States would be reimbursed for such benefits at a significantly reduced match. The reduced match might be waived in periods of high local unemployment.

MAKING WORK PAY/CHILD CARE

BUILDING BLOCKS: EITC AND HEALTH CARE REFORM

A crucial component of welfare reform based on work and responsibility is making work pay. Although they are not discussed in this paper, working family tax credits and health reform are two of the three major components of making work pay. Last summer's \$21 billion expansion of the Earned Income Tax Credit (EITC) was a major step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The welfare reform proposal will include provisions to make sure the EITC can be delivered on a regular, advance-payment basis throughout the year.

The next critical step is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better health coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to fear losing health coverage and choose welfare instead of work to ensure that their children have health insurance. Both the EITC expansion and health care reform will help support workers as they leave welfare to maintain their independence and self-sufficiency.

The key missing component for making work pay is subsidized child care. In order for families, especially single-parent families, to be able to work and prepare themselves for work, they need care for their children. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare.

There are two major issues as we think about child care in the context of welfare reform:

- How much subsidized child care should be made available, and for whom?
- What investments and/or requirements should be put in place to improve the quality of child care and the coordination of child care programs funded under different mechanisms?

ISSUE: HOW MUCH CHILD CARE AND FOR WHOM?

There are three categories of low-income families with child care needs that we ought to consider:

- Families in JOBS, working part-time, or in WORK
- Families in a transition period, having just worked their way off assistance or the WORK program

- Families working without having ever been on welfare or working beyond a transition period.

All three categories have legitimate claims on child care subsidies. Families who are required to participate in JOBS are currently guaranteed child care, and rightly so. People who are working but still on welfare have their child care subsidized through disregards in their AFDC and food stamp benefits, and sometimes through subsidies. We propose to continue current guarantees of child care subsidies for these categories of recipients. People in the WORK program are like welfare recipients in that they are working as a condition of receiving continued support, they are working at the minimum wage, and they are not receiving the EITC. The proposal would guarantee their child care, just as it is guaranteed for JOBS and AFDC participants.

Under current law, people who move off welfare and are working are guaranteed subsidized child care for a year in order to ease the transition. We propose to continue that guarantee for participants in the transitional assistance program who move into private sector work.

It is hard to argue, however, that low-income working families who are not on welfare or are transitioning off welfare are less needing or deserving of child care subsidies than people who are on welfare. It seems quite inequitable to provide child care subsidies to one family and to deny them to another whose circumstances are identical except for the fact that the first family is or has been on welfare.

The crucial issue to be decided is the size and shape of a child care subsidy program for the working poor. This program should almost certainly be designed as a capped entitlement. There are three basic options, which reflect different overall levels of resources and different targeting strategies.

Capped Entitlement: Full-Service Level

If we genuinely want to make work pay, to make work more attractive than welfare, and to maintain equity between those who have and have not been on welfare, it is important that child care subsidies be available for the working poor, independent of their prior welfare status. The ideal approach, if resources were no constraint, would be to guarantee a child care subsidy to all working poor families who need it, with a reasonable ceiling on cost per child. The cost of such a full-service entitlement is estimated to be between \$2 and \$3 billion per year of net new Federal and State spending.

This estimate is very uncertain. Because it is based on current usage, it does not reflect potential changes in work behavior and child care choices that might result if new subsidies were available. The estimate may, therefore, underestimate actual costs. On the other hand, experience to date suggests that actual child care usage is often much lower than planners predict; based on this experience, the estimate could be too high. Because of the great uncertainty of the estimates of providing subsidized child care for the working poor, however, it seems unwise at this point to establish an uncapped entitlement which could potentially become quite expensive.

The logical alternative is a capped entitlement set at a level that reflects available resources. Capping the entitlement guarantees that spending will not exceed the specified limit.

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We suggest a funding level at less than full service in order to reflect available resources. The proposal is for \$2.0 billion in 1999, with a five-year cost of \$5.0 billion. This is less than our estimates for full service, and therefore, requires some method of allocation.

Allocating a Capped Entitlement: State Discretion

The most obvious way of structuring a capped entitlement to child care for the working poor, whether at the full-service level or at a lower level, is to allot available funds to the States and allow them to use the funds for services to families as they see fit. This approach should work very well if the funds are set at the full-service level. At a lower funding level, however, a problem arises because the funds may not meet actual demand, and criteria for determining which families to serve are difficult to set. Child care subsidies tend, therefore, to be distributed inequitably, often on the basis of a first-come, first-served strategy that cannot address relative need.

Allocating a Capped Entitlement: Targeted

An alternative would be a targeted capped entitlement. Because it would be capped, spending levels would be controlled. But if it were targeted to a population sub-group, and set at a level that was estimated to be sufficient to serve that sub-group, the allocation problem of the full-service, capped entitlement could be alleviated. The question, therefore, is whether there is a sub-group that could be targeted that makes sense programmatically and that could be served with a reasonable resource allocation.

One possibility is to target young families, along the same lines and for the same reasons that we are targeting young AFDC applicants and recipients for phasing in the transitional assistance program. This strategy has many attractive features. It can be justified on the same grounds that we justify the focus in the transitional program--investing in young families. It also addresses the problem of equity between welfare and non-welfare recipients. Everyone born after 1972 would receive services in the JOBS and WORK programs and child care subsidies if they are working, whether or not they are or have been on welfare. The disadvantage of this kind of targeting, obviously, is that it denies services to older mothers simply on the basis of their birth date. Focusing child care subsidies on young mothers may send a wrong message about the desirability of deferring parenthood.

The estimated additional costs of child care subsidies for young families are about \$750 million per year. Our suggested funding level would, therefore, be sufficient to serve all young families and a portion of older families.

QUALITY AND COORDINATION ISSUES

The issue of quality versus quantity in child care has a long and contentious history. At one extreme are those who argue that child care subsidies should only be available for care that meets Federally-defined quality standards, that professional group care should be preferred over informal care, and that rates should be set in such a way that expensive care is not only eligible for subsidy but is encouraged. At the other extreme are those who argue that child care subsidies should be available for any kind of care that the parent can find, with a strong preference for inexpensive and informal care.

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Head Start

Fortunately, some agreements and accommodations in the Head Start program have been emerging that can guide an approach to child care. Nearly everyone agrees that Head Start, with its high quality comprehensive approach to child development, should be the preferred service for as many three- and four-year-olds as possible, with supplemental child care as needed. This Administration's commitment to expanding Head Start, and to developing more full-day and full-year Head Start slots, will ensure that as many as 1,000,000 low-income children in 1999 will be served by Head Start.

Parental Choice and State Oversight

Recent child care legislation has been based on the consensus that for other child care arrangements, parents should have nearly unlimited choice, constrained only by State regulations and by minimum health and safety standards. The general principle is that providers who receive subsidies should meet State licensing or registration standards and that parents should be informed about their child care choices. Providers that are exempt from State regulatory standards (most States exempt baby-sitting and small in-home care arrangements for two or three children, and some States exempt sectarian and other providers of more formal care) would be required to register with the State and to meet State-defined requirements for the prevention and control of infectious diseases, building and physical premise safety and minimum health and safety training of providers.

Investments in Quality and Supply

A third point of general agreement is that some funds ought to be available for investments in child care quality and supply. We propose setting aside a portion of child care funds for the following: resource and referral programs; grants or loans to assist in meeting State and local standards; monitoring of compliance with licensing and regulatory requirements; training and technical assistance to providers; and enhancements to compensation for providers. We also propose to ensure that training and technical assistance are available to enable welfare recipients, including JOBS and WORK participants, to become Head Start and child care providers. These programs should be an important source of private sector jobs and of WORK program slots for people moving off welfare.

Rates

In general, States pay subsidies for child care equal to actual cost, up to some maximum. This maximum should be set in a way that reflects reasonable costs of care. It should also be the same across child care programs and payment mechanisms to reflect current market conditions and be defined in such a way that it can vary automatically over time and possibly reflect geographical differences in prices.

Program Coordination

Finally, there is agreement that child care programs and funding streams should be designed in ways that are easy to administer and appear "seamless" to parents. This can be achieved both through program consolidation, when possible, and through coordination of rules, procedures and automated systems. Because of fiscal and political difficulties full consolidation is very difficult to achieve; nonetheless, full coordination ought to be an important goal.

PROMOTING PARENTAL RESPONSIBILITY AND PREVENTING TEEN PREGNANCY

The best way to end welfare dependency is to eliminate the need for welfare in the first place. High rates of female-headed family formation and the startlingly high poverty rates of those families lie behind our large and growing welfare rolls. We are approaching the point when one out of every three babies in America will be born to an unwed mother, and the majority of these will receive welfare at some point. Births to school-age unwed mothers are an especially enduring tragedy. Too many children are not receiving financial support from both their parents. This too contributes to rates of welfare receipt that are much higher than we would like.

Concern over the dramatic increases in out-of-wedlock births has led some commentators to advocate largely punitive solutions. The most extreme of these would cut off welfare for unwed mothers, a "cure" that might well have disastrous effects on the children of these mothers, increase the need for spending on foster care and orphanages, and potentially increase the number of abortions.

We believe that the best prevention strategy is one that focuses on parental responsibility and provides opportunities for exercising it, supplemented by increased family planning efforts and demonstrations of service programs aimed at preventing teen pregnancy. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities which will be enforced, hold the best chance of encouraging young people to think about the consequences of their actions and defer parenthood. A boy who sees his brother required to pay 17 percent of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and go to school may prefer other choices.

The current welfare system sends very different messages, often letting fathers off the hook and expecting little from mothers. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood.

Along with responsibility, though, we must support opportunity. Telling young people to be responsible will not be effective unless we also provide them the means to exercise responsibility and the hope that playing by the rules will lead to a better life. Both our child support proposals and our transitional assistance proposals are designed to offer opportunity to work and prepare for work, and are built on the experience of effective programs. However, the knowledge base for developing effective programs that prevent too-early parenthood is much less solid. Our strategy, therefore, emphasizes trying many approaches and learning about which are most effective.

Our approach has five components:

- Child support enforcement
- Responsibilities of school-age parents
- Responsible family planning

- Learning from comprehensive prevention approaches
- Supporting two-parent families.

CHILD SUPPORT ENFORCEMENT

A strengthened approach to child support enforcement holds both parents responsible for supporting children. It makes clear to fathers, as well as to mothers, that parenthood brings with it clear obligations, and that these obligations will be enforced, with serious and predictable consequences. The child support enforcement reform proposal has three major elements:

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed.

Establish Awards in Every Case

Our goal is to establish paternity for all out-of-wedlock births. This would be accomplished by offering States performance-based incentives for all paternities established, whether or not the mother is currently on welfare, expanding the in-hospital paternity establishment provisions enacted as part of OBRA 1993, and expanding education and outreach efforts to stress that having a child is a two-parent responsibility.

The proposal streamlines the legal process for establishing paternity, enabling States to establish paternity much more quickly. This would be accomplished by requiring "up front" cooperation (prior to receipt of welfare benefits), by establishing clear responsibility for the IV-D agency to make the cooperation and sanction determination, and by simplifying the process by which paternity is established.

The responsibility for paternity establishment would be clearly delineated. Mothers would be required to cooperate in establishing paternity as a condition of receipt of welfare. This strict cooperation requirement would require the mother to provide both the name of the father and information sufficient to verify the identity of the person named. (Good cause exceptions would be granted only under narrow circumstances.) In turn, the States would have a clear responsibility to establish paternity when the mother has fully cooperated. We propose that the States be held fully responsible for the cost of benefits paid to mothers who have cooperated fully but for whom paternity has not been established within a strictly defined time frame.

While the proposal is very tough and strict in its approach to paternity establishment, it does not punish mothers who cooperate fully. Applicants must *meet the new stricter cooperation requirement prior to the receipt of benefits*, but when the mother has fully cooperated and provided complete information, the burden shifts to the State to establish paternity. In contrast, some have proposed that the mother *must have paternity established prior to receipt of benefits*. The mother who has done everything that can be expected of her is unfairly penalized under this approach for the State's

inaction or inefficiency in getting paternity established. She could be denied benefits for a long time through no fault of her own.

Ensure Fair Award Levels

The proposal would establish a National Guidelines Commission to study and report to Congress on the adequacy of award levels, the variability of award levels and the desirability of national guidelines.

The proposal would also require universal, periodic updating of awards so that all awards would closely reflect the current ability of the noncustodial parent to pay support. States must establish simplified administrative procedures to update the awards.

In addition, present child support distribution rules would be changed to strengthen families and assist families making the transition from welfare to work.

Collect Awards that are Owed

The proposal seeks to develop a child support system for the 21st century. All States must maintain a central registry and centralized collection and disbursement capability. States must be able to monitor support payments and take appropriate enforcement actions immediately when support payments are missed. Certain routine enforcement remedies would be imposed administratively at the State level, thus taking advantage of computers and automation to handle these measures using mass case-processing techniques. A higher Federal match rate would be provided to implement new technologies.

To improve collections in interstate cases, a Federal Child Support Enforcement Clearinghouse would be created to track parents across State lines. This would include a National Directory of New Hires so that wage withholding could be instituted in appropriate cases from the first paycheck. The adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures would make procedures in interstate cases more routine. In addition, the IRS role in full collections and tax refund offsets would be strengthened, and access to IRS income and asset information would be expanded.

States also would be provided with the tools they need, such as the authority to revoke licenses and access other data bases, so that the child support enforcement system is able to crack down on those noncustodial parents who otherwise find ways to avoid payment of their support obligations. For instance, frequent and routine matches would be made against appropriate data bases to find location, asset, and income information on those who try to hide in order to escape payment.

The Federal funding and incentive structure would be changed in order to provide the necessary resources for States to run good programs, and performance-based incentives would be utilized to reward States for good performance.

Issue: Child Support Enforcement and Assurance (CSEA)

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. The proposals described above are designed to collect as much money from absent parents as possible. But what happens when little or no money is collected from the noncustodial parent either because the child support enforcement system is ineffective, or because the absent parent is unable to contribute much due to low earnings? In those circumstances, a child support enforcement and assurance system would guarantee that the custodial parent gets some assured level of child support, even when collections from the noncustodial parent fall below that level. Thus, single parents with a child support award in place could count on some level of child support which, since the benefit is not income-tested, they could then use to supplement their earnings. Numerous State and national reform commissions (including the National Commission on Children) have called for demonstrations of this concept.

Proponents argue that child support enforcement and assurance would significantly ease the difficult task of moving people from welfare to work. If single parents can count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent fails to pay, then they can build a reliable combination of their own earnings plus child support. This approach would offer single parents real economic security. CSEA is not unlike unemployment insurance for intact families. When an absent parent becomes unemployed or cannot pay child support, the child still has some protection. And since CSEA is not income-tested, there are no reporting requirements, no welfare offices, no benefit offsets and no welfare stigma. Proponents also suggest that CSEA benefits be subtracted dollar for dollar from welfare payments, especially in high-benefit States. Thus, a woman on welfare is no better off with CSEA. But if she goes to work, she can count on her child support payments; thus, the rewards from working rise considerably. Essentially, all of the net new costs of a CSEA protection program would go for supporting custodial parents who are off welfare and working. Proponents also argue that if CSEA protection is provided only to people who have a child support award in place, women will have much more incentive to cooperate in the identification and location of the noncustodial father, since they can count on receiving benefits. Finally, proponents argue that the program would focus more attention on the importance of noncustodial parents providing economic support to their children. States might also experiment with tying the assured payment to work or to participation in a training program by the noncustodial parent, and with other incentives to encourage noncustodial parents to pay child support.

Opponents worry that CSEA would dilute the pressure to actually collect child support and would increase incentives to form single-parent families. If mothers can count on the money regardless of whether the State actually collects the amount owed, less effort may be put into collections. States may choose not to try to increase collections, especially if the Federal government is paying for CSEA. There is also a danger that CSEA would be seen as welfare by another name, since it is a source of support for single parents. Some opponents also argue that there would be fewer incentives for absent parents to pay child support since their children are assured of some level of support even if they fail to pay.

Issue: Enhancing Responsibility and Opportunity for Noncustodial Parents

Under the present system, the needs, concerns and responsibilities of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The well-being of children who live only with one parent would be enhanced if emotional and financial support were provided by both of their parents.

Ultimately, the system's expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father, and whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved in the lives of their children. If they can improve their earnings capacity and maintain relationships with their children, they could be a source of both financial and emotional support.

Much needs to be learned about noncustodial parents, partly because we have focused relatively little attention on this population in the past, and we know less about what types of programs would work. We propose the following approaches:

Work opportunities and obligations for noncustodial parents. A portion of JOBS and WORK program funding would be reserved for training, work readiness, educational remediation and mandatory work programs for noncustodial parents of AFDC recipient children who cannot pay child support due to unemployment, underemployment or other employability problems. In addition, States may have an option for mandatory work programs for noncustodial parents. States would have considerable flexibility to design their own programs.

Grants for access and parenting programs. We propose grants to States for programs which reinforce the desirability for children to have continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody arrangements.

We also propose demonstration grants to States and/or community-based organizations to develop and implement noncustodial-parent (fathers) components in conjunction with existing programs for high-risk families (e.g. Head Start, Healthy Start, family preservation, teen pregnancy and prevention). These would promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.

RESPONSIBILITIES OF SCHOOL-AGE PARENTS

The program of transitional assistance followed by work that was outlined earlier in this document focuses on the responsibilities of custodial parents, especially young parents, to work and prepare for work as a condition of receiving benefits. All young parents seeking government assistance would be expected to prepare for and go to work. Like the child support provisions, the obligations inherent in the program send a clear message about the consequences of parenthood, ensuring that welfare receipt does not release either parent from their responsibilities to work and support their children.

Minor mothers, those under age 18, have special needs and deserve special consideration. They are a relatively small part of the caseload at any point in time, but a disproportionate contributor to long-term dependency. We have four proposals that affect minor and school-age parents:

- Minor mothers live at home. We propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions, such as when the minor parent is married or if there is a danger of abuse to the minor parent). Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves, and they would be considered children--not as heads of household. Under current law, States do have the option of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five have included this in their State plans. This proposal would make that option a requirement for all States.
- Mentoring by older welfare mothers. We propose to allow States to utilize older welfare mothers to mentor at-risk school-age parents as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. Training and support would be offered to the most promising candidates for mentoring.
- Targeting school-age parents. We would ensure that every school-age parent or pregnant teenager who is on or applies for welfare enrolls in the JOBS program, continues their education, and is put on a track to self-sufficiency. Every school-age parent (male or female, case head or not) would be required to participate in JOBS from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation would apply to teen parents. We propose to require case management and special services, including family planning counseling, for these teens.
- State options for behavioral incentives. We propose to give States the option to use monetary incentives combined with sanctions as inducements to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities.

ENCOURAGEMENTS FOR RESPONSIBLE FAMILY PLANNING

Responsible parenting requires access to information and services designed to discourage early sexual behavior and prevent pregnancy. We propose the following:

- A national campaign against teen pregnancy. We propose that the Administration lead a national campaign against teen pregnancy, involving the media, community organizations, churches and others in a concerted effort to change perceptions. The campaign would set national prevention goals and challenge the States to come up with school or community based plans to meet those goals.

- Increased funding for family planning services through Title X. Responsible family planning requires that family planning services be available for those who need them. A request for increased funding for Title X was included in the FY 1995 budget submission.

Issue: Family Caps

The issue is whether States should be allowed or required to limit benefit increases when additional children are conceived by parents already on AFDC, if the State ensures that parents have access to family planning services. Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the needs of an additional child.

Proponents of family caps argue that they would reinforce parental responsibility by keeping AFDC (but not food stamps) benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

Opponents of family caps argue that there is no evidence that they deter births, and that they deny benefits to needy children. Opponents also argue that the value of the benefit increase is similar to the value of the tax deductions and EITC increase for a working family that has an additional child. (The tax deduction and EITC increase for the second child is worth \$1,241 at the \$20,000 income level; the tax deduction is worth \$686 at \$60,000. AFDC benefits increase \$684 per year for the second child in the median State; including food stamps increases benefits by \$1,584.)

LEARNING FROM PREVENTION APPROACHES THAT PROMOTE RESPONSIBILITY

Solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Teen pregnancy appears to be part of a more general pattern of high-risk behavior among youth.

The Administration is developing several initiatives that aim to improve the opportunities available to young people and to provide alternatives to high-risk behavior. The School-to-Work initiative, for example, would provide opportunities for young people to combine school with work experience and on-the-job training, as a way of easing the transition into the workplace. The Administration's crime bill focuses additional resources on crime prevention, especially on youth in disadvantaged neighborhoods. Initiatives like these are aimed at raising aspirations among young people who might otherwise become parents too early.

In addition, we ought to direct some attention specifically to preventing teen pregnancy. The basic issue in designing a prevention approach is to balance the magnitude of the problem with the paucity of proven approaches for dealing with it. We need a strategic approach that develops and funds some substantial demonstration programs, and evaluates them for their potential to be more broadly effective.

Demonstrations. Early childbearing and other problem behaviors are interrelated and strongly influenced by the general life-experience associated with poverty. Changing the circumstances in which people live, and consequently how they view themselves, is needed to affect the decisions young people make in regard to their lives. To maximize effectiveness, interventions should address a wide spectrum of areas including, among others, economic opportunity, safety, health, and education. Particular emphasis must be placed on the prevention of adolescent pregnancy, through measures which include sex education, abstinence education, life skills education and contraceptive services. Comprehensive community based interventions show great promise, especially those efforts that include education.

We propose comprehensive demonstration grants that would try different approaches to changing the environment in which youth live and carefully evaluate their effects. These grants would be of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions and behaviors of youth. They would seek to change neighborhoods as well as directly support youth and families and would particularly focus on adolescent pregnancy prevention. While models exist for this type of comprehensive effort, few have been rigorously evaluated. We propose a systematic strategy to learn from variations in different types of approaches. All demonstrations would include a strong evaluation component.

SUPPORTING TWO-PARENT FAMILIES

Ideas under consideration for Reinventing Government Assistance include provisions to end or reduce the current bias in the welfare system against two-parent families by: 1) eliminating the more stringent rules for two-parent families that exist in current law; and 2) requiring States to provide benefits to two-parent families continuously, instead of limiting provision of such benefits to 6 months. Allowing two-parent families to receive the same benefits that single parents receive should encourage families to stay together, remove disincentives for parents to marry and send a strong message about the value of both parents.

APPENDIX: ENDNOTES TO TABLE I

Two-Parent Estimates

1. The costs for eliminating the special eligibility requirements for two-parent families is based upon estimates from the food stamp quality control data file. These estimates were then adjusted for increased participation based on estimates from the MATH model employed by Mathematica Policy Research, Inc.

Child Support Enforcement Estimates

1. The costs for the noncustodial parent provisions are 10 percent of the JOBS and WORK program costs.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born after 1972 are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume about one third of the States, representing 40 percent of the caseload, will implement the policy a year earlier than required. This follows the pattern of State implementation under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.
2. Non-parental caretaker relatives are not subject to the new rules and are not phased-in.
3. Parents who have a child under one (or under 3 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 25 percent of the phased-in caseload is deferred.
4. The caseload numbers include modest treatment effects as a result of the new rules.
5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).
6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 50 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.
7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 25,000 and 130,000 WORK slots would be required in 1998 and 1999, respectively.

8. The figures for JOBS participants and JOBS spending under current law are taken from the baseline in the FY 1995 budget for the HHS Administration for Children and Families
9. The JOBS and WORK cost estimates do not consider the potential impact of child support on the size of the caseload.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation, enhanced case management services would be provided to all teen parents under the age of 19 and receiving assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70 percent in FY 1996 to 80 percent in FY 1997, 90 percent in FYs 1998 and 1999 and to 100 percent in FY 2004.

The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly \$560 per participant per year, in 1993 dollars.

2. The JOBS-Prep cost estimate presumes that JOBS-Prep services will be provided to 20 percent of those in the JOBS-Prep program. As States currently serve only 16 percent of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-Prep program. We do not know what services States will provide during the JOBS-Prep program (candidates include parenting skills classes, life skills training and substance abuse treatment), so arriving at a cost per participant figure for the program is difficult.

For purposes of the estimate, we assume that States will not provide services such as vocational rehabilitation in the JOBS-Prep program. JOBS-Prep services will consist primarily of case management and referral to external service providers. Many persons in the JOBS-Prep program have disabilities, although most mothers of children under one do not. The cost estimates assume that a fairly intensive level of case management would be required for a small percentage of persons in this program.

The cost per JOBS-Prep participant figure represents a level of case management more intensive than that in the current JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

Child Care Estimates

1. These estimates reflect the child care costs associated with the phase-in assumptions described above under JOBS and WORK.
2. This estimate is based upon baseline spending for the Head Start program and therefore does not account for the additional children who will be served by Head Start when it expands. This follows conventional CBO scoring rules.
3. There is no sliding scale fee for services included in this estimate.
4. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.
5. We assume that Transitional Child Care eligibles will have average utilization rates of 40 percent.
6. Our working poor estimate represents a phase-in of a capped entitlement to cover children whose families are below 130 percent of poverty but do not receive AFDC. By 1999, we will approach full implementation with \$2 billion in net funding. We assume that there are approximately 8 million non-AFDC children below 130 percent of poverty, 40 percent of whom will potentially need child care because of their parents' work status, and that 40 percent of these families will use paid child care.

No Additional Benefits for Additional Children

1. This cost estimate is based upon an estimate by the Congressional Budget Office. The estimate assumes a State option policy where States representing 33 percent of the effected caseload adopt a cap for benefits for new children.
2. It is assumed that States would reduce the monthly benefit by \$63 for each child (after the first) born while the mother was receiving AFDC. It is also assumed that States would have little success identifying children born on AFDC during previous spells of welfare receipt.

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February 28, 1994

SUMMARY AND WORKING GROUP RECOMMENDATIONS

Everyone is frustrated with the welfare system. Welfare reform is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing work and family and opportunity and responsibility.

The current welfare system provides cash support and a set of rules and expectations focused on verifying eligibility rather than on moving people to self-support. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It indicates that people should not have children until they are able to support them. It signals that parents--*both parents*--have responsibilities to support their children. It gives people access to the training they need, but also expects work in return. It limits cash assistance to two years, and then requires work, preferably in the private sector, but in community service jobs if necessary. Most importantly, it changes the culture of welfare offices, getting them out of the check-writing business and into the training and job-placement business.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR THEMES

Transitional Assistance Followed by Work

- Full participation. Everyone who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education or job placement services.
- Training, education and job placement services (the JOBS program). As soon as people begin receiving public assistance, they will sign a personal responsibility contract and develop an employability plan to move them into work as quickly as possible. Many will get jobs quickly--in weeks or months--after assistance with job search and job preparation. Others will spend time in education and training services as needed. The program will be closely coordinated with existing mainstream education and training programs including current and new Labor Department programs (the Job Training Partnership Act and the Workforce Security Act), School-to-Work programs, vocational and post-secondary education.
- Time limits. People who are able to work will be limited to two years of cash assistance. Most people are expected to enter employment well before the two years are up. Extensions to complete an education program expected to enhance self-sufficiency will be granted in a limited number of cases.

- Work for those who exhaust their time limit (the WORK program). Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. These are intended to be real, work-for-wages jobs. The program will be designed to favor unsubsidized work and to ensure that subsidized jobs are short-term and non-displacing.

Making Work Pay

- Health care reform. An essential part of moving people from welfare to work is ensuring that working people get health protection. The current system keeps people from leaving welfare for fear of losing their health insurance.
- Advance payment of the Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.
- Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Parental Responsibility

- Child support enforcement. The child support enforcement system will be strengthened to ensure that awards are established in every case, that fair award levels are maintained and that awards that are owed are in fact collected. Demonstrations of child support assurance and of programs for noncustodial parents will be conducted.
- Efforts aimed at minor mothers, responsible family planning and prevention. Minor mothers will receive special case management services and will be required to live at home and stay in school to receive income support. Access to family planning will be ensured. A strategy for investing in and learning from programs to prevent high-risk behavior and teen pregnancy will be pursued.
- Efforts to promote two-parent families. We will provide better support for two-parent families by eliminating or reducing the current bias in the welfare system in which two-parent families are subject to more stringent eligibility rules than single-parent families.

Reinventing Government Assistance

- Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and Food Stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation.
- A performance-based system. In addition to incentives for clients, incentives will be designed to bring about change in the culture of welfare offices with an emphasis on work and performance.

POLICY ISSUES TO BE RESOLVED

The attached paper lays out the major issues that need to be addressed. It is organized around each of the first three broad elements listed above. In each case, a description of the proposed policy is provided and remaining issues discussed. (The details of the fourth element--Reinventing Government Assistance--will be addressed later in a separate paper. We anticipate that changes will be cost neutral for that part of the proposal, so they will not affect cost estimates or financing needs.)

The Welfare Reform Working Group met on Saturday February 26 and discussed the issues that were identified as the most important in the paper. There are five particularly significant sets of issues that need to be resolved:

The scale and phase-in of the reformed welfare system

Should we seek to bring everyone on the caseload into the new system quickly, or should we initially target our resources to sub-groups, such as new applicants or the youngest third of the caseload?

Immediate implementation of the new program would severely strain the ability of federal and state governments to implement the new system.

The Working Group agreed that a phased-in approach was necessary.

A phase-in strategy could start with new applicants, or it could start with young applicants and recipients. Starting with young people avoids any incentives to stay on welfare and any "rewards" to having children and coming on welfare early. It also allows for investments in families who have the most hope of being helped.

The Working Group agreed that an initial focus on the youngest third of the caseload was their preferred phase-in strategy.

Extensions to and exemptions from the time limit

Should any groups of recipients have the time limit extended? Should any be exempted from the requirements of the time limit?

The issue of extensions arises because some recipients, especially those with language difficulties, education deficits and no work experience, may not be able to appropriately prepare themselves for work in a two-year period.

The Working Group agreed that a limited number of extensions for such purposes as completing a high school, school to work or job training program, or for completing a program of postsecondary education combined with work, were appropriate.

The issue of exemptions from the time limit arises because not all recipients are able to work, even if they are not severely enough disabled to qualify for SSL. A second type of exemption issue arises because requiring participation from mothers of infants or very young children may interfere with healthy child development and require substantial expenditures on infant day care. Under current law, over half the caseload, including mothers of children under three, is exempted from participation.

The Working Group agreed that exemptions should be limited, and that participation in some activities should be expected even of those who are exempted. The Working Group agreed that states should be permitted to exempt up to a fixed percentage of the caseload for disabilities, care of a disabled child and other serious barriers to work.

The Working Group split over the issue of whether exemptions for mothers of infants should be for one year (i.e., until the baby's first birthday) or for twelve weeks (Twelve weeks is the mandated leave time in the Parental Leave Act.) Most members agreed on a one year exemption for infants who were not conceived on welfare and a twelve week exemption for those conceived on welfare, with a state option to lower the exemption period to twelve weeks for all children.

The structure and requirements of the WORK program for people who come to the time limit without having found unsubsidized work

After a person hits the time limit, should we mandate States to provide a job which pays an hourly wage, or should we allow States to continue paying a welfare check while requiring work as a condition of receipt? What methods should we use to minimize long-term participation in this work program? How many hours of work should be required?

Work for wages versus work for welfare. Despite a focus on getting everyone into unsubsidized employment as quickly as possible, a small percentage of those who start on welfare will hit the time limit without having found work. After a period of job search, the state may be required to provide a subsidized or community service job for some. One issue is whether states should be permitted to offer "workfare" slots, as opposed to subsidized private sector work or community service jobs in which the participant works for wages. Workfare is somewhat easier to administer than work for wages, but does not provide either the dignity or the discipline of a job that pays wages.

The Working Group agreed that an emphasis on work for wages is a defining feature of the Administration's welfare reform proposal.

Discouraging extended participation in subsidized or community service work. The WORK program of subsidized and community service jobs is designed to be a short term supplement to unsubsidized work in the private sector, not a replacement for it. A number of steps can be taken to ensure this.

The Working Group agreed that subsidized job slots would last for a defined period of time, after which the person would again be expected to look for unsubsidized work.

The Working Group agreed that the availability of the EITC as a supplement to private sector work would provide a powerful incentive for participants to move from the WORK program into unsubsidized work.

The Working Group also agreed that federal reimbursement to states should decline the longer people were on the rolls, in order to provide serious incentives to move people into employment.

The Working Group also agreed that refusal to accept a private sector job should result in termination of benefits.

An issue arises around what is expected to be a relatively small number of people who continue to be unable to find unsubsidized employment after placement in a job slot and private sector job search despite being willing and able to work. (Refusing a job would be grounds for being cut off, and a work for wages model would already provide sanctions because not showing up for work would mean no paycheck.) Some argue that they should be placed in community service slots for as long as they need them. Others argue that this policy would lead to permanent guaranteed jobs that might be expensive and perceived as simply another welfare program. Instead, people who have not found employment might return to a deferred status, might have their welfare benefits reduced or might be cut off entirely.

The Working Group agreed that a serious reassessment should be done of everyone who comes to the end of two or three years in work assignments without having found private sector work. Those found at that point to be unable to work could be returned to deferred status with full benefits. Those found to be able to work and unwilling to take an unsubsidized job would have assistance terminated. In situations where jobs were not available for people who conscientiously played by the rules and tried to find work, assistance would be continued through another job slot, a workfare assignment, or training linked with work.

Minimum work expectations: part time or full time. Everyone agrees that independence is the ultimate goal of the system. But two related questions arise in thinking about people working less than full time. The first issue is whether someone who is working at least half time in a private unsubsidized job can continue to receive supplementary welfare benefits after two years if they live in a state where half time work at the minimum wage would leave them below the income level for welfare receipt in that state. Proponents of allowing benefit receipt in these situations argue that half time work allows parents time to nurture their children as well as to support them financially--a task which is especially difficult for single parents. They also argue that getting someone to work part time is a big success and should be rewarded. Opponents argue that full time work and an end to welfare receipt should be the expectation. They argue that continuing AFDC as a work supplement for long periods of time is counter to the basic philosophy of the new program.

The Working Group was split on this issue. About half the group felt that part time workers should continue to be eligible for supplementary benefits after the time limit. Others felt that the time limit should apply, but with many arguing for a slowing of the clock for part time workers. Some members suggested a compromise that said that supplementary welfare benefits would be provided for part time workers (at least twenty hours) who had pre-school children, and at state option to other part time workers.

A related issue arises around the number of hours of work that states would be required to provide through subsidized or community service jobs, and around the supplemental welfare benefits that would need to be paid if the required hours of work did not generate pay at least as high as the welfare benefits received by non-working welfare recipients in the state. Because of wide variations in state welfare benefit levels, the number of hours of work at the minimum wage required to earn the equivalent of the welfare benefit level for a family of three ranges from about 7 to about 47 hours per week. For larger families, work hours would have to be higher to reach the welfare benefit levels. It is obviously hard to structure a real job of eight or ten hours per week. At the other extreme, it is unreasonable to require more than the conventional definition of full time work.

The Working Group agreed that states could vary the number of work hours

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they required, but that they could go no lower than 15 nor higher than 35. There was also agreement that the wage paid must be at least the minimum wage and could be higher.

We assume that most states could and would require work hours that would produce earnings roughly equivalent to welfare benefits; some states might do this by paying more than the minimum wage. In the median state this would be about 26 hours a week at the minimum wage for a family of three. Some higher benefit states might choose, however, to structure jobs with fewer hours, and some very high benefit states might choose not to raise the wage to a level sufficient to pay the equivalent of the welfare benefit. Should they be allowed to do this and required to provide a supplementary benefit to bring family income up to the level of welfare benefits for recipients who don't work? The argument for doing so is people who are playing by the rules and working, even if they have not been able to find an unsubsidized job, should not be penalized by receiving lower benefits. The argument against doing so is that this too would continue welfare as a work supplement.

The Working Group was split on this issue. The discussion tended to parallel the discussion on the acceptability of part time work. There was some sentiment in favor of varying the expectation for parents of pre-school children.

The level and focus of child care for the working poor

What level of resources should we devote to child care for the working poor? How should limited resources be targeted?

Child care for the working poor is a potentially costly addition to a welfare reform package. The argument for including it, however, is to ensure that low income working families are encouraged to stay off welfare, and that equity is maintained between those who have and have not been on welfare.

The Working Group agreed that child care for the working poor is an integral part of a welfare reform effort. The Working Group also expressed a preference, however, that working poor child care be paid for through mechanisms other than cuts in programs for the poor. There is a strategic decision to be made, therefore, about the financing and packaging of this aspect of welfare reform.

Parental responsibility and prevention

Should demonstrations of child support assurance and programs for non-custodial parents be included in the welfare reform package? Should states be allowed or required to reduce benefits for children conceived on welfare?

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The Working Group agreed that demonstrations of both Child Support Assurance and programs for non-custodial parents should be included. Enthusiasm for child support assurance varied.

The Working Group did not discuss family caps or other prevention issues, which will be taken up at the next meeting.

COSTS AND FINANCING

The attached paper does not include a discussion of financing options. The Working Group recognized that decisions about the overall welfare reform package that have serious cost implications need to be made in the context of available financing possibilities. Issues of balancing costs and financing were not discussed at the February 26 meeting, but will be the focus of the next meeting.

To provide a sense of the scale of a program and the cost of particular elements, we have created a hypothetical proposal, which served to guide the Working Group's discussions of the costs of various policy choices. The actual cost of the program will differ depending on what decisions are made about the issues identified above. In the attached document, we refer to this hypothetical proposal and indicate where different programmatic decisions would have led to a larger or smaller program. The table which follows is provided only as a basis of discussion--not as an indication that policy decisions have been made.

**TABLE 1.—PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)**

	1995	1996	1997	1998	1999	5-Year Total
PARENTAL RESPONSIBILITY						
Minor Mothers	0	(45)	(50)	(50)	(50)	(195)
Comprehensive Demonstration Grants	0	50	50	50	50	200
Two-Parent Provisions	0	0	440	680	945	2,065
No Additional Benefits for Additional Children	(35)	(100)	(110)	(140)	(150)	(535)
Child Support Enforcement						
Paternity Establishment (Net)	5	20	(110)	(165)	(215)	(465)
Enforcement (Net)	(10)	(20)	(65)	(80)	(320)	(495)
Computer Costs	15	35	95	160	160	465
Non-Custodial Parent Provisions	0	25	80	110	175	390
Access Grants and Parenting Demonstrations	20	25	30	30	30	135
Child Support Assurance Demonstrations	0	0	100	200	250	550
SUBTOTAL, CSE	30	85	130	255	80	580
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK						
JOBS-Prep	0	15	50	60	70	195
Additional JOBS Spending	0	210	750	920	1,000	2,880
WORK Program	0	0	0	130	690	820
Additional Child Care for JOBS/WORK	0	190	630	745	900	2,465
Transitional Child Care	0	70	230	280	360	940
Enhanced Teen Case Management	0	30	90	105	110	335
Economic Development	0	0	100	100	100	300
Savings - Caseload Reduction	0	0	(30)	(60)	(60)	(170)
SUBTOTAL, JOBS/WORK	0	515	1,820	2,280	3,150	7,765
MAKING WORK PAY						
Working Poor Child Care	0	500	1,000	1,500	2,000	5,000
Advance EITC	0	0	0	0	0	0
GRAND TOTAL	(5)	1,005	3,280	4,575	6,025	14,880

Note: Parentheses denote savings.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

APPENDIX: ENDNOTES TO TABLE 1

Two-Parent Estimates

1. The costs for eliminating the special eligibility requirements for two-parent families is based upon estimates from the food stamp quality control data file. These estimates were then adjusted for increased participation based on estimates from the MATH model employed by Mathematica Policy Research, Inc.

Child Support Enforcement Estimates

1. The costs for the noncustodial parent provisions are 10 percent of the JOBS and WORK program costs.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born after 1972 are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume about one third of the States, representing 40 percent of the caseload, will implement the policy a year earlier than required. This follows the pattern of State implementation under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.
2. Non-parental caretaker relatives are not subject to the new rules and are not phased-in.
3. Parents who have a child under one (or under 3 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 25 percent of the phased-in caseload is deferred.
4. The caseload numbers include modest treatment effects as a result of the new rules.
5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).
6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 50 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.
7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 25,000 and 130,000 WORK slots would be required in 1998 and 1999, respectively.

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8. The figures for JOBS participants and JOBS spending under current law are taken from the baseline in the FY 1995 budget for the HHS Administration for Children and Families
9. The JOBS and WORK cost estimates do not consider the potential impact of child support on the size of the caseload.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation, enhanced case management services would be provided to all teen parents under the age of 19 and receiving assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70 percent in FY 1996 to 80 percent in FY 1997, 90 percent in FYs 1998 and 1999 and to 100 percent in FY 2004.

The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly \$560 per participant per year, in 1993 dollars.

2. The JOBS-Prep cost estimate presumes that JOBS-Prep services will be provided to 20 percent of those in the JOBS-Prep program. As States currently serve only 16 percent of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-Prep program. We do not know what services States will provide during the JOBS-Prep program (candidates include parenting skills classes, life skills training and substance abuse treatment), so arriving at a cost per participant figure for the program is difficult.

For purposes of the estimate, we assume that States will not provide services such as vocational rehabilitation in the JOBS-Prep program. JOBS-Prep services will consist primarily of case management and referral to external service providers. Many persons in the JOBS-Prep program have disabilities, although most mothers of children under one do not. The cost estimates assume that a fairly intensive level of case management would be required for a small percentage of persons in this program.

The cost per JOBS-Prep participant figure represents a level of case management more intensive than that in the current JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

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2. This estimate is based upon baseline spending for the Head Start program and therefore does not account for the additional children who will be served by Head Start when it expands. This follows conventional CBO scoring rules.
3. There is no sliding scale fee for services included in this estimate.
4. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.
5. We assume that Transitional Child Care eligibles will have average utilization rates of 40 percent.
6. Our working poor estimate represents a phase-in of a capped entitlement to cover children whose families are below 130 percent of poverty but do not receive AFDC. By 1999, we will approach full implementation with \$2 billion in net funding. We assume that there are approximately 8 million non-AFDC children below 130 percent of poverty, 40 percent of whom will potentially need child care because of their parents' work status, and that 40 percent of these families will use paid child care.

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2. It is assumed that States would reduce the monthly benefit by \$63 for each child (after the first) born while the mother was receiving AFDC. It is also assumed that States would have little success identifying children born on AFDC during previous spells of welfare receipt.

DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President, and the paper is designed to stimulate discussion--not indicate Administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce poverty and welfare use by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and enactment of health reform to ensure that working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Using a social contract which spells out what their responsibilities are and what government will do in return. Greater Federal funding for the JOBS program and a reduced State match rate.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.
- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculations and writing checks. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

This plan calls for a genuine end to welfare as we know it. It builds from the simple values of work and responsibility. It reshapes the expectations of government and the people it serves. Our goal is to move people from welfare to work and bolster their efforts to support their families and to contribute to the economy. One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance and tax credits they need to adequately support their families. The plan also seeks to give people access to training for the skills they need to work in an increasingly competitive labor market. But in return, it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.

These reforms cannot be seen in isolation. The social and economic forces that influence the poor and the non-poor run deeper than the welfare system. The Administration has undertaken many closely linked initiatives to spur economic growth, improve education, expand opportunity, restore public safety and rebuild a sense of community: worker training and retraining, educational reform, Head Start, National Service, health reform, Empowerment Zones, community development banks, community policing, violence prevention and more. Welfare reform is a piece of a larger whole. It is an essential piece.

FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: we must refocus the system of economic support from welfare to work. However, changing a system that has for decades been focused on calculating eligibility and welfare payments will be a tall challenge. Still, we have already made an important beginning. The Family Support Act of 1988 serves as a blueprint for the future--a

foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipients alike.

We recommend five fundamental steps:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Families with a full-time worker should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. No one who can work should stay on welfare indefinitely.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children. Parents should take responsibility for supporting and nurturing their children. Governments don't raise children--families do.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare dependency, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the total number of children born out of wedlock has more than doubled in the last 15 years, to 1.2 million annually. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy that provides better support for two-parent families and sends clear signals about the importance of delaying sexual activity and the need for responsible parenting. We must intensify our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and to teach young people that children who have children face tremendous obstacles to self-sufficiency. Men and women who parent children must know they have responsibilities.

Make Work Pay

Work is at the heart of the entire reform effort. That requires supporting working families and ensuring that a welfare recipient is economically better off by taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance and making child care available.

We have already expanded the Earned Income Tax Credit (EITC), which was effectively a pay raise for the working poor. The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children. Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare.

With tax credits and health reform in place, the final critical element of making work pay is child care. We seek to ensure that working poor families have access to the quality child care they need. We cannot expect single mothers to participate in training or to go to work unless they have child care for their children.

Provide Access to Education and Training, Impose Time Limits, and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people need; recipients are expected to take advantage of these opportunities and move into work. The legislation created the Job Opportunities and Basic Skills (JOBS) program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits and writing checks. We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around "income maintenance"; we need a program built around work.

We envision a system whereby people will be asked to start on a track toward work and independence immediately. Each recipient will sign a social contract that spells out their obligations and what the government will do in return. We will expand access to education, training and employment opportunities, and insist on higher participation rates in return. At the end of two years, people still on welfare who can work but cannot find a job in the private sector will be offered work in community service. Communities will use funds to provide non-displacing jobs in the private, non-profit, and public sectors. They will form partnerships among business leaders, community groups, organized labor and local government to oversee the work program. The message is simple: everybody is expected to move toward work and independence.

Exemptions and extensions will be limited. The system must be sensitive to those who for good reason cannot work--for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer

security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation to support their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

The child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of these ideas is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of which people in which areas seem to have longer or shorter stays on welfare.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the Federal Government must be clearer about broad goals while giving more flexibility over implementation to States and localities. Basic performance measures regarding work and long-term movements off welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Three features are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States to develop their own demonstrations, and in some cases we would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy, based in part on the level of resources available. Ideally, high participation requirements and time limits would apply first to people newly entering the system after legislation is enacted, with the rest of the caseload phased in over time. Some States and communities may choose to start sooner than others. This phase-in period will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY
- C. ENCOURAGING RESPONSIBLE FAMILY PLANNING

NEED – The best way to end welfare dependency is to eliminate the need for welfare in the first place. Accomplishing this goal requires not only changing the welfare system, but also involving every sector of our society in this effort.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

Unfortunately, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY – The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end, we propose a three-part strategy. First, we suggest a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of responsibility and opportunity and to engage other leaders and institutions in this effort. Government has a role to play, but the massive changes in family life that have occurred over the past few decades cannot be dealt with by government alone. We must not only emphasize responsibility; we must break the cycle of poverty and provide a more hopeful future in low-income communities. Third and finally, we need to encourage responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for providing greater support to their children. Mothers receiving cash assistance will become better prepared to enter the labor force

through required participation in activities intended to increase their employment and earnings capacity. Through time limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous thirteen quarters. In addition, States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

Minor Mothers Live at Home. Second, we propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions--for example, if the minor parent is married or if there is a danger of abuse to the minor parent). Parental support could then be included in determining cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option under current law of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five States have exercised this option. This proposal would make that option a requirement for all States. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves and are rarely ready to manage a household or raise children on their own.

Mentoring by Older Welfare Mothers. Third, we propose to allow States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.

Demonstrations. Finally, we propose to conduct demonstrations which condition a portion of the assistance benefit, or provide a bonus, based on actions by parents and dependent children to achieve self-sufficiency. These demonstrations would include comprehensive case management focused on all family members, assisting them to access all services necessary to meet their obligations. The case management services would take a holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

In addition, the following option is under consideration:

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services.

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

While it is important to get the message of the welfare system right, solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Individuals, community organizations and other governmental and non-governmental institutions must, therefore, all be engaged in sending a balanced message of responsibility and opportunity. Many Administration initiatives already underway are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, development of School-to-Work and an expansion of Job Corps. In addition to these building blocks, the following could be adopted to focus more on children and youth, especially those in high-risk situations:

Community Support. We should challenge all Americans, especially the most fortunate, to work one-on-one with at-risk children and adults in disadvantaged neighborhoods. We recommend working with the Corporation on National and Community Service to extend a wide variety of prevention-oriented programs employing volunteers--rather than paid employees--at the neighborhood and community level. This effort could include programs such as Big Brothers/Big Sisters for at-risk children and mentoring for adults at risk of welfare dependency.

National Campaign. We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organizations, churches and others in a concerted effort to instill responsibility and shape behavior.

Demonstrations. We also propose to conduct demonstrations for local communities to stimulate neighborhood-based innovation. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods which could help change the environment as well as provide more direct support services for these youth. Efforts to coordinate existing services and programs would provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving demonstration funds would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs which address the family as a unit. Early indications of high risk for teenage childbearing and other risky behaviors, such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility and resources necessary to identify

early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

ENCOURAGING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the percentage is much higher for teen parents. Yet, funding for family planning services declined by approximately 60 percent in constant dollars over the last decade. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Health Initiatives. In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care (including family planning and pre-natal care), is expanding. Also, traditional public health efforts through Title X and the Maternal and Child Health Block Grant will continue.

Demonstrations. We would also propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them. This option would improve knowledge about and access to appropriate family planning services for these recipients and other low-income individuals.

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. ADVANCE PAYMENT OF THE EITC
- C. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Work Should Be Better than Welfare
 - 2. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- Three of the major elements that make work pay are working family tax credits, health reform and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents on cash assistance who will be required to participate in education, training and employment activities. Child care support is also pivotal for the working poor to enable them to stay in the workforce. Substantial resources are required to expand the child care supply for both populations and to strengthen the quality of the care.

The Federal Government subsidizes child care for low-income families through the title IV-A entitlement programs (JOBS Child Care, Transitional Child Care, and At-Risk Child Care) and the Child Care and Development Block Grant. Middle- and upper-income people benefit from the

dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable, is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

The welfare reform proposal should have the following goals related to child care: to increase funding so that both those on cash assistance and working families are provided adequate child care support, to ensure children safe and healthy environments that promote child development, and to create a more consolidated and simplified child care system. Our plan includes the following strategies to achieve these goals:

Maintain IV-A Child Care. We propose to continue the current IV-A entitlement programs for cash assistance recipients. These programs would automatically expand to accommodate the increased demand created by required participation in education, training and work.

Expand Child Care for Low-Income Working Families. We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, currently a capped entitlement which is available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this entitlement program and to reduce the barriers which impede States' use of it.

Maintain Child Care Development Block Grant. We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of the funds to strengthen child care quality and to build the supply of care. However, no families receiving cash assistance would be eligible for services under this program.

Coordinate Rules Across All Child Care Programs. For all three of the above strategies, we would require States to ensure seamless coverage for persons who leave welfare for work. The requirement for health and safety standards would be made consistent across these programs and would conform to those standards specified in the Block Grant program. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

Several questions must be answered in order to complete a child care strategy:

1. *How much new investment in child care is reasonable? Significant new investments are essential to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of child care for the working poor can be afforded.*
2. *Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families transitioning from welfare or at risk of entering welfare.*

3. *Should we also propose making the Dependent Care Tax Credit refundable? This approach will not help the lowest-income families who still would not have the up-front money to pay for child care; therefore, it should only be considered in tandem with other proposals.*

Demonstrations. We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. Since the greatest identified shortage of child care is infant care, the second demonstration would focus on increasing the supply of infant care and enhancing its quality in a variety of settings.

ADVANCE PAYMENT OF THE EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Many others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages--clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by the Internal Revenue Service (IRS). On the basis of information on individual tax returns, the IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administrations. Electronic Benefit Transfer (EBT) technology would be utilized whenever possible.

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor--ensuring that work is always better than welfare. Several options for achieving this goal are listed below. We also suggest demonstrations of innovative ideas.

Work Should Be Better than Welfare

The combination of the EITC, health reform and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time, full-year worker. But full-time work may not always be feasible, especially for single mothers with very young children or children with special needs. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families and in high-benefit States, welfare may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings. This results in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be four options for achieving it:

Option 1: Allow (or require) States to supplement the EITC, food stamps or housing benefits for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, by eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow States to match some portion of the earnings of recipients and place the money in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchase of a car or home.

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance payment of the EITC and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- Temporary Unemployment Support. There would be demonstrations of alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they need only very short-term economic aid.
- Front-End Emergency Assistance. One example is a component of the AFDC program in Utah which provides diversion grants upon application to some recipients who have lost a job. Based on a caseworker's assessment of the individual's family situation, a one-time payment is provided to prevent the family from becoming part of the long-term caseload.

**PROVIDE ACCESS TO EDUCATION AND TRAINING,
IMPOSE TIME LIMITS, AND EXPECT WORK**

- A. **ENHANCING THE JOBS PROGRAM**
 - 1. Immediate Focus on Work and Participation in JOBS
 - 2. Expanding the JOBS Program
 - 3. Integrating JOBS and Mainstream Education and Training Initiatives
- B. **MAKING WELFARE TRANSITIONAL**
- C. **WORK**
 - 1. Administrative Structure of the WORK Program
 - 2. Characteristics of the WORK Assignments
 - 3. Economic Development

NEED -- AFDC currently serves as temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system leave it, at least temporarily, within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY -- Changing the focus of the welfare system from determining eligibility and writing checks to helping recipients achieve self-sufficiency through access to education and training and, ultimately, through work demands a major restructuring effort. Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing work to those who reach the time limit for transitional assistance without finding a job in the private sector, despite having done everything required of them.

Each applicant would, within 90 days of entry, work out a plan to attain independence through work and would immediately thereafter begin taking the steps toward self-sufficiency laid out in the plan. Through expanded access to education and training, recipients would obtain the skills needed to find and retain private sector employment. Making work pay, dramatically improving child support

enforcement and providing education, training and job placement services should maximize the number of recipients who leave welfare for work within two years. Persons who follow their case plans in good faith but are nonetheless unable to find private sector jobs within two years would be offered paid work assignments in the public, private or non-profit sectors to enable them to support their families.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering that assistance. The Family Support Act of 1988 set forth a bold new vision for the social welfare system: AFDC was to become a transitional support program whose mission would be helping people move toward independence. The JOBS program was established to deliver the education, training and other services needed to enable recipients to leave welfare.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. Another part is the absence of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. The culture of the welfare bureaucracy, however, represents perhaps the greatest challenge to true welfare reform. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to fulfill the promise of the Family Support Act by providing both the services and the incentives to help recipients move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Structure the welfare system so that applicants, from the moment they enter the system, are focused on moving from welfare to work through participation in programs and services designed to enhance employability.
- (2) Dramatically expand the JOBS program through increased Federal funding, an enhanced Federal match rate and higher participation standards.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

The structure of the welfare system would be changed to clearly communicate to recipients the emphasis on achieving self-sufficiency through work.

Social Contract. Each applicant for assistance would be required to enter into a social contract in which the applicant agrees to cooperate in good faith with the State in developing and following an employability plan leading to self-sufficiency, and the State agrees to provide the services called for in the employability plan.

Up-Front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

Employability Plan. Within 90 days of application, each person, in conjunction with his or her caseworker, would design an individualized employability plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that welfare recipients are a very diverse population. Participants in the JOBS program do and will continue to have very different levels of work experience, education and skills. Accordingly, their needs would be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities would, therefore, have great flexibility in designing the exact mix of JOBS program services. The time frames required would vary depending on the individual but would not exceed two years for those who could work. Employability plans would be adjusted in response to changes in a family's situation.

Narrower Exemption Criteria. We recognize that some who seek transitional assistance will, for good reason, be unable to work. Persons in this category could include individuals who are disabled or seriously ill or who are caring for a disabled or seriously ill relative. The current criteria for exemption from the JOBS program would, however, be narrowed. Parents of young children, for example, would be expected to participate. The question of participation requirements for grandparents and other relatives caring for dependent children is under study.

Expanded Definition of "Participation." As soon as the employability plan is developed, the recipient would be expected to enroll in the JOBS program and to engage in the activities called for in the employability plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include substance abuse treatment and possibly other activities such as parenting/life skills classes or domestic violence counseling if they are determined to be important preconditions for pursuing employment successfully.

Sanctions. Sanctions for failure to follow the employability plan would be at least as strong as the sanctions under current law.

Expanding the JOBS Program

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

Enhanced Match. States are currently required to share the cost of the JOBS program with the Federal Government. States have, however, been suffering under fiscal constraints which were not anticipated at the time the Family Support Act was enacted. This shortage of State dollars has been a major obstacle to delivery of services through the JOBS program. Most States have been unable to draw down their entire allocation for JOBS because they cannot provide the State match. In 1992, States drew down only 62 percent of the \$1 billion in available Federal funds. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants. Nationwide, about 15 percent of the non-exempt AFDC caseload is participating in the JOBS program. To address the scarcity of State JOBS dollars, the Federal match

rate would be increased. The match rate could be further increased for a particular State if its unemployment rate exceeded a specified level.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. Under the proposal, higher participation standards would be phased in, and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the program changes called for in this plan. Federal funds would be used to train eligibility workers to become more effective caseworkers. Through technical assistance, the Federal Government would encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded by setting aside one percent of Federal JOBS funds specifically for this purpose.

Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which measure outcomes such as long-term job placements, rather than just process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs.

Among the many Administration initiatives which should be coordinated with the JOBS program are:

- National Service. HHS would work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.
- School-to-Work. HHS would work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.
- One-Stop Shopping. The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

The plan would also include pursuing ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and Job Training Partnership Act (JTPA) programs. We would also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

The plan would make it easier for States to integrate other employment and training programs (e.g., the Food Stamp Employment and Training Program) with the JOBS program and to implement "one-stop shopping" education and training models. Specifically, we would create, perhaps under the aegis of the Community Enterprise Board, a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested Departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance program would find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program would be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit. A recipient who is able to work would be limited to a cumulative total of two years of transitional assistance. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of transitional assistance.

Any period during which a State failed to substantially provide the services specified in a participant's employability plan would not be counted against the time limit.

At State option, months in which a recipient worked an average of 20 hours or more per week or reported over \$400 in earnings would also not be counted against the time limit.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be contingent on satisfactory progress toward attaining a diploma or completing the program.
- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).
- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise demonstrably unable to work.

Credits for Additional Assistance. Under the plan, the time limit would be renewable; persons who had left welfare for work would earn months of eligibility for future assistance for months spent working and not on assistance.

WORK

The redesigned welfare system would be designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will, however, be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

Each State would be required to operate a WORK program which would make paid work assignments (hereafter WORK assignments or WORK positions) available to recipients who had reached the time limit for cash assistance.

The overriding goal of the WORK program would be to help participants find lasting employment outside the program. States would have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs, in the expectation that many of these positions would become permanent, or positions in public sector agencies, or a combination of the two.

Administrative Structure of the WORK Program

Eligibility. Recipients who reach the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time employment outside the WORK program without good cause would not be eligible for the WORK program for six months, and any cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a job outside the WORK program.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if its unemployment rate rose above a specified level.

Flexibility. States would have considerable flexibility in operating the WORK program. For example, they would be permitted to:

- Subsidize not-for-profit or private sector jobs (for example, through expanded use of on-the-job training vouchers).
- Give employers other financial incentives to hire JOBS graduates.
- Provide positions in public sector agencies.
- Encourage microenterprise and other economic development activities.

- Execute performance-based contracts with private firms such as America Works or not-for-profit organizations to place JOBS graduates.
- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

Capacity. Each State would be required to create a minimum number of WORK assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, WORK assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils might be given roles overseeing WORK programs.

Anti-Displacement. States would be required to operate their WORK programs such that public sector employees would not be displaced. Anti-displacement language is currently under development.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable individuals to participate in the WORK program.

Job Search. Persons in the WORK program would be required to engage in job search.

An important question remains as to whether States should be allowed to place limits on the total length of time persons would be permitted to remain in the WORK program.

One option would be to allow States to reduce cash benefits, by up to a certain percentage, to persons who had been in the WORK program for a set period of time and were on the waiting list for a new WORK position. States would only be permitted to reduce cash assistance to the extent that the combined value of cash and in-kind benefits did not fall below a minimum level (a fixed percentage of the poverty line).

Characteristics of the WORK Assignments

Wage. Participants would be paid the minimum wage (or higher at State option).

Hours. Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The number of hours for each position would be determined by the State.

Not Working. Wages would be paid for hours worked. Not working the set number of hours for the position would result in a corresponding reduction in wages.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level but should nonetheless be substantive work that enhances the participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in occupations which are currently in demand and/or which are expected to be in demand in the near future.

Treatment of Wages. Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

WORK positions in the private and not-for-profit sectors would be required to meet the minimum standards described above with respect to hours and wages, but States would otherwise be granted considerable flexibility concerning the form of these WORK assignments.

Under the WORK program as described above, participants would work for wages. Described below is a different type of WORK program, under which persons who had reached the two-year time limit for cash assistance would work for benefits.

Option: Permit a State to enroll all or a limited number of the recipients who had reached the two-year time limit in community work experience program (CWEP) positions, as opposed to paid WORK assignments. These CWEP positions would take the following form:

Benefits. Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.

Hours. The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.

Child Support. At State option, the amount of the child support order could be deducted from the cash benefit for the purpose of calculating hours. A delinquent non-custodial parent could be required to work off the child support arrearage in a CWEP position.

Sanctions. Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.

Economic Development

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment could expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote savings and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the Administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.
- Increasing the number of microenterprises by allocating additional funds to the Small Business Administration's Microloan and other programs for set-asides for JOBS participants.
- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the Administration's commitment to enterprise communities and Empowerment Zones.

Individual Economic Development. We would also propose the following steps to encourage people receiving transitional assistance to save money and accumulate assets, in order to help them escape poverty permanently:

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or car or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking jobs outside the work program.

ENFORCE CHILD SUPPORT

- A. CHILD SUPPORT ENFORCEMENT
 1. A Universal and Simplified Paternity Establishment Process
 2. Appropriate Payment Levels
 3. Collection and Enforcement
 4. Providing Some Minimum Level of Child Support
- B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED – The typical child born in the U.S. today will spend time in a single-parent home. Yet, the evidence is clear that children benefit from interaction with two supportive parents. Single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion a year.

The problem is threefold: First, for many children a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases, accounting for the remaining 21 percent of the potential collection gap.

STRATEGY – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal and should be completed as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States; enhanced tools will be available for Federal and State enforcement. A major question remains regarding the possibility of providing some minimum level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support and in some cases, should be offered increased economic opportunities to help them do so.

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.
- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on mothers to provide both the name of the putative father and verifiable information so that the father can be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Provide a bonus of \$50 per month in additional AFDC payments to mothers if paternity for the child has been established (instead of the \$50 passthrough under current law).

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal child support enforcement clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. There

would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.

- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create a new funding formula and place an emphasis on performance-based incentives.
- Reinvest State incentive payments in the child support program.

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much because of low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and are trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment to custodial parents not on welfare of up to \$50 (or \$100) per child per month in child support owed by the noncustodial parent, even when the money has not yet been collected.

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. For those on AFDC, Child Support Assurance benefits would be deducted entirely or in part from AFDC payments.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only, of one or both of the above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better enforcement of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. Other strategies would also be pursued.

Ultimately, expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. Whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If noncustodial parents can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken, including the following:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make the Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who do not pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PREVENTING WASTE, FRAUD AND ABUSE
- C. PERFORMANCE STANDARDS AND STATE FLEXIBILITY

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on rules rather than results. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and would also improve service delivery at the State and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules, reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt regulatory and legislative recommendations (as developed by the American Public Welfare Association), to streamline application, redetermination and reporting processes.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.
- Freeze subsidized rents for a fixed period of time after the recipient takes a job in order to enhance the benefits from employment.

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- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule, as discussed in the Make Work Pay section of this paper.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

In addition to the provisions described under option 1, this option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple-generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option standardizes the definition of the filing unit under AFDC and food stamps. States would continue to set benefit levels for cash assistance.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim benefits fraudulently with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. With the EITC, it is now advantageous to report every single dollar of earnings.

New technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, EBT technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Coordinate more completely the collection and sharing of data among programs, especially wage, tax, child support and benefit information.

- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services at less cost, targeted more efficiently on those eligible.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal Government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given the variation in local circumstances, capacities and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.
- The Federal Government should provide technical assistance to States for achieving these standards by evaluating program innovations, identifying what is working and assisting in the transfer of effective strategies.

WELFARE REFORM

Surveys in the latest edition of The American Enterprise show that support for welfare reform among Americans cuts across racial, economic and political lines. However, few want to eliminate or cut welfare benefits.

Those who say the welfare system should be changed.

Nationally	90%
White	92%
Black	81%
Conservative	92%
Liberal	89%
Annual income below \$20,000	87%
Annual income above \$50,000	93%
Republican	89%
Democrat	89%

Those who say the current welfare system discourages poor people from finding work.

Nationally	82%
White	83%
Black	81%
Conservative	86%
Liberal	78%
Annual income below \$20,000	76%
Annual income above \$50,000	89%
Republican	86%
Democrat	80%

Those who say most people who receive welfare payments are taking advantage of the system.

Nationally	52%
White	52%
Black	47%
Conservative	59%
Liberal	43%
Annual income below \$20,000	57%
Annual income above \$50,000	45%
Republican	53%
Democrat	48%

Those who say welfare benefits should not be cut.

Nationally	75%
White	76%
Black	72%
Conservative	69%
Liberal	82%
Annual income below \$20,000	70%
Annual income above \$50,000	78%
Republican	69%
Democrat	78%

Those who say welfare programs should not be eliminated.

Nationally	93%
White	94%
Black	94%
Conservative	92%
Liberal	95%
Annual income below \$20,000	92%
Annual income above \$50,000	94%
Republican	91%
Democrat	95%

Source: Survey by Yankelovich Clancy Shulman for Time and CNN, May 13-14

May 1993

03-15-94 10:48AM FROM OASPA NEWS DIV

TO 94567431

P002/003

3/15

WR - GOOD
CLIPS

To: Avis LaVelle
Bruce Reed
David Ellwood
Mary Jo Bane
Wendell Primus
Emily Bromberg

From: Melissa

Wanted to be sure you saw Dave Whitman's article in this week's U.S. News. I hope to write up talking points rebutting his low numbers and definition of success some time this week - so any thoughts you have would be appreciated.

■ U.S. NEWS

Honey, I shrunk the welfare reform plan

Clinton's team scales back his grand pledge

A task force of the Clinton administration is now busily converting one of the president's most famous campaign pledges—to "end welfare as we know it"—into a plan to end welfare for just a modest portion of those on the rolls. At the same time, the emerging proposal could prove to be a reasonable route to reform.

Candidate Clinton vowed to provide those on welfare with education, training, day care and health coverage during their first two years on the rolls but would then require them to work in private-sector or community-service jobs—all in a bid to eliminate "permanent dependence on welfare." President Clinton said last August that his program could "move millions of idle Americans off the welfare rolls and onto the work rolls." But task force members, bedeviled by budget deficits, administrative constraints in states and uncertainty about time-limited welfare, have scaled back Clinton's grand vision.

Preliminary estimates of a tentative plan outlined by the interagency task force show that in 1999, roughly 2 percent of the 4.7 million adult heads of families projected to receive Aid to Families with Dependent Children (AFDC) would leave the rolls as a result of the group's proposal. Perhaps 5 percent of those who had received AFDC for two years would lose it and be required to work.

Waiting for Clinton. The task force's estimates are still rough—and will undoubtedly shift as Clinton decides on the final form of his plan. The projections do, however, broadly illustrate why slashing the dole is costly and complex. Sending out checks, as task force officials often point out, is cheaper than providing education, training, jobs and day care for kids. To reduce costs and administrative complications, the Clinton planners decided to apply the two-year time limit just to young families (those headed by parents born after 1972), who will constitute only about a third of the families on the rolls in 1999. That target group was whittled down further by tentatively exempting from the time limit most families that include an elderly or

disabled parent, a severely disabled child or a toddler under the age of 1.

The administration's estimates of what happens with those limitations tell a honey-I-shrunk-the-plan saga. In 1999, officials estimate, 1.67 million families headed by an adult born after 1972 will be on AFDC. Just 70,000 of those families (a conservative estimate, administration

insured job to go on welfare to obtain Medicaid. That year, the administration's ballpark estimate is that 630,000 adults will be working in public-sector or subsidized private-sector positions—roughly five times the number in 1999. Even so, the administration plan would only reduce the number of young welfare families headed by an adult from 2.9 million to just 2.4 million.

Those numbers do not exactly spell the end to welfare—at least not as most taxpayers know it. Still, the task force plan has many pluses and could provide a more realistic route to ending long-term dependency than many of the get-tough schemes now being bandied about by legislators and governors. It promises, for instance, to be more concrete than past attempts to compel welfare recipients to work, which have typically been high on rhetoric and low on dollars. That combi-



Costly choices. Clinton's wish to put welfare recipients to work is surprisingly expensive.

officials say) are supposed to climb off welfare as a result of new reforms, such as expanded child care and work programs. Another 130,000 cases, about 8 percent of the young families, will have had their checks cut off and be working in a subsidized private-sector job or public-service slot. By contrast, a much larger number—a quarter of the young family heads (400,000 cases)—might (then) be exempt from the time limit.

By 2004, the impact of the plan would be much greater, since more parents born after 1972 would be on the rolls and subject to the time limitations of the law. Congress may also have enacted universal health coverage, which would ensure no one had to quit an un-

nation often produced sham work requirements for recipients, who did little more than sign up for phantom jobs.

The scaled-back task force outline also dovetails with political reality, since few legislators seem truly willing to shoulder the fiscal or human costs of more radical plans. And it makes sense, especially in an administration intent on altering the enervating environments of welfare offices, that time limits on AFDC be phased in first with younger parents. With the unveiling of his plan just weeks away, Clinton's chore now may be to dampen the expectations that he first raised with his campaign promise. ■

By DAVID WHITMAN



DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

Melissa T. Skolfield

Deputy Assistant Secretary for Public Affairs

Phone: (202) 690-6853

Fax: (202) 690-5673

To: Bruce Reed

Fax: 456-7431 Phone: _____

Date: 3-15-94 Total number of pages sent: 3

Comments:

L.A. TIMES 3-14-94

Moynihan the Prophet

Brave Maryland NAACP in effect says he was right

In a significant breakthrough for the NAACP, the nation's oldest and largest civil rights organization, the NAACP Maryland state conference has become the first component of the group to embrace welfare reform. (The NAACP's national leadership, yet to take a formal position on welfare reform, is expected to consider President Clinton's proposals on the issue at its national convention in July). The Maryland endorsement eliminates a political obstacle and adds an important dimension to the growing consensus for change.

The breakup of the black family long has been a sensitive subject for African Americans. Black leaders, including Dr. Martin Luther King Jr., criticized now-Sen. Daniel Patrick Moynihan (D-N.Y.), then a White House aide, when he told of a 24% black illegitimacy rate and warned of future consequences in his 1965 report, "The Negro Family: A Case for National Action." Civil rights leaders interpreted his findings as an indictment of African Americans, calling it an immoral attempt to "blame the victim." They pressured the Johnson Administration to remove the inflammatory topic from a White House conference on civil rights, thus torpedoing Moynihan's solutions. He had proposed a return to twice-daily mail deliveries to create more jobs, a national family allowance modeled after European and Canadian subsidies, and other remedies that were affordable then.

Government coffers now are extremely tight, and welfare has become a financial drain on federal and state governments, which share the burden. Cost motivates many politicians to champion reforms intended to reduce the rolls and mitigate the expense of providing for poor children whose parents cannot provide for them. The Clinton Administration currently is debating a panoply of changes intended to get poor parents off of welfare and into jobs. But the Administration so far has provided no clue to how the nation would pay the \$6-billion price tag.

Welfare's financial drain is not paramount to the Maryland NAACP leaders. They embrace state welfare

reform that would limit benefits and require work because they believe long-term welfare stigmatizes poor women and victimizes their children. They encourage recipients to take advantage of new opportunities under the reform to get off welfare. At the same time, they insist that the state provide sufficient education, training and jobs.

Black leaders have a responsibility to participate—even though most welfare mothers are white—because black parents are represented disproportionately on welfare rolls. By joining the debate, minority leaders can ward off more punitive approaches and advocate further incentives that reward poor mothers for staying in school or going to work.

History has proven Moynihan a prophet. The 24% black illegitimacy rate he reported nearly 30 years ago has climbed to 68%. And today at least 30% of all children born in the United States are born to single mothers. Their vulnerable family status puts them at risk of poverty, welfare dependency and a host of other daunting social problems. Reversing this trend will take a concerted national effort.

The Maryland NAACP leaders deserve credit for adding their important voice to the debate. Their courageous support has delighted Maryland Gov. William Donald Schaefer, who has proposed state welfare reforms largely modeled after the Clinton Administration plan and which parallel some of the noteworthy changes endorsed by California Gov. Pete Wilson. Common to all of those proposals are a limit on how long a person can receive welfare, a requirement to find work, provision of community service jobs and a requirement that teen-age parents live with parents or guardians. Such proposals now are endorsed by the Maryland NAACP. And because of Maryland's proximity to the District of Columbia, official Washington is paying attention.

Welfare reform is political dynamite, but any politician who dares to call himself or herself a leader cannot duck the rethinking of this important national issue.

America's Welfare Wake-Up Call

A Congressional Liberal Agrees: Work Is the Key to Fixing a Failed System

By Eleanor Holmes Norton

VOICES OF every political pitch have now joined the chorus calling for welfare reform. Yet this harmony could easily degenerate into a replay of the conflicts that have impeded past efforts to overhaul the system.

The traditional appeal of welfare reform to political conservatives obscures its broad support among those most injured by the current system. In particular, the African-American community sees welfare as a major factor in dragging the vital family traditions that historically have cushioned African-Americans from the economic shocks of the Depression and other calamities. The African-American community has a long history of resistance to the predominant reactions among blacks.

The growing consensus for welfare reform is driven, I believe, far less by the desire to save money than to avoid the incalculable human costs of the system. Commanding a mere 1 percent of the federal budget, Aid to Families with Dependent Children might escape notice if it were some other program. In fact, the vestige of AFDC benefits per family has declined sharply over the last two decades.

To most Americans today, however, welfare is no longer simply another failed program. The alarming increase in poor single-parent families, which contributes disproportionately to poverty, crime and other problems, profoundly contradicts American ideals of progress, upward mobility and family.

Rising concern about these families, their future—and ours—is well placed. A society that stands by while a growing proportion of its children—over 30 percent—is born to single mothers, rarely aided by *Zimmerman* *Holmes* *Norton* represents the *District of Columbia* in Congress.

the children's fathers, is as much at risk as the children. Today even traditional two-parent families find it difficult to provide the standard of living and the degree of parental control that similar families provided a generation ago. And the rapid multiplication of single parent families has inspired inflammatory predictions of the virtual end of civilization.

President Clinton has promised a radical reform of the current welfare system. The administration is apparently seeking to achieve reform without new money, presumably using funds already in the system in a different way. Chief among its ideas is a two-year limit on cash benefits. There are other notions raised as many questions as they answer. Although the president is expected to submit a bill soon, his proposal appears to be a work still in progress.

Some conservative social critics, notably Charles Murray, would slash checks to a pittance promise to "end welfare as we know it" a step further. Murray would end welfare immediately and take children from those families who cannot or do not support them. He advocates adoption and orphanages.

Pouting of this kind is the luxury of those who bear no responsibility for assembling a consensus for solutions or for the unintended consequences that are likely to result. One is reminded of the last bright idea of this sort: empty the mental hospitals and allow the former patients to be absorbed into "the community." The social catastrophe from that expectation is visible everywhere today, and so is the reality of painfully rare adoptions of black children and an overwhelmed and damaging foster care system. Forgetting the legal and constitutional issues, withdrawing of these children on the cheap would be one likely result of an end to all economic sup-

port for poor children and their mothers. Homelessness would be another. However, extremism of the Murray variety is unlikely to be embraced by the public, which seems mindful that welfare supports children. Only 5 percent of Americans believe that welfare benefits should be entirely eliminated.

Yet welfare reform as a chariot call has a gratifyingly large majority. What is lacking is an organizing principle that can move the consensus to the next stage. For health care, the president has used a simple idea, "universal coverage you cannot lose," to galvanize support for reform. By contrast, the welfare consensus for substantial welfare reform currently splinters at the level of detail: two-year limits on benefits, child and child care mandates, denial of benefits for additional children, to name a few.

The emerging unifying principle is a one-word notion: work. Starting with the unadorned idea that work to support one's own child is an obligation of parenthood, we may have the best chance for putting together the several strategies it will take to reform the welfare system.

Actually, the public has already made up its mind that work should be at the center of any new approach. An overwhelming 87 percent of Americans favor requiring able-bodied people on welfare, including women with small children, to work or learn a job skill. There are no differences between blacks (85 percent) and whites (87 percent), and roughly the same high percentages come in for conservatives and liberals, Republicans and Democrats and Americans of modest income and those who are well off.

In part, these figures reflect a far-reaching change of the past generation—the flood of mothers with children into the labor force. In 1992, 65 percent of mothers with children under 6 worked, as did 81 percent of mothers with children 6 to 18. It is low-income single working mothers, of course, who most dramatically point up the discrepancy between people on welfare and those who are not. So also do figures showing that half of recipients leave welfare within two years. In an era of tough economic conditions, when increasingly, multiple family members, including teenagers, are in the labor force, there is little support for able-bodied young women who have children before marriage, do not work and are subsidized by those who do.

With work almost universally accepted as the remedy for welfare and turnover of recipients a feature of the present system, we are probably further along toward figuring out a new system than we realize. It seems unlikely that we will avoid a divisive struggle, however, unless more information is provided specifically on why some women are on welfare and others similarly situated are not.

The fact that many low-income single mothers do without welfare and the high welfare turnover rate suggest that we need to know more about the obstacles to employment that some, but not all, low-income mothers face. We do know that the prerequisites for entering the labor force are the same for middle-income and poor women—a phase to leave a child that is not prohibitively expensive, job availability and a decent wage. We also need to recognize that to succeed, any new system must be sensitive to regional differences in unemployment and wage rates. We must be aware as well that creating a child care system exclusively for welfare mothers may, like Medicaid, create further disincentives to leave welfare. Hence the grants to school systems to make educational child care a part of elementary education would be one place to begin building on the present child care patchwork.

Offering alternatives to dependency is a major part of the challenge. Getting young people back to school, to work or into training before they settle on welfare is of prime importance. This is not a revolutionary idea. The welfare programs of the New Deal years were work programs. Unfortunately,

the president's public service notions notwithstanding, government is not likely to create or fund millions of public jobs in this climate or in the foreseeable future. Far more likely is unintended displacement of public sector workers. Work, nevertheless, remains the most plausible idea, especially for young women.

Today, welfare periodically captures and holds women because the rules do not allow them to work their way out of the system without losing all assistance. If some work for less than the wage they need, the earned income tax credit, and make temporary subsidies if needed, would cost far less than the detached and human costs we have accepted from the welfare system. No reform will work if welfare offers a better break than personal responsibility, as it often does to carry. A particularly perverse result would be to have current recipients replaced by as many or more young women just like them.

Every bit as much thought is needed about how to create demands around welfare in the first place. Part and parcel of welfare reform should be meeting the difficult challenge of discouraging premature and irresponsible parenthood, especially among teenagers.

There is much talk about the punitive nature, but very little effective action. Justifiably demanded, the fathers are not easily reached in a country where most men don't pay their child support. Moreover, half of mothers on welfare have never been married and they are the majority of long-term recipients. Perhaps the welfare reformers will be better at getting child support from the fathers—many of whom are without work or find "jobs" only in the underground economy. Requiring men to take on their responsibility is every bit as important as reaching the far more accessible women. This task, though, may be even more formidable than getting work for the mothers.

The welfare debate may still carry some of the baggage of prior decades. This time, however, if we allow the reform process to dissolve into a fractured, racially charged debate, we will squander a rare, ripe moment for change.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

5/11

WR. Notebook

Memorandum

TO: Leon Panetta
FROM: Isabel Sawhill
RE: **Welfare Reform - Alternative Plans**
CC: A. Rivlin, M. Foley, B. Reed, K. Way, and HRD staff

This memo provides brief descriptions of important features of five alternative welfare reform bills. It focuses on work requirements, family issues, state flexibility, and financing.

1. **House Republican** (HR 3500 - Santorum)

Work Requirements

- o Mandatory participation in "AFDC Transition Program" for first two years. Activities include job search, training, and education.
- o Mandatory work requirement after two years. Jobs can be community service. State option to make it one year. (Exemptions for seriously disabled and students.)
- o State option to terminate job and benefits after three years (and total of five on AFDC).
- o Mandatory requirement to participate in substance abuse treatment, if determined to be necessary.

Family Issues

- o No benefits unless mothers identify fathers of children. (They receive a reduced benefit until paternity is legally established.)
- o No benefits to parents under 18. States can opt to provide such benefits.
- o No additional benefits for children born while mother on AFDC. (Again, States can opt to do so.)
- o State option to reduce benefits by \$75 a month to households if certain parents or children not attending school.
- o Child support-delinquent fathers are required to pay support or work.

State Flexibility

- o States may convert AFDC funds into a block grant to be used for an alternative program for assisting needy children.
- o Combines ten food and nutrition programs into a single block grant program to States.

Financing

- o Eliminates noncitizen eligibility for AFDC, Food Stamps, Medicaid, and several other Federal programs. Caps spending on means-tested entitlements, including EITC, to inflation plus 2%. (Food and nutrition block grant to save 5% of total current costs for the ten programs.)

(Senate Republican bill - S 1795 - is generally similar except: no State conversion of AFDC to block grant and noncitizen benefits are limited to twelve months total, not eliminated.)

2. **Mainstream Forum** (Not yet introduced)

Large group of moderate and conservative Democrats, founded by Rep. McCurdy. Rep. Slattery is chair of its Welfare Reform working group.

Work Requirements

- o Limits recipients of AFDC to two years of benefits lifetime. (Some exceptions, such as those under 20 and finishing schooling and those who are seriously disabled, which "stop the clock".)
- o To continue to receive benefits after two year limit, recipients may "volunteer" for a minimum wage community service job. (Limited to three years.)
- o Every "able-bodied" individual required to work or participate in education and training. Benefits paid are based on the number of hours recipients work or are in training and education programs.
- o Makes job search requirements immediate. No substitution of education and/or training for job search.
- o Emphasis on use of private placement companies with performance-based contracts.
- o Allows incentives to employers to hire recipients through use of wage supplementation with AFDC and Food Stamp benefits and tax credits.

Family Issues

- o No additional benefits for children born to mothers on AFDC.
- o Requires minor parents to live with parents (or other

adult).

- o Requires paternity establishment to receive benefits.
- o Makes the Dependent Care Tax Credit (DCTC) refundable.
- o Allows women on AFDC who marry to retain a portion of benefits for up to a year.

Financing

- o Eliminates noncitizen eligibility for AFDC, Food Stamps, Medicaid, and several other Federal programs. Caps entitlement spending on poverty programs at inflation plus 2%. (This mostly hits Medicaid spending.) Eliminates DCTC for those with incomes over \$100,000 and EITC for illegal aliens. Federal Government to assist States in collecting mail-order catalogue sales taxes. (Subject to change, still under development.)

3. Talent/Faircloth ("Real Welfare Reform Act")

Endorsed by Bill Bennett, represents more conservative alternative to House Republican bill.

Work Requirements

- o Requires 50% of all AFDC recipients to work by 1996.
- o Requires 100% of "single able-bodied" Food Stamp recipients to work.
- o Emphasis on mothers without young children.
- o State flexibility to design own work programs if they meet participation requirements and adhere to eligibility restrictions.
- o State option to impose time limit on benefits.

Family Issues

- o Eliminates AFDC, Food Stamps, public or Section 8 housing benefits to unmarried mothers under the age of 21. Age limit increases to 25 in 1998. ("Savings are converted into block grants to States to care for children.")
- o No benefits without paternity establishment.
- o No additional benefits for children born to mothers on AFDC.
- o \$1,000 per year "pro-marriage" tax credit.

Financing

- o Caps future welfare spending increases at 3.5% per year.

4. Kohl/Grassley (S 2057)

State Flexibility

- o Replace AFDC and Food Stamps with block grants to States. A State must show it is "moving people into work" to continue to receive the block grant.
- o States given flexibility to design own programs.
- o Expands WIC.
- o Does not affect Food Stamps for the elderly and disabled.

Financing

- o The funding level of the block grants is set at current spending (\$37 billion in FY 1995) and remains the same into the future.

5. Woolsey/Regula (HR 4318)

Work Requirements

- o Triples funding for JOBS program and "improves" Federal match rate. Includes performance standards to hold States accountable.
- o Ends penalties for work by "requiring States to stop cutting aid on a dollar-for-dollar basis" when recipient gets a job.
- o Prohibits States from reducing AFDC assistance.
- o Requires States to strengthen coordination of support services and assistance. (Example, requires "whenever possible" that a single location be established in a community for application for benefits and services.)
- o Eliminates JOBS program rules which "make it more difficult to assign a participant to education".

Family Issues

- o Expands child care assistance.
- o "Enhances" paternity establishment.
- o Eliminates rules preventing families from benefitting when absent parents increase support payments.
- o Federalizes child support enforcement.

MEMORANDUM

TO: Bruce Reed
FR: Tim Fong
RE: Votes on Welfare Reform

HR 1720:

This bill, as the vehicle for the conference report, was ultimately signed into law as PL 100-485. The Senate votes fell: 96-1: R 44-1, D 52-0. On the House side, the bill passed: 347-53: R 142-19; D 205-34.

Summary of the law, the Family Support Act of 1988, available.

S. 1511:

The Senate version of the bill, which at \$2.8 billion, cost less than the original House bill of \$7 billion, was amended by Dole, R-Kan. The Dole amendment required at least one parent in two-parent families receiving welfare (AFDC-UP) to work a minimum of 16 hours per week in either unpaid community work experience or subsidized jobs.

The attached vote was for Moynihan's, D-NY., motion to kill the amendment. The motion was rejected 41-54: R 3-40; D 38-14.

Copy of the bill, introduced by Moynihan, available.

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QUICK REPORT:

S. 1511 by Sen. Daniel Patrick Moynihan (D-NY)
Family Security Act of 1988

CRS Abstract and Digest:

Abstract

(from Congressional Research Service, Library of Congress)

Amends part A (Aid to Families with Dependent Children) of title IV of the Social Security Act to redesignate the AFDC program as the Child Support Supplement program and require recipients of program benefits to participate in a State job opportunities and basic skills training program. Amends part D (Child Support and Establishment of Paternity) of title IV of the Act to set forth provisions affecting the determination, review, and collection of child support and the establishment of paternity. Makes payments to U.S. territories under specified provisions of the Act.

Digest

(from Congressional Research Service, Library of Congress)

06/16/88 (Measure indefinitely postponed in Senate, H.R. 1720 passed in lieu)

Family Security Act of 1988 - Replaces the Aid to Families with Dependent Children (AFDC) (part A of title IV of the Social Security Act) program with the Child Support Supplement (CSS) program.

Title I: Child Support and Establishment of Paternity
Subtitle A: Child Support

Amends part D (Child Support and Establishment of Paternity) of title IV of the Social Security Act to require the withholding of child support payments from the non-custodial parent's wages upon the issuance or modification of a child support order for families receiving part D services. Waives such withholding requirement when both parents agree to an alternative arrangement or the State finds good cause to rely on an alternative arrangement. Requires immediate wage withholding for all new child support cases entered into after January 1, 1994. Requires the Secretary of Health and Human Services to study the feasibility of requiring immediate income withholding with respect to all child support awards.

Amends part A of title IV of the Act to exclude the first \$50 of child support payments which were due for a prior month from the determination of a family's need for CSS payments in the month during which such payments were received.

Amends part D of title IV of the Act to require States to review State guidelines for child support award amounts at least once every five years. Makes such guidelines binding upon judges or other State officials unless the judge or official, pursuant to criteria established by the State, finds good cause to ignore such guidelines. Requires that child support awards for CSS families be reviewed and adjusted in accordance with such guidelines at least once every two years unless such review would not be in the child's best interest and neither parent requests such review. Requires

such review and adjustment of a child support award for a non-CSS family upon the request of either parent. Gives parents at least 30 days notice of pending review or adjustment of a child support award. Directs the Secretary to enter into an agreement with each of four States by April 1, 1989, to conduct a two-year demonstration project testing and evaluating model procedures for reviewing child support award amounts. Requires States to inform CSS families on a monthly basis, rather than annually, of the amount of child support collected on their behalf.

Subtitle B: Establishment of Paternity

Establishes State performance standards for the establishment of paternity which require the State's paternity establishment percentage for a fiscal year to be: (1) at least 50 percent; (2) the State's percentage for FY 1988 increased by three percentage points for each fiscal year after FY 1989; or (3) equal to or greater than the average percentage for all States. Authorizes the Secretary to modify such requirements to take into account variables which may affect a State's ability to meet such requirements. Directs the Secretary to report annually to the Congress regarding the data upon which State paternity establishment percentages are based and the performance of States in establishing paternity.

Raises the Federal matching rate to 90 percent (from 68 percent in FY 1988) for laboratory costs incurred in determining paternity.

Subtitle C: Improved Procedures for Child Support Enforcement and Establishment of Paternity

Requires the Secretary to establish time limits within which a State must accept and respond to requests for assistance in establishing and enforcing child support orders and distribute amounts collected as child support. Directs the Secretary to establish an advisory committee, composed of State officials involved in the Child Support Enforcement program, with which the Secretary must consult before issuing regulations regarding time limits on accepting and responding to child support establishment and enforcement requests. Requires the issuance of final regulations by the first day of the tenth month after this Act's enactment.

Requires States to establish automatic data processing and information retrieval systems to assist in the administration of the Child Support Enforcement program within ten years of the State's submittal (by October 1, 1990) of an advance planning document for such system to the Secretary, or, if earlier, by the date specified by the State in such document. Authorizes the Secretary to waive the Act's requirements for such documents and systems if the State has an alternative system which is in substantial compliance with the Act's requirements. Sets the Federal share of establishing such a system at 90 percent so long as time limits have not been exceeded.

Directs the Secretary of Labor to give the Secretary prompt access to wage and unemployment compensation claims information and data maintained by the Department of Labor and State employment security agencies. Amends title III (Unemployment Compensation) of the Act to require States to cooperate in making such information available.

Amends title II (Old Age, Survivors and Disability Insurance) of the Act to require States to collect the social security numbers of both parents when their child is born for use by State agencies administering Child Support Enforcement programs unless the State finds good cause for not requiring such numbers.

Establishes the Commission on Interstate Child Support which, by October 1, 1989, must hold one or more national conferences on reform of interstate child support procedures. Directs the Commission to submit a report to the Congress by October 1, 1990, containing recommendations for improving the interstate establishment and enforcement of child support and for revising the Uniform Reciprocal Enforcement of Support Act. Terminates

the Commission on November 1, 1990. Authorizes appropriations for such Commission.

Title II: Joint Opportunities and Basic Skills Training Program

Amends part A of title IV of the Act to require States to establish, within three years of this Act's enactment, a job opportunities and basic skills training program (Program) which helps needy children and parents avoid long-term welfare dependence. Requires private sector involvement in planning and Program design to assure that participants are trained for jobs that will actually be available in the community.

Requires non-exempt CSS recipients to participate in such Program if State resources permit such level of participation and necessary child care is available to participants. Allows exempt CSS recipients to participate on a voluntary basis. Authorizes States to require or allow absent parents who are unemployed and unable to meet child support obligations to participate in the Program. Exempts from Program participation an individual who: (1) is ill, incapacitated, or of advanced age; (2) is needed in the home because of the illness or incapacity of another member of the household; (3) is a parent or relative of a child under age three or, at the State's option, less than age three but not less than age one (such exception applies to only one parent in a two-parent family and may be made inapplicable to both parents if the State provides the family with child care); (4) works more than 30 hours or more per week; (5) is a child under age 16 or attending elementary, secondary, or vocational school full time; (6) is a woman in the third trimester of pregnancy; or (7) resides in an area of the State where the Program is not available.

Prohibits the requirement that the parent or a relative of a child under age six who is not the principal earner participate in the Program for more than 24 hours a week, except that such persons may be required to participate in Program educational activities for more than 24 hours a week.

Provides that if an individual is attending a school or a course of vocational or technical training designed to lead to employment when he or she would otherwise commence participation in the Program, such attendance may constitute satisfactory participation in the Program, though the costs of such schooling or training shall not be covered by the CSS program.

Requires States to make an initial assessment of the education and employment skills of each Program participant and on that basis develop an employability plan for each participant which, to the maximum extent possible, reflects the participant's preferences. Requires that in the case of participants who have attained age 22 and do not have a high-school diploma an emphasis be placed on meeting educational needs. Authorizes the State to: (1) require each participant to then negotiate a contract with the State which specifies the duration of his or her participation as well as the activities the State will conduct and services it will provide in the course of such participation; and (2) assign to each participating family a case manager who is responsible for obtaining, on the family's behalf, any other services which may assure the family's effective participation.

Requires State Programs to provide a broad range of services and activities, including: (1) high school or equivalent education; (2) remedial education to achieve basic literacy and instruction in English as a second language; (3) post-secondary education as appropriate; (4) work supplementation programs; (5) community work experience programs; (6) job search, training, and placement services; and (7) other employment, education, and training activities as determined by the State and allowed by the Secretary. Requires non-exempt custodial parents who have not attained age 22 or successfully completed a high school education to participate in high school or equivalent education, or literacy or English language education. Authorizes States to require such parents to participate in training or work activities if they fail to make good progress in educational activities or if their participation in such activities is

inappropriate. Requires that by FY 1995 one parent in each two-parent family receiving CSS benefits by reason of the principal earner's unemployment be made to work at least 16 hours per week in a community work experience program. Makes such work requirement applicable a year earlier in States that provide CSS benefits to such families by June 1, 1988.

Requires each work assignment to be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of each participant and not involve unreasonable travel.

Prohibits: (1) wage rates for work assignments from being set at less than the greater of the Federal or State minimum wage; and (2) work assignments which displace a currently employed worker or position, fill established unfilled position vacancies, infringe the promotional opportunities of current employees, or impair existing contracts for services or collective bargaining agreements. Requires States to establish a procedure for resolving employee complaints regarding such work assignments. Prohibits States from requiring participants to accept a job which would result in a loss of income to the participant's family.

Requires that each Governor find his other State Program consistent with the criteria for coordinating activities included in the Governor's Coordination and Special Services Plan prepared under the Job Training Partnership Act before submitting it to the Secretary.

Authorizes any State to institute a work supplementation program under which such State reserves sums which would otherwise be payable to program participants as child support supplements and uses such sums instead to subsidize jobs for such participants.

Authorizes any State to establish a community work experience program to provide experience and training for individuals not otherwise able to obtain employment. Limits such programs to projects which serve a useful public purpose, utilizing, if possible, the participant's prior training, experience, and skills. Requires that other Program activities be coordinated with the community work program so that job placement has priority over participation in such program.

Authorizes States to require individuals to participate in job search activities for up to eight weeks after applying for child support supplements and for up to eight weeks in any 12-month period thereafter. Prohibits the requirement that individuals engage in job search activities for more than three weeks before the State makes an assessment of their education and employment skills.

Subjects the families of individuals who are required to participate in the Program and fail to do so without good cause to the reduction or elimination of child support supplements. Continues sanctions for a minimum of three months if such individual failed to participate on a previous occasion and for six months if such noncompliance has occurred more than one time previously. Requires the State to notify recipients of any failure to comply with work or training requirements and the actions which must be taken to terminate the sanction.

Requires States to establish conciliation procedures for the resolution of disputes involving an individual's participation in the Program and have a hearing process to resolve disputes not resolved during the conciliation process. Prohibits the termination or reduction of CSS benefits as a result of such dispute until the individual has an opportunity for a hearing.

Caps Federal funding for Program costs. Sets the Federal matching rate for Program costs at 90 percent of a State's costs which do not exceed its FY 1987 costs under part C (Work Incentive Program) of title IV of the Act and the greater of 60 percent or the Medicaid (title XIX of the Act) matching rate for additional non-administrative costs. Sets such rate for administrative and work-related supportive service costs at 50 percent. Reduces the rate of Federal reimbursement for all non-administrative Program expenditures to 50 percent if: (1) less than 50 percent of such

expenditures are targeted at individuals who have received child support supplements for 30 of the preceding 60 months, are custodial parents under age 24 who have not completed and are not enrolled in high school, or had little or no work experience in the preceding year; or (2) State Program participation rates do not equal or exceed specified percentages.

Allows Indian tribes and Alaska Native organizations to apply directly to the Secretary within six months of this Act's enactment to establish and administer their own Program.

Requires States to provide child care (or day care for an incapacitated individual living in the home of a dependent child) for families to the extent that it is necessary to an individual's participation in work, education, and training activities. Provides coverage for certain transportation and other work-related expenses.

Amends part C of title IV of the Act to extend work incentive demonstration programs until September 30, 1990.

Sets forth technical and conforming amendments.

Requires the Secretary to: (1) publish final Program regulations within one year of this Act's enactment; (2) submit recommended Program performance standards to the Congress within five years of this Act's enactment; (3) study State implementation of the Program; (4) select five States to participate in three-year demonstration projects to study the relative effectiveness of different approaches for assisting long-term and potentially long-term CSS recipients under the Program; and (5) study the application of the Program to Indians. Sets forth effectiveness study reporting requirements. Authorizes appropriations for the State implementation study for FY 1989 through 1991 and for the effectiveness study for FY 1989 through 1993.

Title III: Transitional Assistance for Families After Loss of CSS Eligibility

Provides a family which loses CSS eligibility due to an increase of earned income or employment hours, or a loss of earning exclusions with nine months of transitional child care if the State determines such assistance to be necessary for continuing employment and the family has received child support supplements for three of the preceding six months. Terminates transitional child care if the family ceases to include a dependent child or the parent or caretaker relative engages in certain conduct prohibited under the CSS program. Requires families to contribute to the costs of such care on the basis of their ability to pay for such care. Makes families ineligible for such care after 1993. Directs the Secretary to study and report by January 1, 1993, on the effectiveness of transitional child care in reducing welfare dependence.

Amends title XIX (Medicaid) of the Act to require a State to continue a family's Medicaid eligibility for six months after the family loses CSS eligibility because of increased earnings or employment hours, or a loss of earning exclusions if the family has received supplement payments for three of the preceding six months, and for an optional six additional months if the family has received the entire six months of extended Medicaid coverage. Terminates extended Medicaid coverage if the family ceases to include a dependent child or the caretaker relative engaged in certain conduct prohibited under the CSS program. Authorizes States to provide the extended Medicaid coverage by paying a family's expenses for health insurance offered by the caretaker relative's employer (or, if more cost-effective, by the absent parent's employer) or a family's expenses, during the optional six-month extension period, for enrollment in a group health plan offered to the caretaker relative, a group health plan offered by the State to its employees, or a health maintenance organization. Denies a family the optional six-month extension period if its earnings exceed 185 percent of the Federal poverty level. Requires States to impose a premium on families receiving the optional six months of extended coverage, but only

if the family's monthly earnings exceed the Federal poverty level and the premium does not exceed three percent of such earnings. Requires the Secretary to conduct a study and issue a report by January 1, 1993, on the impact of such Medicaid extension provisions.

Title IV:

Family Living Arrangements

Amends part A of title IV of the Act to condition an unmarried minor parent's receipt of CSS payments on his or her residence with a parent, legal guardian, or other adult relative, or in an adult-supervised supportive living arrangement. Makes such requirement inapplicable if: (1) such individual has no living parent or legal guardian or is not allowed to live with such parent or legal guardian; (2) the health and safety of the child or minor parent would be jeopardized if such individual lived with the parent or legal guardian; (3) such individual has not lived at home for at least one year prior to the child's birth or making a claim for CSS payments; or (4) the State otherwise finds good cause for waiving the requirement. Requires that (where possible) CSS payments be made to the parent, legal guardian, or adult relative on behalf of the minor parent and child.

Requires all States to provide child support supplements to every family which meets CSS program need standards and whose children are deprived of parental support due to the unemployment of its principal earner. Authorizes a State to limit the number of months for which a family may receive supplements under the unemployed parent program, but only if the State has a program to assist such parents in preparing for and obtaining employment. Prohibits States from denying supplements to such families unless they received supplements for six of the preceding 12 months on the basis of the principal earner's unemployment. Authorizes States to: (1) require unemployed parents to engage in Program activities for up to 40 hours per week; and (2) make supplement payments, at intervals no greater than one month, after the performance of Program activities. Authorizes States to count participation in specified training and education activities, including those established pursuant to this Act, towards up to four of the six quarters of work required in a 13-quarter period for eligibility on the basis of unemployment under the existing title IV program. Treats families who would be receiving supplements if not for the State's decision to set durational limits on such payments as continuing to receive such supplements so that eligibility with respect to the quarters of work requirement need not be reestablished. Amends the Medicaid program to require States to provide Medicaid coverage to families which would be receiving child support supplements on the basis of the unemployment of the principal earner had the State not set durational limits on such benefits. Directs the Secretary to conduct an evaluation of, and report to the Congress by October 1, 1993, on the unemployed parents program.

Requires each State to make scheduled reevaluations of its need and payment standards for CSS benefits at least once every five years and report to the Secretary and the Congress regarding the results of the reevaluations.

Requires the Congressional Budget Office to report, within one year of this Act's enactment, on its study into the implementation of a minimum national payment standard under the CSS program.

Title V: Demonstration Projects

Amends part A of title IV of the Social Security Act to establish a program providing grants to States selected to conduct demonstration projects testing whether CSS housing costs can be reduced by constructing and rehabilitating permanent housing for rental to CSS recipients who would otherwise require CSS emergency assistance in the form of temporary housing. Provides that, to be eligible for selection as one of two States authorized to conduct such a project, a State must: (1) be currently providing CSS

emergency housing assistance; (2) have an acute need for Federal assistance by virtue of the large number of homeless CSS families, and shortages of low-income housing, in the jurisdiction(s) where such project would be conducted; and (3) submit a plan to achieve significant cost savings over a ten-year period through the conduct of such project.

Requires that such grants be used to provide permanent housing which is: (1) owned by the State, an instrumentality of the State, or a nonprofit organization; (2) available to families who have been unable to find decent housing at rents that can be paid with CSS aid for shelter; and (3) located in jurisdictions experiencing a critical shortage of such housing. Requires that: (1) the most costly temporary housing be retired from use in the emergency assistance program as permanent housing becomes available for occupancy, unless temporary housing is demonstrably needed; and (2) the costs of providing permanent housing be lower than costs which would be incurred if, instead, the State made CSS emergency assistance payments providing temporary housing.

Sets the State contribution to the cost of constructing or rehabilitating such housing at at least the current State CSS share increased by ten percent. Authorizes appropriations for the grant program for each of the first five fiscal years following FY 1988.

Amends part A (General Provisions) of title XI of the Act to authorize the Secretary to make grants to States for one- to five-year demonstration projects for CSS children testing financial incentives and alternative approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence. Authorizes appropriations for such grant program for FY 1989 through 1993.

Requires the Secretary to make grants to up to five States for demonstration projects testing whether the employment of parents of dependent children receiving child support supplements as day care providers will facilitate the conduct of the Program and afford a significant number of families a realistic opportunity to avoid welfare dependence. Authorizes appropriations for such grant program for FY 1989 through 1993.

Directs the Secretary to enter into agreements with up to ten States for the conduct of demonstration projects testing, with respect to individuals who are CSS beneficiaries by reason of the principal earner's unemployment, the use of a number greater than 100 for the number of hours per month that such individuals may work and still be considered unemployed for CSS purposes. Sets forth reporting requirements.

Authorizes the Secretary to make grants to States for demonstration projects designed to increase compliance with child access provisions of court orders. Authorizes appropriations for FY 1989 and 1990. Directs the Secretary to report to the Congress on the effectiveness of such projects by July 1991.

Directs the Secretary to make grants to between five and ten States for three-year demonstration projects increasing the availability of child care in communities by the acquisition or renovation of child care facilities, and the provision of child care transportation services. Favors States that propose to conduct the project primarily in communities having fewer than 50,000 inhabitants. Requires the Secretary to report to the Congress regarding such projects by October 1, 1991. Authorizes appropriations for FY 1989 through 1991.

Directs the Secretary to enter into agreements with from four to ten nonprofit organizations for the conduct of three-year demonstration projects providing technical and financial assistance to private employers to assist them in creating employment and business opportunities for CSS beneficiaries and other individuals whose income is below the Federal poverty level. Requires the Secretary to submit evaluations of such projects to the Congress by October 1, 1989. Authorizes appropriations for such projects for FY 1989 through 1991.

Directs the Secretary to enter into agreements with four States for

the conduct of demonstration projects under which each such State establishes a Teen Care Plan providing a range of non-academic services and self-image counseling to high-risk teenagers in order to reduce the rates of teenage pregnancy, suicide, substance abuse, and school drop-out. Requires the Secretary to report to the Congress by October 1, 1991, on State evaluations of the effectiveness of such projects. Authorizes appropriations for such projects for FY 1989 through 1991.

Directs the Secretary to extend until December 31, 1989, a waiver granted to Minnesota to conduct a prepaid Medicaid demonstration project.

Authorizes the Secretary to make grants or award contracts to States for the conduct of one- to three-year demonstration projects testing whether CSS or Medicaid benefit credit cards (using computer chip design) can enhance the efficiency and effectiveness of program operations while ensuring that individuals receive correct benefit amounts on a timely basis.

Title VI: Payments to American Samoa, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands

Amends part A (General Provisions) of title XI of the Act to include American Samoa in the CSS program. Limits Federal funding for American Samoa's program to \$1,000,000 for any fiscal year. Increases the total amount of Federal payments which may be made to Puerto Rico, Guam, and the Virgin Islands in any fiscal year under titles I (Grants to States for Old-Age Assistance for the Aged), X (Grants to States for Aid to the Blind), XIV (Grants to States for Aid to the Permanently and Totally Disabled), XVI (Grants to States for Aid to the Aged, Blind, or Disabled), and parts A (Aid to Families with Dependent Children) and E (Foster Care and Adoption Assistance) of title IV of the Act.

Title VII: Miscellaneous Provisions

Requires that the programs under parts A and D of title IV of the Act be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services who shall be appointed by the President, by and with the advice and consent of the Senate.

Makes States responsible for: (1) assuring that benefits under part A and D of title IV of the Act are provided in an integrated manner; (2) assuring that parents who seek child support supplements are encouraged, assisted, and required to prepare for and obtain employment and to cooperate in establishing paternity and enforcing child support obligations; and (3) notifying CSS recipients of education, employment, and training services, and paternity establishment and child support services for which they are eligible.

Directs the Secretary to issue final regulations within six months of this Act's enactment requiring States to implement procedures to detect fraudulent applications for child support supplements prior to the establishment of eligibility for such supplements.

Makes miscellaneous technical corrections to the Medicare Catastrophic Coverage Act of 1988.

Title VIII: Tax Provisions

Amends the Deficit Reduction Act of 1984 to extend until January 1, 1994, the authority of the Internal Revenue Service to offset against any refund of Federal taxes the amount of certain non-tax debts owed to Federal agencies.

Amends the Internal Revenue Code to reduce the deduction for meal and entertainment expenses available to individuals whose income exceeds \$360,000. Eliminates such deduction when an individual's income equals or exceeds \$440,000.

Extends from age five to age two the age at which a dependent who is claimed as an exemption on a return must have his or her taxpayer identification number included on such return.

Title IX: Technical and Conforming Amendments Relating to Replacement of AFDC Program by Child Support Supplement Program
Sets forth technical and conforming amendments relating to the replacement of the AFDC Program by the CSS program.

Title X: Reorganization and Redesignation of Title IV; General Conforming Amendment Relating to Such Reorganization and Redesignation
Reorganizes and redesignates the parts of title IV of the Act.
Amends the Consolidated Omnibus Budget Reconciliation Act of 1985 to extend until the end of FY 1988 the moratorium on the reduction of payments to States for high erroneous payment rates under the CSS program.

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MAINSTREAM FORUM
WELFARE REFORM WORKING GROUP

FINAL WELFARE REFORM PROPOSAL

MAY 5, 1994

Final Proposal - May 5, 1994

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, has developed a comprehensive plan for welfare reform that puts work first. The basic principles of our approach in the Forum are simple. First is an emphasis on work--on making it possible, and in most cases necessary for those on welfare to find a job. Second, an effective time limit helps create an incentive to join the workforce. Third, we ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare by providing assurances such as work based job training and education, health care and child care. Fourth, federal welfare reform should install broad principles and disseminate information on successful programs but support state and local initiatives. Fifth and finally, welfare reform must promote stable two-parent families.

Our proposal will radically change a system that currently discourages work and families and perpetuates the cycle of poverty. We have provided incentives to get people into real jobs, allowed for the reinforcement of the American family, and taken steps to control our borders. We believe that not only, will this plan positively restructure a broken program, but it will ensure that the investment made by American taxpayers will be a reciprocal investment.

Generally, the Mainstream Forum members support welfare reform that includes the following elements:

- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

I. The Work First Time-Limited Transitional Support Program

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. 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 case workers to operate within and encourage a quick return to the workforce for 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 over 14 million persons receiving welfare.

The phase-in of the time limit and all other provisions included in this bill will begin January 1, 1997. The phase-in should begin with all new, current and returning welfare recipients born after January 1, 1972. States will have the option to immediately raise the age limit. Every calendar year forward, the birth date for participation will fall back by one year. i.e. By Jan. 1, 1997 all those born after 1/1/72 will be required to participate. By Jan. 1, 1998, all those born after 1/1/71 will be required to participate, and so on. Those born before 1972 who are currently enrolled in JOBS will remain in the restructured system and be subject to the time limit. Every year thereafter as this initial group of recipients born before 1972 leave the system, states are required to include up to 20 percent of the caseload of those born before 1972, with an emphasis on those at-risk defined as those who have been on AFDC 36 months or more and those with the youngest child 16 or older. The intent of this provision is to offer services to a portion of the population over 25 as well as to those under 25 as of 1997.

Exemptions to the Two Year Lifetime Time Limit:

- Clients under age 20 completing high school or GED certification
- 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)

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 deter fraud and abuse

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 don't 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.

- Extend 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 extend eligibility to those who go off of 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 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 stamp 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. Ninety percent 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:

- Expand the IV-A entitlement programs for cash assistance recipients to accommodate the increased demand created by expanded participation in the Work First program. States are required to continue funding for Title IV-A programs at a level equal to the average of 1994, 1995 and 1996 levels.
- Eliminate the current Medicaid state matching requirements for drawing down federal Title IV-A child care funding and replace it with an 80/20 federal state match.
- Eliminate the cap from AFDC child care.
- Expand child care for low-income working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor should be expanded and barriers to states' use (inability to meet the state match) should be reduced. Increase the FY '98 authorization for the "At Risk" child care program to \$500 million; FY 1999 to \$1 billion; FY 2000 to \$1.5 billion; and FY 2001 to \$2 billion. In addition, eliminate the Medicaid match rate and in its place institute a fixed federal to state matching rate of 80 percent to 20 percent, respectively including administrative costs.
- A voucher system shall be instituted for all child care programs serving those receiving AFDC, in transition from AFDC to work and those working poor including Title IV-A (AFDC Child Care, At-Risk Child Care and Transitional Child Care), the Child Care Development Block Grant and child care covered under Title XX block grant money. States and localities shall be free to conform programs to their specific needs.
- When ever possible, states should loosen regulations to reimburse both licensed providers and unsolicited or home care providers.
- States shall be permitted to use Transitional Child Care and "At-Risk" child care for training as well as employment. Currently, TCC and "At-Risk" child care cannot be used to pay for child care for a recipient who is enrolled in a training program.
- Extend eligibility for Transitional Child Care from 1 to 2 years and change the AFDC requirement from three months of the last six, to one month of the last twenty-four.
- Eliminate the marriage penalty by permitting Transitional Child Care for two parent families if the other parent is not available to provide child care because of employment or training and if at least one of the parents is working.
- Require automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.
- Maintain and gradually increase the Child Care Development Block Grant, allowing states greater flexibility in the use of their funds to strengthen child care quality and increase supply.

- Make the Dependent Care Tax Credit fully refundable and eliminate the credit for those households with incomes over \$120,000.
- Support expansion of Head Start as included in OBRA 1993.
- Consideration that some of the additional funding to expand child care be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.
- Coordinate rules across all child care programs including requiring states to guarantee seamless coverage for persons who leave welfare for work.

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 between a minimum monthly disregard of \$120 up to a maximum monthly disregard of \$225 in addition to 1/3 of all remaining earned income.
- Eliminate the 100 rule for two-parent 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 and eligibility for 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 shortfall 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, asset accumulation is the step that keeps a person permanently 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 employ 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 car, 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. The 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.

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 that 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 possible. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast 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 into private jobs.

In the 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 Guidelines -- all state programs must follow these guidelines

- Overall objective: Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion that 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.
- 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 for welfare recipients

10% 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 that 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 necessary 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.

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 "ladders 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 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.

One-Stop Shops: Make available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and force cooperation between other federal and state 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 stamp 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.
- **Funding:** All provisions will be based on a matching rate with the federal government share set at 80% and the state share at 20%. Work First shall be considered an uncapped entitlement.

Federal Model -- states have the option to implement the following or to apply for federal waivers from this model (Note: States currently running programs under federal waiver may complete their waivers after which they must either implement the federal model or apply for waivers from it):

The Federal "Work First" model will include JOBS as one of many choices available to a welfare recipient. While some of the choices, such as work supplementation and the Targeted Jobs Tax Credit, are currently available under JOBS, these are presented as separate choices herein so as to increase the role each plays in moving welfare recipients into work.

A case manager will present the "Work First" options to each welfare recipient required to enroll in the program. States have a choice of these or other options in developing their

model. The options are as follows:

Referral to JOBS: A revamped JOBS program following the California GAIN model/Riverside County should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training. Work supplementation and the Targeted Jobs Tax Credit should be considered choices separate from JOBS. States are required to follow the Federal Guidelines discussed in the preceding pages to restructure their current JOBS programs.

Hire Placement and Support Agencies: After a recipient has been enrolled in the "Work First" program for 3 months, she will have access to private for-profit and nonprofit placement and support agencies. These agencies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company will receive a fee as negotiated with the state to move welfare recipients into work. Contracts shall be performance based with a larger portion of the payment to be paid upon successful placement in a job for a sustained period of time of at least five months. Ideally the fee would be phased-in to help ensure the employee stays in the job. The states and federal government would share the cost of this provision, 80% born by the federal government, 20% by the states.

Private non-profit and for-profit placement and support agencies will receive government funding in accordance with the same matching rate applied to all facets of the Work First program — an 80/20 federal/state matching rate. However, to receive those funds, placement and support agencies must be recognized as chartered agencies by the state(s) in which they operate by meeting a set of basic guidelines or standards developed by the state(s). These guidelines will be developed by the state(s) but must include the following:

- The primary goal of enrollment in these charter agencies shall be placement in a full-time, preferably private sector job that will remove a recipient from welfare.
- Agencies may not serve those who have received AFDC for three months or less.
- All charter agencies will be paid on performance only and only after a recipient has remained in a full-time job for at least five months.
- Upon entering the placement agency and at least three months into the private sector job placement, the placement agency shall provide intensive, personalized support and job readiness and any additional support services to the welfare recipients to prepare them for the job and to ensure their continued success in the job.
- The placement and support agency must be willing to work with any and all welfare recipients regardless of the length of time for which they have received AFDC except

those who have received AFDC for three months or less.

Once an agency has met the guidelines and received state approval, it will be designated a chartered agency. All chartered agencies will be represented at One-Stop Shops and will be listed in state published booklets with a description of the services offered. Welfare recipients will be issued vouchers stating that they are eligible for the said services. The recipient will present the voucher to the agency. Upon a successful job placement of at least five months duration, the agency may cash in the voucher and receive payment from the government.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States shall be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

a) Wage Supplementation: This approach follows the JOBS Plus model development by the state of Oregon. The provision calls for on-the-job training by allowing both private and public sector jobs to be subsidized for up to six months per placement. The jobs would be subsidized at minimum wage and would allow AFDC and food stamps to be cashed out into a pool of money that would reimburse the employer for the minimum wage he or she pays out. In addition, the employee (welfare recipient) would be entitled to the EITC. If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer shall make up the differential by paying up to \$1 dollar an hour over the reimbursed minimum wage. This allows real work experience preferably in the private sector and also gives companies a greater incentive to hire welfare recipients at the end of the six month training period. Once a person is hired in a job full time without a subsidy, she will then be eligible to receive her wage and food stamps and the EITC in compliance with income standards.

b) Tax Credits to Firms: We support reauthorization of tax credits to firms for hiring disadvantaged workers. Currently, employers can receive a TJC of up to \$2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize employment.

Microenterprise: Permit states to use federal community and rural development and job training funds to make direct grants and loans to nonprofit groups that provide technical assistance, training and credit to low-income entrepreneurs. Additionally,

- Allow low-income self-employed business owners to take depreciation or the cost of a capital purchase as a business expense. All other business owners are allowed to expense these items, so should AFDC recipients.
- Allow AFDC recipients who have started up a microenterprise to keep cash in a business bank account for use in paying accounts payable or as a limited cash reserve

(up to \$1,000). This cash shall not be treated as income as long as it is shown in subsequent months that the funds were used for legitimate business purposes. This will allow AFDC recipients to reinvest some profits in their business without seeing a reduction in their grant award. Note: This is currently included in AFDC laws, but many states misinterpret it, although Connecticut is a pioneer in its use.

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum 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 the Mainstream Forum 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, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

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

-- Require 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 designed to link state-to-state child support order registries 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 support 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 that are 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 service 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 that provide new fathers positive parenting counseling that stresses 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

For those who are not able to provide the above stated documentation, they 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.

-- States are required to review and expand incentives for paternity establishment and child support payments for poor mothers by increasing child support pass through from \$50 to \$100 per month.

--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 support 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 payouts, and other awards.

--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. Follow Wisconsin model, "The Children First Program."

-- 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 unable to do so. States may opt out of this provision by state plan amendment.

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 receive a bonus of 25% a month if school attendance requirements are met or a penalty of 25% per month if those requirements are not met. Federal reimbursement mandated to the states for this provision.

-- Allocate 10% of the Work First funds to states to create or expand programs for 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.

-- Eliminate the 100 hour rule and the 6 month benefit receipt maximum for married two-parent families as well as other provisions which create a disincentive to marry, thereby removing the disincentive to marry, by allowing married two-parent families to receive the same benefits single parent families receive. Additionally,

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

* a stepparents income shall not be calculated as countable income if the family unit's total income is at or below 130 percent of the Federal poverty line. If the family unit's total income is above 130 percent 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.

States may opt out of this provision under a state plan amendment.

-- We support state usage of Family Support and Preservation Funding under Title IV-B to provide additional child welfare services to promote stable families, or in cases where that is not possible, better adoptive and foster care services.

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. 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 will have the option to volunteer for a full-time (30 hours or more a week) community service job for minimum wage 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. (States have the option to pay higher wages if they choose.) Community service will be funded with the same 80/20 federal/state matching rate mentioned above (see exceptions under financing, section VII). 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.

-- If a recipient is working in a part time unsubsidized private sector job at the end of the two year Work First Program, he/she will be allowed to maintain that job during community service provided that they fill the remaining 35 hour requirement with a community service work and job search for a full-time unsubsidized private sector job.

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

-- Community Service participants must continue an aggressive job search during hours not working in community service, bringing their minimum activity requirement to 35 hours a week, to seek full-time employment while engaged in community service.

-- Recipients will be paid at least a minimum wage.

-- Community service should be time-limited to three years. (States may extend the time-limit to those participating in Community Service through a state plan amendment but no federal match will be offered for an extension). 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 three years of community service or persons who have used up their two year Work First and three 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 person 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 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.

-- While recipients will receive minimum wage and food stamps, they 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.

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 and allowing states different options for the implementation of their programs.

Increase state flexibility: Many states are moving forward with demonstration projects to test program changes that might increase the effectiveness and efficacy of a program. However, the waiver process is currently a cumbersome process. The current Administration is commended for their expedient consideration of state waivers. However, in order to ensure expedited consideration of state waiver applications in the future, decisions on such applications shall not exceed 90 days, unless mutually agreed upon by the Secretary and the state. Any state currently operating under a Federal waiver may opt out of the new Work First requirements state herein to complete the approved waiver (s) with approval by the Secretary. In addition, states shall be able to apply for waivers of both statute and regulation.

States are given flexibility in developing their welfare reform plans by allowing for states to determine how to structure their Work First and Community Service programs to best suit their particular needs. States also have the ability to choose among provisions listed as

options in the plan or, at their discretion, altering the plan through state plan amendment (by state legislature or a state Dept. of Social Services decree). Neither options nor state plan amendments require federal waivers. These optional and state plan amendment items -- each of which is noted in this draft -- shall be included solely for one or more of the following purposes: to assist recipients' ability to achieve or sustain self-sufficiency, to promote family unity, to prevent individuals from becoming eligible for income-contingent aid, to promote personal responsibility, to break the cycle of dependence, and to improve the coordination, simplification and efficacy of welfare programs.

Optional provisions include: liberalizing the level at which earnings disregards will be set; extending the time period in which clients must meet with case management teams to develop the employability contracts; and allowing a maximum of 10% of the number of projected entrants to the Work First program for the year expected to reenter the transition program or community service after completing both the two year transition program and three years of community service without having found full-time, unsubsidized work after good effort as deemed necessary by case workers.

State plan amendment programs include: implementation of electronic benefit transfer systems; opt out of implementation of a family cap; opt out of the elimination of the 100 hour rule and 6 month benefit receipt maximum; and opt out of the requirement that the parent of a dependent person under the age of 18 shall maintain a child of the dependent person so far as the parent is able and that the dependent person is unable to do so.

Simplify the application and eligibility process for AFDC and Food Stamps: Some of the most time-consuming and difficult tasks in administering these programs are the initial procedures 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. These changes will improve the efficiency of programs for both clients and caseworkers. These changes include, but are not limited to:

- (1) Amend Food Stamp Act, and AFDC to allow a state that exempts funds from a complementary program in AFDC or Food Stamps to also exempt income from that program for the other program;
- (2) 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.
- (3) 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;
- (4) 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. Income produced is counted;

- (5) Exclude life insurance as a resource from both programs;
- (6) Exclude excess medical expenses as an allowable deduction under both programs.
- (7) Exclude as a resource for both programs, real property that the household unit is making a good faith effort to sell. Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.
- (8) Amend both Food Stamp and AFDC laws so that the funds of future programs are treated equally with regard to exclusion;
- (9) Simplify the verification requirements for processing Food Stamps and AFDC applications.
- (10) Allow states to have flexibility in handling recertification and redetermination issues. 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 non-monthly households. A certification period may range from one to twelve months.
- (11) 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 underpayments. The Food Stamps 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 by HHS.

A more complete list of changes in the AFDC and Food Stamp programs is available upon request.

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.

VIII. Fraud Reduction

Tamper-proof Social Security Card:

Require the Secretary of HHS to conduct a study and report its findings to Congress on the feasibility of a tamper-proof social security card to be used in coordination with a National

Health Card

SSI

The Mainstream Forum recognizes the need for reform within the Supplemental Security Income system. Currently, the SSI program is suffering from significant fraud and abuse. We support the efforts by the Social Security Administration's Disability Reengineering Team to address these concerns particularly in the area of disability definition.

We support the following abbreviated preliminary proposals by the SSA in its reform efforts to define disability:

SSA must have a structured approach to disability decision making that takes into consideration the large number of claims SSA receives and still provides a basis for consistent, equitable decision making by adjudicators at each level. The approach must be simple to administer, facilitate consistent application of the rules at each level, and provide accurate results. It must also be perceived by the public as straightforward, understandable and fair. Finally, the approach must facilitate the issuance of timely decisions.

This approach consists of a four step process which includes:

- 1) Engaging in Substantial Gainful Activity -- SSA will simplify the monetary guidelines for determining whether an individual (except those filing for benefits based on blindness) is engaging in substantial gainful activity;
- 2) Medically Determinable Impairment -- SSA will consider whether a claimant has a medically determinable impairment, but will no longer impose a threshold severity requirement. The threshold inquiry will be whether the claimant has a medically determinable physical or mental impairment that can be demonstrated by acceptable clinical and laboratory diagnostic techniques;
- 3) Index of Disabling Impairments -- If an individual has a medically determinable physical or mental impairment documented by medically acceptable clinical and laboratory techniques, and the impairment will meet the duration requirement, SSA will compare the claimant's impairment(s) against an index of disabling impairments. The index will contain fewer impairments and have less detail and complexity. SSA will no longer use the concept of "medical equivalence" in relation to the index, as it now uses in applying the Listing of Impairments;
- 4) Ability to Engage in Any Substantial Gainful Activity -- SSA will consider whether an individual has the ability to perform substantial gainful activity despite any functional loss caused by a medically determinable physical or mental impairment. SSA will define the physical and mental requirements of substantial gainful activity and will measure as objectively as possible whether an individual meets these requirements. SSA will develop with the assistance of the medical community and other outside experts from disability programs, standardized criteria which can be used to measure an individual's functional ability. SSA will be primarily responsible for documenting functional ability using the

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standardized measurement criteria. The SSA goal will be to develop functional assessment instruments that are standardized, that accurately measure an individual's functional abilities and that are universally accepted by the public, the advocacy community, and health care professionals. SSA will use the results of the standardized functional measurement in conjunction with a new standard to describe basic physical and mental demands of a baseline of work that represents substantial gainful activity and that exists in significant numbers in the national economy.

In regards to child disabilities, we support the recommendation of a four step process that is based on the statutory definition of disability and that mirrors the adult approach. SSA will evaluate whether the child is engaging in substantial gainful activity; whether the child has a medically determinable physical or mental impairment that will meet the duration requirement; and whether the child has an impairment that meets the criteria in the index of disabling impairments.

SSA will also develop, with the assistance of the medical community and educational experts, standardized criteria which can be used to measure a child's functional ability to perform a baseline of functions that are comparable to the baseline of occupational demands for an adult. In addition, SSA will conduct research to specifically identify a skill acquisition threshold to measure broad areas required to develop the ability to perform substantial gainful activity.

IX. FINANCING WELFARE

Through our efforts over the past several months, the Mainstream Forum has 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.

The Mainstream Forum proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees, provided that they become citizens within five years after they arrive, and noncitizens over age 75 who have been legal residents for at least five years.

This proposal is based 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 the potential cost shift. We propose to offer states monetary assistance to be used under state discretion to aid their immigrant populations that 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.

Our proposal also authorizes a state or local jurisdiction to require out-of-state companies to collect taxes on mail order purchases delivered into that state or local jurisdiction. Currently the burden of collection is on the states but the majority of states do not have the financial or administrative resources to collect these revenues. This measure would shift the burden of collection off of the states. While we cannot dictate how a state can use this money, we encourage states to use these funds as a means to offset any cost shifts.

We recognize 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. We continue to support immigration policies that hold out the promise of citizenship to hundreds of thousands of immigrants every year.

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 do not believe that federal or state governments can bear any longer the cost of most public assistance for those immigrants that 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 that adversely affect American citizens.

Funding Formula -- Federal/State Matching Rate

1. AFDC benefits will be funded with the formula existing under current law. The federal matching rate for all facets of the Family Support Act and the JOBS program, including administrative costs, will be changed to apply to the full "Work First" program including community service and shall be set at a flat matching rate of 80% of costs born by the federal government and 20% born by the states. Additionally, the "Work First" program shall be an uncapped entitlement.

2. 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.

Financing Provisions (Including Approximate Dollar Figures)

a) \$21.3 billion over five years

Cuts in social service programs to non-citizens including total elimination of SSI benefits, medicaid benefits (excluding emergency medical assistance), food stamp benefits, and AFDC benefits. All legal immigrants residing in the U.S. will be allowed a one year grace period before being subject to these cuts. Deemed permanently exempt are those age 75 and older. Also exempt for a period of ~~five~~ ^{one} years after arrival are refugees and asylees.

Additionally, affidavits of support shall be made 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 have not generally been regarded by state courts as legally binding on U.S. resident sponsors for the benefit of state agencies providing assistance. This provision shall put into statute that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien.

b) \$1.5 billion over five years

Cap the Emergency Assistance Program to stem rapidly rising expenditures on this little known 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 previous fiscal year. States that are above that level would be grandfathered at their FY 1993 expenditure level. If the national unemployment rate for either of the last two quarters of a fiscal year averages 7% or higher, the cap shall be raised from 3% to 4% for the following fiscal year.

c) \$260 million a year/\$1.3 billion over five years

Eliminate EITC benefits to illegal aliens. Currently, there are no regulations that make legal immigrant status a requirement for receipt of EITC. Through document fraud, over \$260 million a year in EITC benefits are going to illegal immigrants. The tax code should be changed to state that illegal aliens are not eligible for the EITC. The Internal Revenue Service should be responsible for implementing this change.

d) \$700 million over five years

Eliminate the Dependent Care Tax Credit for those families with incomes over \$120,000.

e) \$1.6 billion over five years

Savings from increased paternity establishment that will result in new child support awards, thereby reducing the number of families on AFDC and the dollar amount of benefits for those who remain on AFDC.

f) \$380 million over five years

Modify the Family Day Care Homes component of the child care food program by improving the operation of the program in low- and moderate-income areas. (Following the proposal as designed by the Center On Budget and Policy Priorities)

State Offsets for additional costs that may occur as a result of this proposal

a) \$15 billion over five years available to states by authorizing a state or local jurisdiction to require out-of-state companies to collect taxes on mail orders delivered into that state or local jurisdiction. Previously, this state tax has gone uncollected. The inability of state and local governments to require out-of-state firms to collect and remit sales deprives State and local governments of needed revenue and forces such state and local governments to raise taxes on taxpayers. With this change, states will be encouraged to use these funds to offset costs that might shift from the federal government to the states as social service benefits are cut to legal immigrants.

b) \$1 billion from the above financing provisions will be set aside for states to defer additional costs that they may incur as a result of cost shifts from both the cuts to immigrants and other provisions in this proposal.

States are encouraged to use the monies provided in these provision to design assistance programs that address the special needs of immigrants entering this country such as culture shock, language barriers, and job placement.