

Fixing the welfare mess

Clinton has vowed to "end welfare as we know it." Voters approve and want tough standards

Joseph Califano, Michael Dukakis and other Democratic luminaries found the problem so intractable that they dubbed it the "Mideast of domestic politics." The "it" is the next major item on President Clinton's domestic agenda: reform of the nation's much-maligned welfare system. During the presidential campaign last year, Clinton pledged so often to "end welfare as we know it" that his vow became a defining mantra almost akin to George Bush's "read my lips" promise. Yet truly ending welfare—much less resolving the contentious internal debates now swirling among Democrats and Republicans—may prove tougher than getting Yasir Arafat and Yitzhak Rabin to shake hands on the White House lawn.

Clinton's aim is to transform welfare into a transitional program: His plan would provide recipients with education, training, child care and health coverage during their first two years on the rolls, but then require them to find work in the private sector or in a community-service position. A new poll for *U.S. News* by Celinda Lake and Ed Goetz finds that the president will face a good-news-bad-news story when he tries to sell his plan to Congress and the public early next year. The good news is that close to 90 percent of Americans fully support Clinton's radical two-years-and-out plan. The bad news is that a majority also back many Republican variants of his ideas that would make time-limited

welfare even more restrictive than Clinton might like.

In several ways, the task of remaking welfare is especially daunting now. After remaining relatively steady for more than 15 years, the number of Americans on Aid to Families with Dependent Children has recently mushroomed, from

10.8 million in 1989 to 14.2 million today. A stunning 1 in 7 children is now on AFDC. The welfare explosion is partly due to the recession, but it also stems from a rise in out-of-wedlock births among young, disadvantaged women. And the same contradictory impulses that stifled previous welfare reformers persist. First, legislators want to support those truly in need, especially children; second, they want to discourage dependency and idleness, especially for mothers of those children.

To date, Clinton has taken two long strides toward ending welfare: He has sent legislation to Congress to make health coverage universal and he has signed into law a huge increase in the popular earned income tax credit. Both measures would make it easier for AFDC recipients to switch from welfare to low-wage jobs. In fact, the largely-unsung EITC provisions constitute the biggest antipoverty initiative in more than a decade: they will cost \$20.8 billion over the next five years and will raise any family with two or more children and a full-time working parent out of poverty.

■ AMERICANS WHO FAVOR LIMITING THE AMOUNT OF TIME FAMILIES CAN REMAIN ON WELFARE: 69%

■ AMERICANS WHO OPPOSE A TIME LIMIT: 16%

■ OF THOSE WHO FAVOR TIME LIMITS, THE PERCENTAGE WHO FAVOR:

Six months:	10%
One year:	21%
Two years:	34%
Five years:	11%
Longer:	8%

In the weeks ahead, Clinton—drawing on the work of an interagency task force—faces far more controversial decisions about the details of his plan. Senate aide Paul Offner, who studied welfare for the president's transition team, made a crude estimate last year that Clinton's plan might reduce the welfare rolls by 14 percent. The *U.S. News* poll shows, however, that only 1 in 6 Americans would judge welfare reform a success if it cut the rolls by 25 percent or less by the year 2000. Fully a third of respondents want a bigger cutback, saying they will judge his work a success if the rolls are cut by a virtually impossible-to-achieve reduction of 50 percent or more.

Leading Democrats, such as Sen. Daniel Patrick Moynihan, question whether the administration has the gumption to fund and implement a time-limited welfare system without resorting to other expensive programs to pad the blow to those forced to work. As



Harvard Prof. David Ellwood, a co-chair of the Clinton interagency task force, wrote in a candid paper presented at the Urban Institute shortly before he joined the administration: "[The] one thing that becomes abundantly obvious when one looks hard at the details of any time-limited welfare and work program is that there will be many weaknesses." Here are some of the disconcerting questions that Clinton must answer:

Question 1: What happens to the children? Contrary to stereotypes that depict welfare recipients as men who loaf on street corners and women who tool around in Cadillacs, 2 out of 3 AFDC

recipients are innocents—that is, they are children. The American public roundly underestimates that number: only a quarter of respondents to the *U.S. News* poll guessed that 51 to 75 percent of AFDC recipients were under 18.

Mothers on welfare who are trained and then required to work after two years may well benefit from Clinton's plan. But will their children—many of whom live in crime-ridden neighborhoods and are under the age of 3—necessarily be better off without mom at home? At present, researchers know next to nothing about how a mother's absence might affect her child's performance in school, change the quality of his day care, influence the

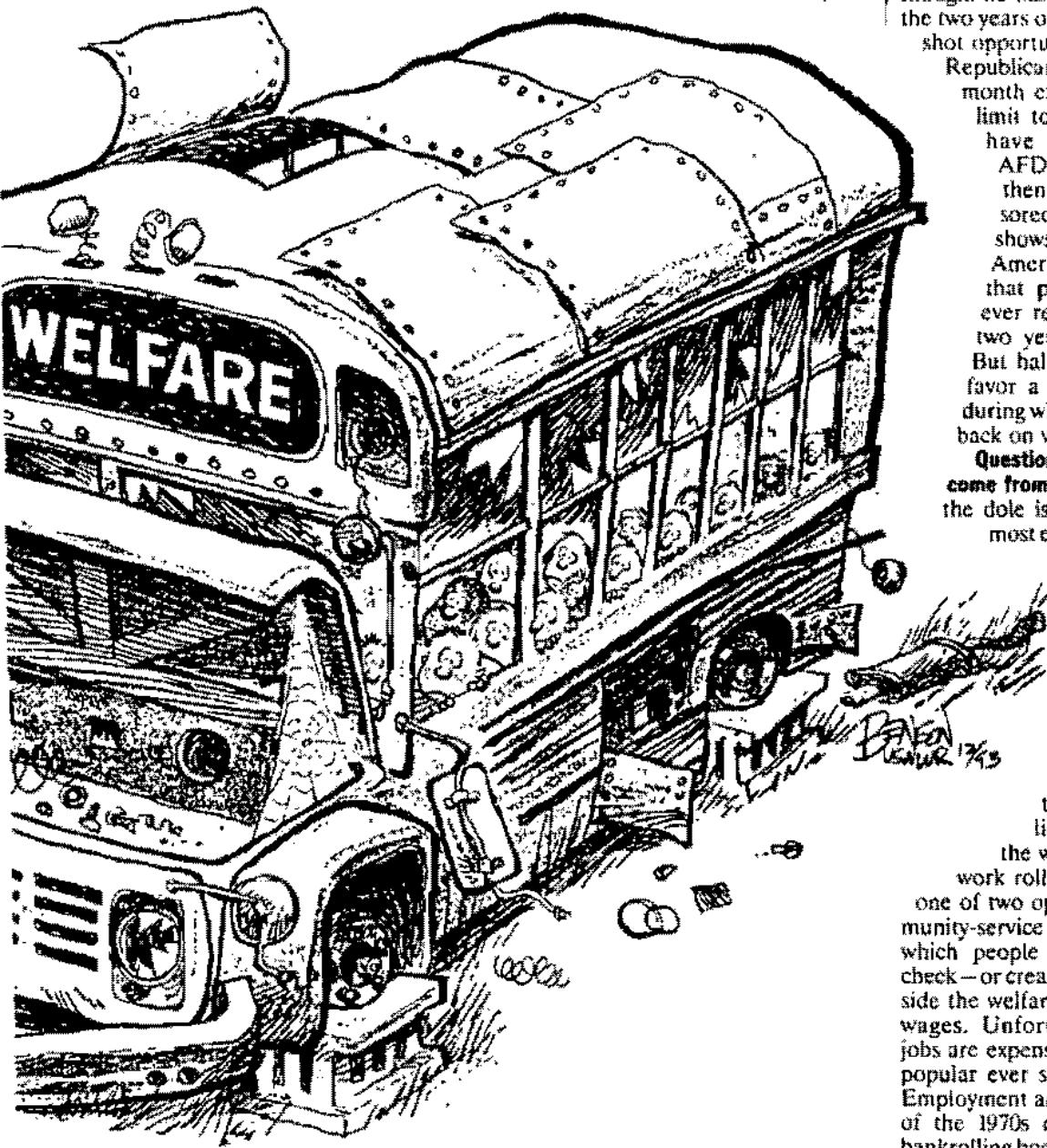
kind of health care he receives or create stress at home. Marian Wright Edelman of the Children's Defense Fund puts it bluntly: "If it sacrifices poor children," she told the *Los Angeles Times*, "it's not welfare reform."

Question 2: Is welfare a one-shot deal?

If a mother and her children can come back to AFDC each time she has another child, time-limited welfare doesn't seem so time-limited. Yet if she is precluded from returning, then a needy infant may suffer. During the campaign, Clinton said he would try to protect children by penalizing only the parent's portion of the welfare check if the parent failed to work as required. So far, though, he has declined to say whether the two years on AFDC would be a one-shot opportunity. The current House Republican bill would grant a four-month extension to the two-year limit to pregnant mothers who have a child after leaving AFDC, but it requires them to then take a government-sponsored job. The *U.S. News* poll shows nearly 75 percent of Americans would oppose a bill that precluded a family from ever returning to welfare after two years of benefits ran out. But half the respondents would favor a five-year waiting period during which a family could not go back on welfare.

Question 3: Where do the jobs come from? The best alternative to the dole is private-sector jobs. But

most employers are not eager to hire long-term welfare recipients. That means Clinton has to figure out what kind of government support to offer many of the estimated 3 million mothers who could be affected by a two-year time limit. To meet his ambitious goal of moving "millions of idle Americans off the welfare rolls and onto the work rolls," Clinton could pursue one of two options. Either offer community-service or "workfare" slots—in which people work off their welfare check—or create public-service jobs outside the welfare system that pay higher wages. Unfortunately, public-service jobs are expensive and have proved unpopular ever since the Comprehensive Employment and Training Act program of the 1970s earned a reputation for bankrolling boondoggles. Today, 2 out of 3 voters polled by *U.S. News* prefer that the government offer workfare jobs to



■ U.S. NEWS

the unemployed fathers of children on welfare to work. The one exception to the eligibility crackdown is that a majority of Americans would favor exempting parents from time limits if they had a significant physical or mental disability.

The unanswered question is whether a segment of chronic AFDC recipients are

assistance for legal aliens who are not citizens. Poll respondents favor that cost-cutting scheme by a 2-to-1 margin. But the Clinton administration is likely to endorse less-sweeping cutbacks on immigrants and seek a revenue-neutral plan.

Question 6: How do you change the culture of welfare? The atmosphere of welfare offices tends to encourage dependency, rather than discourage it. Welfare

the system by applying for AFDC and found that by the time she was referred to a jobs program, she had already produced 16 documents for purposes of verification, filled out about 11 forms on her personal and financial circumstances and answered 770 questions. In an interview last summer, Senator Moynihan remarked to *U.S. News* that the eligibility workers "who hand out the forms are

only marginally better off than the people who fill them out — and they hate each other. It's not the Columbia School of Social Work: 'Come on in and sit down; let's talk about your summer!' It is hard to imagine that a massive program run by the existing bureaucracy will handily transform the system.

In the months ahead, one of two very different scenarios may well play out on Capitol Hill. In the first, Clinton finessees the questions outlined above enough to win liberal support for his plan. His bill exempts recipients from time limits if they live in states that fail to fund adequate job and child-care slots, provides numerous appeals for sanctioned families, requires only part-time work of single parents and allows families who leave welfare to earn credits toward more time on AFDC if they stay off relief for several years. He could also phase in work requirements so that they only go into effect state-by-state over many years or

just apply to new recipients.

In the second scenario, Clinton could inflame liberals by embracing strict time limits and work requirements. Last week, Clinton told *U.S. News* that there "were a lot of good things in [the Republican] plan ... that I thought were really quite similar to my own thinking" — and added that the Republicans' bill has made him "reasonably optimistic that we can have a bipartisan welfare-reform package next year." Unfortunately, at least for the president, few of the more liberal members of his own party presently share his optimism or his passion for making welfare temporary. ■

BY DAVID WHITMAN WITH
MATTHEW COOPER



Job training. There is vast support for more government aid to teach skills to welfare recipients.

virtually unemployable because they are too disabled, lack work experience, or are too illiterate or mentally limited. The evidence available suggests that many welfare recipients are not strong candidates for jobs in an upscaled labor market. A recent study by LaDonna Pavetti, who now works in the administration, indicates that 75 percent of long-term AFDC mothers score too low on IQ tests to qualify for the U.S. Armed Forces.

Question 5: How do you pay for reform?

The *U.S. News* poll shows that Americans do anticipate welfare reform could cost more in the short term, even if it might save money in the long run. Nonetheless, many states lack the administrative capacity to mount massive jobs-and-child-care programs. In fiscal '93, states failed to claim \$186 million in federal funds available for educating and training AFDC recipients. Republicans contend that their welfare plan will actually save billions, primarily by eliminating public

administrators are chiefly concerned with determining the eligibility of clients and dispensing checks, not getting people into jobs. An intern working for the county in Athens, Ohio, recently tested

■ GOOD POLL NEWS FOR CLINTON

62% of blacks and 60% of moderate/liberal Democrats — usually welfare supporters — back time limits on benefits.
59% of Republicans and Perot voters — usually welfare detractors — expect reform to cost more in the short term.
Democratic pollster Lake: "Like Clinton, voters want welfare to be a second chance, not a way of life."

■ BAD POLL NEWS FOR CLINTON

53% of voters want families to work for their benefits even if they live in high-unemployment areas.
46% of voters say they will only consider reform a success if welfare rolls are cut by more than 25%.
Republican pollster Goetas: "Voters want a lot more cuts in welfare rolls than Clinton plans to deliver."

U.S. NEWS

welfare recipients after two years; only 1 in 4 thinks the government should guarantee jobs to those cut off.

The hitch with workfare is that it generally has failed to reduce welfare rolls significantly or boost earnings and subsequent employment. Only 1 percent of AFDC mothers are in workfare slots, and few states have long-term programs involving large numbers of recipients. Just what kind of work hundreds of thousands of welfare mothers are supposed to do is also something of a mystery. A task force of the Coalition on Human Needs, an umbrella group of liberal organizations, recently issued a statement warning that workfare would "create a permanent underclass of impoverished parents who would not enjoy the basic rights [of] all other American workers."

Question 4: Who is exempt? At present, federal law already exempts roughly half of all AFDC recipients from having to participate in work, education or training programs. Clinton's dilemma: If too many recipients are exempt, time



Innocents. Vulnerable Americans—especially children—have a big stake in reform.

limits are a mockery; if too many are required to participate, overwhelmed state officials are likely to funnel them into make-work programs with phony requirements. On the whole, survey re-

spondents believe the new law should have few loopholes (box, below). For instance, a novel scheme heavily favored in the poll and included in the Republican legislation would require

Americans' views on welfare reform

The U.S. News poll shows how nuanced voters' views are. A plurality of respondents want the welfare system overhauled, and they support reforms that are tougher than the existing system. But they also would like more help given to recipients to get them off the dole.

THOSE WHO SAY THE WELFARE SYSTEM (AFDC) SHOULD:

Be left alone	6%
Be subject to experiments in the states	37%
Be reformed at the national level	43%
Eliminate all benefits	8%

THOSE WHO EXPECT WELFARE REFORM TO COST:

More in the short term	54%
Less in the short term	39%
More in the long term	28%
Less in the long term	57%



Famous campaign pledge

SHOULD A TIME LIMIT APPLY, OR NOT APPLY, TO THE FOLLOWING GROUPS OF AFDC RECIPIENTS?

	Apply	Not Apply
Single parents with children under 1 year of age	64%	28%
Single parents with children under 3 years of age	64%	37%
Single parents with drug or alcohol problems	64%	24%
Any family the government cannot find a job and provide child care for	55%	36%
Any family where the parent has a significant physical or mental disability	38%	59%
Any family that cannot find a job where jobs are hard to find	57%	32%

IF THE GOVERNMENT IS TO CUT OFF WELFARE BENEFITS TO FAMILIES AFTER A SPECIFIC PERIOD OF TIME AND AFTER IT PROVIDES EDUCATION, TRAINING, HEALTH BENEFITS AND CHILD CARE TO THOSE FAMILIES, IT SHOULD:

Simply end the families' benefits, including Aid for Families with Dependent Children	7%
Make the parent or parents do community service work in exchange for welfare benefits	64%
Guarantee jobs to the parent or parents after they are cut off welfare	24%

DO YOU FAVOR OR OPPOSE THESE IDEAS AS REFORMS FOR THE WELFARE SYSTEM?

	Favor	Oppose
Require job training for those on welfare, and after two years require them to work in government jobs if necessary.	82%	18%
Require job training for those on welfare, and after two years require them to work.	93%	4%
Require unemployed fathers of children on welfare to work.	94%	4%
Replace welfare benefits with tax credits and strengthen child support enforcement.	67%	31%
Have government help pay for child care and transportation for welfare recipients who work or are in job training or education courses.	77%	18%
Deny welfare to legal immigrants until they become citizens.	69%	23%
Deny welfare to legal immigrants.	37%	53%
Do not increase welfare benefits when people on welfare have additional children.	65%	28%
Limit welfare benefits to two years and do not allow people to get back on welfare for at least five years.	50%	38%
Limit welfare benefits to two years and do not allow people to get back on welfare ever.	22%	73%

43

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 draining the vital family traditions that historically have cushioned racism. Dismay and determination for reform are 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 value 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—now 30 percent—is born to single mothers, rarely aided by

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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. These and other notions raise 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 take Clinton's campaign 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.

Posturing 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, warehousing 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 8 percent of Americans believe that welfare benefits should be entirely eliminated.

Yet welfare reform as a clarion 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 valuable consensus for substantial welfare reform currently splinters at the level of detail: two-year limits on benefits, training 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 place 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 a further disincentive to leave welfare. Incentive 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 primary 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 perniciously 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 more temporary subsidies if needed, would cost far less than the financial 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 today. 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 detours 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 putative fathers, but very little effective action. Justifiably demonized, 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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(ATTN: National editors) (Includes optional trims)

Clinton to Get Contentious Welfare Reform Plan (Washn)

By Ronald Brownstein and Elizabeth Shogren= (c) 1994, Los Angeles Times=

WASHINGTON The team responsible for drafting the administration's blueprint for welfare reform will present its conclusions to President Clinton Tuesday, but despite months of deliberation it remains seriously divided over how to finance the plan and how tough to make it on some recipients.

Although the task force has been unable to resolve a range of specific questions on how to implement Clinton's promise to "end welfare as we know it," officials insist these differences are relatively minor compared with the open chasm of disagreement over how to pay for the plan which may cost as much as \$6 billion annually by 1999.

"There are some thorny issues left, but they do tend to be second order," said one senior White House official. "There tends to be overall agreement on structure and direction (of reform). Financing will be the trickiest."

That, and the difficult policy question of whether the government can punish welfare recipients who refuse to meet the new plan's work requirements and other rules without hurting their children?

Despite early warnings from some reform advocates that liberals in the administration would dilute the reform effort, the task force has shaped a plan that broadly follows Clinton's campaign promises to require work, intensify efforts to collect child support and expand access to job training and day care.

Still, the issues on which the group has deadlocked including whether part-time jobs will be accepted as satisfying the work requirement and whether states can withhold additional benefits when welfare recipients have more children illuminate the continuing divisions within Democratic ranks on this polarizing issue.

And the extended struggle inside the administration over the knotty questions about financing reform and preserving a safety net for children may look mild compared to the stormy greeting the proposal is likely to get when it is finally submitted to Congress

probably at the end of April or beginning of May.

"This could be a little bomb for the administration," Rep. Robert Matsui, D-Calif., said. "We're not going to rubber stamp it. They do feel they have a consensus on the Hill. But we're not anywhere near that."

Under the working group's approach, which would initially target younger recipients, work would be required after two years on the welfare rolls and failure to work would result in lost income. The government would also greatly intensify its efforts to establish paternity and collect child support for children born out of wedlock. And as part of a renewed effort to discourage such births, women under 18 would be prohibited from using welfare funds to establish their own households.

Within that framework, the president must resolve a range of specific disputes.

One such division is over how to treat welfare recipients who meet the work requirements but remain poor because the jobs available to them pay low wages. Should such workers receive supplemental welfare grants to augment what they earn in the private sector?

There is also a question about how to treat recipients who accept the minimum-wage jobs in the public sector that the plan would create but are not given enough hours of work by the states to match their welfare grant. Some advocate supplemental grants for these workers, too.

The administration is also still wrestling with how to structure exemptions to the work requirement and extensions for the two-year time limit, and how far to go in an effort to discourage out-of-wedlock births.

The issue of whether the federal government should give states blanket

approval to deny additional benefits to people who have children while already on welfare was so clearly a divisive issue that senior task force officials almost immediately decided to reserve it for the president to resolve.

(Begin optional trim)

Outside of the administration, the potential for dispute is even wider. Although 89 liberal representatives criticized the two-year time limit in a letter to the White House last fall, it appears many of them can be won over on this issue but only if the plan provides a safety net for children and adults trying to play by the rules.

Some members of Congress complain that senior task force officials have not adequately addressed their concerns.

'What happens if a woman is not disabled and has a 3-year-old kid who is not disabled, but she does not show up to work,' Matsui said. 'Do we take the child away from her and let her wander the streets? They have not answered this. That's why I'm a little surprised they're going to the president already.'

(End optional trim)

The most bruising battles are almost certain to come over financing.

Because welfare is an entitlement program, federal budget rules severely limit the administration's options: To fund the plan it can either raise taxes or cut other entitlement programs; it cannot simply expand federal spending.

With the exception of a proposed gambling tax, the options under consideration lean heavily toward cuts. Advocates for the poor have already mounted intense campaigns against several of the ideas, such as scaling back access to social welfare benefits for legal immigrants who are not yet citizens.

'None of the choices are good,' said one member of the task force.

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THE WHITE HOUSE

Office of the Press Secretary
(Kansas City, Missouri)

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REMARKS BY THE PRESIDENT
TO OFFICIALS OF MISSOURI AND
PARTICIPANTS OF THE FUTURE NOW PROGRAM

Commerce Bank
Kansas City, Missouri

1:12 P.M. CDT

THE PRESIDENT: Thank you very much. Thank you, ladies and gentlemen, for that warm introduction and welcome. And thank you, Yolanda Magee, for presenting me today, and far more importantly, for presenting such a good example of a young American determined to be a good parent and a good worker and a successful citizen.

Thank you, Mr. Kemper, for giving her a chance to be all that. Thank you, Congressman Wheat, for your leadership on welfare reform. And thank you, Mayor Cleaver, for your leadership on this issue.

Thank you, Governor Carnahan, for proving once again that the states, just as James Madison and Thomas Jefferson intended, are still the laboratories of democracy, still capable of leading the way to change things that don't work in this country, and to unleash the potential of our citizens. This is a remarkable welfare reform plan that you have put together.

I'd like to thank also Secretary Shalala for her work here. Many people in the White House and in the Department of Health and Human Services worked with people all over America in putting this welfare reform plan together today. I thank them all.

Ladies and gentlemen, this is an important day for me because I have worked on this issue for about 14 years and I care a great deal about it. I came out here to the heart of America, to a bank where Harry Truman had his first job, to talk about the values that sustain us all as citizens and as Americans: faith and family, work and responsibility, community and opportunity.

Last week, on behalf of all Americans, I took a journey of remembrance -- many of you at least took it, too, through the television -- to honor the sacrifices of the people who led our invasions at D-Day and on the Italian peninsula. I came home from Normandy with a renewed sense, which I hope all of you share, of the work that we have to do in this time to be worthy of the sacrifices of that generation and to preserve this country for generations still to come.

The people who won World War II and rebuilt our country afterward were driven by certain bedrock values that have made our country the strongest in history. Facing the dawn of a new century, it is up to us to take those same values to meet a new set of challenges.

Our challenge is different. Today we have to restore faith in the beginning in certain basic principles that our forebears took for granted -- the bond of family, the virtue of community, the dignity of work. That is really what I ran for

MORE

president to try to do -- to restore our economy, to empower individuals and strengthen our communities, to make our government work for ordinary citizens again.

I think we've made a good beginning. In the last year and a half, we have reversed an economic trend that was leading us into deeper and deeper debt, less investment and a weaker economy. The Congress, as Congresswoman Danner and Congressman Wheat will attest, is about to put the finishing touches on a new budget which will give us three years of declining deficits in the federal accounts for the first time since Harry Truman was president. (Applause.)

We worked to expand trade and the frontiers of technology, to have tax incentives for small businesses and for working families on modest wages to keep them moving ahead. And the results are pretty clear. Our economy has produced about 3.4 million jobs in the first 17 months of this administration. So we're moving ahead.

We're trying to empower people with new systems for job training and community service and other options for young people to rebuild their communities and go to college. We're trying to make this government work again for ordinary citizens by reforming the way it works with our Reinventing Government Program that will lead us within five years to the smallest federal bureaucracy since John Kennedy was president -- doing more work than ever done before by the federal government that will lead the Congress, I hope, in just a couple of weeks to pass the most comprehensive anticrime bill in the history of the country; that is helping all of us to restore that bond that has to exist between a government and its people.

But I have to tell you that the challenge of the welfare system poses these issues, all of them in stark terms -- how to make the economy work, how to make the government work for ordinary citizens, how to empower individuals and strengthen communities. These difficulties are all present in the challenges presented by the current welfare system. There's no greater gap between our good intentions and our misguided consequences than you see in the welfare system.

It started for the right common purpose of helping people who fall by the wayside. And believe it or not, it still works that way for some -- people who just hit a rough spot in their lives and have to go on public assistance for awhile, and then they get themselves off and they do just fine. But for many the system has worked to undermine the very values that people need to put themselves and their lives back on track.

We have to repair the damaged bond between our people and their government, manifested in the way the welfare system works. We have to end welfare as we know it.

In a few days, as has already been said, I will send to Congress my plan to change the welfare system -- to change it from a system based on dependence to a system that works toward independence -- (applause) -- thank you -- to change it so that the focus is clearly on work.

I also want to say that I developed a phrase over the last few years that would end welfare as we know it by saying welfare ought to be a second chance, not a way of life. One young woman I met a few moments ago said it ought to be a stepping stone, not a way of life. Maybe that's even better. But you have the idea.

Long before I became President, as I said, I worked with other governors and members of Congress of both parties. I worked on it with people who were on welfare, a lot of them. And let me say first of all to all those whom I invite to join this great national debate, if you really want to know what's wrong

with the welfare system, talk to the people who are stuck in it or who have been on it. They want to change it more than most people you know. And if you give them half a chance, they will. (Applause.)

Before I came down to see you, I met with Yolanda Magee; and she told me her story. I also met with several other people who are now working in this area, who used to be on welfare -- people who get up every morning and go to work in factories or small businesses or banks, who do their best to take care of their children and to advance their capacity to succeed in our complex, modern society.

And I want to introduce them all to you and ask them to stand, so that when you look at them you'll know what this whole deal is about. And let me just -- they're over here -- Cathy Romero, who works at Lutheran Trinity Hospital. Stand up. (Applause.) Arlenda Moffitt, who works at Pitney Bowes Management Services. (Applause.) Vicki Phelps who works at Continuum Vantage Research. (Applause.) Birdella Smith at HOK Sports Facilities. (Applause.) Christine McDonald who works for Pepsi Cola. (Applause.) Mimi Fluker who works at Payless Cashways. (Applause.) Audrey Williams who works at Allied Security. (Applause.) Judy Sutton, a teacher in the Kansas City School District. (Applause.) And Tracy Varron, a home health registered nurse at Excelsior Spring City Hospital. (Applause.)

Now, every one of those American citizens at one point in her life was on welfare. Everyone now, thanks to programs and incentives and help with medical coverage and child care and training, and just helping people put their lives back together through the initiatives that have already been discussed here, is now a working American. And I say to you, if these American citizens can do this here in Kansas City, we ought to be able to do this in every community in the country. And we ought to be able to change the system -- (applause.)

How shall we change this system? Let me say first, I think we have to begin with responsibility -- with the elemental proposition that governments do not raise children; people do. (Applause.) And among other things, an awful lot of people are trapped in welfare because they are raising children on their own when the other parent of the child has refused to pay child support that is due, payable and -- (applause.)

This plan includes the toughest child support enforcement measures in the history of this country -- (applause) -- that go after the \$34 -- listen to this -- the \$34-billion gap in this country. That is, it is estimated that there are \$34 billion worth of ordered but uncollected child support today in America -- \$34 billion.

How are we going to do that? First, by requiring both parents to be identified at a hospital when a baby's born. Second, by saying, if you don't provide for your children, you should have your wages garnished, your license suspended, you should be tracked across state lines. (Applause.) If necessary, you should have to work off what you owe. This is a very serious thing. We can no longer say that the business of bringing a child into the world carries no responsibility with it and that someone can walk away from it.

The second thing that responsibility means is not just going after people who aren't fulfilling it, but rewarding those who are being responsible. The system now does just the opposite. Just for example -- the welfare system will pay teen parents more to move out of their home than to stay there. In my opinion, that is wrong. We should encourage teen parents to live at home, stay in school, take responsibility for their own futures and their children's futures. And the financial incentives of the welfare system ought to do that instead of just

the reverse. We have to change the signals we are sending here.

We also have to face the fact that we have a big welfare problem because the rate of children born out of wedlock, where there was no marriage, is going up dramatically. The rate of illegitimacy has literally quadrupled since Daniel Patrick Moynihan, now a Senator from New York, first called it to our attention 30 years ago. At the rate we're going, unless we reverse it, within 10 years more than half of our children will be born in homes where there has never been a marriage.

We must keep people from the need to go on welfare in the first place by emphasizing a national campaign against teen pregnancy, to send a powerful message that it is wrong to continue this trend, that children should not be born until parents are married and fully capable of taking care of them. (Applause.) And this trend did not develop overnight. There are many reasons for it. It will not be turned around overnight. But be sure of this: no government edict can do it.

This is a free country with hundreds of millions of people making their decisions, billions of them every day. To change a country on a profound issue like this requires the efforts of millions and millions and millions of you talking openly and honestly and freely about these things; talking to people who have lived through these experiences, and many of them doing the very best they can to be honorable and good parents; talking about what we can do to involve churches and civic clubs and groups of all kinds in this endeavor -- not to point the finger at people to drive them down or embarrass them, but to lift them up so that they can make the most of their lives, and so they can be good parents when the time comes to do that. (Applause.)

But let us be clear on this: No nation has ever found a substitute for the family. And over the course of human history, several have tried. No country has ever devised any sort of program that would substitute for the consistent, loving devotion and dedication and role-modeling of caring parents. We must do this work. This is not a government mission, this is an American mission. But we must do it if we want to succeed over the long run.

And let me say finally that if you strengthen the families, we still can't change the welfare system unless it is rooted in getting people back to work. You can lecture people, you can encourage people, you can do whatever you want, but there has to be something at the end of the road for people who work hard and play by the rules. Work is the best social program this country ever devised. It gives hope and structure and meaning to our lives. All of us here who have our jobs would be lost without them.

Just stop for a moment sometime today and think about how much of your life is organized around your work -- how much of your family life, how much of your social life, not to mention your work life. Think about the extent to which you are defined by the friends you have at work, by the sense that you do a good job, by the regularity of the paycheck.

One of these fine women who's agreed to come here today said that one of the best things about being off welfare was getting the check and being able to go buy her own groceries every two weeks. That's a big deal. (Applause.)

So I say to you, we propose to offer people on welfare a simple contract. We will help you get the skills you need, but after two years, anyone who can go to work must go to work -- in the private sector, if possible; in a subsidized job, if necessary. But work is preferable to welfare. And it must be enforced.

Now, this plan will let communities do what's best for them. States can design their own programs, communities can design their own programs. This will support initiatives like the WEN program here, not take things away from them and substitute government programs.

We want to give communities a chance to put their people to work in child care, home care and other fields that are desperately needed. We want every community to do what you've done here in Kansas City -- to bring together business and civic and church leaders together to find out how you can make lasting jobs and lasting independence.

Let me say just a couple of other things. If you wish people to go to work, you also have to reward them for doing so. Now, a popular misconception is that a lot of people stay on welfare because the welfare check is so big. In fact, when you adjust it for inflation -- (laughter) -- right? When you adjust it for inflation, welfare checks are smaller than they were 20 years ago.

But there are things that do keep people on welfare. One is the tax burden of low wage work; another is the cost of child care; another is the cost of medical care. Now, a few years ago, I was active as a governor in helping to rewrite the welfare laws so that states were given the opportunity to offer some people the chance to get child care and medical care continued when they got off welfare and went to work for a period of transition. Several of these women have taken advantage of that. And they talked about it. (Applause.)

But we must do more. Last year when the Congress passed our economic program, they expanded the earned income tax credit dramatically, which lowered taxes on one in six working Americans working for modest wages so that there would never again be an incentive to stay on welfare instead of going to work. Instead of using the tax system to hold people in poverty, we want to use the tax system to lift workers out of poverty.

That was one of the least known aspects of the economic program last year, but more than 10 times as many Missourians, for example, got an income tax cut as the 1.2 percent of the wealthiest people got an income tax increase. Why? Because you want to reward people who are out there working who are hovering just above the poverty line.

What's the next issue? In our bill, we provide some more transitional funds for child support to help people deal with that. That's important.

But thirdly, one of the most important reasons we should pass a health care reform bill that makes America join the ranks of every other advanced country in the world that provides health insurance to all its people is that today you have this bizarre situation where people on welfare, if they take a job in a place which doesn't offer health insurance, are asked to give up their children's health care, and go to work, earning money, paying taxes to pay for the health care of the children of people who didn't make the decision to go to work and stayed on welfare while they made the decision to go to work and gave up their children's health care coverage. That does not make any sense. And until we fix that, we will never close the circle and have a truly work-based system. (Applause.)

If we do the things we propose in this welfare reform program, even by the most conservative estimates, these changes together will move one million adults who would otherwise be on welfare into work or off welfare altogether by the year 2000.

And if we can change the whole value system, which has got us into the fix we're in today, the full savings over the

MORE

long haul are more than we will ever be able to imagine, because the true issue on welfare, as Senator Moynihan said so many years ago, is not what it cost the taxpayers, it's what it cost the recipients. We should be worried about that.

And let me say, one of the most rewarding things that happened today in our little meeting before I came down was I asked all these fine ladies who are here, I said, now, if we were able to provide these services, do you believe that it should be mandatory to participate in this program? Every one of them said, absolutely. Absolutely. (Applause.)

So I ask you all here -- let us be honest. None of this will be easy to accomplish. We know what the problems are. And we know they did not develop overnight. But we have to make a beginning. We owe it to the next generation. We cannot permit millions and millions and millions of American children to be trapped in a cycle of dependency with people who are not responsible for bringing them into the world, with parents who are trapped in a system that doesn't develop their human capacity to live up to the fullest of their God-given abilities and to succeed as both workers and parents. We must break this cycle.

For this reason, this ought to be a bipartisan issue. Over the last 30 years, poor folks in this country have seen about all the political posturing they can stand -- one way or the other. (Applause.) Now, there are serious people in both political parties in Congress who have advanced proposals to change the welfare system. And I really believe that we have a chance finally to replace dependence with independence, welfare with work.

I don't care who gets the credit for this if we can rebuild the American family; if we can strengthen our communities; if we can give every person on welfare the dignity, the pride, the direction, the strength, the sheer person power I felt coming out of these ladies that I spoke with today; if we can give people the pride that I sense from Yolanda's coworkers when she stood up here to introduce me today. This is not a partisan issue, this an American issue.

Let me tell you, several years ago when I was a governor of my state, I brought in governors from all over the country to a meeting in Washington, and then I brought in people from all over America who had been on welfare to talk to them. We had most of the governors there, and they were shocked. Most of them had never met anybody who'd been on welfare before. And there was a woman from my state who was asked a question. I had no idea what she was going to answer. She was asked about her job, and she talked about her job and how she got on the job. And she said -- and then she was asked by a governor, well, do you think enrollment in these programs ought to be mandatory? She said, I sure do.

And then a governor said, well, can you tell us what the best thing about being in a full-time job is? She said, yes, sir; when my boy goes to school, and they ask him, what does your mama do for a living, he can give an answer. (Applause.)

Ladies and gentlemen, I thank you for proving today that we can give every child in America a chance to give an answer. Let's go do it. Thank you. (Applause.)

END

1:39 P.M. CDT

**WORK AND RESPONSIBILITY ACT
OF 1994**

DETAILED SUMMARY

WORK AND RESPONSIBILITY ACT OF 1994

DETAILED SUMMARY

The current welfare system is at odds with the core values Americans share: work, family, opportunity, responsibility. Instead of rewarding and encouraging work, it does little to help people find work, and punishes those who go to work. Instead of strengthening families and instilling personal responsibility, the system penalizes two-parent families, and lets too many absent parents who owe child support off the hook. Instead of promoting self-sufficiency, the culture of welfare offices seems to create an expectation of dependence rather than independence. And the ones who hate the welfare system the most are the people who are trapped by it.

It is time to end welfare as we know it, and replace it with a system that is based on work and responsibility designed to help people help themselves. We need to move beyond the old debates and offer a simple compact that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives hope and structure and meaning to our daily lives. Responsibility is the value that will enable individuals and parents to do what programs cannot--because governments don't raise children, people do.

The President's welfare reform plan is designed to reinforce these fundamental values. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents--both parents--who bring children into the world must take responsibility for supporting them. It gives people access to the skills they need, and expects work in return. Most important, it will give people back the dignity that comes from work and independence.

WORK, NOT WELFARE

Under the President's reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Each recipient will be required to develop a personal employability plan designed to move her into the workforce as quickly as possible. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work--in the private sector if possible, in a temporary subsidized job if necessary. Reform will make welfare a transitional system leading to work.

The combination of work opportunities, the Earned Income Tax Credit, health care reform, child care, and improved child support will make the lives of millions of women and children demonstrably better.

Created by the Family Support Act of 1988 and championed by Senator Moynihan and then-Governor Clinton, the JOBS program offers education, training, and job placement services--but to few families. Our proposal would expand and improve the current program to put a clear focus on work.

New provisions include:

- **A personal employability plan.** From the very first day, the new system will focus on making young parents self-sufficient. Working with a caseworker, each adult recipient will sign a personal responsibility agreement and develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Because 70 percent of welfare recipients already leave the rolls within 24 months, and many applicants are job-ready, most plans will aim for employment well within two years.
- **A two-year time limit.** Ultimately, time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.
- **Job search first.** Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.
- **Integration with mainstream education and training programs.** JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.
- **Tough sanctions.** Parents who refuse to stay in school, look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.
- **Limited exemptions and deferrals.** Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be deferred from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At State discretion, a limited number of young mothers completing education programs may receive extensions.
- **Let States reward work.** Currently, AFDC recipients who work often lose benefits dollar-for-dollar, and are penalized for saving money. Our proposal allows States to reinforce work by setting higher earned income and child support disregards. We also propose new rules and demonstration projects to support saving and self-employment.
- **State flexibility.** This plan gives States unprecedented flexibility to innovate and learn from new approaches. Much of what once required waivers will become available to States as State options.
- **Additional Federal funding.** To ease State fiscal constraints and ensure that JOBS really works, our proposal raises the Federal match rate and provides additional funding. The Federal JOBS match will increase further in States with high unemployment.

The WORK program will enable those without jobs after two years to support their families through subsidized employment. The WORK program emphasizes:

- **Work, not "workfare."** Unlike traditional "workfare," recipients will only be paid for hours worked. Most jobs would pay the minimum wage for between 15 and 35 hours of work per week.
- **Flexible, community-based initiatives.** State governments can design programs appropriate to the local labor market: temporarily placing recipients in subsidized private sector jobs, in public sector positions, or with community organizations.
- **A Transitional Program.** To move people into unsubsidized private sector jobs as quickly as possible, participants will be required to go through extensive job search before entering the WORK program, and after each WORK assignment. No WORK assignment will last more than 12 months. Participants in subsidized jobs will not receive the EITC. Anyone who turns down a job will be removed from the rolls, as will people who repeatedly refuse to make good faith efforts to obtain available jobs.

To reinforce this central message about the value of work, bold new incentives will make work pay and encourage AFDC recipients to leave welfare.

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. Already enacted by Congress, the EITC will effectively make any minimum wage job pay \$6.00 an hour for a typical family with two children. States will be able to work with the Treasury Department to issue the EITC on a monthly basis.
- **Health care reform.** We can't have serious welfare reform without serious health care reform. People should be able to get health care by going to work, and not have to go on welfare. Universal health care will allow people to leave welfare without worrying about coverage for their families.
- **Child care.** To further encourage young mothers to work, our plan will guarantee child care during education, training, and work programs, and for one year after participants leave welfare for employment. Increased funding for other Federal child care programs will bolster more working families just above the poverty line and help them stay off welfare in the first place. Our plan also improves child care quality and ensures parental choice.

MUTUAL RESPONSIBILITY

Our current welfare system often seems at odds with core American values, especially responsibility. Overlapping and uncoordinated programs seem almost to invite waste and abuse. Non-custodial parents frequently provide little or no economic or social support to their children. And the culture of welfare offices often seems to reinforce dependence rather than independence. The President's welfare plan reinforces American values, while recognizing the government's role in helping those who are willing to help themselves.

Our proposal includes several provisions aimed at creating a new culture of mutual responsibility. We will provide recipients with services and work opportunities, but implement tough, new

requirements in return. These include provisions to promote parental responsibility, ensuring that both parents contribute to their children's well-being. The plan also includes incentives directly tied to the performance of the welfare office; extensive efforts to detect and prevent welfare fraud; sanctions to prevent gaming of the welfare system; and a broad array of incentives that the States can use to encourage responsible behavior.

The Administration's plan recognizes that both parents must support their children, and establishes the toughest child support enforcement program ever proposed....In 1990, absent fathers paid only \$14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received *\$48 billion* money for school, clothing, food, utilities, and child care. As part of a plan to reduce *and* prevent welfare dependency, our plan provides for:

- **Universal paternity establishment.** Hospitals will be required to put procedures in place to establish paternity at birth, and each applicant will be required to name and help find her child's father before receiving benefits.
- **Regular awards updating.** Child support payments will increase as fathers' incomes rise.
- **New penalties for those who refuse to pay.** Wage-withholding and suspension of professional, occupational, and drivers' licenses will enforce compliance.
- **A national child support clearinghouse.** Three registries--containing child support awards, new hires, and locating information--will catch parents who try to evade their responsibilities by fleeing across State lines. Centralized State registries will track support payments automatically.
- **State initiatives and demonstration programs.** States will be able to make young parents who fail to meet their obligations work off the child support they owe. Demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested States give families a measure of economic security even if child support is not collected immediately.
- **State options to encourage responsibility.** States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States will also be allowed to limit additional benefits for children conceived by women on welfare.

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. New fraud control measures include:

- **State tracking systems to help reduce fraud.** States will be required to verify the identity, alien status, and Social Security numbers of new applicants and assign national identification numbers.
- **A national public assistance clearinghouse.** Using identification numbers, the clearinghouse will follow people whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will be used to check AFDC and EITC

eligibility, and identify non-custodial parents who switch jobs or cross State lines to avoid paying child support.

- **Tough sanctions.** Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls. Cheating the system will be promptly detected and swiftly punished.

The Administration's plan demands greater responsibility of the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is fundamentally about helping people earn paychecks as quickly as possible. Our plan offers several provisions to help agencies reduce paperwork and focus on results:

- **Program coordination and simplification.** Conforming AFDC and Food Stamp regulations and simplifying both programs' administrative requirements will reduce paperwork.
- **Electronic Benefits Transfer (EBT).** Under a separate plan developed by Vice President Gore, States will be encouraged to move away from welfare checks and food stamp coupons toward Electronic Benefits Transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.
- **Improved incentives.** Funding incentives and penalties will be directly linked to the performance of States and caseworkers in service provision, job placement, and child support collection.

REACHING THE NEXT GENERATION

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. Each year, 200,000 teenagers aged 17 and younger have children. Their children are more likely to have serious health problems—and they are much more likely to be poor. Almost 80 percent of the children born to unmarried teenage parents who dropped out of high school now live in poverty. By contrast, only eight percent of the children born to married high school graduates aged 20 or older are poor. Welfare reform will send a clear and unambiguous message to adolescents: you should not become a parent until you are able to provide for and nurture your child. Every young person will know that welfare has changed forever.

To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. Our prevention approach includes:

- **A national campaign against teen pregnancy.** Emphasizing the importance of delayed sexual activity and responsible parenting, the campaign will bring together local schools, communities, families, and churches, to send a strong signal that it is wrong for teenagers to have children outside marriage.
- **A national clearinghouse on teen pregnancy prevention.** The clearinghouse will provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.

- **Teen pregnancy prevention grants.** Roughly 1000 middle and high schools in disadvantaged areas will receive grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women. Broader initiatives will seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.
- **Initial resources targeted to women born after December 31, 1971.** Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow States to develop effective service capacity.
- **Supports and sanctions.** From the very first day, teen parents receiving benefits will be required to stay in school and move toward work. Unmarried minor mothers will be required to identify their child's father and live at home or with a responsible adult, while teen fathers will be held responsible for child support and may be required to work off what they owe. At the same time, caseworkers will offer encouragement and support; assist with living situations; and help teens access services such as parenting classes and child care. The two-year limit will begin once teens reach age 18. Selected older welfare mothers will serve as mentors to at-risk school-age parents. States will also be allowed to use monetary incentives to keep teen parents in school.

THE IMPACT OF REFORMS

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. To avoid this problem the plan is phased in by starting with young people, to send a clear message to teenagers that we are ending welfare as we know it. The following tables are based on starting with the youngest third of the projected caseload--persons born after 1971, who will be age 24 and under in fiscal year 1996 when the new system is implemented.

Anyone born after 1971 who is on welfare today, and anyone born after 1971 who enters it subsequently, will face new expectations and responsibilities. In 1997 this group will constitute over one third of the caseload. By the year 2004, this group will represent about two-thirds of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster will have the option of doing so.

In the year 2000, 2.4 million adults will be subject to the new rules under welfare reform, including time limits and work requirements. Almost one million people will either be off welfare or working. Of those one million individuals, 331,000 people who would have been on welfare will have left the welfare rolls. Another 222,000 parents will be working part-time in unsubsidized jobs. And 394,000 people will be in subsidized jobs in the WORK program, up from 15,000 now. In addition, 873,000 recipients will be in time-limited school or training programs leading to employment.

However, the impact of welfare reform cannot be measured in these numbers alone or fit on any chart. In the year 2000, hundreds of thousands of noncustodial parents will be helping to support their families and becoming connected to their children again. Hundreds of schools will be helping teenagers postpone sexual involvement, finish their education and prepare for a better future. And, thousands more children will watch their parents go off every day to the responsibility and dignity of a real job.

TABLE 1

PROJECTED WELFARE, WORK, AND TRAINING STATUS OF PHASED-IN GROUP WITH REFORMS BY SELECTED YEARS			
	FY 1997	FY 2000	FY 2004
Total Projected Adult Cases With Parent Born After 1971, Without Reform	1,641,000	2,376,000	3,439,000
Status of Phased-In Group, with Reform:			
Off Welfare Because of Reform	45,000	331,000	860,000
Working Part-time	166,000	222,000	271,000
In WORK Program	0	394,000	566,000
Total - Working or Off Welfare	211,000	947,000	1,697,000
Expected to Participate in Time-Limited, Mandatory Training, Education and Placement Program with Strict Participation Standards	904,000	873,000	965,000
Deferred or Exempted due to Disability, Caring for a Disabled Child or Infant, or Other Exemption	526,000	556,000	777,000

Table 1 indicates the number of persons in various parts of the program by year, given the phase-in and the implementation of health reform after fiscal year 1999. Note that because a few States will need up to two years to pass legislation and implement their systems, the program would not be fully implemented until late 1996. Thus, fiscal year 1997 is the first full year of implementation. The time-limited education, training and placement program starts up rapidly since everyone in the phased-in group is required to participate if they are not deferred (for example, if they are disabled). It does not grow much over time because people leave the program as they get private sector jobs or reach the time limit and enter the WORK program. The WORK program grows over time, rising to roughly 566,000 by fiscal year 2004. Exemptions are significantly more narrow than those allowed under current law, and even those unable to work will be required to develop employability plans.

TABLE 2

PROJECTED WELFARE, WORK AND TRAINING STATUS OF PHASED-IN GROUP WITH AND WITHOUT REFORMS IN FISCAL YEAR 2000		
	Without Reforms	With Reforms
Working or Off of Welfare		
Off of Welfare	0%	14%
Part-time Work	5%	9%
In WORK program	<u>0%</u>	<u>17%</u>
Total	5%	40%
Required to Participate in Time-limited, Mandatory Training, Education and Placement Program with Strict Participa- tion Standards	0%	37%
Expected to Participate in Training, Education, and Placement Program, but No Time Limits and Low Participation Standards	22%	0%
Deferred or Exempted Due to Illness, Caring for Disabled Child, Young Child, or other Exemptions	73%	23%
TOTAL	100%	100%

Table 2 shows the impact of these changes for the phased-in caseload, compared with what we project would be the caseload without welfare and health reform.

Under the plan, we will go from a situation where almost three-quarters of the persons are collecting welfare and neither working nor in training--to a situation where three-quarters are either off welfare, working, or in a mandatory time-limited placement and training program. Only those unable to work are deferred from the time limits, and even these persons will have greater expectations and opportunities under the proposed system. In addition, we expect the reform proposal to significantly increase paternity establishment rates, to increase child support payments and to lower child poverty.

Moving people from welfare to work will not only reinforce our basic values of work and responsibility, it will also help families provide better support for their children. As a result of the Clinton reforms, compare the situation facing a single-parent family of three on welfare with the situation of a family off of AFDC.

In the median State, the combined AFDC and food stamp benefit level is \$7,525, only 63 percent of the \$11,870 of income needed to keep a typical family of three out of poverty. By contrast, Table 3 shows that persons leaving AFDC and going to work will be dramatically better off in any private sector job, even one paying the minimum wage.

TABLE 3

INCOME FOR INDIVIDUALS WORKING FULL TIME AT VARIOUS WAGE LEVELS						
Hourly wage	Earnings (Full-time, year-round)	Taxes	EITC *	Food Stamps	Total Income	Percent of Poverty
\$4.25	\$8,840	\$676	\$3,370	\$2,256	\$13,790	116%
\$6.00	\$12,480	\$955	\$3,058	\$1,380	\$15,964	134%
\$8.00	\$16,640	\$1,826	\$2,182	\$0	\$16,996	143%

* EITC assumes that expansion passed in 1993 is fully phased-in.

Thus, the President's plan, including the expanded EITC, and health and welfare reform, rewards people who are working to support themselves and their families.

A description of the plan follows.

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 Family Support Act of 1988 recognized, through creation of the Job Opportunities and Basic Skills (JOBS) training program, the need for investment in education, training, and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare reciprocity is a transitional period of preparation for self-sufficiency. Able-bodied recipients were mandated to participate in the JOBS program as a means towards self-sufficiency.

However, the welfare system has not changed as much as was intended. Only a small portion of the AFDC caseload is actually required to participate in the JOBS program, while a majority of AFDC recipients are not required to participate and do not volunteer. An even smaller fraction of recipients are working. This sends a mixed message to both recipients and caseworkers regarding the true terms and validity of the social compact that the Family Support Act represented. As a result, most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

SUMMARY OF PROPOSAL

This reform proposal calls for fundamentally replacing the AFDC program with a transitional assistance program to be followed by work. The new program includes four key elements: a simple compact; training, education, and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. Phasing in the plan starting first with the youngest recipients will send a strong message of responsibility and opportunity to the next generation.

A Simple Compact

Training, Education, Job Search, and Job Placement – The JOBS Program

- A clear focus on work
- Integrating JOBS and mainstream education and training initiatives

Two-Year Time Limit

WORK

- Administrative structure of the WORK program
- Characteristics of the WORK assignments

A Simple Compact. Everyone who receives cash support will be expected to do something to help themselves and their community. Recipients will sign a personal responsibility agreement indicating what is expected of them and of the government to prepare them for self-sustaining employment. 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) will be deferred until they are ready for the time-limited JOBS program. Everyone will have a responsibility to contribute something and move toward work and independence.

Training, Education, and Placement Linked to Work (the Job Opportunities and Basic Skills, or JOBS program). The core of the transitional support program will be an expanded and improved JOBS program that focuses on moving people into work. JOBS was established by the Family Support Act of 1988 to provide training, education, and job placement services to AFDC recipients. Every aspect of the new JOBS program will be designed to help recipients find and keep jobs. The enhanced program will include a personal responsibility agreement (described above) and an employability plan designed to move persons from welfare to work as rapidly as possible. For most applicants, supervised job search will be required from the date the application for AFDC is approved. JOBS participants will be required to accept a job if offered. The new effort, rather than creating an employment training system for welfare recipients alone, will seek close coordination with Job Training Partnership Act (JTPA) programs and other mainstream training programs and educational resources.

A Two-Year Time Limit. Young recipients will be limited to a lifetime maximum of two years of cash assistance, after which they will be expected to work. While two years will be the maximum period for the receipt of cash aid, the goal will be to help persons find jobs long before the end of the two-year period. Mothers with infants, persons with disabilities which limit work, and those caring for a disabled child will be deferred and will not be subject to the time limit while such conditions exist. In a very limited number of cases, and at the discretion of States, extensions of the time limit will be granted for completion of an education or training program or in unusual circumstances.

Work (the WORK program). The new effort will 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 will be required to take a job in the WORK program. WORK program jobs will be paid employment, rather than "workfare," and will include subsidized private sector jobs, as well as positions with local not-for-profit organizations and in the public sector. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve as substitutes for unsubsidized employment. Provisions will be put in place to discourage lengthy stays in the WORK program. Among these will be limits on the duration of any one WORK assignment, frequent periods of job search, denying the EITC to persons in WORK assignments, and a comprehensive reassessment after a second WORK assignment. People will be required to make a good-faith effort to find unsubsidized work, and anyone who turns down a job offer will be removed from the rolls. The primary emphasis of the WORK program will be on securing unsubsidized employment. States will be given considerable flexibility in the operation of the WORK program in order to achieve this goal.

PHASE-IN

It is very unlikely that States could proceed to full-scale implementation of the changes described above immediately after passage of the legislation. Even if resources were plentiful, attempting to instantly place the entire caseload in the new transitional assistance program would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve hundreds of thousands more persons in the JOBS program and to create hundreds of thousands of WORK assignments, many States would be unable to succeed at either.

An attractive alternative to the chaos of immediate full-scale implementation is to begin by focusing on younger parents. The younger generation of actual and potential welfare recipients represents the source of greatest concern. Younger recipients are likely to have the longest stays on welfare. They are also the group for which there is the greatest hope of making a profound difference. Under this phase-in approach, we will devote energy and new resources to ending welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

The phase-in of the new requirements will begin with all recipients (including new applicants) born after December 31, 1971. All persons of the same age and circumstances will then face the same rules, regardless of when they entered the system. This is roughly one third of the caseload in 1996. Over time, as the percentage of the caseload born after 1971 rises, the new transitional assistance program will encompass a greater and greater proportion of welfare recipients. States will also have the option to phase in more rapidly. By 2000, half of all adult recipients will be included. By 2004, two-thirds of the adult caseload will be included.

Targeting younger parents does not imply limiting access to education and training services for older recipients. They will still be eligible for JOBS services. The new resources, however, will be focused on younger recipients.

A SIMPLE COMPACT

The goal of these proposals is to make the welfare system a much different world. The intake process will be changed to clearly communicate to recipients the expectation of achieving self-sufficiency through work. Just as important, the welfare agency will also face a different set of expectations. In addition to determining eligibility, its role will be to help recipients achieve self-sufficiency. The underlying philosophy is one of mutual responsibility. The welfare agency will help recipients achieve self-sufficiency and will provide transitional cash assistance; in return, recipients will take responsibility for their lives and the economic well-being of their children.

Personal Responsibility Agreement. Each adult applicant for assistance will be required to enter into a written agreement in which he or she agrees to take responsibility for moving quickly toward independence in return for that assistance.

Orientation. Each applicant will receive orientation services to explain how the new system will work. A full understanding of how a time-limited assistance program operates will ensure that participants maximize their opportunities to obtain services.

Employability Plan. Within a short time frame, each adult will undergo a thorough needs assessment. Based on this assessment, and in conjunction with his or her caseworker, each person will design an individualized employability plan which specifies the services to be provided by the State and the time frame for achieving self-sufficiency.

Deferrals. Under the current system, only a small portion of the AFDC caseload is required to do anything, and the rest are exempt. Our plan will reduce the number of exemptions, and ensure that even those who are not able to participate in education, training or work still have to meet certain expectations. People with a disability or caring for a disabled child, mothers with infants under one (3 months for the second child), and people living in remote areas will be deferred. States will be allowed to defer a capped number of people for other good-cause reasons. However, all recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Participants who are deferred will be expected to complete employability plans and, when possible, to undertake activities intended to prepare them for employment and/or the JOBS program.

Increased Participation. With increased Federal resources available, it is reasonable to require 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 reform, States will be expected to meet much higher participation rates for persons who are enrolled in the new program. Through the phase-in strategy described above, a higher and higher percentage of the caseload will be subject to these rules and requirements, and the transitional assistance program will move toward a full-participation model.

TRAINING, EDUCATION, JOB SEARCH, AND JOB PLACEMENT – THE JOBS PROGRAM

The JOBS program originated with the Family Support Act. It represented a new vision for welfare, but today it unfortunately remains mostly an afterthought to a system principally focused on eligibility determination and check writing. We propose to make the JOBS program the centerpiece of the public assistance system. Doing so will require a series of key improvements.

There have been many impediments to the success of the JOBS program, such as a lengthy recession, the surge in AFDC caseloads and State budget shortfalls that hampered States' ability to draw down available JOBS and other Federal matching funds. For these reasons, States have been unable to effectively implement the changes envisioned in the Family Support Act.

In order to fully transform the welfare system into a structure which helps families attain self-sufficiency, the entire culture of the welfare system must be changed. This must start by making the welfare system one which focuses on helping participants achieve self-sufficiency through the provision of education, training, and employment services rather than one which concentrates solely on determining eligibility and writing checks. To accomplish this, a major restructuring effort which implements real changes for all participants is needed. Strong Federal leadership in steering the welfare system in this new direction will be critical.

To this end, we propose:

- (1) A clear focus on work. From the moment they enter the system, applicants are focused on moving from welfare to work through participation in programs and services designed to enhance employability; and
- (2) Much greater integration with mainstream education and training programs.

A Clear Focus on Work

Under the provisions of the new transitional assistance program, JOBS participation will be greatly expanded, and increased participation rates will be phased in. We recognize that welfare recipients are a very diverse population. Participants in the JOBS program have very different levels of work experience, education, and skills. Accordingly, their needs will be met through a variety of activities: job search, classroom learning, on-the-job training, and work experience. States and localities will, therefore, have great flexibility in designing the exact mix of JOBS program services. Employability plans will be adjusted in response to changes in a family's situation. Finally, the Federal government will make much-needed additional resources available to the States to accomplish the objectives.

Up-Front Job Search. All new adult recipients in the phased-in group (and minor parents who have completed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved (or from the date of application at State option). States will have the option to require all job-ready new recipients (including those in the not-phased-in group) to engage in up-front job search.

The job search activities will lead to immediate employment for some recipients. Those who subsequently enter the JOBS program will have a realistic view of the job market. This will aid in completing the needs assessment and in developing the employability plan, and may also help participants focus their energies.

Teen Parents. In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Teen parents will be required to finish high school and participate in the JOBS program. (For further provisions regarding teen parents, see the section on Promoting Parental Responsibility).

Semiannual Assessment. In addition to the expectation that client progress will be monitored on a regular basis, States will be required to conduct an assessment of all adult recipients and minor parents, including both those who are deferred and those in JOBS, on at least a semiannual basis to evaluate progress toward achieving the goals in the employability plan. Both the individual's and the State's efforts will be examined, and corrective action will be taken as needed.

Sanctions. In order for the system to work, participants must see that the requirements are real. There must be a direct connection between a participant's behavior and the rewards and sanctions as a consequence. The sanction for refusing a job offer without good cause will be strengthened. The current penalty reduces the recipient's welfare check by the adult's share of the grant; in the new system, the family's entire AFDC benefit will be terminated for 6 months or until the adult accepts a job offer, whichever is shorter. Sanctions for failure to follow the employability plan otherwise will be the same as under current law.

Increased Funding and Enhanced Federal Match. It is important to ensure that all welfare recipients who are required to participate in the JOBS program have access to the appropriate services. The increase in Federal resources available to the States, as well as simplified and enhanced match rates, will enable States to undertake the necessary expansion in the JOBS program.

Similar to current law, the capped entitlement for JOBS will be allocated according to the average monthly number of adult recipients (which will include WORK participants) in the State relative to the number in all States. The capped entitlement for JOBS (as well as for WORK) would be increased if the national unemployment rate equalled or exceeded 7 percent.

Fiscal constraints have proven particularly troublesome in effecting welfare system changes. States are required to share the cost of the JOBS program with the Federal Government. Many States have, however, been experiencing budgetary difficulties which were not anticipated at the time the Family Support Act was enacted. Consequently, most States have been unable to draw down their full allocation of Federal JOBS funds because they have not been able to provide the required State match. In 1992, States drew down only two-thirds of the \$1 billion in available Federal funds, and only 10 States drew down their full allocation. These fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

To address the scarcity of JOBS dollars, the Federal cap will be increased from \$1 billion to \$1.5 billion in fiscal year 1996. To assist States in drawing down their full allotment, the Federal match rate will be increased by five percentage points in 1996, rising to a level ten percentage points over the current JOBS match rate by the year 2000, with a minimum Federal match of 70 percent. Spending for direct program costs, for administrative costs and for the costs of transportation and work-related supportive services would all be matched at the single rate. In addition, a small fund will be created to reward States which have used their full allotment and are moving aggressively to implement these reforms. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent. States will be required to maintain their 1994 level of spending for the investment programs (JOBS and child care).

Federal Leadership. The Federal role in the JOBS program will be providing training and technical assistance to help States make the program changes called for in this plan. The Federal Government will 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 will be funded by setting aside a portion of Federal JOBS funds specifically for this purpose—two percent in fiscal years 1996-1998, and one percent thereafter.

Integrating JOBS and Mainstream Education and Training Initiatives

The Federal government currently operates a myriad of education, training, and employment services programs. Many of these programs serve the AFDC population. JOBS programs must continue to link clients to the available services in the community. Coordination, integration, and implementation of common strategies among the major programs which serve the AFDC population will help States accomplish the mission of the JOBS program by expanding access to other available services. This proposal prescribes greater coordination, but it grants broad flexibility to States to achieve this objective. To this end, the proposal implements several mechanisms that promote ongoing coordination and integration and which lessen the administrative burdens States face. This will allow for program simplification, innovation, and ongoing program improvement.

The role of the JOBS program should not be to create a separate education and training system for welfare recipients, but rather to ensure that recipients have access to and information about the broad array of training and education programs that already exist. Under the Family Support Act, the governor of each State is required to ensure that program activities under JOBS are coordinated with JTPA and other relevant employment, training, and educational programs available in the State. Appropriate components of the State's plan which relate to job training and work preparation must be consistent with the Governor's coordination plan. The State plan must be reviewed by a coordinating council. While these measures have served to move the welfare system in the direction of program coordination and integration, further steps can and should be taken. Federal and State efforts for promoting integration and coordination, and general program improvement, will be an ongoing process in the new system.

Program Coordination. This proposal includes provisions which will greatly enhance integration and coordination among the JOBS program and related programs of the Departments of Labor and Education, such as Job Training Partnership Act programs and programs falling under the Adult Education Act and the Carl D. Perkins Vocational Educational Act. For example, the State council on vocational education and the State advisory council on adult education will review the State JOBS plan and submit comments to the Governor to ensure consistency among programs that serve AFDC recipients.

Expanded State Flexibility. In order to enable States to take the steps necessary to achieve full integration among education, training, and employment service programs, Governors will have the option to operate the JOBS and WORK programs through an agency other than the agency currently designated to administer welfare programs. For example, a Governor may choose to operate a combined JOBS/JTPA program. This option will expand State flexibility and will promote innovation and program improvement.

Expanding Opportunities. Among the many Administration initiatives which will be coordinated with the JOBS program are:

- National Service. HHS will 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 will work with the Departments of Education and Labor to make participation requirements for the School-to-Work and JOBS programs compatible, in order to give JOBS participants the opportunity to access this new initiative.
- One-Stop Shopping. States which implement one-stop shopping under the Reemployment Act of 1994 will be required to include the JOBS program.
- Pell Grants. The program will ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps.

TWO-YEAR TIME LIMIT

Most people who enter the welfare system do not stay on AFDC continuously for many years. It is much more common for recipients to move in and out of the welfare system, staying for a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years, and fewer than one in five spends five consecutive years on AFDC. Half of all those who leave welfare, however, return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not making progress toward self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from providing cash assistance to promoting work and self-sufficiency. The time limit will give both recipients and JOBS staff a structure that requires continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit on Cash Benefits. The proposal establishes for adult recipients a lifetime limit of 24 months of AFDC benefits, followed by a work requirement. Special provisions will be made for teen parents (as discussed below).

Time limits will, in general, be linked to JOBS participation. Recipients required to participate in JOBS will be subject to the time limit. Months in which an individual receives assistance while in deferred status (rather than participating in JOBS) will not count against the 24-month time limit.

In a two-parent family receiving aid through AFDC-UP, both parents will be subject to the time limit if the principal earner is in the phased-in group (see below). If one parent reaches the time limit when the other has not, the parent who reaches the time limit will be required to enter the WORK program. The family will continue to be eligible for benefits as long as at least one of the two parents has not reached the time limit for transitional assistance.

Most people will be expected to enter employment well before the two years are up. Recipients unable to find employment by the end of two years of cash benefits could receive further government support only through participation in the WORK program, as described below.

Minimum Work Standard. Months in which an individual meets the minimum work standard will not be counted against the time limit. The minimum work standard will be set at an average of 20 hours per week, with a State option to require up to 30 hours per week. Individuals working part-time would be required to accept additional hours if available.

Teen Parents. As mentioned elsewhere, virtually all parents under age 20 will be required to participate in JOBS. The 24-month time clock, however, will not begin to run until the parent turns age 18. In other words, any period of receiving benefits as a custodial parent prior to the age of 18 will not be counted against the two-year time limit.

Pre-WORK Job Search. Persons who are within 45 days of reaching the time limit (up to 90 days at State option) will be required to engage in supervised job search for those final 45-90 days, before taking a WORK assignment.

Extensions. States will be permitted to grant a limited number of extensions to the time limit in the following circumstances:

- For completion of a GED or other education or training program, including a school-to-work program or post-secondary education program, expected to lead directly to employment. These extensions will be contingent on satisfactory progress toward completing the program and will be limited to 12-24 months in duration. An extension for post-secondary education will be contingent upon simultaneous part-time employment.
- For those who are learning disabled, illiterate or face language barriers or other serious obstacles to employment.

States will, in addition, be required to grant extensions to persons who have reached the time limit but who have not had access to the services specified in the employability plan. The total number of extensions will be limited to 10 percent of recipients required to participate in JOBS. In other words, a State could have no more than 10 percent of its JOBS-mandatory recipients in extended status at any given time.

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. The two-year limit is a lifetime limit. Persons who exhaust or nearly exhaust their 24 months of time-limited assistance and who leave welfare for an extended period of time will be able to qualify for up to six additional months of assistance. This limited additional assistance will serve as a cushion, should they lose their job and need temporary help again. After that, they will be required to enter the WORK program.

WORK

The focus of the transitional assistance program will be helping people move from welfare to self-sufficiency through work. An integral part of this effort is making assistance truly transitional for those able to work by placing a two-year time limit on cash benefits. Some welfare recipients will, however, reach the two-year time limit without having found a job, despite having participated in the JOBS program and followed their employability plans in good faith. We are committed to providing these persons with the opportunity to support their families through paid work.

Each State will be required to operate a WORK program which will make paid work assignments available to recipients who have reached the time limit for cash assistance.

The overriding goal of the WORK program will be to help participants find lasting unsubsidized employment. States will 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 (with the expectation that many of these positions will become permanent), or positions in not-for-profit organizations and/or public sector agencies.

The WORK program is designed to provide an opportunity for individuals who have reached the time limit to support their families through paid work while developing the skills and receiving the job search assistance needed to obtain unsubsidized private sector jobs. The structure ensures that work "pays" by assuring that a family with an adult in a WORK assignment will be no worse off than a family of the same size in which no one is working.

"Workfare" programs are generally not consistent with placements in the private sector. By contrast, the WORK program requires a strong private-sector focus. This is work--not workfare. Persons will be paid for performance--not paid a welfare check and sent out to a work site. This work-for-wages plan provides far greater dignity and responsibility than workfare. Moreover, the purpose of the WORK program is to help persons move into, rather than serve as a substitute for, unsubsidized employment.

Administrative Structure of the WORK Program

Eligibility. A recipient who has reached the time limit for transitional assistance will be permitted to enroll in the WORK program, provided he or she has not refused an offer of an unsubsidized job without good cause (see below).

WORK Funding. Federal funds for the cost of operating the WORK program will be capped and distributed to States according to the number of persons required to participate in JOBS (and subject to the time limit) and the number in the WORK program in a State, relative to the total number in all States. These Federal monies must be matched by State funds at the same match rate as in the expanded JOBS program--the current JOBS match rate plus seven percentage points in 1998, rising to ten additional percentage points by 2000. As discussed previously under the description of JOBS funding, the capped entitlements for JOBS and WORK would be increased if the national unemployment rate equalled or exceeded 7 percent. Also as discussed under JOBS funding, the State match rate for JOBS, WORK, and At-Risk Child Care would be reduced by ten percent during periods of high State unemployment.

In addition, States will be reimbursed for wages paid to WORK program participants, including wage subsidies to private employers, at the Medicaid matching rate.

If States were unable to claim the total available Federal JOBS and WORK funding for a fiscal year, a State which had reached its cap could draw down Federal funds for operational costs in excess of its allotment from the capped entitlement. Additionally, all States will be allowed to reallocate up to 10 percent of the combined total of their JOBS and WORK allotments from JOBS to WORK, or vice versa.

Flexibility. States will have considerable flexibility in operating the WORK program. A State can pursue any of a wide range of strategies to provide work to those who have reached the two-year limit, including:

- Subsidize private sector jobs;
- Subsidize or create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants);
- Offer employers other financial incentives to hire JOBS graduates;
- Execute performance-based contracts with private firms or not-for-profit organizations to place WORK participants in unsubsidized jobs;
- Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance);
- Employ WORK participants as child care workers, child support workers, or home health aides; and
- Support microenterprise and self-employment efforts.

Participation Rates. Each State will be required to meet a participation standard for the WORK program, defined as the lower number of the following such that: 1) The number of WORK assignments the State is required to create (based on the funding allocation) are actually filled by individuals assigned to the WORK program; or 2) At least eighty percent of those who reach the time limit are assigned to a WORK slot (or in another defined status).

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, the allocation of WORK assignments is made in the following order. An individual whose sanction period had just ended will be placed in a new WORK assignment as rapidly as possible. Persons new to the WORK program will have priority over persons who have previously held a WORK position. States will then be permitted to allocate the remaining WORK assignments so as to maximize the chance of successful placements.

Interim Activities. States will have the option of requiring persons awaiting WORK assignments (e.g., those who have just concluded a WORK assignment) to participate in other WORK program activities, such as individual or group job search. Child care and other supportive services will be provided as needed for participation in interim WORK program activities. Persons in the WORK program but not in a WORK assignment will be eligible for cash benefits in the interim.

Required Acceptance of Any Job Offer. Both JOBS and WORK program participants will be required to accept any offer of an unsubsidized job, provided the job meets certain health and safety standards and does not make the family financially worse off. An individual who refuses such an offer will not be eligible for a WORK position, and the entire family will be ineligible for AFDC benefits for a period of six months. Such an individual will be eligible for job search assistance during this period.

Oversight. There will be a WORK advisory panel for each locality to provide oversight and guidance to the WORK program. The advisory panel will include representation from unions and the private, not-for-profit (including community-based organizations), and public (including local government) sectors.

Length of Participation in the WORK Program. Individuals will be limited to a maximum stay of 12 months in any single WORK assignment, after which they will be required to perform job search. States will be required to conduct a comprehensive assessment of any person who has completed two WORK assignments or who has spent at least two years in the WORK program. Following the assessment, persons could be assigned to another WORK position, placed in deferred status, referred back to the JOBS program, or, at State option, be removed from the rolls for refusing a job offer or failing to make a good-faith effort to find unsubsidized work where jobs are available to match their skills.

Retention. States will be required to maintain records on the performance of employers (public, private, and not-for-profit) in retaining WORK program participants (after the subsidies end). Similarly, States will be mandated to monitor the effectiveness of placement firms in placing WORK participants in unsubsidized employment.

Nondisplacement. The assignment of a participant to a subsidized job under the WORK program will not result in the displacement of or infringe upon the promotional opportunities of any currently employed worker. In addition, WORK participants could not be placed in vacancies created by a layoff, strike or lockout.

Supportive Services. States will be required to guarantee child care, if needed, for any person in a WORK assignment. States will also be mandated to provide other work-related supportive services as needed for participation in the WORK program.

Characteristics of the WORK Assignments

Wages. Participants will typically be paid the minimum wage. Persons in WORK assignments who are performing work equivalent to that done by others working for the same employer will be similarly compensated.

Hours. Each WORK assignment will be for a minimum of 15 hours per week and for no more than 35 hours per week. The number of hours for each position will be determined by the State.

Treatment of Wages with Respect to Benefits and Taxes. Wages from WORK positions will be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC. Participants in the WORK program and their families will be treated as AFDC recipients with respect to Medicaid eligibility.

Persons in WORK assignments will be subject to FICA taxes but will not be subject to the provisions of any Federal or State unemployment compensation law. Workers' Compensation coverage will be provided at levels consistent with the relevant State Workers' Compensation statute. Earnings from WORK positions will not be treated as earned income for purposes of calculating the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

Earnings Supplementation. A family with an adult in a WORK position whose income, net of work expenses, is less than the AFDC benefit for a family of the same size (in which no one is working) will be eligible for supplemental cash benefits to make up the difference. In other words, an earnings supplement will be provided such that a family with an individual who is working in either a WORK assignment or an unsubsidized private sector job, will never be worse off than a family of the same size on assistance in which no one is working.

The work expense disregard used for the purpose of calculating the earnings supplement will be \$120 per month (the standard AFDC work expense disregard). States which opt for more generous AFDC earnings disregard policies will be permitted but not required to apply these policies to WORK wages.

Sanctions. Wages will be paid for hours worked, and those who do not show up for work will not get paid. Failure to work the set number of hours for the position will result in a corresponding reduction in wages.

Individuals in the WORK program who, without good cause, voluntarily quit an unsubsidized job that meets the minimum work standard would lose eligibility for the WORK program for a period of three months.

Type of Work. Under the WORK program, States will be encouraged to place as many WORK participants as possible in subsidized private sector positions. Many of the WORK positions may also be in the not-for-profit sector, with, for example, voluntary agencies, Head Start centers, and other community-based organizations.

Work Place Rules. Participants in the WORK program will experience the same working conditions and rights as comparable employees of the same employer.

MAKING WORK PAY/CHILD CARE

THE IMPORTANCE OF THE EITC, HEALTH CARE REFORM, AND CHILD CARE

A crucial component of welfare reform that promotes work and independence is making work pay. The Census Bureau reports that in 1992, 16 percent of all year-round, full-time workers had earnings too low to lift a family of four out of poverty, up from 12 percent in 1974. The problem is especially great for women: 22 percent—more than one in five—of year-round, full-time female workers had low earnings.

Simultaneously, the welfare system sets up a devastating array of barriers for 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 but still on welfare; and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families often lack adequate medical protection and face sizeable 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 we must reward work rather than welfare.

Although they are not part of welfare reform legislation, the Earned Income Tax Credit and health reform are clearly 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. Combined with food stamps, this tax credit helps ensure that people who work full-time with a family at home will no longer be poor.

The next critical step toward making work pay 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 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. In one recent study, 83 percent of welfare recipients said they would leave welfare to take a minimum-wage job immediately if it provided health coverage for their families. Another study found that only eight percent of people who leave welfare for work get jobs that provide health insurance.

The plan includes two additional provisions that will increase the return from work for low-income families. Under current law, all income received by an AFDC recipient or applicant must be counted against the AFDC grant, except certain specified work-related and other disregards. The proposal contains several provisions to make work a more attractive option for recipients combining work and welfare and to simplify the treatment of income for recipients and caseworkers alike. States will be required to disregard a minimum of \$120 per month when calculating the AFDC benefit level, but will have flexibility to establish higher earnings disregard amounts to encourage work. In addition, States will have the option to increase the current \$50 per month amount of child support paid by the

noncustodial parent and passed through to the custodial parent (before the remaining child support is used to reimburse the State for the cost of welfare). All disregards and the child support pass-through will be indexed to inflation to ensure that recipients who work or receive child support will be treated consistently in the future.

At present, only a small percentage of EITC claimants take advantage of the option to receive part of the EITC in advance payments throughout the year. While the reasons vary for the low utilization rate, it is partly due to a lack of information and the fact that employers are responsible for determining eligibility and administering the payments. Public agencies that deal directly with welfare recipients are uniquely positioned to ensure that the advance payment option is used frequently and appropriately. The proposal will allow States to conduct demonstration projects to make advance payments of the EITC available to eligible residents through a State agency. Welfare recipients could particularly benefit from receiving the EITC in advance payments throughout the year because they would experience the rewards from work on a more timely basis.

The final critical component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children. The Federal Government currently subsidizes child care for low-income families primarily through the open-ended entitlement programs (AFDC/JOBS Child Care and Transitional Child Care), a capped entitlement program (At-Risk Child Care), and a discretionary program (the Child Care and Development Block Grant, or CCDBG). Working AFDC recipients are also eligible for the child care disregard, although in many places it is too low to cover the cost of care (a maximum of \$200 a month for infants and \$175 a month for all other children). The dependent care tax credit, which helps middle-income Americans, is seldom available for low-income families because it is not refundable.

Current child care programs do not provide sufficient support for working-poor families. In addition, the separate programs are governed by inconsistent legislation and regulations, making it difficult for States and parents to interact with a coherent system of care. Finally, there are problems with quality and supply of care, especially for infants and toddlers.

SUMMARY OF PROPOSAL

There are two main parts of the proposal designed to make work pay for low-income families. First, we will improve child care programs for families on public assistance and poor working families. Second, we will allow States to reward work by changing the amount of earned income and child support payments that can be disregarded in calculating benefit levels, and to conduct demonstrations to distribute the EITC on an advanced basis.

Improve Child Care for Low-Income Families

- Maintain the child care guarantee
- Increase child care funds for low-income working families
- Address quality and supply
- Coordinate rules across all child care programs
- Create equity for participants using the child care disregard

Other Provisions to Make Work Pay

- Allow States to reward work and the payment of child support
- Permit demonstrations in four States to provide advance payments of the EITC through State agencies

CHILD CARE

This welfare reform proposal will increase child care funding both for families on cash assistance and for working families not eligible for cash assistance. In addition, the proposal focuses on creating a simplified child care system and on ensuring that children are cared for in safe and healthy environments. The proposal includes the following:

Maintain the Child Care Guarantee

People on public assistance will continue to receive child care assistance while working or in education or training. Those who leave welfare will continue to receive a year of Transitional Child Care. The child care guarantee will be extended to the WORK program.

Increase Child Care Funds for Low-Income Working Families

We also propose significant new funding for child care programs available to low-income, working families. The At-Risk Child Care Program, a capped entitlement 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 program significantly and to make the match rate consistent with the new enhanced match rate in other Title IV-A programs.

It is hard to argue that low-income working families who have never been, or are no longer, on welfare are less needing or deserving of child care subsidies than people who are on welfare. While this proposal does not provide a child care guarantee for all working poor families, it does provide a major increase in support for them as well as for those on or moving off welfare.

In addition, the Administration's fiscal year 1995 budget calls for a 22 percent increase in funding for the Child Care and Development Block Grant (CCDBG). These funds support both services and quality improvements.

Address Quality and Supply

The goal of our child care proposal is to attain a careful balance between the need to provide child care support to as many low-income families as possible and the need to ensure the safety and healthy development of children. We are also concerned that there are specific child care supply problems in some geographic areas and for some children—especially infants and toddlers.

We will provide a set-aside in the At-Risk program to address quality improvements and supply issues. Quality improvements will include a range of activities such as resource and referral programs, grants or loans to assist in meeting State and local standards, and monitoring for compliance with licensing and regulatory requirements. Supply issues will include a special focus on the development and expansion of infant and toddler care in low-income communities.

Coordinate Rules Across All Child Care Programs

We will help States to use Federal programs to create seamless coverage for persons who leave welfare for work. States will be required to establish sliding fee scales and report consistently across programs. They will be able to place all Federal child care funding in one agency. Efforts will be made to link Head Start and child care funding streams to enhance quality and comprehensive services.

Children should be cared for in healthy and safe environments. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant (CCDBG) program. These State-defined health and safety standards, together with two new Federal standards on immunization and prohibiting access to toxic substances and weapons, are effective, feasible requirements designed to protect the health and safety of children. Except for these new Federal expectations related to hazardous substances and immunization, States will continue to establish their own standards; as a result, this change should not have a significant effect on many States. We do not believe the immunization standard should vary from State to State. Finally, we propose to ensure that all child care programs assure parental choice of providers, provide parents information on their child care options, and establish a system for parental complaints.

Create Equity for Participants Using the Child Care Disregard

There is a particular problem with the AFDC income disregard for child care, since it is based on a low maximum monthly payment of \$175 per child (\$200 for infant care), and because the disregard is effective only after families incur child care expenses, resulting in a cash-flow problem for many poor families. Simply raising the dollar amount of the disregard inadvertently makes a number of new families eligible for AFDC. At the same time, eliminating the disregard will make families ineligible. Therefore, to achieve equity, we propose requiring States either to offer supplemental payments or to provide working families at least two options for payment of child care costs (the disregard and one other payment mechanism).

OTHER PROVISIONS TO MAKE WORK PAY

Allow States to Reward Work and the Payment of Child Support

The existing set of AFDC earnings disregard rules makes work an irrational option for many recipients, particularly over time. Currently, all income received by an AFDC recipient or applicant is counted against the AFDC grant except income that is explicitly excluded by definition. States are required to disregard income in several ways: For each of the first four months of earnings, recipients are allowed a \$90 work expense disregard and another \$30 disregard. Also, one-third of remaining earnings are disregarded. After four months, the one-third disregard ends. The \$30 disregard ends after 12 months. In addition, a child care expense disregard of \$175 per child per month (\$200 if the child is under 2) is permitted to be calculated. Currently, \$50 in child support is passed through to AFDC families with established awards. The EITC is also disregarded in determining AFDC eligibility and benefits.

This proposal will eliminate the current set of disregard rules and establish a much simpler minimum disregard policy at the Federal level. (The child care disregard will remain as described above.) We will allow considerable State flexibility in establishing policies beyond the minimum. Our proposal includes the following four components:

- Require States to disregard at least \$120 in earnings, indexed for inflation, without regard to time on AFDC. This is equivalent to the \$90 and \$30 income disregards that families now get after four months of earnings.
- Give States the flexibility to establish their own earned income disregard policies on income above these amounts.
- Allow States complete flexibility in determining which types of income should be considered in developing a "fill-the-gap" policy (i.e., income from earnings, child support or all forms of income). Currently, if States fill the gap, they must apply all forms of income.
- The AFDC \$50 pass-through of child support payments will be indexed for inflation; States will have the option to pass through additional payments above this amount.

This proposal will yield a simpler system for recipients and caseworkers alike. It maximizes State flexibility and makes work a more attractive, rational option. By allowing workers to keep more of their earnings, it will increase the economic well-being of those workers.

1. Each State establishes an AFDC need standard (the income the State decides is the amount essential for basic consumption items) and an AFDC payment standard (100 percent or less of the need standard). Benefits are generally computed by subtracting income from the payment standard. Under a "fill-the-gap" policy, benefits are computed by subtracting income from the higher need standard.

Permit States to Provide Advance Payments of the EITC through State Agencies

Under current law, low-income workers with children can elect to obtain up to 60 percent of the credit in advance payments through their employers, and claim the balance of the credit upon filing their income tax returns. An employee choosing to receive a portion of the EITC in advance files a W-5 form with his or her employer, and the employer calculates the advanced EITC payment based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck.

Despite the overall success of the EITC, its delivery could be improved, particularly by enhancing the probability that the EITC will be claimed in advance throughout the year rather than as a year-end, lump-sum payment. Recent data indicates that fewer than one percent of EITC claimants have received the credit through advance payments through their employers. While the reasons for the current low utilization rate are not fully known, a recent GAO study found that many low-income taxpayers were unaware that they could claim the credit in advance. Welfare recipients, in particular, could benefit from receiving the credit at more regular intervals throughout the year. By receiving the credit as they earn wages, workers would experience a direct link between work effort and EITC.

This proposal will allow up to four States to conduct demonstrations to promote the use of the advance payment option of the EITC by shifting the outreach and administrative burden from employers to selected public agencies. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Services Offices, and State finance and revenue agencies. Where appropriate, States may coordinate advance payments of the EITC with payments of other Federal benefits (such as food stamps) through electronic benefit technology. Technical assistance will be provided by the Federal government, and each demonstration will be rigorously evaluated.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although many 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.

Teenage pregnancy is a particularly troubling aspect of this problem. The number of births to teen unwed mothers (under age 20) has quadrupled in the last 30 years, from 92,000 in 1960 to 368,000 in 1991. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has resulted in more pregnancies. According to the Annie E. Casey Foundation, almost 80 percent of the children born to unmarried teenage high school dropouts live in poverty. In contrast, the poverty rate is only eight percent for children of young people who deferred childbearing until they graduated from high school, were twenty years old, and married. Teenage childbearing often leads to school drop-out, which results in the failure to acquire the education and skills that are needed for success in the labor market. The majority of these teenagers end up on welfare, and according to Advocates for Youth (formerly the Center for Population Options) the annual cost to taxpayers is about \$34 billion to assist families begun by a teenager.

Both parents bear responsibility for providing emotional and moral guidance, as well as economic support, to their children. Teenagers who bring children into the world are not yet equipped to discharge this fundamental obligation. If we wish to reform welfare and put children first, we must find effective ways of discouraging pregnancy among young people who cannot provide this essential support. We must send a clear and unambiguous signal -- you should not have a child until you are able to provide for and nurture that child.

For those who do become parents, we must send an equally clear message that they will have to take responsibility, even if they do not live with the child. 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 by the Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid. Thus, we have a potential collection gap of about \$34 billion.

The current system sends the wrong signals: all too often noncustodial parents are not held responsible for the children they bring into the world. Only about half of all custodial parents receive any child support, and only about one-third of single mothers (both never-married and formerly-married) receive any child support. The average amount paid is just over \$2,000 for those due support. Among never-married mothers, only 15 percent receive any support. Further, paternity is currently being established in only one-third of cases where a child is born out of wedlock.

The child support problem has three main elements. First, for the majority of children born out of wedlock, a child support order is never established. Roughly 57 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, when awards are established, they are often too low and have not sufficiently kept up with changes in the earnings of the noncustodial parent over time. Fully 22 percent of the potential gap can be traced to awards that were either set very low initially or never adjusted as incomes changed. Third, of awards that are established, the full amount of child support is not paid in half the cases. Thus the remaining 21 percent of the potential collection gap is due to failure to fully collect on awards already in place.

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. When parents fail to provide support, the children pay — and so do we. Still, 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. Parents who pay child support restore a connection that both they and their children need.

SUMMARY OF PROPOSAL

The ethic of parental responsibility is fundamental. No one should bring a child into the world until both parents are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it. First, we propose a national effort to prevent teen pregnancy. Second, we need special efforts to encourage responsible parenting among those on assistance, especially very young mothers. Third, we must collect more child support on behalf of all children living in single-parent families.

Reducing Teen Pregnancy and Out-of-Wedlock Births

- Lead a national campaign against teen pregnancy
- Establish a national clearinghouse on teen pregnancy prevention
- Provide teen pregnancy prevention grants
- Conduct comprehensive service demonstrations of various prevention approaches

Incentives for Responsible Behavior

- Require minor parents to live at home
- Require school-age parents to stay in school
- Allow States to limit additional benefits for additional children conceived while on AFDC
- Allow States to provide a variety of incentives to reward responsible behavior

Child Support Enforcement

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed
- Child support enforcement and assurance demonstrations
- Enhance responsibility and opportunity for noncustodial parents

REDUCING TEEN PREGNANCY AND OUT-OF-WEDLOCK BIRTHS

We need to send a strong signal that it is essential for young people to delay sexual activity, as well as having children, until they are ready to accept the responsibilities and consequences of these actions. It is critical that we help all youth understand the rewards of staying in school, playing by the rules, and deferring childbearing until they are married, able to support themselves, and able to nurture their offspring. We have four proposals in this area:

National Campaign Against Teen Pregnancy. The President will lead a national campaign against teen pregnancy that challenges all aspects of society -- business, national and community voluntary organizations, religious institutions, and schools -- to join in the effort to reduce teen pregnancy. The campaign will emphasize the broader themes of economic opportunity, along with the personal responsibility of every family in every community. Government has a role to play in preventing teen pregnancy, but the massive changes in attitudes and behavior that have occurred in recent decades cannot be dealt with by Government alone.

National and individual goals will be established to define the mission and to guide the work of the national campaign. The goals will focus on measurable aspects of the broader opportunity and responsibility message for teen pregnancy prevention, such as graduating from high school; deferring childbearing until one is economically and emotionally prepared to support a child; and accepting responsibility for the support of one's children.

A non-profit, non-partisan privately funded entity committed to these goals will be established to pull together national, State, and local efforts through the media, schools, churches, communities, and individuals. Its membership will be broad-based, including youth, elected officials at all levels of government, and members of religious, sports, and entertainment communities. In addition, a Federal interagency group will provide information and coordinate the range of Federal programs in this area across program and department lines.

A National Clearinghouse on Teen Pregnancy Prevention. A National Clearinghouse on Teen Pregnancy Prevention will be established to serve as a national center for the collection and dissemination of information related to teen pregnancy prevention programs. Such information will include curricula, models, materials, training, and technical assistance. The Clearinghouse could also develop and sponsor training institutes for teen pregnancy prevention program staff and could conduct evaluations of prevention programs.

Teen Pregnancy Prevention Grants. To be most effective, a prevention strategy must begin with pre-teens, focus initially on the young people who are most at-risk, and emphasize school-based, school-linked activities and complementary community action. Under the Teen Pregnancy Prevention Grant Program, about 1,000 schools and community-based programs will be provided flexible grants, ranging between \$50,000 and \$400,000 each. Communities will be expected to use these funds to leverage other resources to implement teen pregnancy prevention programs that have local community support. Funding will be targeted to schools with the highest concentration of at-risk youth and will be available to serve both middle- and high-school-age youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service. These grants will be coordinated with other Administration activities and will include an evaluation component.

Comprehensive Services Demonstration Grants to Prevent Teen Pregnancy in High Risk Communities. An effective approach to reducing teen pregnancy must jointly emphasize increased personal responsibility and enhanced opportunity. Particular emphasis must be paid to the prevention of adolescent pregnancy before marriage, including sex education, abstinence education, life skills education, and contraceptive services. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married.

However, for those populations where adolescent pregnancy is a symptom of deeper problems, a wider spectrum of services and more intensive efforts may be necessary.

For this reason, we propose comprehensive community-based demonstration grants of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions, and behaviors of youth. Local governments and local public and private non-profit organizations in high-poverty areas will be eligible to apply. Sites will be asked to cover five broad areas, with significant flexibility: health services, educational and employability development services, social support services, community activities, and employment opportunity development activities. The grants will follow a "youth development" model and will address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health, and education. These demonstrations will include a strong evaluation component and will be coordinated with other Administration activities.

INCENTIVES FOR RESPONSIBLE BEHAVIOR

Personal responsibility belongs at the heart of every government program. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities, hold the best chance of encouraging young people to defer parenthood. A boy who sees his brother required to pay about 20 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. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood and assist young parents become self-sufficient.

Along with responsibility, however, 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. We want to give States a broad range of incentives and requirements to reward responsible behavior:

Minor parents live at home. Teenagers who have children are still children themselves and need adult supervision and guidance. The welfare system should not encourage young people who have babies to leave home and receive a separate check. Minor parents will be required to live in their parents' household, except when, for example, the minor parent is married or there is a danger of abuse to the minor parent or her child. In such cases, States will be encouraged to find a responsible adult with whom the minor mother can live. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. This proposal will require minor parents to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual will be taken into account.

Requiring school-age parents to stay in school. States will be required to provide case management services to all custodial parents receiving AFDC who are under age 20. We will ensure that every school-age parent or pregnant teenager who is on, or applies for, welfare enrolls in the JOBS program, continues her education, and is put on a track to self-sufficiency. Every school-age parent receiving AFDC (male or female, case head or not) will be subject to JOBS participation requirements from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation will apply to teen parents.

State option to limit additional benefits for additional children conceived on AFDC. Currently, welfare benefits automatically increase with the birth of an additional child. Under the proposal, States will have the option to limit benefit increases when additional children are conceived by parents already on AFDC. States will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support, and to ensure that parents have access to family planning services.

State options for incentives to reward responsible behavior. States will be given the option to use monetary incentives combined with sanctions as inducements to encourage young parents to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities. This option is similar to Ohio's Learning, Earning, and Parenting (LEAP) program.

CHILD SUPPORT ENFORCEMENT

A typical child born in the United States today will spend some time in a single-parent home. The evidence is clear that children benefit from the financial support and interaction of both parents – single parents cannot be expected to do the entire job of two parents. 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 by The Urban Institute suggest that the potential for child support collections is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 billion is actually paid.

The problem is essentially threefold. First, for many children born out of wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases. Our proposal addresses each of these shortcomings.

Establish Awards in Every Case

The first step in ensuring that a child receives financial support from the noncustodial parent is the establishment of a child support award. Roughly 57 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. Paternity, a prerequisite to establishing a support award, has not been established in about half of these cases. States currently establish paternity for only about one-third of the out-of-wedlock births and typically try to establish paternity only after women apply for welfare.

Paternity establishment is the first crucial step toward securing an emotional and financial connection between the father and the child. Recognizing the critical importance of establishing paternity for every child, the Administration has already launched a major initiative in this direction by the creation of in-hospital paternity establishment programs passed as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). Research suggests that the number of paternitys established can be increased dramatically if the process begins at birth or shortly thereafter, when the father is most likely to be present.

Parenting a child must be seen as an important responsibility that has consequences. For young fathers, this means that parenting a child will have real financial consequences for the support of that child. The responsibility for paternity establishment should be made clearer for both the parents and the agencies. If an AFDC mother provides verifiable information about the father, State agencies must establish paternity within strict timelines.

This proposal expands the scope and improves the effectiveness of current State paternity establishment procedures.

Streamlining the Paternity Establishment Process. The legal process for establishing paternity will be streamlined so that States can establish paternity quickly and efficiently. Early voluntary acknowledgement of paternity will be encouraged by building on the present in-hospital paternity establishment programs. For those cases that remain, States will be given additional tools they need to process routine cases without having to depend so heavily on already over-burdened courts.

Cooperation from Mothers as a Condition of AFDC Benefits. The responsibility for paternity establishment will be made clear both to parents and the agencies. Mothers who apply for AFDC must cooperate fully with paternity establishment procedures prior to receiving benefits and will be held to a new, stricter definition of cooperation which requires that the mother provide the name and other verifiable information that can be used to locate the father. The process for determining cooperation will also be changed -- "cooperation" will be determined by the child support worker, rather than the welfare caseworker, through an expedited process that makes a determination of cooperation before an applicant is allowed to receive welfare benefits. Those who refuse to cooperate will be denied AFDC benefits. Good cause exceptions will continue to be provided in appropriate circumstances. In turn, once an AFDC mother has cooperated in providing information, States will have one year to establish paternity or risk losing a portion of their Federal match for benefits.

Paternity Outreach. Outreach and public education programs aimed at voluntary paternity establishment will be greatly expanded in order to begin changing the attitudes of young fathers and mothers. Outreach efforts at the State and Federal levels will promote the importance of paternity establishment, both as a parental responsibility and as a right of the child to know both parents.

Paternity Performance and Measurement Standards. States will be encouraged to improve their paternity establishment rates for all out-of-wedlock births, regardless of welfare status, through performance-based incentives. A new paternity measure will be implemented that is based on the number of paternities established for all cases where children are born to an unmarried mother.

Administrative Authority to Establish Orders Based on Guidelines. Establishing support awards is critical to ensuring that children receive the support they deserve. Child Support (IV-D) agencies will be given the administrative authority to establish the child support award in appropriate cases, based on State guidelines.

Ensure Fair Award Levels

Fully 22 percent of the potential child support collection gap can be traced to awards that are either set very low initially or are not adjusted as incomes change. All States are currently required to use presumptive guidelines for setting and modifying all support awards but they have wide discretion in their development and the resulting award levels vary considerably across States. For example, in

one study, the minimum amount of support due from low-income noncustodial parents required to pay support for one child varied from \$259 per month in Alabama, to \$241 in California, \$50 in Massachusetts, and \$25 in New York. While the use of State-based guidelines has led to more uniform treatment of similarly-situated parties within a State, there is still much debate concerning the adequacy of support awards resulting from guidelines.

Another concern is the failure to update awards as the circumstances of the parties change. Although the circumstances of both parents (including their income) and the child typically change over time, awards often remain at their original level. Updating typically increases awards over time because the noncustodial parent's income generally increases after the award is set, while inflation reduces the value of awards. However, the noncustodial parent who loses his job or experiences a legitimate drop in earnings would also benefit from updating because adjusting their awards will reduce the accumulation of arrearages.

This proposal seeks to reduce the impact of inadequate child support awards and to provide distribution policies that enable families to more easily move from welfare to work.

Modifications of Child Support Orders. Universal, periodic, administrative updating of awards will be required for both AFDC and non-AFDC cases in order to ensure that awards accurately reflect the current ability of the noncustodial parent to pay support. The burden for asking for an increase, if it is warranted, will be lifted from the non-AFDC mother and it will be done automatically, unless both parents decline a modification.

Distribution of Child Support Payments. Child support distribution policies will be made more responsive to the needs of families by re-ordering child support distribution priorities. For families who leave welfare for work, pre- and post-AFDC child support arrearages will be paid to the family first. Families who unite or reunite in marriage will have any child support arrearages owed to the State forgiven under certain circumstances. States will also have the option to pay current child support directly to families who are recipients. Families often remain economically vulnerable for a substantial period of time after leaving AFDC. In fact, about 45 percent of those who now leave welfare return within one year. More than 70 percent return within five years. Ensuring that all support due to the family during this critical transition period is paid to the family can mean the difference between self-sufficiency or a return to welfare.

National Commission on Child Support Guidelines. Under the proposal, a National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress on the desirability of uniform national guidelines or national parameters for setting State guidelines.

Collect Awards That Are Owed

The full amount of child support is collected in only about half the cases. Currently, enforcement of support cases is too often handled on a complaint-driven basis, with the IV-D agency taking enforcement action only when the custodial parent pressures the agency to do so. Many enforcement steps require court intervention, even when the case is a routine one. And even routine enforcement measures often require individual case processing, as opposed to being able to rely on automation and mass case processing.

This proposal includes provisions for central registries and other tools to improve both intra- and interstate enforcement.

State Role. A State-based system will continue, but with bold changes which move the system toward a more uniform, centralized, and service-oriented program. The need has grown for one central State location to collect and distribute payments in a timely manner. The ability to maintain accurate records that can be centrally accessed is critical. All States will maintain a central registry and centralized collection and disbursement capability. The registry will maintain current records of all support orders and work in conjunction with a centralized payment center for the collection and distribution of child support payments. The State-based central registry of support orders and centralized collection and disbursement will enable States to make use of economies of scale and use modern technology, such as that used by business – high speed check processing equipment, automated mail and postal procedures, and automated billing and statement processing.

Centralized collection will vastly simplify withholding for employers since they will only have to send payments to one source. In addition, this change will ensure accurate accounting and monitoring of payments. State staff will monitor support payments to ensure that the support is being paid, and they will be able to impose certain enforcement remedies at the State level administratively and automatically. Thus, routine enforcement actions that can be handled on a mass or group basis will be imposed through the central State offices using computers and automation. For States that opt to use local offices, this will supplement, but not replace, local enforcement actions.

In addition to the current State caseload, all new and modified orders for support will be included in the central registry and will receive child support enforcement services automatically, without the need for an application. Certain parents, provided that they meet specified conditions, can choose to make their payment outside the registry.

States must move toward a child support system for the 21st century. With 15 million cases and a growing caseload, this will not occur by simply adding more caseworkers. Routine cases have to be handled in volume. The central registry, centralized collection and disbursement system, increased administrative remedies, and overall increase in automation and mass case processing are all necessary for the operation of a high performing and effective child support enforcement system. Giving State agencies the ability to take enforcement action immediately and automatically removes the burden of enforcing the obligation from the custodial parent, usually the mother.

Federal Role. The Federal role will be expanded to ensure efficient location and enforcement, particularly in interstate cases. In order to coordinate activity at the Federal level, a National Clearinghouse (NC) will be established, consisting of three components: an expanded Federal Parent Locator Service (FPLS), the National Child Support Registry, and the National Directory of New Hires.

Interstate Enforcement. New provisions will be enacted to improve State efforts to work interstate child support cases and to make interstate procedures more uniform throughout the country. The fragmented system of State child support enforcement has caused tremendous problems in collecting support across State lines. Given the fact that 30 percent of the current caseload involves interstate cases, and the fact that we live in an increasingly mobile society, the need for a stronger Federal role in interstate location and enforcement has grown. Many of the recommendations of the U.S. Commission on Interstate Child Support will be included to improve the handling of interstate cases.

such as the mandatory adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures to make the handling of interstate cases more uniform.

License Suspension. States will be required to use the threat of revoking professional, occupational, and drivers' licenses to make delinquent parents pay child support. This threat has been extremely effective in Maine, California, and other States.

Other Tough Enforcement Measures. To insure that people do not escape their legal and moral obligation to support their children, States will be given the enforcement tools they need, especially to reach the self-employed and other individuals who have often been able to beat the system in the past. Some of these tools include universal wage withholding, improved use of income and asset information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing bankruptcy-related obstacles, and authority to use the same wage garnishment procedures for Federal and non-Federal employees.

Training and Employment Programs for Noncustodial Parents. States will have the option of developing JOBS and/or work programs for noncustodial parents who have children receiving AFDC or who have child support arrearages owed to the State from prior periods of AFDC receipt by their children. A State could allocate a portion of its JOBS and WORK funding for training, work readiness, and work opportunities for noncustodial parents. Requiring noncustodial parents to train or work off the child support they owe appears to increase collections dramatically – most noncustodial parents pay their support rather than perform court-ordered community service. For those without job skills or jobs, these programs provide the opportunity for noncustodial parents to fulfill their child support obligations.

Performance-Based System. The entire financing and incentive scheme will be reconstructed, offering States new performance-based incentive payments geared toward desired outcomes. Federal technical assistance will be expanded to prevent deficiencies before they occur. While penalties will still be available to ensure that States meet program requirements, the audit process will emphasize a performance-based, "State-friendly" approach. There is almost universal agreement that the current funding and incentive structure fails to achieve the right objectives. These new tools can only be used effectively if States have the necessary funding and incentives to run good programs.

Child Support Enforcement and Assurance (CSEA) Demonstrations

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, sometimes followed by a large arrearage payment. In other cases, the father is unemployed and cannot pay that month. In still other cases, the State simply fails in its duties to collect money owed. The proposal calls for a limited number of time-limited Child Support Enforcement and Assurance demonstrations which will attempt to link expanded efforts at child support collections to some level of guarantee that a child will receive a child support payment on a consistent basis. Under this experiment, persons with an award in place would be guaranteed a minimum level of support – for example, \$2,000 annually for one child and \$3,000 for two. This does not relieve the noncustodial parent of any obligations. It simply ensures that the child will get some money even if the State fails to collect it immediately.

Child support enforcement and assurance is meant to test ways to ease the difficult task of moving people from welfare to work. It is designed to allow single parents to count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent becomes unemployed or cannot pay child support. States that try this demonstration will have the option to link it with programs that require the noncustodial parent to work off the amount owed.

CSEA protection will be provided only to custodial parents who have a child support award in place, so mothers should have more incentive to cooperate in the identification and location of the noncustodial father, since they will be able to count on receiving benefits. CSEA benefits will normally be subtracted dollar for dollar from welfare payments. In most States, a woman on welfare will be no better off with CSEA, but if she leaves welfare for work, she can still count on her child support payments. Thus, work should be much more feasible and attractive.

Enhance Responsibility and Opportunity for Noncustodial Parents

There is considerable overlap between issues concerning child support enforcement and issues concerning noncustodial parents. The well-being of children who live with only one parent will be enhanced if emotional and financial support is provided by both of their parents. Yet, the current child support enforcement system is ill-equipped to handle cases in which noncustodial parents cite unemployment as the reason for their failure to make court-ordered support payments. It also pays scant attention to the needs and concerns of noncustodial parents -- instead of encouraging noncustodial parents to remain involved in their children's lives, the system often drives them away.

We need to make sure that all parents live up to their responsibilities. If we are going to expect more of mothers in welfare reform, we must not let fathers just walk away. A number of programs show considerable promise in helping noncustodial parents reconnect with their children and fulfill their financial responsibilities to support them. Some programs help parents do more by seeing that they get the skills they need to hold down a job and support their children. Other programs require noncustodial parents to work off the support they owe. It is also important to show parents who get involved in their children's lives again that when they pay child support, they restore a connection they and their children need.

This proposal will focus more attention on noncustodial parents and send a message that "fathers matter." The child support system, while getting tougher on those who can pay support but refuse to do so, will also be fair to those noncustodial parents who show responsibility toward their children.

Work and Training for Noncustodial Parents. States will have the option to use a portion of JOBS and WORK program funding 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. States will be able to choose to make participation by noncustodial parents mandatory or voluntary and will have considerable flexibility in designing their own programs.

Demonstration Grants for Paternity and Parenting Programs. Paternity and Parenting Demonstration grants will be made to States and/or community-based organizations to develop and implement noncustodial parent components in conjunction with existing programs for high-risk families (e.g., Head Start, Healthy Start, family preservation, teen pregnancy, and prevention). These grants will promote responsible parenting, emphasize the importance of paternity establishment and economic security for children, and develop parenting skills.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. These grants will be made to States for programs which reinforce the desirability of children having 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.

IMPROVING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission of assisting families in need, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and almost seems to invite waste and abuse.

SUMMARY OF PROPOSAL

Clearer Federal goals which allow greater State and local flexibility are critical. A central Federal role in information systems and interstate coordination will prevent waste, fraud, and abuse and will also improve service delivery at State and local levels. The proposal to reinvent government assistance contains three major components:

Coordination, Simplification, and Improved Incentives in Income Support Programs

- Allow States to eliminate special requirements for two-parent families
- Allow families to own a reliable automobile
- Allow families to accumulate savings
- Other coordination and simplification proposals
- Self-employment/microenterprise demonstrations
- Limit definition of essential persons

Accountability, Efficiency, and Reducing Fraud

- A nationwide public assistance clearinghouse
- State tracking systems
- Expansion of EBT systems

A Performance-Based System

- New performance measures and service delivery standards
- Improved quality assurance system
- Technical assistance

COORDINATION, SIMPLIFICATION, AND IMPROVED INCENTIVES IN INCOME SUPPORT PROGRAMS

Everyone from advocates to administrators is calling for simplification of the welfare system, and with good reason. The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complementary for related policy provisions. Standardization among programs will enable caseworkers to spend less time on determining eligibility for various programs and more time on developing and implementing strategies to move clients from welfare to work.

Some of these rules have led to criticism of the welfare system because it imposes a "marriage penalty" to recipients who choose to wed by potentially making the married-couple family ineligible for assistance. Eliminating the current bias in the welfare system against two-parent families will encourage parents to remain together and prevent one parent from leaving the home in order for the other parent to receive welfare for the children.

Economic security is a vital step towards leaving welfare permanently. Restrictive asset rules often frustrate the efforts of recipients to save money and subsequently hamper their ability to attain self-sufficiency. Changing the asset rules to allow recipients to accrue savings, own a reliable car, or even start a business is an important step in the right direction.

Allow States to Eliminate Special Requirements for Two-parent Families

AFDC eligibility for two-parent families is currently limited to those in which the principal wage earner is unemployed and has worked six of the last 13 quarters. "Unemployed" is defined as working less than 100 hours in a month. Under this proposal States may eliminate the special eligibility requirements for two-parent families, including the 100 hour rule, the 30 day unemployment requirement, and the employment test. For States that elect to maintain a 100 hour (or modified) rule, WORK program participation will not count toward the rule. In addition, this proposal removes the sunset provision that allows for the termination of the AFDC-UP program in September 1998, and makes it a permanent program. These changes will allow States to better address the needs of intact working poor families.

Allow Families to Own a Reliable Automobile

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program -- if we are expecting them to work, we should allow them to have a reliable car that will get them to work. A dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation. Both the AFDC and Food Stamp programs need a resource policy that supports acquiring reliable vehicles.

For AFDC, the permitted equity value for one car is set at \$1,500 or a lower value set by the State. In the Food Stamp Program, the portion of a car's fair market value in excess of \$4,500 is counted toward the resource limit, although a car of any value can be excluded in certain limited circumstances. In both programs the automobile limitations can be a substantial barrier to independence. Current AFDC policy would prevent total exclusion of most cars less than eight to ten years old. As part of welfare reform, the Secretary of Health and Human Services will exercise existing regulatory

authority to increase the AFDC automobile limit to an equity value of \$3,500, which is more compatible with the current Food Stamp fair market value limit.

Allow Families to Accumulate Savings

As part of the welfare reform effort, we will explore a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Encouraging welfare recipients to save money to build for their future and allowing them to accumulate savings for specific purposes will help promote self-sufficiency. Strategies will include raising the AFDC asset limit, conforming AFDC and Food Stamp program rules on what counts as an asset, and empowering welfare recipients to start their own businesses.

The very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures. We propose to develop uniform resource exclusion policies in AFDC and Food Stamps. This proposal will increase the AFDC resource limit (currently \$1,000) to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit and to encourage work and self-sufficiency.

The current inconsistency of asset rules across programs creates needless confusion and administrative complexity. We will take steps to reduce the administrative complexities that exist in the treatment of assets and resources for the purpose of determining eligibility for both the AFDC and Food Stamp programs in order to apply the same rules to the same resources for the same family. We will generally conform AFDC to Food Stamp policy regarding real property, cash surrender value of life insurance policies, and transfer of resources. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

Recipients will be permitted to accumulate savings in Individual Development Accounts (IDAs) for specific purposes such as post-secondary education expenses and first-home purchases. Subsidized IDAs, in which savings by recipients would be matched by Federal government dollars, will be tested on a demonstration basis. Non-recurring lump sum income will not be counted as a resource with respect to continuing eligibility to receive benefits in either AFDC or Food Stamps if put into an IDA.

Other Coordination and Simplification Proposals

Additional AFDC and Food Stamp program changes would simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Optional Retrospective Budgeting. The proposal will conform AFDC to the Food Stamp Program's more flexible requirements for reporting and budgeting income. Under Food Stamp Program rules, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. This proposal will foster consistency between the AFDC and Food Stamp programs and give States greater flexibility to administer their programs.

Treatment of income. Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. A number of changes are proposed to bring greater conformity between the AFDC and Food Stamp programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work. Several provisions will meet these objectives:

The proposal will exclude non-recurring lump sum payments from income for AFDC purposes, and disregard reimbursements and EITC as resources for both programs. Lump sum payments, such as EITC or reimbursements, will be disregarded as resources for one year from the date of receipt to allow families to conserve the payments to meet future living expenses. In addition, we will disregard all education assistance received by applicants and recipients in both the AFDC and Food Stamp programs. The earnings of most elementary and secondary students up to age 19 will be disregarded, as will all training stipends and allowances, including JTPA. In-kind income, both earned and unearned will be disregarded. Food Stamp rules will conform to AFDC to exclude inconsequential income up to \$30 per individual per quarter. Allowances, stipends, and educational awards received by volunteers participating in a National Service Program will be disregarded for AFDC purposes to conform to Food Stamp policy. Targeted earned income disregards for on-the-job training programs or jobs will be eliminated.

Together these proposals will make the treatment of income simpler for both recipients and welfare officials to understand. They will make work and education a more attractive, rational option for those who would continue to receive assistance and they will improve the economic well-being of those who need to combine work and welfare.

Other Conformities. We propose conforming and streamlining AFDC and Food Stamp policies regarding underpayments and verifications. Underpayments will be restored to both current and former recipients for amounts underpaid due to agency error for a period not to exceed 12 months. While verification of information needed for eligibility and benefit determinations will continue to be critical to delivering assistance, States will be given flexibility to simplify verification systems, methods, and timeframes for income, identity, alien status, and Social Security Numbers. AFDC requirements concerning declaration of citizenship and alien status will be amended to conform to Food Stamp policy. States will be permitted to implement Federal income tax intercept programs to collect outstanding AFDC overpayments, as currently available for Food Stamps.

Territories. The territories operate AFDC, Aid to the Aged, Blind, and Disabled, JOBS, child care, and Foster Care programs under the same eligibility and payment requirements as the States. However, funding for these programs is capped for the territories. Benefit payments above the cap are financed 100 percent by the territories. The caps are \$82 million for Puerto Rico, \$3.8 million for Guam, and \$2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased only once, by roughly 13 percent. The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase, benefits. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families.

This proposal will continue to give territories the authority to operate public assistance programs and adequate means to do so. We will increase the current caps by 25 percent to create realistic funding levels for the territories that are reflective of the current economy and caseload. We will also create a mechanism for indexing the caps to provide for occasional adjustments in funding levels to guarantee that funding is linked to economic conditions. Requirements to operate AFDC-UP programs in the territories will be eliminated. In addition, territories will be permitted, but not required, to implement a two-year time limit and the WORK program.

Self-Employment/Microenterprise Demonstrations

The proposal includes a self-employment/microenterprise demonstration program. This program will attempt to promote self-employment among welfare recipients by providing access both to microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance by encouraging persons on assistance to start microenterprises (small businesses). In addition, authority will be granted to the Departments to develop joint regulations to exclude resources necessary for self-employment.

Limit Definition of Essential Persons

Under current law, States are permitted, at their option, to include in the AFDC grant benefits for persons who are considered essential to the well-being of an AFDC recipient in the family. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because of the benefits or services they provide to the family. Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. This proposal will limit the kinds of individuals that a State may identify as "essential" to eliminate the loophole that allows families to bring relatives like adult siblings into the AFDC unit regardless of the role they play in the family. We propose defining essential persons as only those who: (1) provide child care that allows the caretaker relative to pursue work and education, or (2) provide care for an incapacitated AFDC family member in the home.

ACCOUNTABILITY, EFFICIENCY, AND REDUCING FRAUD

Improvements in administration of welfare programs through the use of computerized information systems began in the late 1970s, but efforts have been sporadic, fragmented, and have resulted in varying degrees of sophistication, often depending on available funding incentives. Many of these systems have serious limitations, including limited flexibility, lack of interactive access, and limited ability to electronically exchange data. Multiple and uncoordinated programs and complex regulations almost seem to invite waste, fraudulent behavior, and simple error.

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks will permit the development of an information infrastructure and system that is able to eliminate the need for clients to access different entry points before receiving services; eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures; fully share computer data

with programs within the State and among States; and provide the kind of case tracking and management that will be needed for a time-limited welfare system.

We are proposing to make use of new technology and automation to develop an information infrastructure that allows State-level integration and interfacing of multiple systems (including AFDC, food stamps, work programs, child care, child support enforcement, and others) and offers the chance to implement transitional programs which ensure quality service, fiscal accountability, and program integrity. States will be able to use the location and receipt of AFDC and the names and Social Security Numbers of members of AFDC families to detect and prevent fraud and abuse. Such information, either alone or by matching it with other data sources, will allow States to prevent, for example, clients from receiving benefits in multiple locations, from claiming non-existent children, and from claiming children by more than one family.

Partly as a result of increasing the detection of fraud and abuse and partly as a result of changing the culture of the welfare system, much fraud and abuse will be prevented or deterred before it occurs. For instance, people who currently have unreported jobs, but are fraudulently getting cash assistance, will be "smoked-out" because the JOBS plus WORK requirements will prevent them from working at their unreported employment. In the face of increased likelihood of detection of fraud and abuse, others may decide not to come onto the rolls at all or, once on, may decide to actively pursue self-sufficiency.

Program integrity activities will focus on ensuring overall payment accuracy and on the detection and prevention of recipient, worker, and vendor fraud. The new systems at the local, State, and Federal levels will dramatically increase the ability to detect many kinds of fraud and abuse. To support the broader information needs, the new information infrastructure needs to include both a national data clearinghouse to coordinate data exchange, as well as enhanced State and local information processing. In sum, the new welfare system, on the one hand, will provide government agencies enhanced tools to detect fraud and abuse and will prevent and deter clients from engaging in such activities and, on the other, will encourage clients to participate more actively in their own self-improvement.

A nationwide public assistance clearinghouse will be created which will be a collection of abbreviated case and other data. The clearinghouse will maintain at least the following data registries: the National Directory of New Hires with employment data including new hires; an expanded Federal Parent Locator Service; the National Child Support Registry of data on noncustodial parents who have support orders; and the National Welfare Receipt Registry to assist in operating a national time-limited assistance "clock" by tracking people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or collect benefits in two jurisdictions simultaneously.

State tracking systems will follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the appropriate training and placement services.

Expansion of EBT systems. As part of the National Performance Review, Vice President Al Gore charged a Federal Task Force representing the Departments of Health and Human Services, Agriculture, Education, Treasury, the Office of Personnel Management, and the Office of Management and Budget to develop a strategic plan for a nationwide system to deliver government benefits, including welfare assistance, electronically. In its recent report, the Task Force sets forth a vision for implementation of a uniform, integrated national system for Electronic Benefits Transfer (EBT) by 1999.

This system will replace today's multiple paper systems and provide better service to benefit recipients without bank accounts and Food Stamp recipients at a lower cost to the taxpayer. Under EBT, recipients will receive a single EBT card which they could use at ATM or point-of-sale (POS) machines in stores and other locations to electronically access one or many types of benefits, from welfare to Social Security. The card helps to eliminate the stigma associated with cashing a government disability or welfare check or using food stamps at a grocery store, and can help restore the self-esteem needed for work and independence. EBT also eliminates much of the high risk of theft associated with getting a benefit check in the mail and with cashing it for its full value. Recipients can access their benefits at their convenience (compatible with their work or training schedule) without incurring check cashing fees. And, since using an EBT card is like using a bank card, recipients will be better prepared to participate in the economic mainstream of the community as they begin to work.

An EBT system has great long-term potential for better coordination of Federal benefit programs. At least 12 Federal and State assistance programs could use EBT to replace their paper benefit delivery methods. Once the full range of programs is included, a nationwide EBT system could deliver at least \$111 billion in benefits annually.

A PERFORMANCE-BASED SYSTEM

One objective of welfare reform is to transform the culture of the welfare system -- from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources, to a system that focuses equal attention on the task of integrating their adult caretakers into the economic mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The Secretary of Health and Human Services will develop a system of performance standards which measures States' success in moving clients toward self-sufficiency and reducing their tenure on welfare. The system will be developed and implemented over time; interested parties will be included in the process for determining outcome-based performance measures and standards.

Until a system incorporating outcome-based standards can be put into place, State performance will be measured against service delivery standards. These standards will be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States are providing services needed to convert welfare into a transitional support system. The new service delivery measures for JOBS are designed to see that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect, States also will be subject to performance standards under the WORK program to ensure that recipients are provided with jobs when they reach the time limit. Until automated systems are operational and

reliable, State performance vis-a-vis these service delivery measures will be based on information gathered through a modified Quality Control system.

New Performance Measures and Service Delivery Standards

Consistent with the theme of "reinventing government," State performance in accomplishing the goals of this reform initiative will ultimately be judged on the basis of outcomes rather than inputs or effort -- by the results they achieve rather than the way they achieve those results. An outcome-based performance standards system will keep the focus of welfare reform on the goals of moving recipients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

In order to change the focus of the welfare system, the outcome-based performance standards system will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. Recognizing the complexity of this task, this proposal adopts a prudent strategy that moves forcefully, yet with reasonable caution, in the direction of developing an outcome-based performance system. Performance measures will be developed first, and then standards of performance with respect to those measures will be set. Relevant parties will be consulted during this process to ensure that consideration is given to important measurement issues such as what would be an appropriate set of measures, what kind of realistic standards should be set with respect to those measures, and what the consequences should be for failing to meet established standards.

For the purposes of accountability and compliance, service delivery measures will be implemented first to ensure that welfare systems are operating the program for the phased-in mandatory population as intended. The new performance system will provide rewards and penalties for State performance through adjustments to the State's claims for Federal matching funds on AFDC payments and bonus payments to States. The measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States will be subject to service delivery standards and financial incentives in the following areas: the cap in deferrals, a monthly participation rate in JOBS, the cap on JOBS extensions, State accuracy in keeping the two-year clock, and a participation rate in WORK.

Improved Quality Assurance System

As part of the effort to refocus the welfare system, the Quality Control (QC) system will be revised to include outcome and service delivery standards in addition to ensuring that income support is provided competently. The existing QC system focuses on how well the welfare system's income support function is performed to the exclusion of other system goals. This emphasis shapes the atmosphere (the "culture") within welfare agencies, how personnel are selected and trained, how administrative processes are organized, and how organizational rewards are allocated. Moving to the new system envisioned by this proposal will present implementation and operational challenges that make the current system of judging performance inadequate.

The new, broader, QC system will give equal priority to payment accuracy and the other designated performance standards. It will include improving the accuracy of benefit and wage payments in the AFDC and WORK programs, assessing the quality and accuracy of State-reported JOBS/WORK data, and measuring the extent to which performance standards are met.

Technical Assistance

Welfare reform seeks nothing less than a change in the culture of the welfare system. This necessitates making major changes in a system that has primarily been issuing checks for decades. Now we will be expecting States to change individual behavior and their own institutions so that welfare recipients will be moved into mainstream society. This will not be done easily. We envision a major role for evaluation, technical assistance, and information sharing.

Initially, States will require considerable assistance as they design and implement the changes required under this proposal. As one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We will reserve two percent of the total annual capped entitlement funding for the Secretary of Health and Human Services to be spent on JOBS, WORK, and child care for research, demonstrations, evaluation, and technical assistance. In addition, the level of Federal technical assistance provided to State child support agencies will be expanded to prevent deficiencies before they occur.

CONCLUSION

If welfare reform is to truly succeed, it must accomplish multiple and varied objectives. The current welfare initiative will focus on work, responsibility, family and opportunity, all important principles which are difficult to quantify. However, we are confident that enactment of the Administration's welfare reform proposal will result in positive and tangible impacts. By sending a strong signal that young people should delay childbearing until they are prepared to accept the ensuing responsibilities, we will reduce teen pregnancies and the number of children born out of wedlock. By streamlining the paternity establishment process, more children will have the benefit of knowing who their father is. By significantly strengthening our child support enforcement system and by providing incentives and opportunities for noncustodial parents, we will dramatically increase the amount of support paid to children in this country. By expanding child care provided to working families, allowing States to disregard additional earnings and child support and making the EITC available on a regular basis, we will make work a rational and desirable choice for welfare recipients and those at-risk of going on welfare. By expanding the JOBS program and imposing time limits and work requirements, we will restore the values of work and responsibility within the public assistance system. This will increase the number of custodial parents who enter the labor force and increase earnings for their families. And finally, by streamlining and simplifying government assistance programs, we will eliminate outdated and inefficient bureaucratic rules and improve incentives for recipients and welfare officials alike.

In summary, this proposal does "end welfare as we know it" by dramatically changing the values, expectations and incentives within our current welfare system. Ultimately, this plan is about improving the lives of children and families by encouraging the values of work, responsibility, family and opportunity. Rewarding work and responsibility over welfare will make families stronger and our children and our society better off.

**WORK AND RESPONSIBILITY ACT
OF 1994**

COSTS

Work and Responsibility Act of 1994

Five-Year Cost Summary¹

(\$ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other ²	1.7
Total	10.8
Net savings ³	(1.5)
Net total	9.3

¹ Budget outlays

² Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

³ From caseload reductions and reduced fraud

**SUMMARY OF ADMINISTRATION'S WELFARE REFORM
COST ESTIMATES
(in billions)**

	Five-Year Federal Costs
Transitional Assistance Followed by Work	
Additional Education, Training and Placement Spending	2.8
WORK Spending (including Noncustodial Parents)	1.2
Additional Child Care Spending for Program Participants	2.7
Investments in Automation	.8
Subtotal	7.5
Savings from Caseload Reductions and Reduced Fraud	(1.5)
Subtotal, Transitional Assistance	6.0
Making Work Pay	
Working Poor Child Care Expenditures	1.5
State Flexibility on Earned Income and Child Support Disregards	.2
State Demonstrations to Advance EITC	.1
Subtotal, Making Work Pay	1.8
Prevention/Parental Responsibility	
Teenage Pregnancy Prevention Grants	.3
Child Support Enforcement and Demonstrations	.6
State Option to Limit Additional Benefits to Additional Children/Minor Parents	(.1)
Subtotal, Prevention/Parental Responsibility	.8
Improving Government Assistance (IGA)	
Remove Two-Parent (UP) Restrictions	.2
IDA/Microenterprise Demonstrations	.1
Conform Resource Limit, Income Definitions and Other	.2
Subtotal, IGA	.5
Net Medicaid Impact	.2
TOTAL	9.3

COSTS

In any welfare reform plan, up-front investments in education, training and placement services, child care, and the development of work opportunities and automation are required. The costs of welfare reform to the Federal government in our plan are estimated at \$9.3 billion over five years. The cost package is modest and carefully matched to financing.

Costs gradually increase over the five-year period, reaching an annual level of \$3.3 billion in 1999. The program phases in over time in a focused and pragmatic way that recognizes the need for States to develop infrastructure, train staff in the new culture and ensure that the program will be well-developed and implemented.

The package assumes that States share in the cost of welfare reform at a reasonable level; they will also share in the savings. The States' share of required expenditures on transitional assistance, WORK and child support enforcement of \$1.6 billion are more than balanced by estimated savings of \$1.7 billion from caseload reductions and child support enforcement. If States choose to enact the optional provisions of the proposal, which many States have already requested through waivers, our estimate is that the total cost to the States would be about \$1 billion.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Additional JOBS spending. New JOBS spending of \$2.8 billion over five years represents a 56-percent increase over current spending. In 1999, Federal spending allowed under the JOBS program will be \$1.9 billion. This will enable the JOBS program to serve approximately 750,000 participants at any one time. Costs per participant were estimated from the experience of the most effective current programs that provide education, training and placement services to welfare recipients.

WORK Spending. The WORK program, which begins serving participants in 1998 (when they begin hitting the two-year time limit), costs \$1.2 billion during the first five-year period. Costs of the WORK program increase over time, as more slots need to be developed for an expanded phased-in group, more of whom hit the time limit each year. By 1999, the WORK program is expected to be serving approximately 260,000 participants. WORK costs include materials and equipment, supervision, job development, and other costs.

Child Care Spending for JOBS and WORK participants. New child care spending of \$2.7 billion over five years for JOBS and WORK participants is added to annual Federal spending under current law. This represents the cost of a guarantee of child care to participants in both programs, and the costs of transitional child care for one year to those who leave the rolls. The estimates assume that in fiscal year 1999, 370,000 new slots will be created. Parental choice of child care arrangements, including both formal and informal arrangements, is guaranteed.

MAKING WORK PAY/CHILD CARE

Working Poor Child Care. The "At-Risk" program of child care for the working poor is increased to \$1 billion by 1999. This program supplements the Child Care and Development Block Grant (CCDBG), which is currently funded at about \$1 billion with increases requested. Together, the two programs will serve approximately 1.1 million working-poor children in fiscal year 1999. The cost of this provision is estimated at \$1.5 billion over five years.

Disregards for Earned Income and Child Support. To cover the costs of work expenses, States will disregard \$120 per month from the earnings of families working their way off the welfare rolls. States have the option of increasing disregards, both for earned income and for child support. The cost estimates assume that States serving half the caseload increase their disregards. The cost of this provision is estimated at \$0.2 billion over five years.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Teen Pregnancy Prevention Grants. About 1,000 grants, averaging \$60,000 per year each, will be made to schools and community-based organizations for teen pregnancy prevention projects. In addition, the proposal will fund five to seven comprehensive youth and prevention demonstrations.

Child Support Enforcement and Demonstrations. Total net spending of \$0.5 billion over five years will increase computerization and enforcement staff. This new spending will generate modest AFDC savings and substantial improvements in the economic well-being of children by 1999. The returns on these investments will grow during the second five-year period. In addition, \$0.1 billion over five years will be spent on demonstrations.

Minor Parent Requirements and State Option to Limit Benefits for Additional Children. These new provisions are estimated to save \$0.1 billion over five years.

IMPROVING GOVERNMENT ASSISTANCE

Remove Two-parent Restrictions. The proposal allows States to remove the restrictions that treat two-parent families less favorably than one-parent families. Assuming that States serving half the caseload choose this option results in estimated Federal costs of \$0.2 billion.

Asset and Microenterprise Demonstrations. The proposal allows recipients to accumulate assets in restricted accounts and fund demonstrations of subsidized accounts and programs, and will cost about \$0.1 billion.

Other Conforming and Efficiency-enhancing Provisions. The proposal takes a number of steps to conform the rules of the AFDC and Food Stamp programs, to improve the efficiency of program operations and to decrease fraud. The total costs of these provisions are estimated to be \$0.2 billion.



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FOR IMMEDIATE RELEASE

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FINANCING THE PRESIDENT'S WELFARE REFORM PLAN

The President's welfare reform proposal does not increase the deficit or raise taxes. It is fully paid for over five years, *largely by reductions in entitlement spending*. The five-year total of these savings is over \$9 billion, more than \$7 billion of which is from reductions in entitlement spending. The offsets are as follows:

NEW REDUCTIONS IN ENTITLEMENT SPENDING

- Tighten SSI, AFDC, and Food Stamp sponsorship and eligibility rules for non-citizens. Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S. (Five-year savings: \$3.7 billion)
- Cap each State's spending in the AFDC Emergency Assistance (EA) program. EA spending has escalated dramatically in recent years as some States appear to have been using the funds for longer-term needs rather than for true emergency assistance to keep people off welfare. (\$1.6 billion)
- Income test meal reimbursements to family day care homes to improve targeting of subsidies. (\$500 million)
- Limit SSI eligibility for drug and alcohol addicted recipients (now under consideration in the Congress). (Approximately \$800 million)
- Better target agricultural support to full-time farmers by ending deficiency payments for those with more than \$100,000 in non-farm income. (\$500 million)

EXTENSIONS OF EXPIRING PROVISIONS

- Hold constant the portion of Food Stamp overpayment recoveries that States may retain. (\$100 million)
- Extend fees for passenger processing and other customs services as well as for railroad safety inspections. (\$200 million)
- Use excess savings from extension of corporate Superfund tax, with no impact on Superfund program. (\$1.6 billion)

REVENUE ENFORCEMENT MEASURES

- Deny the earned income tax credit (EITC) to non-resident aliens and require income reporting for EITC purposes for Defense personnel living abroad. (\$300 million)

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WORK AND RESPONSIBILITY ACT OF 1994

FINANCING

The financing for welfare reform comes from three areas: (1) reductions in entitlement programs; (2) extensions of various savings provisions set to expire in the future; and (3) better EITC targeting and compliance measures. Estimated Federal savings for all proposals are roughly \$9.3 billion over five years.

Entitlement Reforms

Cap the Emergency Assistance Program. The AFDC-Emergency Assistance (EA) Program is an uncapped entitlement program which has skyrocketed in recent years. In fiscal year 1990, expenditures totalled \$189 million; by fiscal year 1999 they are projected to reach almost \$1 billion. While the intent of the EA program is to meet short-term emergency needs and help keep people off welfare, States currently have wide latitude to determine the scope of their EA programs. Recently, States have realized that the definition of the program is so broad that it can fund almost any critical services to low-income persons. Some States have begun shifting costs from programs which the States fund primarily on their own such as foster care, family preservation, and homeless services into the matched EA program. States appear to be funding services that address long-term problems as well as true emergency issues.

We propose to modify the current Emergency Assistance program by establishing a Federal cap for each State's EA expenditures. The cap will be set in fiscal year 1995 and increased by the Consumer Price Index in each subsequent year. The basic allocation formula balances the need to protect States that have been spending heavily on EA in and before 1994 with the potential claims of new States which have not previously had claims for services under EA.

The basic allocation formula is a combination of two components:

- (1) Allocation among States proportional to their requested expenditures in 1994; and
- (2) Allocation among States proportional to their total AFDC spending in the previous year.

There will be a ten-year transition period, and the weighting of the components will shift over time, with increasingly more weight being given to the second component. Beginning in 1995, the weighting will be 90 percent by component 1 and 10 percent by component 2. The weighting will be altered by 10 percentage points each year such that by 2004, the weighting will be 100 percent by component 2.

The proposal ensures that all States will receive continued funding equal to their actual 1991 levels. The Federal match will continue at 50 percent up to the cap. This proposal raises about \$1.60 billion over five years.

Tighten Sponsorship and Eligibility Rules for Non-Citizens. In recent years, the number of non-citizens lawfully residing in the U.S. who collect SSI has risen dramatically. Immigrants rose from 5 percent of the SSI aged caseload in 1982 to over 25 percent of the caseload in 1992. Since 1982, applications for SSI from immigrants have tripled, while immigration rose by only about 50 percent over the period.

Most of the legal permanent resident applicants enter the country sponsored by their relatives, who agree as a condition of sponsorship that their relatives will not become public charges. To enforce this commitment, until this year, current law required that for 3 years, a portion of the sponsor's income in excess of 110 percent of poverty be "deemed" as available to help support the legal permanent resident (LPR) immigrant should they need public assistance. Currently, about one-third of the LPR immigrants on SSI subject to the deeming rules apply in their 4th year of residency. Last fall, to pay for extended unemployment benefits, Congress extended the time of deeming under SSI from three years to five years until 1996 when it reverts to three years again.

The Administration proposal related to non-citizens contains two parts--extending the deeming period for sponsor income and coordinating eligibility criteria under four Federal assistance programs.

Deeming. Our proposal makes the current five-year period of sponsor responsibility permanent law under the SSI program and extends from three years to five years sponsor responsibility under the AFDC and Food Stamp programs. The sponsor's income would be deemed as available to support the immigrant should they apply for public assistance. For the period beginning with six years after being lawfully admitted for permanent residence in the U.S. and until a sponsored immigrant attains citizenship status, if the sponsor has income above the U.S. median family income (\$39,500), the sponsor will continue to be responsible for ensuring the support of the immigrant. This will have the effect of denying benefits to immigrants with sponsors with income above the median. Once immigrants attain citizenship, they will be eligible to apply for benefits on their own. Any immigrant whose sponsor is receiving SSI or AFDC benefits would be exempt from sponsor-to-alien deeming under SSI, AFDC and food stamps. The proposal affects applications after the date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). These changes in deeming rules would not apply to, and would have no effect on, Medicaid eligibility for immigrants. This part of the proposal saves about \$2.8 billion over five years.

The proposal sets consistent deeming rules for sponsored immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Sponsor responsibility is based on longstanding immigration policy that immigrants should not become public charges. Sponsored immigrants most often apply for SSI benefits on the basis of being aged, and are different from most citizens in that the latter typically spent their life working and paying taxes in the U.S. At the same time, this proposal ensures that truly needy sponsored immigrants will not be denied welfare benefits if they can establish that their sponsors are no longer able to support them, if their sponsors die, or if the immigrant becomes blind or disabled after entry into the U.S. The policy would not affect refugees or asylees.

Eligibility criteria. The second element of this proposal establishes similar eligibility criteria under four Federal programs (SSI, AFDC, Medicaid, and Food Stamps) for all categories of immigrants who are not legal permanent residents. This element establishes in statute a consistent definition of which non-LPR immigrants are eligible for welfare benefits. Currently, due to different eligibility criteria in statute, and litigation over how to interpret statutory language, the four Federal programs do not cover the same categories of non-LPR immigrants. For example, aliens whose departure the

INS does not contemplate enforcing are eligible for SSI, but not for Food Stamps. The Food Stamp program has the most restrictive definition of which categories of non-LPR immigrants are eligible for benefits (i.e., the eligibility criteria encompass a fewer number of INS statuses). SSI and Medicaid have the most expansive definition of which categories of non-LPR immigrants are eligible for benefits, and the AFDC program falls between these extremes.

This proposal makes eligibility criteria in the SSI, Medicaid, and AFDC programs similar to the criteria that currently exist in the Food Stamp program. The new list of INS statuses required for potential eligibility to the SSI, Medicaid, and AFDC programs is also virtually identical to those listed in the Health Security Act providing eligibility for the Health Security Card. Like the extended deeming provisions, this part of the proposal affects applications after date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves about \$900 million over five years.

New Rules Regarding SSI Benefits for Drug and Alcohol Addicted Recipients.

Current law requires that all SSI disability recipients for whom substance abuse is material to the finding of disability must be in available treatment and must have their payments made through a representative payee (a third party who receives and manages the funds). Payments to these SSI drug addict and alcoholic (DA&A) beneficiaries are suspended if the individual fails to participate in appropriate alcohol or drug treatment, if such treatment is available. No similar requirements are made of Social Security (Title II) disability beneficiaries who receive benefits on the basis of addictions. The representative payee and treatment requirements have been part of the SSI program since its inception over 20 years ago. However, the provisions have not been implemented effectively.

Under the proposal, strengthened sanctions and new time limits will be applied to benefits paid to individuals receiving Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) benefits who have substance abuse problems that are material to their disability finding.

The Congress is reaching decisions on these proposals currently in conference on H.R. 4277, a bill which the Administration supports. We anticipate savings of \$800 million over five years. Should the final bill yield savings of less than \$800 million, we are committed to working with Congress to fully finance the package.

Income Test Meal Reimbursements to Family Day Care Homes. The Child Care Food Program provides food subsidies for children in two types of settings: child care centers and family day care homes. They are administered quite differently. The subsidies in centers are well targeted because they are means-tested; USDA believes that over 90 percent of Federal dollars support meals served to low-income (below 185 percent of poverty) children. The family day care part of the program is not well targeted because it has no means test (due to the burden it would place on the providers). A USDA-commissioned study estimates that 71 percent of Federal food program dollars to family day care homes support meals for children above 185 percent of the poverty line. While the child care center funding levels have been growing at a modest rate, the family day care funding levels are growing rapidly—16.5 percent between 1991 and 1992.

The following approach better targets the family day care food program funding to low-income children and creates minimal administrative requirements for providers.

- Family day care homes located in low-income areas (e.g., census tracts where half of the children are below 185 percent of the poverty line) would receive \$.84 and \$1.67 in breakfast and lunch reimbursements, respectively, during school year 1995. This is roughly equivalent to the "free meal" rate paid on behalf of low-income children in day care centers, whose families have incomes under 130 percent of poverty.
- All other homes would have a choice. They could elect not to use a means-test; if they elect this option, they would receive reimbursements at the reduced levels of \$.54 and \$1.27, respectively. Alternatively, a family day care home could administer a simplified, two-part means-test. Meals served to children below 185 percent of the poverty line would be reimbursed at the "free meal" rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced-price rate.
- Intermediaries that serve family day care homes in low-income areas would be reimbursed an extra \$10 per month for ongoing administrative costs, and a \$5 million set-aside would help such day care homes to become licensed (or registered).

This provision yields savings of about \$500 million over five years.

Limit Deficiency Payments to Those Making \$100,000 or More from Off-Farm Income Per Year.

USDA farm programs are criticized for unfairly supporting large farms and wealthy producers rather than smaller farms and lower-income farmers. The Congressional Office of Technology Assessment concluded that most big farms "do not need direct government payments and/or subsidies to compete and survive." We propose to make producers receiving \$100,000 or more in off-farm adjusted gross income ineligible for Commodity Credit Corporation (CCC) crop subsidies (price support loans and income support payments). The proposed targeting of subsidies would direct farm payments to smaller, family farms, which deserve Federal financial help more than large agricultural enterprises and individuals with sufficient off-farm income. It would cause an estimated 1-2 percent of program participants to drop out of USDA farm programs. Most of these wealthiest participants include corporations and individuals for whom farming is not a primary occupation or source of income. This proposal would save about \$500 million over five years.

Extend Expiring Provisions

Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Retain. States are permitted to keep some portion of the 100-percent Federal Food Stamp recoveries as an incentive payment for pursuing program violations. This proposal would extend the 1990 Farm Bill provision which reduced the percentage of recovered Food Stamp overissuances retainable by State agencies for fiscal years 1991-95. Under this provision, which would be extended to fiscal years 1996-2004, States could retain 25 percent of recoveries from intentional program violations (previously 50 percent) and 10 percent of other recoveries (previously 25 percent). This proposal raises about \$100 million over five years.

Extend Fees for Passenger Processing and Other Custom Services. A flat-rate merchandise processing fee (MPF) is charged by U.S. customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. The fee, adopted by OBRA 1986, generally is set at 0.19 percent of the value of the good. Other variable customs fees are charged for: passenger processing; commercial truck arrivals; railroad car arrivals; private vessel or private aircraft entries;

dutiable mail; broker permits; and barge/bulk carriers. NAFTA extended the MPF and other fees through September, 2003. The proposal extends the fees through September, 2004 and saves about \$1 billion in that year.

Extend Railroad Safety User Fees. Railroad safety inspection fees were enacted in the Omnibus Budget Reconciliation Act of 1990 to pay for the costs of the Federal rail safety inspection program. The railroads are assessed fees according to a formula based on three criteria: road miles, as a measure of system size; train miles as a measure of volume; and employee hours as a measure of employee activity. The formula is applied across the board to all railroads to cover the full costs of the Federal railroad safety inspection program. The fees are set to expire in 1996. The 1995 President's Budget proposed to extend the fees through 1999 and expand them, effective in 1995, to cover other railroad safety costs. The proposal extends the fees permanently. This proposal raises about \$200 million over five years.

Extend Expiring Corporate Environmental Income (CEI) Tax Used to Finance Superfund. A broad-based environmental tax, based on corporate alternative minimum taxable income (0.12 percent) in excess of \$2 million, was first enacted in 1986 and is set to expire at the end of 1995. The welfare reform proposal would extend the CEI tax into 1998.

Superfund reauthorization legislation would provide a further CEI tax extension through the year 2000, which would provide sufficient additional credit needed for budget scoring of the Superfund legislation's "orphan share" proposal. All revenue from the CEI tax extension, whether enacted in welfare reform or Superfund legislation, will continue to be dedicated to the Hazardous Substance Superfund to be used only for Superfund cleanups.

EITC Targeting and Compliance Measures

Deny EITC to Non-Resident Aliens. Under current law, non-resident aliens may receive the Earned Income Tax Credit (EITC). Because non-resident taxpayers are not required to report their worldwide income, it is currently impossible for the IRS to determine whether ineligible individuals (such as high-income nonresident aliens) are claiming the EITC. The proposal will deny the EITC to non-resident aliens completely. We estimate that about 50,000 taxpayers will be affected, mainly visiting foreign students and professors. The proposal raises about \$100 million over five years.

Require Income Reporting for EITC Purposes for Department of Defense (DoD) Personnel. Under current law, families living overseas are ineligible for the EITC. The first part of this proposal would extend the EITC to active military families living overseas. To pay for this proposal, and to raise net revenues, the DoD would be required to report the nontaxable earned income paid to military personnel (both overseas and States-side) on Form W-2. Such nontaxable earned income includes basic allowances for subsistence and quarters. Because current law provides that in determining earned income for EITC purposes such nontaxable earned income must be taken into account, the additional information reporting would enhance compliance with the EITC rules. The combination of these two proposals raises about \$200 million over five years.

A table which summarizes the financing provisions is attached.

SUMMARY OF FINANCING PROVISIONS

Proposal	Five-Year Federal (in billions)
Entitlement Reforms	
Limit Emergency Assistance	1.6
Tighten Sponsorship and Eligibility Rules for Non-Citizens	
Five-Year Deeming and Eligibility Only for Aliens with Sponsors below Median Income	2.8
Establish Similar Alien Eligibility Criteria for Four Federal Programs	0.9
New Rules Regarding Benefits for Drug Addicts and Alcoholics (H.R. 4277)	0.8 ¹
Income Test Meal Reimbursements to Family Day Care Homes	0.5
Limit Deficiency Payments to Those Making \$100,000 or More from Off-Farm Income	0.5
Extend Expiring Provisions	
Hold Constant a Portion of Food Stamp Overpayment Recoveries for States	0.1
Extend Fees for Passenger Processing and Other Customs Services	0.0
Extend Railroad Safety User Fees	0.2
Extend Expiring Corporate Environmental Income Tax Used to Finance Superfund	1.6
Tax Compliance Measures	
Deny EITC to Non-Resident Aliens	0.1
Require Income Reporting for Department of Defense Personnel	0.2
TOTAL	9.3¹

1. Because we are uncertain of the final outcome of H.R. 4277, the total financing number is preliminary. Should the final bill yield savings of less than \$0.8 billion, we are committed to working with Congress to fully finance the package.

WELFARE REFORM FINANCING

Five-Year Federal Savings
(in billions)

Entitlement Reforms

Limit Emergency Assistance	\$ 1.6
Tighten Rules for Non-Citizens:	
Increased Sponsor Responsibility	2.8
Establish Similar Alien Eligibility Criteria	0.9
Review Benefits for Drug Addicts and Alcoholics	0.8
Income Test Meal Reimbursements	0.5
Target Farm Subsidies	0.5

Extend Expiring Provisions

Maintain Food Stamp Fraud Recoveries	0.1
Extend Fees for Passenger Processing	0.0
Extend Railroad Safety User Fees	0.2
Extend Expiring Superfund Tax	1.6

EITC Enforcement Measures

Deny EITC to Non-Resident Aliens	0.1
Require Income Reporting for Defense Personnel	0.2

TOTAL	9.3
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Work

- Making welfare a transition to work:
Building on the JOBS program
- The WORK program: Work, not welfare,
after two years
- Supporting working families: EITC,
health reform, child care

Responsibility

- Parental responsibility:
Child support enforcement
- Accountability for taxpayers
- Performance, not process

Reaching the Next Generation

- Preventing teen pregnancy
- Phasing in young people first
- A clear message for teen parents:
Supports and sanctions

In the Year 2000, Under Reform

- 2.4 million adults will be subject to the new rules, including time limits and work requirements
- Almost one million people will either be off welfare or working
 - 331,000 people who would have been on welfare will have left the welfare rolls
 - 222,000 parents will be working part-time in unsubsidized jobs
 - 394,000 people will be in subsidized jobs in the work program – up from 15,000 now

In the Year 2000, Under Reform

- Another 873,000 recipients will be in time-limited school or training programs leading to employment
- Federal child support collections will have more than doubled, from \$9 billion to \$20 billion
- Teen pregnancy prevention programs will be operating in 1000 middle/high schools in disadvantaged neighborhoods
- Paternity establishment programs in all hospitals
- A national clearinghouse will be in place, tracking parents who owe child support across state lines

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Job Opportunities and Basic Skills (JOBS)

Existing JOBS Program

Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the Job Opportunities and Basic Skills (JOBS) program helps AFDC recipients become job-ready and enter the workplace. JOBS offers education, training, and job placement, as well as guaranteed child care and other support services. But unfortunately, it reaches few poor families.

To support local flexibility, the Family Support Act gave state welfare agencies primary administrative responsibility for JOBS. The law encouraged welfare agencies to form collaborative relationships with other community institutions--such as schools, non-profit organizations, and business groups--so that JOBS programs would fit local circumstances and needs.

The Family Support Act represented a fundamental rethinking of welfare incentives and obligations. Through JOBS, it set in place expectations that welfare should be only a transitional preparation for self-sufficiency, and that training and support services are as vital as cash benefits. However, the law exempted about half of AFDC recipients, including mothers under age 16, mothers in school, and mothers with children under age three (or one, at state option). Most significantly, in 1994, states were required to have only 15 percent of non-exempt recipients participate in JOBS.

Funding constraints have also limited the program's reach. During the past five years, AFDC caseloads mushroomed and a weak economy put additional demands on state budgets. As a result, states drew down only 69 percent of the federal funds available for JOBS in 1992, and only 12 states were able to draw down their full allocation.

Changes Under Welfare Reform

Under President Clinton's welfare reform plan, an enhanced JOBS program becomes the core of the transitional assistance approach. Our proposal would expand and improve the current program to include:

A personal employability plan. From the very first day, the new system will focus on making young mothers self-sufficient. Working with a caseworker, each woman will develop an employability plan identifying the education, training, and job placement services needed to move into the workplace. Because 70 percent of welfare recipients already leave the rolls within 24

months, and most applicants are job-ready, many plans will aim for employment well within two years.

A two-year time limit. Time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

Limited exemptions and deferrals. Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be exempt from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At state discretion, a very limited number of young mothers completing education programs may receive appropriate extensions.

Job search first. Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

Integration with mainstream education and training programs. JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.

Tough sanctions. Parents who refuse to stay in school; look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant. For most families, simply the threat of this financial loss will be enough to ensure compliance, but those who fail to comply will face real cuts in benefits.

A phase-in focusing on young recipients first. Initial resources are targeted to women born after December 31, 1971. Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow states to develop effective service capacity. As welfare reform is phased in, a larger percentage of the caseload will be covered.

Flexibility for states. States that want to accelerate the phase in will be able to use federal matching funds to do so. States may define the phased-in group more broadly, require older women to participate in certain JOBS activities, or provide increased resources to volunteers under current JOBS rules.

Guaranteed child care for those in education and training. An expanded investment in child care will help eliminate a primary barrier to work preparation for young parents.

Additional federal funding. To ease state fiscal constraints and ensure that JOBS really works, our proposal raises the federal match rate and provides additional funding. The federal JOBS match will increase further in states with high unemployment.

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Child Support Programs

Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents--especially in interstate cases--to avoid payment without penalty.

As a result, non-custodial parents paid only \$14 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received \$48 billion: money for clothing, food, utilities, and child care. Closing that \$34 billion gap is a top priority for this Administration.

Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs, as a proactive way to establish paternities early in a child's life. In addition, the 1995 budget reflects a 13 percent increase in federal spending on child support.

Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. While the federal-state child support enforcement system collected \$9 billion from non-custodial parents in 1993, the reformed system under our plan will collect \$20 billion in the year 2000. The plan focuses on:

Universal paternity establishment. Performance incentives will encourage states to establish paternity for all births, and hospitals will expand efforts to get parents to voluntarily acknowledge paternity. Streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. And we also require each welfare applicant to supply the name and location of the child's father in order to receive benefits.

Fair award guidelines and periodic updating. A commission will study whether national awards guidelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Automated monitoring and tracking. States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities even if they flee across state lines.

New penalties for those who refuse to pay. Expanded wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and suspension also reaches self-employed people unaffected by wage-withholding.

State initiatives and demonstration programs. The reform plan will, for the first time, create a state option to make money available for work and training programs for non-custodial parents who earn too little to meet their child support obligations. States can choose to make these programs mandatory--so that non-custodial parents work off what they owe. At the same time, demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Child Care Programs

Existing Child Care Programs

Five federal programs currently provide child care assistance to low-income families. AFDC/JOBS Child Care and Transitional Child Care help families moving from AFDC to work, while At-Risk Child Care and the Child Care and Development Block Grant enable low-wage working families to remain self-sufficient. In addition, Head Start provides low-income families with child development and other social services.

AFDC/JOBS Child Care, an entitlement program, offers assistance to recipients of Aid to Families with Dependent Children (AFDC) who are working or in education and training programs.

Transitional Child Care, also an entitlement program, provides assistance for up to one year after recipients leave AFDC for employment, so that parents entering the workforce will have the continued security of affordable care for their children.

The At-Risk Child Care program, a capped entitlement, allows states to provide child care to help low-income working families who might go on AFDC without such assistance.

The Child Care and Development Block Grant, a discretionary program, makes child care available to low-income parents who work, attend educational and training programs, or receive protective services. The federal government distributes funds to states, Indian tribes, and territories, which then enable parents to choose the care most appropriate to their children. The block grant also provides funds for quality improvements.

Head Start, a discretionary program, provides comprehensive services including education, health, parent involvement and social services to children from low-income families who meet the federal poverty guidelines.

Over the past few years, these five programs have provided critical child care support to low-income families. Despite this progress, there is still a significant demand for child care, for resources to improve quality and supply, and for better coordination and consistency across programs.

Clinton Administration Increases and Innovations

The Clinton Administration has made child care programs a consistent budget priority, increasing funding for the Child Care and Development Block Grant by 19 percent in the 1995 budget. To maximize the impact of each dollar, the Administration has also sought to coordinate and improve programs. To address quality and supply, the Administration is reviewing state health and safety standards, sponsoring a series of national institutes on critical child care issues, and attempting to give states more flexibility to address quality and consistency concerns through proposed regulations.

President Clinton's recent expansion of Head Start provides further support for quality child care. The 1995 budget includes substantial additional funding and encourages the development of full-day, full-year services to meet the needs of today's families.

Changes Under Welfare Reform

President Clinton's welfare reform proposal continues to expand and improve the system for both low-income working families and those transitioning off welfare. His proposal will expand availability, encourage safe and nurturing care environments, and further coordinate program requirements.

Maintaining and expanding the existing guarantee. Welfare recipients in work and training, including the JOBS and WORK programs, will still be guaranteed child care, and those leaving welfare will still receive a year of Transitional Child Care.

Expanding child care for low-income working families. Our proposal also substantially increases funding for the At-Risk program and reduces the state match. We almost double federal spending on child care for the working poor.

Addressing quality and supply. Quality improvement funds will support resource and referral programs, licensing and monitoring, and training and other provider supports. Children in group care receiving assistance will be immunized, and consistent health and safety standards will apply across child care programs. Our plan also directs special attention to increasing the supply of infant and toddler care.

Coordinating rules across all child care programs. Our proposal simplifies administration and ensures coverage by further standardizing different child care programs' requirements for provider standards, health and safety, parental access, consumer education, parental choice, and parental complaint management.



Work

- Making welfare a transition to work:
Building on the JOBS program
 - The WORK program: Work, not welfare,
after two years
 - Supporting working families: EITC,
health reform, child care
- 

Responsibility

- Parental responsibility:
Child support enforcement
- Accountability for taxpayers
- Performance, not process

Reaching the Next Generation

- Preventing teen pregnancy
- Phasing in young people first
- A clear message for teen parents:
Supports and sanctions

HHS NEWS

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FACTS RELATED TO WELFARE REFORM

Aid to Families with Dependent Children (AFDC)

Benefits

- AFDC benefit levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 in AFDC benefits (January 1993 figures). Food stamp benefits fall as AFDC benefits increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefit levels have declined by 42 percent in the last two decades. The average monthly benefit for a mother and two children with no earnings has shrunk in constant 1992 dollars from \$690 in 1972 to \$399 in 1992, a 42-percent decline.
- This decline has been partly offset by an increase in food stamp benefits, such that the combination of AFDC and food stamps for a mother and two children with no earnings has declined by 26 percent between 1972 and 1992.
- In all 50 states, AFDC benefits are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

Caseloads

- The number of persons receiving AFDC each year has increased significantly between 1975 and 1992. In 1975, 11.1 million individuals received benefits, and in 1992, 13.6 million persons received AFDC (up from 12.6 in 1991). Over the same time period, the average size of AFDC families has fallen, from 3.2 persons in 1975 to 2.9 persons in 1992.
- Reciprocity rates, defined as the total number of AFDC recipients divided by the State population, have not followed a uniform trend among all States. While rates in some States increased substantially between 1975 and 1992, 22 States experienced a decline in monthly reciprocity rates over that time period.
- Two thirds of AFDC recipients are children. In 1992, AFDC provided benefits to 9.2 million children.

Expenditures

- Despite the increase in the number of recipients over the time period, benefit expenditures have remained relatively constant in real terms between 1975 (\$21.3 billion) and 1992 (\$22.2 billion). Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.3 billion in 1975 to \$20.1 billion in 1992.
- Contrary to the general conception, not all States have experienced an increase in total AFDC expenditures. While the national average between 1985 and 1992 was a 17-percent increase, State-by-State figures varied from an increase of 184 percent in Arizona to a decrease of 38 percent in Wisconsin.
- The share of Federal spending devoted to AFDC has declined from 1.5 percent in 1975 to 1.1 percent in 1992.

Recipient Characteristics

- Thirty-four percent of caretaker relatives (usually the mother) of AFDC children in 1992 were white, 39 percent were black, 19 percent were Hispanic, and 4 percent were Asian.
- Only 22 percent of AFDC families reported any non-AFDC income in 1992.
- Forty percent of female welfare recipients gave birth to their first child before the age of 19. Just over half had a high school degree when they entered the AFDC program, and 49 percent had not worked in the 12 months prior to entry.

The JOBS Program

- Of adult AFDC recipients not exempted from the JOBS program in 1992, sixteen percent met the participation rate requirement. Only Indiana, Maine, Maryland and Guam failed to reach the 11 percent participation rate mandated in the Family Support Act for fiscal year 1992.
- Fiscal year 1992 Federal funding for the JOBS program was capped at \$1 billion. However, State spending was only sufficient to draw down two-thirds of the available Federal funding for fiscal year 1992, and only 11 States claimed their full allocation of Federal funds. Only 19 States intended to spend enough to claim their full allocation in fiscal year 1993.

Other Facts

Living Arrangements of Children

- While the total child population in the United States was approximately the same in 1960 as in 1991, the percent of children living with a single parent increased from 9 percent to 26 percent. The majority of children born today will spend some time in a single-parent family.

Labor Force Participation of Women

- The percent of women who work in the wage labor market has increased dramatically in recent decades. Between 1950 and 1992, the labor force participation of women with children under age 6 increased from 14 percent to 58 percent.

Child Poverty

- In 1992, 22 percent of children lived in poverty. Among children in female-headed families, the rate was 54 percent; among children in families with a male present, the rate was 11 percent.

Child Support Enforcement

- In families with children with an absent father in 1989, 58 percent had a child support order in place, 37 percent received some payment, and 26 percent received the full payment.