

WR-PLAN.

MARCH 99

ISSUES: THE OVERALL PLAN

The plan as described above reflects tentative decisions on a number of relatively controversial policy issues. This section of the memo identifies the key decisions and discusses alternative approaches. These issues can be considered in the context of two overriding questions:

- o Is the multidimensional notion of "success" that the plan assumes consistent with expectations for dramatic reform? Does the plan strike the right balance between ambition and realism?
- o Does the plan achieve an appropriate balance between toughness and compassion, between high expectations for parents and protection of children?

Does the plan  
and allow?

opp. resp.

In each of these areas, the plan proposes a balance. In each area, however, alternative policy decisions could be made that would shift the balance in one direction or the other. These decisions are highlighted after a description of the approach taken by the plan.

The balance of ambition and realism

An important challenge for the plan is to balance high aspirations with realistic expectations. The plan must genuinely "end welfare as a way of life," but it must also recognize the difficulty of the task, the constrained capacity of the system to achieve it, and the need to protect vulnerable children and families.

We believe that the public has ambitious but realistic expectations of what would constitute success. Polls and focus groups suggest that the public is most concerned about welfare recipients who they perceive as receiving benefits while doing nothing for long periods of time, and less concerned about people using welfare to get on their feet or to supplement below poverty earnings. They expect caseloads to go down in the long run, but seem to have realistic expectations for what can be achieved. Finally, the public is concerned about protecting children when their parents fail to meet expectations.

no more  
something for  
nothing

The plan assumes that success has several dimensions:

- o Ending welfare as a way of life, by requiring serious participation in work and preparation for work, changing the culture of the welfare system from an emphasis on income maintenance to an emphasis on work and on the responsibilities of both parents, and imposing serious time limits.

- o Providing opportunities to families that enable them to increase their income and the well being of their children, and providing protections for the most vulnerable children.
- o Achieving some caseload and cost reductions after a reasonable period for investment and implementation.

*...Ornamenting people  
from 1st place = ...*

Key decision: phase in

A key decision to be made about the balance of ambition and realism has to do with the scale and speed of implementation of the reformed welfare system. Should we seek to bring everyone on the caseload into the new system quickly, or should we initially target new resources on sub-groups such as new applicants or young families?

Immediate implementation of the new program would severely strain the ability of federal and state governments to implement the new system successfully. There is almost no disagreement that a phased-in approach is necessary.

A phase-in strategy could start with new applicants, with selected states, with families with older children, or with young applicants and recipients. A new applicants strategy raises serious equity concerns between people who came onto welfare very young and those who managed to stay off for a longer period of time. A state by state strategy raises serious capacity issues at the state level. The primary arguments for an older children focus have to do with parental care of children and the cost of day care.

A focus on young families, which the plan recommends, recognizes that it is the younger generation of actual and potential welfare recipients that are the source of greatest concern. They are also the group for which there is probably the greatest hope of making a profound change, and of sending the message that welfare can no longer be a way of life. Under this approach, we would 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.

Key decision: benefit supplements for part time and low wage work

Everyone agrees that independence from welfare should be the goal of the new system. But there may be situations in which welfare benefits to supplement work are desirable. Two related issues arise in thinking about work expectations, and whether supplementary welfare benefits and exemptions from the time limit should be provided for workers. The first issue is under what conditions someone who is working can continue to receive

*outside the context of the two year time limit*  
supplementary welfare benefits ~~after two years~~. The issue arises because even full-time work at the minimum wage leaves a family of three below the income eligibility level for welfare in a few states. In about half the states, half time work at the minimum wage leaves a family of three below the welfare eligibility levels. Larger families are eligible in more states. Proponents of allowing continued benefit receipt for workers argue that someone who is working should be at least as well off as someone who is not working and receiving welfare, and that getting someone to work even part time is a big success and should be rewarded. Opponents argue that continuing AFDC as a work supplement for long periods of time is counter to the basic philosophy of the new program.

The Working Group and Cabinet are split on this very difficult issue. A possible resolution, reflected in the current plan, says that supplementary welfare benefits would be provided irrespective of the time limit for anyone working at least 30 hours, for anyone working at least twenty hours who had pre-school children, and at state option to other part time workers who worked at least 20 hours.

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

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

The general sense of the Working Group and the Cabinet on this issue is that states should not be permitted to define hours of work at so low a level that a significant portion of income comes from benefit supplements. With this caveat, there was general support for some state flexibility within the range of 15 to 30 hours of work per week, and for modest benefit supplementation to insure that participants in the WORK program were as well off as welfare recipients who did not work.

### **The balance of toughness and protections**

A second important challenge for the plan is to achieve an appropriate balance of toughness and protections. The dilemma arises because AFDC recipients are both workers and parents, and because we want to ensure that children are protected at the same time we have high expectations for their parents. The balancing act has to take place in two arenas: that of time limits and work requirements; and that of parental responsibility and prevention.

### Key decisions: time limits and work requirements

A number of key policy decisions affect the balance of toughness and protections affecting time limits and work requirements. The most difficult decisions are around extensions to and exemptions from the time limit, and around various means for discouraging long-term participation in the WORK program, and around protections for children when parents do not meet the requirements of the program.

Extensions to and exemptions from the time limit. Should any groups of recipients have the time limit extended? Should any be exempted from the requirements of the time limit?

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

The Working Group and Cabinet generally agreed that a limited number of extensions for such purposes as completing a high school or job training program were appropriate. They generally agreed that extensions should not routinely be granted for the purpose of completing a four year college program but that higher education combined with part time work was appropriate.

The issue of exemptions from the time limit arises because not all recipients are able to work, even if they are not severely enough disabled to qualify for SSI. A second type of exemption

issue arises because requiring participation from mothers of infants or very young children may interfere with healthy child development and require substantial expenditures on infant day care. Under current law, over half the caseload, including mothers of children under three, is exempted from participation.

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

There was considerable discussion of the issue of whether exemptions for mothers of infants should be for one year (i.e., until the baby's first birthday) or for twelve weeks (Twelve weeks is the mandated leave time in the Parental Leave Act.). The plan currently assumes a one year exemption for infants who were not conceived on welfare and a twelve week exemption for those conceived on welfare.

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

Subsidized job shots would last for a defined period of time, after which the person would again be expected to look for unsubsidized work.

The availability of the EITC as a supplement to private sector work would provide a powerful incentive for participants to move into unsubsidized work.

Federal reimbursement to states could reflect the amount of time people were on the rolls, in order to provide the states with serious incentives to move people into employment.

Refusal to accept a private sector job will result in termination of benefits.

An issue arises around what is expected to be a small number of people who continue to be unable to find unsubsidized employment after placement in a job wlot and private sector job search. Some argue that they should be placed in community service slots for as long as they need them. Others argue that this policy would lead to permanent guaranteed jobs that might be expensive and perceived as simply another welfare program. Instead, people who continue to be unable to find employment might return to a

deferred status, might have their welfare benefits reduced or might be cut off entirely.

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

Sanctions and protections. If the welfare reform plan is to be serious about ending welfare as a way of life and about changing the basic values and culture of the welfare system, it must embody serious consequences for recipients who do not meet the requirements. The current plan basically continues current law sanctions for non-participation, which remove the adult from the grant for increasing periods of time for each sanction. It adds a severe sanction, benefit termination, for refusal to accept a private sector job. After the time limit, non-participation in the WORK program carries the same sanction as for ordinary workers: wages are not paid for hours not worked. Notice and hearings protections are continued. In addition, the state must keep its end of the bargain: services must be provided.

Families whose benefits are terminated for refusal to take a job or to participate in the work program continue to be eligible for food stamps and medical assistance. There is, however, the danger that some families will find themselves homeless or unable to care for their children. For these families, the shelter system and the child welfare system provide the safety net of last resort. If the system is working properly, these failures will be extremely rare. Nonetheless, the fact that they may occur must be faced, since there is no apparent alternative if the system is to be serious about expectations.

Key decisions: parental responsibility and prevention

In the area of parental responsibility and prevention, the plan attempts to balance responsibility and opportunity for both mothers and fathers. Rather than simply focusing on the work obligations of custodial parents, it proposes a strengthened approach to child support enforcement that makes clear to fathers as well as mothers that parenthood brings with it clear obligations, and that these obligations will be enforced with serious and predictable consequences. To complement its emphasis on child support obligations, it proposes a set of demonstrations

*with appropriate expectations in*  
focused on non-custodial parents. It also proposes a set of requirements on and services for minor and school age parents, and a comprehensive approach to teen pregnancy prevention. Finally, it proposes to extend eligibility for benefits to two-parent families, to remove the current bias in the system toward one-parent families.

A number of the key policy decisions have to do with the relative priority to be given to various spending proposals; the next section outlines the tradeoffs. In addition there are three other decisions that have philosophical as well as cost implications: the size and scope of child support assurance demonstrations; the living at home requirement; and the family cap option.

The size and scope of demonstrations. The proposal for child support assurance demonstrations are controversial not only because of cost but also because of the idea itself. Child support assurance speaks to the circumstance when little or no money is collected from the noncustodial parent, either because the system is ineffective or because the absent parent has very low earnings. Child support assurance guarantees that single parents with a child support award in place could count on a minimum level of support which they could use to supplement their earnings. Some see CSEA as a crucial way to "make work pay" and to ease the transition from welfare to work for single parents. Opponents see it as close to simply being welfare by another name, that might also provide an incentive for fathers to escape their obligations.

Living at home requirements. The plan proposes to require minor mothers to live at home or with a responsible adult. Though there is general agreement that very young mothers need care and supervision from adults, there are some questions about whether we can ensure adequate protections for minors in abusive or otherwise unsuitable homes.

Family cap option. The plan also proposes an option for states to adopt "family caps" that limit benefit increases when additional children are conceived by parents already on AFDC. Proponents of family caps, some of whom believe they should be a requirement and not just a state option, argue that they reinforce a message of parental responsibility and help achieve equity between welfare recipients and working families, who do not receive a pay raise for additional children. Opponents of family caps argue that there is no evidence that they deter births, and that they deny benefits to needy children. In addition, opponents argue that the average value of the benefit increase is not much greater than the value of the tax deduction and the EITC increase for a working family that has an additional child.

## LIST OF DIFFERENCES B/W HHS AND WH

1. Whether to spend money on Jobs Prep (David agrees---something)
2. How much savings from Job Search (no problem)
3. Jobs participation rate
4. Cap on overhead/costs in WORK program (\$4200 @ 500k)  
-- 1/10 slots for child care (David is fine)
5. Two-parent costs -- work history
6. NCP and Access grants
7. Cap CSA demos
8. Level of working poor child care (how to target?)
9. Additional spending to phase JOBS/WORK in faster
10. Financing options

### Assumption questions

- Behavioral effects (3: no behavior, CBO internal behavior, rosy)
- Part-time work
- TCC -- include?
- Systems costs

### Other questions

- State match based on job placement  
or charter offices
- 30hrs/20

## MEMO TO PRESIDENT

Background or Conclusion: What is success? Balance opp & resp.

Brief Summary of Proposed Plan

Issue 1: Financing

Issue 2: JOBS -- Who's covered? (Phase-in; Extensions & Exemptions)

Issue 3: WORK -- How to discourage long-term participation (Last forever? EITC?)

Issue 4: Prevention -- Which demos and how much? (Family Cap, CSA, NCP, 2-parent)

Issue 5: How much for child care?

BASIC Policy

COST ELEMENTS

This memorandum summarizes the recommendations of the Welfare Reform Working Group, which consists of 33 subcabinet officials from 7 agencies and the White House. We have consulted broadly with members of Congress, state officials, organized labor and outside advocacy groups, and people on welfare.

We have reached consensus within the Administration on most issues. A few key questions remain, and are spelled out in the following pages: . . .

- \* Financing: How much can we afford to spend on this initiative, and which of the entitlement savings and possible revenues we have identified are acceptable?

- \* Budget: How should we spend beyond the core program on 1) child care for the working poor; 2) a variety of economic development, prevention, and child support demonstrations; 3) expanding coverage of two-parent families?

- \* JOBS Program: Should we phase in the plan starting with the youngest third of the caseload? What extensions and exemptions will be allowed?

- \* Work Program: How can we discourage long-term participation in the work program? Should public jobs last forever? Should they be eligible for the EITC?

- \* Personal Responsibility: What demonstrations should we undertake to reduce long-term dependency? Should states be allowed to limit additional benefits for additional children born while on welfare? Should we experiment with programs to 1) require noncustodial parents to work off the support they owe; 2) guarantee child support in cases where noncustodial parents don't pay?

## **Transitional Assistance Followed by Work**

- ▶ **Training, education and job placement services (the JOBS program)**
- ▶ **Time limits with Extensions and Exemptions**
- ▶ **Work for those who exhaust their time limit (the WORK program)**

## **Training, Education, and Job Placement Services (The JOBS Program)**

- ▶ **Full Participation**
- ▶ **Personal responsibility contract  
& employability plan**
- ▶ **Closer coordination & integration with  
existing mainstream education & training  
program**
- ▶ **Focus on work & private sector placement**
- ▶ **Emphasis on worker support once people are  
placed in a job**

## **Time Limits with Extensions and Exemptions**

**Expectation of unsubsidized employment within two years**

### **Flexibility for special circumstances**

- ▶ **disabilities and serious barriers to work**
- ▶ **care of a disabled child**
- ▶ **care of an infant?**
- ▶ **limit on the number of exemptions?**

### **Extensions for services beyond two years**

- ▶ **language difficulties**
- ▶ **completing high school or GED**
- ▶ **school-to-work or job training program**
- ▶ **postsecondary education combined with work?**

## **Work for Those Who Exhaust Their Time Limit (the WORK Program)**

**Temporary work opportunities after the time  
limit for those unable to find unsubsidized work**

- ▶ **Community involvement and oversight**
- ▶ **Emphasis on private sector placements**
- ▶ **Flexible placement options**
  - ▶ **employer subsidies**
  - ▶ **non-profit/community-based jobs**
  - ▶ **placements using new and existing initiatives**
  - ▶ **community service**
- ▶ **Non-displacing placements**
- ▶ **Special provision for weak local economies**

## **The WORK Program: Work for Welfare Versus Work for Wages**

### **Work for Wages**

- ▶ **paycheck not welfare check**
- ▶ **dignity and responsibility of a "real job"**

### **Work for Welfare**

- ▶ **uses existing administrative structure**
- ▶ **previous experience**
- ▶ **state flexibility**

## **The WORK Program: Discouraging Long-Term Participation**

- ▶ **Sanctions for private sector job refusal**
- ▶ **Limited duration in any one placement**
- ▶ **Frequent job search**
- ▶ **No EITC benefits?**
- ▶ **Declining state reimbursement**
- ▶ **Limits or reassessment after several placements?**

## **Overview**

- ▶ **Preventing Teen Pregnancy  
and Promoting Parental Responsibility**
- ▶ **Support for Working Families**
- ▶ **Replacing Welfare with Transitional  
Assistance and Work**
- ▶ **Reinventing Government Assistance**

## **Preventing Teen Pregnancy and Promoting Parental Responsibility**

- ▶ **Prevention**
- ▶ **Supporting two-parent families**
- ▶ **Child support enforcement**

## **Support for Working Families**

- ▶ **Earned Income Tax Credit**
- ▶ **Health care reform**
- ▶ **Child care for the working poor**

## **Replacing Welfare with Transitional Assistance and Work**

- ▶ **Full participation**
- ▶ **A reformed JOBS program**
- ▶ **Time limits**
- ▶ **A WORK program**

## **Reinventing Government Assistance**

- ▶ **Coordination, simplification and improved incentives in income support programs**
- ▶ **A performance-based system**
- ▶ **Accountability, efficiency, and reducing fraud**

## ISSUES: THE OVERALL PLAN

There are three overall issues that can be looked at as a framework for thinking about specific design decisions. All ask whether the current plan strikes the right balance, in three areas:

- o Is the ~~multi~~dimensional notion of "success" that the plan assumes consistent with expectations for dramatic reform? Does the plan strike the right balance between ambition and realism? *capacity*
- o *opp + resp.* Does the plan achieve an appropriate balance between toughness and compassion between high expectations for parents and protection of children?
- o *??* Does the plan achieve the right balance of costs, offsets and revenues? Is the balance among the cost components appropriate?

In each of the three areas, the plan proposes a balance. In each area, however, alternative policy decisions could be made that would shift the balance in one direction or the other. These decisions are highlighted after a description of the approach taken by the plan.

### What is success?

An important challenge for the plan is to balance high aspirations with realistic expectations. We want a plan that genuinely "ends welfare as we know it," but that recognizes the difficulty of the task, the constrained capacity of the system to achieve it, and the need to protect vulnerable children and families.

We believe that the public has ambitious but realistic expectations for what would constitute success.

*No* | POLL DATA ON HOW MANY SHOULD BE OFF WELFARE, WORKING AND GETTING BENEFITS, TWO YEARS OF TRAINING ETC. FOLLOWED BY WORK.

*→ interesting discussion, but doesn't frame a Q or issue*

The plan assumes that success can be assessed both by movement off the caseload and participation in work and work related activities:

- o It assumes that the caseload can be reduced by 25 percent (?) from projected levels when the plan is fully implmented. This reduction will be brought about by a combination of health care reform, the expanded

*→ Don't end w/ for young people*

*→ No mention of Keeping people off, reducing unwed births; making W less attractive*

*→ work = index of failure  
- All this involves still we don't know how to do  
- Experiment + flexibility*

*child support*

EITC, expanded child care availability, improved training education and placement services and behavioral responses to time limits and work requirements.

- o It assumes that deferments from participation requirements (and by implication from time limits) will be reduced from the current level of about 50 percent to about a third (?), and that those who are deferred will be participating in some activity that helps themselves and their communities.
- o It assumes that 100 percent of the non-deferred phased-in caseload will be either working or preparing for work through participation in the JOBS program. The relative proportions in work and work preparation shift over time, as people begin hitting the time limit. In year x, about x percent of the caseload is assumed to be working.

If the program met these goals, we believe that the public would appropriately consider it a success. It would represent a dramatic shift in the "business" of the welfare system, and in how recipients of assistance spent their time.

The plan also contains elements that attempt to balance ambition with realistic expectations.

- o The plan assumes that food stamps, subsidized child care and health care are available to the working poor, and that some workers (low wage workers in high benefit states) continue to receive supplemental welfare benefits.
- o The plan assumes a phase in strategy under which the new regime applies to about one third of the caseload at implementation and grows to include about 60 percent of the caseload in ten years. The main implications of this strategy are that actual caseload declines will not be seen for x years, and that the numbers of recipients working after having reached a time limit will be about 100,000 in 1999 and about 500,000 in 2004.

If the plan's ambitions for caseload decline, participation and work do not seem sufficiently dramatic to constitute success, the main options that are available are:

- o more stringent exemption and extension standards;
- o more severe sanctions and more restrictions on work

opportunities to decrease the caseload faster but with more dangers to children;

- o a faster phase in strategy;
- o a WORK program structure and a set of supports for working families outside AFDC that take them technically off the caseload.

The first two options are discussed below, under toughness and protections.

The downside to an option that would phase in faster is that a faster phase-in strategy would seriously strain the capacity of the states and would cost considerably more in the early years. The current phase in strategy envisions a state option to phase in faster, which may be enough to meet concerns.

The last option is attractive in many ways, since making work pay and worker support outside welfare is an important theme of this administration's approach to helping families. The most serious concern about moving in that direction is the administrative complexity that a new program involves. Another concern is that it might be seen simply as a renaming and as an attempt to continue welfare in another guise.

### The balance of (toughness and protections) *Opp. Resp.*

A second important challenge for the plan is to achieve an appropriate balance of toughness and protections. The dilemma arises because AFDC recipients are both workers and parents, and because we want to ensure that children are protected at the same time we have high expectations for their parents. The balancing act has to take place in two arenas: that of time limits and work requirements; and that of parental responsibility and prevention.

#### Time limits and work requirements.

The balance of toughness and protection in this area consists of the following elements:

- o A serious time limit that is followed by work, not by nothing. A subsidized or community service job will be provided if unsubsidized private sector work is not available. The job would be structured in such a way as to generate earnings at least as great as welfare payments to those who don't work, or would be supplemented to bring income up to the welfare level. Failure to work after the time limit means loss of wages. Failure to accept an offered private sector job

after the time limit is sanctioned by benefit termination.

- o A serious requirement to work, look for work and/or prepare for work that applies as soon as someone begins receiving benefits, but that is responsive to individual needs as assessed by an employability plan. Graduated, but serious, sanctions are assessed for non-compliance. /7
- o Deferments from the time limit for barriers to work and care of an infant; extensions from the time limit for completion of high school, a GED, or other work-oriented training or education programs; stopping of the clock, at state option, for part-time work.

The balance of toughness and protections in the plan could be modified in either direction by making different policy choices in several elements:

- o More or fewer protections for workers and children built into the work slots offered after the time limit. For example, the state could be required to provide wages or benefits unless the state proved that the worker had missed work for good cause; or the state could be required to provide benefits for the children even if the parent did not comply with work requirements. To shift the balance the other way, the state might not be required to provide work after a certain period of time, or might not be required to supplement pay if the job offered did not generate as much income as received by those on welfare and not working.
- o Stricter or more lenient participation requirements. For example, recipients might be expected to participate in activities full time, rather than the currently envisioned half time. To shift the balance the other way, a wider range of lower intensity activities, such as parenting education or volunteer work, might be permitted for longer periods of time.
- o Stricter or more lenient deferment and extension criteria. For example, mothers could be exempted until their child was three, or at the other extreme, only until twelve weeks. States could use tighter or looser criteria for assessing disabilities and barriers to work. Extensions could be granted for all or for no postsecondary education, rather than, as in in teh proposal, for postsecondary education combined with work.

NO

## Parental responsibility and prevention.

The balance to be achieved here is primarily one of requirements and services, combining an approach that stresses the obligations and responsibilities of parenthood with the provision of services to enhance responsible choices and make it possible for both mothers and fathers to meet their obligations. The elements of the balance are:

- o Child support obligations enforced through serious steps to improve paternity establishment, set adequate awards and modify them when needed, and collect the support that is owed. The enforcement approach is combined with demonstrations of services and work programs for noncustodial parents and with demonstrations of child support assurance.
- o Requirements on minor mothers to live at home and stay in school combined with requirements for case management and other special services.
- o Some expansion of family planning services; state option for family caps; i.e., not increasing welfare benefits for children conceived while the mother was receiving welfare.
- o Demonstrations of various approaches to teen pregnancy prevention.

The key choice elements in this balancing act are:

- o The size and scale of the demonstrations for noncustodial parents; spending money on these demonstrations may be seen as an unnecessary expenditure of funds.
- o The size and scale of the child support assurance demonstrations. The issue here has to do both with the amount of money that might be involved and with the idea itself. Some see CSEA as a crucial way to "make work pay" for single parents, while others see it as "letting fathers off the hook."
- o The living at home requirement; this is controversial for many people, though most of the concern is about ensuring adequate protections for minors in abusive or otherwise unsuitable homes.
- o The option or requirement for family caps; this is very controversial with strong passions on both sides.
- o The size and scale of teen pregnancy prevention

demonstrations. Here there are arguments on both sides: that we should mount a larger scale effort, perhaps through a formula grant to states; or that we should mount an even more modest effort since the evidence on effective programs is so slim.

### **The balance of costs and financing**

The proposal as currently constructed is estimated to cost \$x in 1999, \$x over the five year period 1995-1999, \$y in 2004, and \$y over the ten year period 1995-2004.

The financing options that we have identified generate \$x.

A number of the financing options are clearly very difficult. It is therefore important to think about various alternatives for reducing the cost of the program, or about tying certain cost elements to specific financing streams. The primary options are:

- o Fund two parent provisions through an AFDC offset. Our suggestion is capping eligibility at 130 percent of poverty for household income.
- o Phase in more slowly.
- o Reduce the costs of the various demonstrations by as much as half.
- o Fund day care for the working poor at half the proposed level; or leave working poor day care out of the welfare reform proposal entirely and submit a day care proposal separately with dedicated funding, perhaps something like the gambling tax.

The day care issue is the most important and difficult one, since it involves a substantial portion of the funding for the plan. As currently structured, x percent of the funding in the plan goes for day care, most of it for day care for JOBS and WORK participants, who are required to work or prepare for work, but x percent for day care for the working poor. Many people consider day care for the working poor an integral part of the plan, both to complete the make work pay agenda, and on equity grounds.

Finally, we propose a realistic phase-in strategy, both to acknowledge the level of resources available and to minimize the systemic stress on the Federal and State governments of attempting full and immediate implementation of the new system. We would initially target our resources on youngest third of new applicants and recipients. Starting with young people avoids any incentives to stay on welfare and any "rewards" to having children and coming on welfare early. It also allows for investments in families who have the most hope of being helped. The remainder of the caseload would be phased in over time. This phase-in period will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

#### **SOME POLICY ISSUES STILL TO BE RESOLVED**

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

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

We turn now to the specifics of the plan.

2-seconds on ~~the~~ Timing - we'll come to : NGA BR  
Overview of Plan < ~~the~~ David  
Costs Financing - Leon  
~~Existing team~~  
Tradeoffs - MJB  
Key Issues -  
Timing - Carol

1.2  
4.5  
3.1  
1.7  
7.5

Components

|           |     |       |            |
|-----------|-----|-------|------------|
| Two point | 1.2 |       | 4.4        |
| WP CC     | 4.5 | (2.2) | 14.6       |
| RGA       | 3.1 | (1.5) | 8.5        |
| Demos     | 1.4 | .7    | <u>4.3</u> |

1.5 b

$\frac{1}{2}$  RGA or  
 $\frac{1}{2}$  demos +  $\frac{1}{4}$  RGA

2.5

$\frac{1}{2}$  RGA +  $\frac{1}{2}$  demos

5.2

everything -  
two point  
or half RGA

Option 3  
cut demos  $\frac{1}{2}$

Option 2  
cut demos  $\frac{1}{2}$ , Rego  $\frac{1}{2}$

Option 1

Drop 2 point, cut all by  $\frac{1}{2}$   
Keep 2 points, cut  $\frac{1}{2}$  WPCC,  
 $\frac{1}{2}$  Demos; no Rego

|   |      |   |     |      |
|---|------|---|-----|------|
| 1 | 27.2 | - everything drop <sup>2-p</sup> Rego CC Demo           | 7.5 | 8.3  |
| 2 | 18.3 | - drop 2 point, cut by $\frac{1}{2}$ Demo CC Rego       | 5.2 | 10.8 |
| 3 | 11.7 | - cut <del>2</del> demos + Rego + WPCC by $\frac{1}{2}$ | 4.4 | 11.4 |
| 4 | 8.5  | - cut demos + Rego by $\frac{1}{2}$ , (WPCC by 2b)      | 2.2 | 13.6 |

Leave 2P

13.6  
12.0  
6.55  
9.80  
4.25

**TABLE 2 -- PRELIMINARY COST ESTIMATE OPTIONS (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 10 Year<br>Total | 10 Year<br>Federal<br>at 90% | 10 Year<br>Federal<br>at 80% |
|---|-----------------|------------------|------------------------------|------------------------------|
| TOTAL - OPTION A (Summary Table)  | 11,535          | 43,260           | 44,775                       | 39,370                       |
| TOTAL - OPTION B (Demonstrations and<br>Non-Custodial JOBS/WORK cut by 50%).  | 10,760          | 40,915           | 42,850                       | 37,480                       |
| TOTAL - OPTION C (Working Poor Child Care = 0)                                | 8,535           | 28,990           | 30,130                       | 26,355                       |
| TOTAL - OPTION D (Two Parent Provision = 0)                                   | 9,325           | 35,000           | 40,420                       | 35,015                       |
| TOTAL - OPTION E (Territories = 0,<br>RGA "All Others" = 0, Asset Limit = 0). | 8,520           | 34,960           | 40,345                       | 34,940                       |
| TOTAL - OPTION F (OPTION A - OPTIONS B-E).                                    | 535             | 8,085            | 19,220                       | 15,660                       |
| TOTAL - OPTION G (Eliminate Family Caps).                                     | 12,195          | 45,410           | 45,585                       | 40,180                       |

Note 1: Parentheses denote savings.

Note 2: Ninety percent and eighty percent federal estimates represent 90% (and 80%) of all expenditures except the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

*Child Care @ 1  
(Dedicate gambling tax)*

5-yr. Savings

2-parent - .9  
 Demos - .6  
 WPCC/50% - 2.0  
 WPCC 10% - 4.0  
 Earnings - .7  
 Autos - .95  
 Total Regs - 2.9

*Fed - 14  
 States - 3.4  
 optinc - 1.*

SEE APPENDIX FOR ENDNOTES TO TABLE

*3/21, 8AM*

3  
**TABLE 1. PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
 FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
 (By fiscal year, in millions of dollars)  
 (24 month WORK program followed by Assessment)  
 (Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |                 |                   |                  |                    |
| Minor Mothers   | (85)            | (30)              | (210)            | (85)               |
| No Additional Benefits for Additional Children  | (660)           | (220)             | (2,150)          | (610)              |
| Child Support Enforcement   |                 |                   |                  |                    |
| Paternity Establishment (Net)   | (535)           | (90)              | (2,080)          | (400)              |
| Enforcement (Net)   | (405)           | (180)             | (4,700)          | (1,555)            |
| Computer Costs  | 465             | 420               | 1,085            | 975                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>(1,220)</b>  | <b>(80)</b>       | <b>(8,055)</b>   | <b>(1,675)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |                 |                   |                  |                    |
| JOBS-Prep   | 305             | 275               | 1,225            | 1,185              |
| Additional JOBS Spending  | 2,500           | 2,320             | 7,140            | 6,425              |
| Additional Child Care for JOBS  | 1,805           | 1,825             | 4,900            | 4,410              |
| WORK Program  | 790             | 710               | 10,150           | 9,135              |
| Additional Child Care for WORK  | 365             | 330               | 4,585            | 4,125              |
| Savings from Child Care and Other Expansion   | (90)            | (50)              | (1,275)          | (700)              |
| Transitional Child Care   | 560             | 505               | 2,580            | 2,320              |
| Enhanced Teen Case Management   | 210             | 190               | 595              | 535                |
| Savings - Caseload Reduction  | (520)           | (285)             | (5,090)          | (2,800)            |
| ADP Federal and State Systems/Admin Efficiency  | 660             | 665               | 825              | 900                |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>6,695</b>    | <b>6,285</b>      | <b>25,635</b>    | <b>25,455</b>      |
| <b>SUBTOTAL, JOBS/WORK AND<br/>    PARENTAL RESPONSIBILITY</b>                                  | <b>5,465</b>    | <b>6,205</b>      | <b>17,580</b>    | <b>23,680</b>      |
| Working Poor Child Care (Capped at \$2b<br>in net spending)                                     | 5,000           | 4,500             | 16,270           | 14,645             |
| Remove Two Parent (UP) Restrictions   | 2,210           | 1,180             | 8,260            | 4,355              |
| <b>DEMONSTRATION PROJECTS</b>   |                 |                   |                  |                    |
| Comprehensive Demonstration Grants  | 200             | 200               | 350              | 350                |
| Non-Custodial Parent JOBS/WORK  | 370             | 335               | 1,855            | 1,670              |
| Access Grants and Parenting Demonstrations  | 135             | 120               | 285              | 255                |
| Child Support Assurance Demonstrations  | 550             | 495               | 1,500            | 1,350              |
| IGA and Microenterprises Demonstrations   | 300             | 270               | 700              | 635                |
| <b>SUBTOTAL DEMONSTRATIONS</b>  | <b>1,555</b>    | <b>1,420</b>      | <b>4,690</b>     | <b>4,255</b>       |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |                 |                   |                  |                    |
| State Flexibility on Earned Income and<br>and Child Support Disregards                          | 1,720           | 810               | 4,595            | 2,695              |
| Generally Conform Assets to Food Stamps on Limit,<br>Burial Insurance, Real Property, Transfers | 265             | 100               | 855              | 340                |
| Set Auto Exclusions to \$4500 Equity Value  | 855             | 955               | 2,745            | 2,785              |
| Double Territories' Caps/Adjust for Inflation   | 370             | 275               | 1,060            | 790                |
| All Others  | 965             | 555               | 2,265            | 1,375              |
| <b>SUBTOTAL RGA</b>   | <b>4,215</b>    | <b>2,495</b>      | <b>11,660</b>    | <b>7,665</b>       |
| <b>GRAND TOTAL</b>  | <b>15,445</b>   | <b>15,760</b>     | <b>50,660</b>    | <b>54,720</b>      |

NOTE 1: PATERNITY ESTABLISHMENT SAVINGS.

NOTE 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

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TABLE 3 - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 1995        | 1996         | 1997         | 1998         | 1999         | 5 Year<br>Total | 5 Year<br>Federal |
|---|-------------|--------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |             |              |              |              |              |                 |                   |
| Minor Mothers   | 0           | (20)         | (20)         | (20)         | (25)         | (85)            | (30)              |
| Comprehensive Demonstration Grants  | 0           | 50           | 50           | 50           | 50           | 200             | 200               |
| No Additional Benefits for Additional Children  | (20)        | (50)         | (125)        | (200)        | (265)        | (660)           | (230)             |
| Remove Two Parents (HP) Residencies   | 0           | 0            | 375          | 795          | 1,040        | 2,210           | 1,180             |
| <b>Child Support Enforcement</b>  |             |              |              |              |              |                 |                   |
| Paternity Establishment (Net)   | 0           | 0            | (135)        | (200)        | (200)        | (535)           | (90)              |
| Enforcement (Net)   | 0           | (18)         | (65)         | (45)         | (290)        | (465)           | (180)             |
| Computer Costs  | 18          | 38           | 80           | 160          | 160          | 485             | 420               |
| Non-Custodial Parent JOBS/WORK  | 0           | 10           | 78           | 105          | 180          | 370             | 325               |
| Average Grants and Parenting Demonstrations   | 20          | 25           | 30           | 30           | 30           | 135             | 120               |
| Child Support Assurance Demonstrations  | 0           | 0            | 100          | 200          | 250          | 550             | 400               |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>20</b>   | <b>30</b>    | <b>390</b>   | <b>870</b>   | <b>925</b>   | <b>2,245</b>    | <b>2,230</b>      |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |             |              |              |              |              |                 |                   |
| JOBS-Prep   | 0           | 15           | 25           | 25           | 110          | 305             | 275               |
| Additional JOBS Spending  | 0           | 100          | 670          | 850          | 980          | 2,580           | 2,320             |
| Additional Child Care for JOBS  | 0           | 70           | 445          | 800          | 870          | 1,965           | 1,625             |
| WORK Program  | 0           | 0            | 0            | 80           | 710          | 790             | 710               |
| Additional Child Care for WORK  | 0           | 0            | 0            | 40           | 325          | 365             | 330               |
| Savings from Child Care and Other Expenditure   | 0           | 0            | 0            | (140)        | (80)         | (80)            | (50)              |
| Transitional Child Care   | 0           | 0            | 120          | 185          | 255          | 560             | 500               |
| Enhanced Teen Case Management   | 0           | 20           | 55           | 65           | 70           | 210             | 190               |
| Savings - Caseload Reduction  | 0           | 0            | (80)         | (250)        | (190)        | (520)           | (285)             |
| ADP Federal and State Systems/Admin Efficiency  | 50          | 50           | 95           | 210          | 275          | 680             | 625               |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b>   | <b>255</b>   | <b>1,410</b> | <b>1,865</b> | <b>3,165</b> | <b>6,685</b>    | <b>6,285</b>      |
| <b>MAKING WORK PAY</b>  |             |              |              |              |              |                 |                   |
| Working Poor Child Care (Capped at \$2b in net spending)  | 0           | 900          | 1,000        | 1,500        | 2,000        | 5,800           | 4,500             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |             |              |              |              |              |                 |                   |
| IDA and Microenterprise Demonstrations  | 0           | 0            | 100          | 100          | 100          | 300             | 270               |
| State Flexibility on Earned Income and Child Support Disregards                                   | 0           | 0            | 555          | 575          | 590          | 1,720           | 845               |
| Generosity Confers Assets to Food Stamps, on Limit, Burial Insurance, Real Property and Transfers | 20          | 40           | 85           | 70           | 70           | 285             | 100               |
| Set Asset Exclusions to \$4500 Equity Value   | 0           | 0            | 305          | 320          | 300          | 925             | 925               |
| Double Territories' Caps/Adjust for Inflation   | 0           | 0            | 125          | 125          | 125          | 375             | 275               |
| All Others  | (30)        | 225          | 330          | 235          | 245          | 805             | 555               |
| <b>SUBTOTAL RGA</b>   | <b>(10)</b> | <b>265</b>   | <b>1,375</b> | <b>1,425</b> | <b>1,480</b> | <b>4,515</b>    | <b>2,100</b>      |
| <b>GRAND TOTAL</b>  | <b>60</b>   | <b>1,055</b> | <b>4,175</b> | <b>5,665</b> | <b>7,490</b> | <b>18,445</b>   | <b>16,115</b>     |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

1:20

**TABLE 3 - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year<br>Total | 10 Year<br>Federal |
|---|--------------|--------------|--------------|--------------|--------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |              |              |              |              |              |                  |                    |
| Minor Mothers   | (25)         | (25)         | (25)         | (25)         | (25)         | (210)            | (85)               |
| Comprehensive Demonstration Grants  | 50           | 50           | 50           | 0            | 0            | 350              | 350                |
| No Additional Benefits for Additional Children  | (275)        | (285)        | (300)        | (310)        | (320)        | (2,150)          | (810)              |
| Remove Two Parent (TP) Restrictions   | 1,175        | 1,195        | 1,210        | 1,225        | 1,245        | 8,760            | 4,355              |
| Child Support Enforcement   |              |              |              |              |              |                  |                    |
| Paternity Establishment (Net)   | (240)        | (280)        | (315)        | (340)        | (370)        | (2,080)          | (400)              |
| Enforcement (Net)   | (445)        | (655)        | (940)        | (1,000)      | (1,055)      | (4,700)          | (1,855)            |
| Computer Costs  | 135          | 130          | 115          | 110          | 110          | 1,085            | 975                |
| Non-Custodial Parent JOBS/WORK  | 225          | 255          | 285          | 325          | 365          | 1,855            | 1,670              |
| Access Grants and Parenting Demonstrations  | 30           | 30           | 30           | 30           | 30           | 285              | 255                |
| Child Support Assistance Demonstrations   | 250          | 250          | 250          | 200          | 0            | 1,500            | 1,350              |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>900</b>   | <b>475</b>   | <b>370</b>   | <b>225</b>   | <b>(20)</b>  | <b>4,185</b>     | <b>6,105</b>       |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |              |              |              |              |              |                  |                    |
| JOBS-Prep   | 115          | 140          | 180          | 220          | 265          | 1,225            | 1,105              |
| Additional JOBS Spending  | 790          | 850          | 890          | 970          | 1,070        | 7,140            | 6,425              |
| Additional Child Care for JOBS  | 555          | 585          | 600          | 650          | 705          | 4,900            | 4,410              |
| WORK Program  | 1,360        | 1,650        | 1,880        | 2,140        | 2,330        | 10,150           | 9,135              |
| Additional Child Care for WORK  | 820          | 750          | 655          | 660          | 1,035        | 4,585            | 4,125              |
| Savings from Child Care and Other Expenses  | (150)        | (180)        | (240)        | (285)        | (320)        | (1,275)          | (700)              |
| Transitional Child Care   | 315          | 340          | 410          | 455          | 500          | 2,590            | 2,320              |
| Enhanced Teen Case Management   | 75           | 75           | 75           | 80           | 80           | 365              | 535                |
| Savings - Caseload Reduction  | (250)        | (820)        | (1,100)      | (1,180)      | (1,440)      | (5,090)          | (2,800)            |
| ADP Federal and State Systems/Admin Efficiency  | 170          | 45           | (20)         | (25)         | (25)         | 825              | 900                |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>3,600</b> | <b>3,625</b> | <b>3,520</b> | <b>4,005</b> | <b>4,290</b> | <b>25,658</b>    | <b>25,455</b>      |
| <b>MAKING WORK PAY</b>  |              |              |              |              |              |                  |                    |
| Working Poor Child Care (Capped at \$2b<br>in net spending)                                     | 2,090        | 2,185        | 2,250        | 2,340        | 2,435        | 16,270           | 14,845             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |              |              |              |              |              |                  |                    |
| IDA and Microenterprise Demonstrations  | 100          | 100          | 100          | 100          | 0            | 700              | 830                |
| State Flexibility on Earned Income and<br>and Child Support Disregards                          | 605          | 620          | 635          | 650          | 665          | 4,865            | 2,890              |
| Generally Conform Assets to Food Stamps on Limit,<br>Burial Insurance, Real Property, Transfers | 70           | 75           | 80           | 80           | 85           | 655              | 240                |
| Set Auto Exclusions to \$4,500 Equity Value   | 340          | 355          | 365          | 380          | 390          | 2,785            | 2,785              |
| Double Territories' Caps/Adjust for Inflation   | 130          | 135          | 140          | 145          | 149          | 1,060            | 790                |
| All Others  | 255          | 265          | 270          | 280          | 290          | 2,265            | 1,375              |
| <b>SUBTOTAL RGA</b>   | <b>1,500</b> | <b>1,550</b> | <b>1,600</b> | <b>1,635</b> | <b>1,570</b> | <b>12,340</b>    | <b>8,515</b>       |
| <b>GRAND TOTAL</b>  | <b>6,090</b> | <b>7,815</b> | <b>7,730</b> | <b>8,205</b> | <b>8,185</b> | <b>58,480</b>    | <b>54,720</b>      |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following:  
benefits are at current match rates; child support is matched at rates specified in the  
hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

1:20

**TABLE 2 -- PRELIMINARY COST ESTIMATE OPTIONS (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| TOTAL - OPTION A (Summary Table)  | 18,445          | 15,778            | 58,460           | 54,720             |
| TOTAL - OPTION B (Demonstrations and<br>Non-Custodial JOBS/WORK cut by 50%).  | 17,670          | 15,070            | 56,115           | 52,595             |
| TOTAL - OPTION C (Working Poor Child Care = 0)                                | 13,445          | 11,278            | 42,190           | 40,075             |
| TOTAL - OPTION D (Two Parent Provision = 0)                                   | 16,235          | 14,618            | 50,200           | 50,365             |
| TOTAL - OPTION E (Territories = 0,<br>RGA "All Others" = 0, Asset Limit = 0). | 15,450          | 14,340            | 50,240           | 49,660             |
| TOTAL - OPTION F (OPTION A - OPTIONS B through E).                            | 7,465           | 7,970             | 23,365           | 26,735             |
| TOTAL - OPTION G (Eliminate Family Caps).                                     | 19,105          | 15,998            | 60,610           | 55,530             |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following:  
benefits are at current match rates; child support is matched at rates specified in the  
hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

16,235  
14,618  
50,200  
49,660

3/21, 12:50 PM

TABLE 1 -- PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
 FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL  
 (By fiscal year, in millions of dollars)  
 (24 month WORK program followed by Assessment.)  
 (Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |                 |                   |                  |                    |
| Minor Mothers   | (85)            | (30)              | (210)            | (65)               |
| Comprehensive Demonstration Grants  | 200             | 200               | 350              | 350                |
| No Additional Benefits for Additional Children  | (660)           | (255)             | (2,150)          | (810)              |
| Remove Two Parent (UP) Restrictions   | 2,210           | 1,160             | 6,050            | 4,355              |
| <b>Child Support Enforcement</b>  |                 |                   |                  |                    |
| Paternity Establishment (Net)   | (535)           | (90)              | (2,050)          | (400)              |
| Enforcement (Net)   | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs  | 465             | 420               | 1,085            | 875                |
| Non-Custodial Parent JOBS/WORK  | 370             | 335               | 1,855            | 1,570              |
| Access Grants and Parenting Demonstrations  | 135             | 120               | 285              | 255                |
| Child Support Assurance Demonstrations  | 550             | 495               | 1,500            | 1,350              |
| SUBTOTAL, Parental Responsibility   | 3,910           | 3,270             | 6,235            | 3,810              |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |                 |                   |                  |                    |
| <b>JOBS-Prep</b>  |                 |                   |                  |                    |
| Additional JOBS Spending  | 2,500           | 2,320             | 7,140            | 6,425              |
| Additional Child Care for JOBS  | 1,805           | 1,625             | 4,900            | 4,410              |
| <b>WORK Program</b>   |                 |                   |                  |                    |
| Additional Child Care for WORK  | 790             | 710               | 10,150           | 9,135              |
| Savings from Child Care and Other Expansion   | 365             | 330               | 4,565            | 4,125              |
| Savings from Child Care and Other Expansion   | (90)            | (50)              | (1,275)          | (700)              |
| Transitional Child Care   | 560             | 505               | 2,560            | 2,320              |
| Enhanced Teen Case Management   | 210             | 190               | 595              | 535                |
| Savings - Caseload Reduction  | (520)           | (285)             | (5,090)          | (2,800)            |
| ADP Federal and State Systems/Admin Efficiency  | 680             | 665               | 825              | 900                |
| SUBTOTAL, JOBS/WORK   | 6,685           | 6,285             | 25,635           | 25,455             |
| <b>MAKING WORK PAY</b>  |                 |                   |                  |                    |
| Working Poor Child Care (Capped at \$2b<br>in net spending).                                    | 5,000           | 4,500             | 16,270           | 14,645             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |                 |                   |                  |                    |
| IDA and Microenterprise Demonstrations  | 300             | 270               | 700              | 630                |
| State Flexibility on Earned Income and<br>and Child Support Disregards                          | 1,720           | 960               | 4,895            | 2,015              |
| Generally Conform Assets to Food Stamps on Limit,<br>Burial Insurance, Real Property, Transfers | 265             | 100               | 655              | 240                |
| Set Auto Exclusions to \$4500 Equity Value  | 955             | 955               | 2,765            | 2,765              |
| Double Territories' Caps/Adjust for Inflation   | 370             | 275               | 1,060            | 790                |
| All Others  | 905             | 555               | 2,265            | 1,375              |
| SUBTOTAL RGA  | 4,515           | 3,115             | 12,300           | 7,835              |
| <b>GRAND TOTAL</b>  | <b>18,445</b>   | <b>16,095</b>     | <b>56,250</b>    | <b>54,040</b>      |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

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TABLE 4 - PRELIMINARY REVENUE ESTIMATES (FEDERAL AND STATE)  
(By fiscal year, in billions of dollars)

|   | 1995        | 1996        | 1997        | 1998        | 1999        | 5 Year<br>Total | 2000        | 2001        | 2002        | 2003        | 2004        | 10 Year<br>Total | 10 Year<br>Federal |
|---|-------------|-------------|-------------|-------------|-------------|-----------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------|
| Cap Emergency Assistance  | 0.25        | 0.35        | 0.45        | 0.5         | 0.56        | 2.12            | 0.61        | 0.65        | 0.70        | 0.76        | 0.81        | 5.66             | 5.66               |
| Target Child Care Food Program  | 0.00        | 0.00        | 0.18        | 0.19        | 0.20        | 0.57            | 0.21        | 0.22        | 0.23        | 0.24        | 0.25        | 1.72             | 1.72               |
| No AFDC at 130% of Poverty  | 1.30        | 1.35        | 1.40        | 1.44        | 1.50        | 6.99            | 1.55        | 1.61        | 1.67        | 1.73        | 1.79        | 15.34            | 8.49               |
| Tighten Sponsorship and Eligibility Rules<br>for Aliens:  |             |             |             |             |             |                 |             |             |             |             |             |                  |                    |
| Make current 5-year SSI deeming rules<br>permanent and extend to AFDC and<br>Food Stamps and limit assistance to<br>PRUCOLS | 0.10        | 0.19        | 0.89        | 0.83        | 0.93        | 2.74            | 1.04        | 1.14        | 1.27        | 1.38        | 1.54        | 9.10             | 5.11               |
| Extend deeming period to 7 years  | 0.17        | 0.33        | 0.70        | 0.89        | 1.26        | 3.45            | 1.40        | 1.54        | 1.69        | 1.86        | 2.06        | 11.99            | 7.99               |
| Extend deeming period to citizenship  | 0.30        | 0.60        | 1.33        | 2.03        | 2.56        | 6.80            | 2.61        | 3.09        | 3.40        | 3.75        | 4.12        | 23.95            | 16.29              |
| EITC: Denial to non-resident aliens<br>Info reporting for DOD personnel   | 0.00        | 0.04        | 0.09        | 0.09        | 0.10        | 0.32            | 0.11        | 0.11        | 0.12        | 0.12        | 0.12        | 0.60             | 0.60               |
| Gambling  |             |             |             |             |             |                 |             |             |             |             |             |                  |                    |
| Increase withholding on gambling winnings<br>>\$50,000 to 36%   | 0.28        | 0.12        | 0.05        | 0.05        | 0.05        | 0.52            | 0.05        | 0.06        | 0.06        | 0.06        | 0.07        | 0.81             | 0.61               |
| Withholding rate of 28% on keno, slots,<br>and bingo winners > \$7,500  | 0.15        | 0.06        | -0.01       | 0.01        | 0.01        | 0.25            | 0.01        | 0.01        | 0.01        | 0.01        | 0.01        | 0.31             | 0.31               |
| Require information reporting on<br>winnings of \$10,000+ from gambling<br>regardless of odds (except State lotteries)      | 0.01        | 0.04        | 0.05        | 0.06        | 0.06        | 0.22            | 0.07        | 0.08        | 0.08        | 0.09        | 0.10        | 0.64             | 0.64               |
| 5% excise tax on net receipts of gambling<br>establishments (except State lotteries)  | 0.56        | 0.79        | 0.83        | 0.86        | 0.91        | 3.95            | 0.95        | 1.00        | 1.04        | 1.08        | 1.13        | 9.14             | 9.14               |
| Other:  |             |             |             |             |             |                 |             |             |             |             |             |                  |                    |
| Phase out dependent care tax credit for<br>AGI between \$90,000 and \$110,000   | 0.09        | 0.19        | 0.18        | 0.16        | 0.17        | 0.76            | 0.17        | 0.17        | 0.16        | 0.16        | 0.19        | 1.67             | 1.67               |
| <b>TOTAL (DEEMING TO CITIZENSHIP)</b>   | <b>2.93</b> | <b>3.54</b> | <b>4.55</b> | <b>5.39</b> | <b>6.12</b> | <b>22.52</b>    | <b>6.54</b> | <b>7.00</b> | <b>7.49</b> | <b>8.02</b> | <b>8.59</b> | <b>60.14</b>     | <b>45.63</b>       |
| <b>TOTAL (DEEMING TO SEVEN YEARS)</b>   | <b>2.80</b> | <b>3.27</b> | <b>3.92</b> | <b>4.35</b> | <b>4.82</b> | <b>19.17</b>    | <b>5.13</b> | <b>5.45</b> | <b>5.78</b> | <b>6.13</b> | <b>6.53</b> | <b>48.18</b>     | <b>37.33</b>       |
| <b>TOTAL (DEEMING TO FIVE YEARS)</b>  | <b>2.73</b> | <b>3.13</b> | <b>3.91</b> | <b>4.19</b> | <b>4.49</b> | <b>16.46</b>    | <b>4.77</b> | <b>5.05</b> | <b>5.38</b> | <b>5.65</b> | <b>6.01</b> | <b>45.29</b>     | <b>35.45</b>       |

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TABLE 4 - PRELIMINARY REVENUE ESTIMATES (FEDERAL AND STATE)  
(By fiscal year, in billions of dollars)

|   | 1995 | 1996 | 1997  | 1998 | 1999 | 5 Year<br>Total | 5 Year<br>Federal | 2000 | 2001 | 2002 | 2003 | 2004 | 10 Year<br>Total | 10 Year<br>Federal |
|---|------|------|-------|------|------|-----------------|-------------------|------|------|------|------|------|------------------|--------------------|
| Cap Emergency Assistance  | 0.26 | 0.35 | 0.45  | 0.5  | 0.58 | 2.12            | 1.17              | 0.61 | 0.65 | 0.70 | 0.78 | 0.81 | 5.66             | 5.86               |
| Target Child Care Food Program  | 0.00 | 0.00 | 0.18  | 0.19 | 0.20 | 0.57            | 0.31              | 0.21 | 0.22 | 0.23 | 0.24 | 0.25 | 2.03             | 2.03               |
| Conform AFDC to Food Stamps 130% of Poverty   | 1.30 | 1.35 | 1.40  | 1.44 | 1.50 | 6.99            | 3.64              | 1.65 | 1.61 | 1.67 | 1.73 | 1.79 | 19.18            | 8.49               |
| Reduce by 1/2   | 0.65 | 0.68 | 0.70  | 0.72 | 0.75 | 3.50            | 1.82              | 0.78 | 0.81 | 0.84 | 0.87 | 0.90 | 9.59             | 5.28               |
| Reduce by 1/3   | 0.67 | 0.69 | 0.69  | 0.68 | 1.00 | 4.66            | 2.56              | 1.00 | 1.07 | 1.11 | 1.15 | 1.19 | 12.78            | 7.03               |
| Tighten Sponsorship and Eligibility Rules<br>for Aliens:  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Make current 5-year SSI deeming rules<br>permanent and extend to AFDC and<br>Food Stamps and limit assistance to<br>PRUCOLS | 0.10 | 0.19 | 0.69  | 0.83 | 0.93 | 2.74            | 1.51              | 1.04 | 1.14 | 1.27 | 1.36 | 1.54 | 9.10             | 6.11               |
| Extend deeming period to 7 years  | 0.17 | 0.33 | 0.70  | 0.99 | 1.28 | 3.45            | 1.90              | 1.40 | 1.54 | 1.69 | 1.66 | 2.06 | 11.99            | 7.99               |
| Extend deeming period to citizenship  | 0.30 | 0.60 | 1.33  | 2.03 | 2.58 | 8.80            | 3.74              | 2.81 | 3.09 | 3.40 | 3.75 | 4.12 | 23.95            | 18.20              |
| EITC: Denial to non-resident aliens<br>info reporting for DOD personnel   | 0.00 | 0.04 | 0.08  | 0.09 | 0.10 | 0.32            | 0.18              | 0.11 | 0.11 | 0.12 | 0.12 | 0.12 | 0.80             | 0.80               |
| Gambling  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Increase withholding on gambling winnings<br>> \$50,000 to 36%  | 0.26 | 0.12 | 0.05  | 0.05 | 0.05 | 0.52            | 0.29              | 0.05 | 0.06 | 0.06 | 0.06 | 0.07 | 0.61             | 0.61               |
| Withholding rate of 26% on keno, slots,<br>and bingo winners > \$7,500  | 0.15 | 0.06 | -0.01 | 0.01 | 0.01 | 0.25            | 0.14              | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.31             | 0.31               |
| Require information reporting on<br>winnings of \$10,000+ from gambling<br>regardless of odds (except State lotteries)      | 0.01 | 0.04 | 0.05  | 0.06 | 0.06 | 0.22            | 0.12              | 0.07 | 0.06 | 0.06 | 0.09 | 0.10 | 0.54             | 0.54               |
| 5% excise tax on net receipts of gambling<br>establishments (except State lotteries)  | 0.56 | 0.79 | 0.83  | 0.86 | 0.91 | 3.95            | 2.17              | 0.95 | 1.00 | 1.04 | 1.08 | 1.13 | 9.14             | 9.14               |
| Other:  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Phase down dependent care tax credit 10% for<br>AGI over \$70,000   | 0.04 | 0.19 | 0.16  | 0.16 | 0.17 | 0.78            | 0.43              | 0.17 | 0.17 | 0.18 | 0.18 | 0.19 | 1.67             | 1.67               |
| OPTION 1 (5 Yr Deeming, No 130% Income Test)  | 1.43 | 1.78 | 2.51  | 2.75 | 2.99 | 11.47           | 6.31              | 3.22 | 3.44 | 3.69 | 3.92 | 4.22 | 30.28            | 27.27              |
| OPTION 2 (7 Yr Deeming, 1/3rd 130% Income Test)   | 2.37 | 2.92 | 3.45  | 3.87 | 4.32 | 18.84           | 9.26              | 4.61 | 4.91 | 5.22 | 5.55 | 5.93 | 45.93            | 38.16              |
| OPTION 3 (Deem to Citizenship, 1/2 130% Test)   | 3.28 | 3.87 | 3.85  | 4.27 | 5.37 | 19.03           | 10.46             | 5.77 | 6.20 | 6.66 | 7.16 | 7.70 | 54.71            | 42.73              |
| OPTION 4 (Deem to Citizenship, Full 130% Test)  | 2.93 | 3.54 | 4.55  | 5.39 | 6.12 | 22.52           | 12.39             | 6.54 | 7.00 | 7.49 | 8.02 | 8.59 | 64.30            | 45.94              |

**TABLE 2 – PRELIMINARY COST ESTIMATE OPTIONS (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| TOTAL - OPTION A (Summary Table)  | 18,445          | 16,095            | 56,250           | 54,040             |
| TOTAL - OPTION B (Demonstrations and<br>Non-Custodial JOBS/WORK cut by 50%).  | 17,670          | 15,385            | 53,905           | 51,915             |
| TOTAL - OPTION C (Working Poor Child Care = 0)                                | 13,445          | 11,595            | 39,980           | 39,395             |
| TOTAL - OPTION D (Two Parent Provision = 0)                                   | 16,235          | 14,935            | 50,200           | 49,685             |
| TOTAL - OPTION E (Territories = 0,<br>RGA "All Others" = 0, Asset Limit = 0). | 15,450          | 14,305            | 48,030           | 49,860             |
| TOTAL - OPTION F (OPTION A - OPTIONS B through E).                            | 7,465           | 7,935             | 23,365           | 28,735             |
| TOTAL - OPTION G (Eliminate Family Caps).                                     | 19,105          | 16,350            | 58,400           | 54,850             |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following:  
benefits are at current match rates; child support is matched at rates specified in the  
hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

**TABLE 3 - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment)  
(Welfare and Nonwelfare Impacts)

|   | 1995        | 1996         | 1997         | 1998         | 1999         | 5 Year<br>Total | 5 Year<br>Federal |
|---|-------------|--------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |             |              |              |              |              |                 |                   |
| Minor Mothers   | 0           | (20)         | (20)         | (20)         | (25)         | (85)            | (30)              |
| Comprehensive Demonstration Grants  | 0           | 50           | 50           | 50           | 50           | 200             | 200               |
| No Additional Benefits for Additional Children  | (20)        | (50)         | (125)        | (200)        | (265)        | (660)           | (255)             |
| Remove Two Parent (UP) Restrictions   | 0           | 0            | 375          | 795          | 1,040        | 2,210           | 1,160             |
| <b>Child Support Enforcement</b>  |             |              |              |              |              |                 |                   |
| Paternity Establishment (Net)   | 5           | 0            | (135)        | (200)        | (205)        | (535)           | (90)              |
| Enforcement (Net)   | 0           | (15)         | (55)         | (45)         | (290)        | (405)           | (160)             |
| Computer Costs  | 15          | 35           | 85           | 160          | 160          | 465             | 420               |
| Non-Custodial Parent JOBS/WORK  | 0           | 10           | 75           | 105          | 160          | 370             | 335               |
| Access Grants and Parenting Demonstrations  | 20          | 25           | 30           | 30           | 30           | 135             | 120               |
| Child Support Assurance Demonstrations  | 0           | 0            | 100          | 200          | 250          | 550             | 485               |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>20</b>   | <b>35</b>    | <b>390</b>   | <b>875</b>   | <b>925</b>   | <b>2,345</b>    | <b>2,195</b>      |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |             |              |              |              |              |                 |                   |
| <b>JOBS-Prep</b>  |             |              |              |              |              |                 |                   |
| JOBS-Prep   | 0           | 15           | 65           | 95           | 110          | 305             | 275               |
| Additional JOBS Spending  | 0           | 100          | 670          | 850          | 960          | 2,580           | 2,320             |
| Additional Child Care for JOBS  | 0           | 70           | 465          | 600          | 670          | 1,805           | 1,825             |
| <b>WORK Program</b>   |             |              |              |              |              |                 |                   |
| WORK Program  | 0           | 0            | 0            | 80           | 710          | 790             | 710               |
| Additional Child Care for WORK  | 0           | 0            | 0            | 40           | 325          | 365             | 330               |
| Savings from Child Care and Other Expansion   | 0           | 0            | 0            | (10)         | (80)         | (90)            | (50)              |
| <b>Transitional Child Care</b>  |             |              |              |              |              |                 |                   |
| Transitional Child Care   | 0           | 0            | 120          | 185          | 255          | 560             | 505               |
| <b>Enhanced Teen Case Management</b>  |             |              |              |              |              |                 |                   |
| Enhanced Teen Case Management   | 0           | 20           | 55           | 65           | 70           | 210             | 190               |
| <b>Savings - Caseload Reduction</b>   |             |              |              |              |              |                 |                   |
| Savings - Caseload Reduction  | 0           | 0            | (80)         | (250)        | (190)        | (520)           | (265)             |
| <b>ADP Federal and State Systems/Admin Efficiency</b>   |             |              |              |              |              |                 |                   |
| ADP Federal and State Systems/Admin Efficiency  | 50          | 50           | 95           | 210          | 275          | 680             | 665               |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b>   | <b>255</b>   | <b>1,410</b> | <b>1,865</b> | <b>3,105</b> | <b>6,665</b>    | <b>6,285</b>      |
| <b>MAKING WORK PAY</b>  |             |              |              |              |              |                 |                   |
| Working Poor Child Care (Capped at \$2b in net spending)  | 0           | 500          | 1,000        | 1,500        | 2,000        | 5,000           | 4,500             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |             |              |              |              |              |                 |                   |
| <b>IDA and Microenterprise Demonstrations</b>   |             |              |              |              |              |                 |                   |
| IDA and Microenterprise Demonstrations  | 0           | 0            | 100          | 100          | 100          | 300             | 270               |
| <b>State Flexibility on Earned Income and Child Support Disregards</b>                                  |             |              |              |              |              |                 |                   |
| State Flexibility on Earned Income and Child Support Disregards   | 0           | 0            | 555          | 575          | 590          | 1,720           | 980               |
| <b>Generally Conform Assets to Food Stamps, on Limit, Burial Insurance, Real Property and Transfers</b> |             |              |              |              |              |                 |                   |
| Generally Conform Assets to Food Stamps, on Limit, Burial Insurance, Real Property and Transfers        | 20          | 40           | 65           | 70           | 70           | 265             | 100               |
| <b>Set Auto Exclusions to \$4500 Equity Value</b>   |             |              |              |              |              |                 |                   |
| Set Auto Exclusions to \$4500 Equity Value  | 0           | 0            | 305          | 320          | 330          | 955             | 955               |
| <b>Double Territories' Caps/Adjust for Inflation</b>  |             |              |              |              |              |                 |                   |
| Double Territories' Caps/Adjust for Inflation   | 0           | 0            | 120          | 125          | 125          | 370             | 275               |
| <b>All Others</b>   |             |              |              |              |              |                 |                   |
| All Others  | (30)        | 225          | 230          | 235          | 245          | 905             | 555               |
| <b>SUBTOTAL RGA</b>   | <b>(10)</b> | <b>265</b>   | <b>1,375</b> | <b>1,425</b> | <b>1,460</b> | <b>4,515</b>    | <b>3,115</b>      |
| <b>GRAND TOTAL</b>  | <b>60</b>   | <b>1,055</b> | <b>4,175</b> | <b>5,665</b> | <b>7,490</b> | <b>18,445</b>   | <b>16,095</b>     |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

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**TABLE 3 -- PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment)  
(Welfare and Nonwelfare Impacts)

|   | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year<br>Total | 10 Year<br>Federal |
|---|--------------|--------------|--------------|--------------|--------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |              |              |              |              |              |                  |                    |
| Minor Mothers   | (25)         | (25)         | (25)         | (25)         | (25)         | (210)            | (85)               |
| Comprehensive Demonstration Grants  | 50           | 50           | 50           | 0            | 0            | 350              | 350                |
| No Additional Benefits for Additional Children  | (275)        | (285)        | (300)        | (310)        | (320)        | (2,150)          | (810)              |
| Remove Two Parent (JP) Restrictions   | 1,175        | 1,195        | 1,210        | 1,225        | 1,245        | 6,050            | 4,355              |
| <b>Child Support Enforcement</b>  |              |              |              |              |              |                  |                    |
| Paternity Establishment (Net)   | (240)        | (250)        | (315)        | (340)        | (370)        | (2,060)          | (400)              |
| Enforcement (Net)   | (445)        | (555)        | (940)        | (1,000)      | (1,055)      | (4,700)          | (1,555)            |
| Computer Costs  | 165          | 130          | 115          | 110          | 110          | 1,085            | 975                |
| Non-Custodial Parent JOBS/WORK  | 225          | 265          | 295          | 335          | 365          | 1,855            | 1,870              |
| Access Grants and Parenting Demonstrations  | 30           | 30           | 30           | 30           | 30           | 285              | 255                |
| Child Support Assurance Demonstrations  | 250          | 250          | 250          | 200          | 0            | 1,500            | 1,350              |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>900</b>   | <b>475</b>   | <b>370</b>   | <b>225</b>   | <b>(20)</b>  | <b>1,965</b>     | <b>6,105</b>       |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |              |              |              |              |              |                  |                    |
| <b>JOBS-Prep</b>  |              |              |              |              |              |                  |                    |
| Additional JOBS Spending  | 790          | 850          | 880          | 970          | 1,070        | 7,140            | 6,425              |
| Additional Child Care for JOBS  | 555          | 565          | 600          | 650          | 705          | 4,900            | 4,410              |
| <b>WORK Program</b>   |              |              |              |              |              |                  |                    |
| Additional Child Care for WORK  | 620          | 750          | 855          | 960          | 1,035        | 4,585            | 4,125              |
| Savings from Child Care and Other Expansion   | (150)        | (190)        | (240)        | (255)        | (320)        | (1,275)          | (700)              |
| Transitional Child Care   | 315          | 340          | 410          | 455          | 500          | 2,580            | 2,320              |
| Enhanced Teen Case Management   | 75           | 75           | 75           | 80           | 80           | 595              | 535                |
| Savings - Caseload Reduction  | (250)        | (620)        | (1,100)      | (1,160)      | (1,440)      | (5,090)          | (2,800)            |
| ADP Federal and State Systems/Admin Efficiency  | 170          | 45           | (20)         | (25)         | (25)         | 825              | 900                |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>3,600</b> | <b>3,825</b> | <b>3,520</b> | <b>4,005</b> | <b>4,200</b> | <b>25,635</b>    | <b>25,455</b>      |
| <b>MAKING WORK PAY</b>  |              |              |              |              |              |                  |                    |
| Working Poor Child Care (Capped at \$2b<br>in net spending)                                     | 2,000        | 2,165        | 2,250        | 2,340        | 2,435        | 16,270           | 14,645             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |              |              |              |              |              |                  |                    |
| IGA and Microenterprise Demonstrations  | 100          | 100          | 100          | 100          | 0            | 700              | 630                |
| State Flexibility on Earned Income and<br>and Child Support Disregards                          | 605          | 620          | 635          | 650          | 665          | 4,895            | 2,015              |
| Generally Conform Assets to Food Stamps on Limit,<br>Burial Insurance, Real Property, Transfers | 70           | 75           | 80           | 80           | 85           | 655              | 240                |
| Set Auto Exclusions to \$4500 Equity Value  | 340          | 355          | 365          | 380          | 390          | 2,785            | 2,785              |
| Double Territories' Caps/Adjust for Inflation   | 130          | 135          | 140          | 145          | 140          | 1,060            | 790                |
| All Others  | 255          | 255          | 270          | 280          | 290          | 2,265            | 1,375              |
| <b>SUBTOTAL RGA</b>   | <b>1,500</b> | <b>1,550</b> | <b>1,590</b> | <b>1,635</b> | <b>1,570</b> | <b>12,360</b>    | <b>7,835</b>       |
| <b>GRAND TOTAL</b>  | <b>6,060</b> | <b>7,815</b> | <b>7,730</b> | <b>8,205</b> | <b>8,165</b> | <b>58,250</b>    | <b>54,040</b>      |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except the following:  
benefits are at current match rates; child support is matched at rates specified in the  
hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

**TABLE 1 - PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|   | 5 Year<br>Total | 10 Year<br>Total | 10 Year<br>Federal<br>at 90% | 10 Year<br>Federal<br>at 80% |
|---|-----------------|------------------|------------------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |                 |                  |                              |                              |
| Minor Mothers   | (85)            | (210)            | (85)                         | (85)                         |
| Comprehensive Demonstration Grants  | 200             | 350              | 350                          | 350                          |
| No Additional Benefits for Additional Children  | (560)           | (2,150)          | (810)                        | (810)                        |
| <b>Child Support Enforcement</b>  |                 |                  |                              |                              |
| Paternity Establishment (Net)   | (535)           | (2,080)          | (755)                        | (755)                        |
| Enforcement (Net)   | (405)           | (4,700)          | (2,600)                      | (2,600)                      |
| Computer Costs  | 465             | 1,085            | 975                          | 870                          |
| Non-Custodial Parent JOBS/WORK  | 370             | 1,855            | 1,670                        | 1,485                        |
| Access Grants and Parenting Demonstrations  | 135             | 285              | 255                          | 230                          |
| Child Support Assurance Demonstrations  | 550             | 1,500            | 1,350                        | 1,200                        |
| <b>SUBTOTAL, CSE</b>  | <b>580</b>      | <b>(2,055)</b>   | <b>895</b>                   | <b>430</b>                   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |                 |                  |                              |                              |
| JOBS-Prep   | 305             | 1,225            | 1,105                        | 980                          |
| Additional JOBS Spending  | 2,580           | 7,140            | 6,425                        | 5,710                        |
| Additional Child Care for JOBS  | 1,065           | 4,900            | 4,410                        | 3,920                        |
| <b>WORK Program</b>   |                 |                  |                              |                              |
| Additional Child Care for WORK  | 790             | 10,150           | 9,135                        | 8,120                        |
| Savings from Child Care and Other Expansion   | 365             | 4,585            | 4,125                        | 3,670                        |
|   | (90)            | (1,275)          | (700)                        | (700)                        |
| Transitional Child Care   | 560             | 2,580            | 2,320                        | 2,065                        |
| Enhanced Teen Case Management   | 210             | 595              | 535                          | 475                          |
| Savings - Caseload Reduction  | (520)           | (5,090)          | (2,800)                      | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency  | 680             | 825              | 900                          | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>6,685</b>    | <b>25,635</b>    | <b>25,455</b>                | <b>22,215</b>                |
| <b>MAKING WORK PAY</b>  |                 |                  |                              |                              |
| Working Poor Child Care (Capped at \$2b<br>in net spending).                                    | 5,000           | 16,270           | 14,645                       | 13,015                       |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>  |                 |                  |                              |                              |
| IDA and Microenterprise Demonstrations  | 300             | 700              | 630                          | 560                          |
| Remove Two Parent (UP) Restrictions   | 2,210           | 8,260            | 4,355                        | 4,355                        |
| State Flexibility on Earned Income and<br>and Child Support Disregards                          | 1,720           | 4,895            | 2,015                        | 2,015                        |
| Generally Conform Assets to Food Stamps on Limit,<br>Burial Insurance, Real Property, Transfers | 325             | 715              | 285                          | 265                          |
| Set Auto Exclusions to \$4500 Equity Value  | 955             | 2,785            | 3,080                        | 3,080                        |
| Double Territories' Caps/Adjust for Inflation   | 390             | 1,140            | 1,040                        | 1,040                        |
| All Others  | 905             | 2,285            | 1,375                        | 1,375                        |
| Conform AFDC to Food Stamps 130% of poverty rule  | (6,990)         | (15,340)         | (8,435)                      | (8,435)                      |
| <b>SUBTOTAL, RGA</b>  | <b>(185)</b>    | <b>5,420</b>     | <b>4,325</b>                 | <b>4,255</b>                 |
| <b>GRAND TOTAL</b>  | <b>11,535</b>   | <b>43,260</b>    | <b>44,775</b>                | <b>39,370</b>                |

Note 1: Parentheses denote savings.

Note 2: Ninety percent and eighty percent federal estimates represent 90% (and 80%) of all expenditures except the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

TABLE 3 - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
 FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL  
 (By fiscal year, in millions of dollars)  
 (24 month WORK program followed by Assessment.)  
 (Welfare and Nonwelfare Impacts)

|  | 1995           | 1996           | 1997         | 1998         | 1999         | 5 Year Total  |
|--|----------------|----------------|--------------|--------------|--------------|---------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                |                |              |              |              |               |
| Minor Mothers  | 0              | (20)           | (20)         | (20)         | (25)         | (85)          |
| Comprehensive Demonstration Grants   | 0              | 50             | 50           | 50           | 50           | 200           |
| No Additional Benefits for Additional Children   | (20)           | (50)           | (125)        | (200)        | (265)        | (660)         |
| <b>Child Support Enforcement</b>   |                |                |              |              |              |               |
| Paternity Establishment (Net)  | 5              | 0              | (135)        | (200)        | (205)        | (535)         |
| Enforcement (Net)  | 0              | (15)           | (55)         | (45)         | (290)        | (405)         |
| Computer Costs   | 15             | 35             | 95           | 180          | 160          | 465           |
| Non-Custodial Parent JOBS/WORK   | 0              | 10             | 75           | 105          | 180          | 370           |
| Access Grants and Parenting Demonstrations   | 20             | 25             | 30           | 30           | 30           | 135           |
| Child Support Assurance Demonstrations   | 0              | 0              | 100          | 200          | 250          | 550           |
| <b>SUBTOTAL, CSE</b>   | <b>40</b>      | <b>55</b>      | <b>110</b>   | <b>250</b>   | <b>125</b>   | <b>580</b>    |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |                |                |              |              |              |               |
| <b>JOBS-Prep</b>   |                |                |              |              |              |               |
| JOBS-Prep  | 0              | 15             | 85           | 95           | 110          | 305           |
| Additional JOBS Spending   | 0              | 100            | 870          | 850          | 960          | 2,580         |
| Additional Child Care for JOBS   | 0              | 70             | 465          | 600          | 670          | 1,805         |
| <b>WORK Program</b>  |                |                |              |              |              |               |
| WORK Program   | 0              | 0              | 0            | 80           | 710          | 790           |
| Additional Child Care for WORK   | 0              | 0              | 0            | 40           | 325          | 365           |
| Savings from Child Care and Other Expansion  | 0              | 0              | 0            | (10)         | (80)         | (90)          |
| Transitional Child Care  | 0              | 0              | 190          | 185          | 255          | 560           |
| Enhanced Teen Case Management  | 0              | 20             | 55           | 65           | 70           | 210           |
| Savings - Caseload Reduction   | 0              | 0              | (80)         | (250)        | (190)        | (520)         |
| ADP Federal and State Systems/Admin Efficiency   | 50             | 50             | 95           | 210          | 275          | 680           |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>50</b>      | <b>255</b>     | <b>1,410</b> | <b>1,865</b> | <b>3,105</b> | <b>6,685</b>  |
| <b>MAKING WORK PAY</b>   |                |                |              |              |              |               |
| Working Poor Child Care (Capped at \$2b in net spending)   | 0              | 500            | 1,000        | 1,500        | 2,000        | 5,000         |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>   |                |                |              |              |              |               |
| IDA and Microenterprise Demonstrations   | 0              | 0              | 100          | 100          | 100          | 300           |
| Remove Two Parent (JP) Restrictions  | 0              | 0              | 375          | 785          | 1,040        | 2,210         |
| State Flexibility on Earned Income and Child Support Disregards                                  | 0              | 0              | 555          | 575          | 590          | 1,720         |
| Generally Conform Assets to Food Stamps, on Limit, Burial Insurance, Real Property and Transfers | 60             | 65             | 65           | 65           | 70           | 325           |
| Set Auto Exclusions to \$4500 Equity Value   | 0              | 0              | 305          | 320          | 330          | 955           |
| Double Territories' Caps/Adjust for Inflation  | 0              | 0              | 125          | 130          | 135          | 390           |
| All Others   | (30)           | 225            | 230          | 235          | 245          | 905           |
| Conform AFDC to Food Stamps 130% of poverty rule   | (1,300)        | (1,350)        | (1,400)      | (1,440)      | (1,500)      | (6,990)       |
| <b>SUBTOTAL RGA</b>  | <b>(1,270)</b> | <b>(1,080)</b> | <b>355</b>   | <b>760</b>   | <b>1,010</b> | <b>(185)</b>  |
| <b>GRAND TOTAL</b>   | <b>(1,290)</b> | <b>(270)</b>   | <b>2,760</b> | <b>4,225</b> | <b>6,000</b> | <b>11,535</b> |

Note: Parentheses denote savings.

14,050  
807

15,405  
~~14,050~~  
 18,405  
 1 state option  
 2 mandate

58.6 TOTAL  
 53.2 FEDS

**TABLE 3 - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare and Nonwelfare Impacts)

|  | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year<br>Total | 10 Year<br>Federal<br>at 90% | 10 Year<br>Federal<br>at 80% |
|--|--------------|--------------|--------------|--------------|--------------|------------------|------------------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |              |              |              |              |              |                  |                              |                              |
| Minor Mothers  | (25)         | (25)         | (25)         | (25)         | (25)         | (210)            | (85)                         | (85)                         |
| Comprehensive Demonstration Grants   | 50           | 50           | 50           | 0            | 0            | 350              | 350                          | 350                          |
| No Additional Benefits for Additional Children   | (275)        | (285)        | (300)        | (310)        | (320)        | (2,150)          | (810)                        | (810)                        |
| <b>Child Support Enforcement</b>   |              |              |              |              |              |                  |                              |                              |
| Paternity Establishment (Net)  | (240)        | (280)        | (315)        | (340)        | (370)        | (2,080)          | (755)                        | (755)                        |
| Enforcement (Net)  | (445)        | (855)        | (940)        | (1,000)      | (1,055)      | (4,700)          | (2,800)                      | (2,800)                      |
| Computer Costs   | 155          | 130          | 115          | 110          | 110          | 1,085            | 975                          | 970                          |
| Non-Custodial Parent JOBS/WORK   | 225          | 265          | 295          | 335          | 365          | 1,855            | 1,670                        | 1,465                        |
| Assess Grants and Parenting Demonstrations   | 30           | 30           | 30           | 30           | 30           | 285              | 255                          | 230                          |
| Child Support Assurance Demonstrations   | 250          | 250          | 250          | 200          | 0            | 1,500            | 1,350                        | 1,200                        |
| <b>SUBTOTAL, CSE</b>   | <b>(25)</b>  | <b>(480)</b> | <b>(565)</b> | <b>(665)</b> | <b>(820)</b> | <b>(2,055)</b>   | <b>895</b>                   | <b>430</b>                   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |              |              |              |              |              |                  |                              |                              |
| <b>JOBS-Prep</b>   |              |              |              |              |              |                  |                              |                              |
| JOBS-Prep  | 115          | 140          | 180          | 220          | 265          | 1,225            | 1,105                        | 960                          |
| Additional JOBS Spending   | 790          | 850          | 880          | 970          | 1,070        | 7,140            | 6,425                        | 5,710                        |
| Additional Child Care for JOBS   | 555          | 585          | 600          | 650          | 705          | 4,900            | 4,410                        | 3,920                        |
| <b>WORK Program</b>  |              |              |              |              |              |                  |                              |                              |
| WORK Program   | 1,360        | 1,650        | 1,880        | 2,140        | 2,330        | 10,150           | 9,135                        | 8,120                        |
| Additional Child Care for WORK   | 620          | 750          | 855          | 980          | 1,035        | 4,585            | 4,125                        | 3,670                        |
| Savings from Child Care and Other Expansion  | (150)        | (190)        | (240)        | (285)        | (320)        | (1,275)          | (700)                        | (700)                        |
| Transitional Child Care  | 315          | 340          | 410          | 455          | 500          | 2,580            | 2,320                        | 2,065                        |
| Enhanced Teen Case Management  | 75           | 75           | 75           | 80           | 80           | 595              | 535                          | 475                          |
| Savings - Caseload Reduction   | (250)        | (620)        | (1,100)      | (1,180)      | (1,440)      | (5,090)          | (2,800)                      | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency   | 170          | 45           | (20)         | (25)         | (25)         | 825              | 800                          | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>3,600</b> | <b>3,825</b> | <b>3,520</b> | <b>4,005</b> | <b>4,200</b> | <b>25,835</b>    | <b>25,455</b>                | <b>22,215</b>                |
| <b>MAKING WORK PAY</b>   |              |              |              |              |              |                  |                              |                              |
| Working Poor Child Care (Capped at \$2b in net spending)                                     | 2,080        | 2,165        | 2,250        | 2,340        | 2,435        | 18,270           | 14,645                       | 13,015                       |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>   |              |              |              |              |              |                  |                              |                              |
| IDA and Microenterprise Demonstrations   | 100          | 100          | 100          | 100          | 0            | 700              | 630                          | 560                          |
| Remove Two Parent (UP) Restrictions  | 1,175        | 1,195        | 1,210        | 1,225        | 1,245        | 8,260            | 4,355                        | 4,355                        |
| State Flexibility on Earned Income and Child Support Disregards                              | 605          | 620          | 635          | 650          | 665          | 4,895            | 2,015                        | 2,015                        |
| Generally Conform Assets to Food Stamps on Limit, Burial Insurance, Real Property, Transfers | 70           | 75           | 80           | 80           | 85           | 715              | 285                          | 265                          |
| Set Auto Exemptions to \$4500 Equity Value   | 340          | 355          | 365          | 380          | 390          | 2,785            | 3,090                        | 3,090                        |
| Double Territories' Caps/Adjust for Inflation  | 140          | 145          | 150          | 155          | 160          | 1,140            | 1,040                        | 1,040                        |
| All Others   | 255          | 265          | 270          | 280          | 290          | 2,265            | 1,375                        | 1,375                        |
| Conform AFDC to Food Stamps 130% of poverty rule   | (1,550)      | (1,610)      | (1,670)      | (1,730)      | (1,790)      | (15,340)         | (8,435)                      | (8,435)                      |
| <b>SUBTOTAL, RGA</b>   | <b>1,135</b> | <b>1,145</b> | <b>1,140</b> | <b>1,140</b> | <b>1,045</b> | <b>5,420</b>     | <b>4,325</b>                 | <b>4,255</b>                 |
| <b>GRAND TOTAL</b>   | <b>6,540</b> | <b>6,215</b> | <b>6,070</b> | <b>6,485</b> | <b>6,415</b> | <b>43,260</b>    | <b>44,775</b>                | <b>38,370</b>                |

Note 1: Parentheses denote savings.

Note 2: Ninety percent and eighty percent federal estimates represent 90% (and 80%) of all expenditures except the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

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TABLE 1 — PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
 FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL  
 (By fiscal year, in millions of dollars)  
 (24 month WORK program followed by Assessment.)  
 (Welfare and Nonwelfare Impacts)

|  | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| Minor Mothers  | (85)            | (30)              | (210)            | (85)               |
| Comprehensive Demonstration Grants   | 200             | 200               | 350              | 350                |
| No Additional Benefits for Additional Children   | (660)           | (220)             | (2,150)          | (810)              |
| Remove Two Parent (UP) Restrictions  | 2,210           | 1,180             | 8,260            | 4,355              |
| <b>Child Support Enforcement</b>   |                 |                   |                  |                    |
| Paternity Establishment (Net)  | (535)           | (90)              | (2,080)          | (400)              |
| Enforcement (Net)  | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs   | 485             | 420               | 1,085            | 875                |
| Non-Custodial Parent JOBS/WORK   | 370             | 335               | 1,855            | 1,670              |
| Access Grants and Parenting Demonstrations   | 135             | 120               | 285              | 255                |
| Child Support Assurance Demonstrations   | 550             | 495               | 1,500            | 1,350              |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>   | <b>2,245</b>    | <b>2,230</b>      | <b>4,185</b>     | <b>6,105</b>       |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |                 |                   |                  |                    |
| JOBS-Prep  | 305             | 275               | 1,225            | 1,105              |
| Additional JOBS Spending   | 2,580           | 2,320             | 7,140            | 6,425              |
| Additional Child Care for JOBS   | 1,805           | 1,825             | 4,900            | 4,410              |
| WORK Program   | 790             | 710               | 10,150           | 9,135              |
| Additional Child Care for WORK   | 385             | 330               | 4,585            | 4,125              |
| Savings from Child Care and Other Expansion  | (90)            | (50)              | (1,275)          | (700)              |
| Transitional Child Care  | 560             | 505               | 2,580            | 2,320              |
| Enhanced Teen Case Management  | 210             | 190               | 585              | 535                |
| Savings - Caseload Reduction   | (520)           | (285)             | (5,090)          | (2,800)            |
| ADP Federal and State Systems/Admin Efficiency   | 680             | 665               | 825              | 900                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>6,685</b>    | <b>6,285</b>      | <b>25,835</b>    | <b>25,455</b>      |
| <b>MAKING WORK PAY</b>   |                 |                   |                  |                    |
| Working Poor Child Care (Capped at \$2b in net spending)                                     | 5,000           | 4,500             | 16,270           | 14,645             |
| <b>REINVENTING GOVERNMENT ASSISTANCE</b>   |                 |                   |                  |                    |
| IDA and Microenterprise Demonstrations   | 300             | 270               | 700              | 630                |
| State Flexibility on Earned Income and Child Support Disregards                              | 1,720           | 605               | 4,885            | 2,695              |
| Generally Conform Assets to Food Stamps on Limit, Burial Insurance, Real Property, Transfers | 265             | 100               | 855              | 240                |
| Set Auto Exclusions to \$4500 Equity Value   | 855             | 855               | 2,785            | 2,785              |
| Double Territorial Caps/Adjust for Inflation   | 370             | 275               | 1,060            | 790                |
| All Others   | 905             | 555               | 2,265            | 1,375              |
| <b>SUBTOTAL RGA</b>  | <b>4,515</b>    | <b>3,100</b>      | <b>12,360</b>    | <b>8,515</b>       |
| <b>GRAND TOTAL</b>   | <b>18,445</b>   | <b>13,775</b>     | <b>58,460</b>    | <b>54,720</b>      |

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

SEE APPENDIX FOR ENDNOTES TO TABLE

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TABLE 4 - PRELIMINARY REVENUE ESTIMATES (FEDERAL AND STATE)  
(By fiscal year, in billions of dollars)

|   | 1995 | 1996 | 1997  | 1998 | 1999 | 5 Year<br>Total | 5 Year<br>Federal | 2000 | 2001 | 2002 | 2003 | 2004 | 10 Year<br>Total | 10 Year<br>Federal |
|---|------|------|-------|------|------|-----------------|-------------------|------|------|------|------|------|------------------|--------------------|
| Cap Emergency Assistance  | 0.38 | 0.35 | 0.45  | 0.5  | 0.55 | 2.12            | 2.12              | 0.61 | 0.65 | 0.70 | 0.76 | 0.81 | 5.68             | 5.68               |
| Target Child Care Food Program  | 0.00 | 0.00 | 0.18  | 0.19 | 0.20 | 0.57            | 0.57              | 0.21 | 0.22 | 0.23 | 0.24 | 0.25 | 2.29             | 2.29               |
| Conform AFDC to Food Stamps 130% of Poverty   | 1.30 | 1.35 | 1.40  | 1.44 | 1.50 | 6.99            | 3.64              | 1.55 | 1.61 | 1.67 | 1.73 | 1.79 | 19.18            | 8.49               |
| Reduce by 1/2   | 0.65 | 0.66 | 0.70  | 0.72 | 0.75 | 3.50            | 1.82              | 0.78 | 0.81 | 0.84 | 0.87 | 0.90 | 6.50             | 5.28               |
| Reduce by 1/3   | 0.67 | 0.69 | 0.70  | 0.72 | 1.00 | 4.66            | 2.56              | 1.00 | 1.07 | 1.11 | 1.15 | 1.19 | 12.78            | 7.03               |
| Tighten Sponsorship and Eligibility Rules<br>for Aliens:  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Make current 5-year SSI deeming rules<br>permanent and extend to AFDC and<br>Food Stamps and limit assistance to<br>PRUCOLS | 0.10 | 0.19 | 0.69  | 0.83 | 0.93 | 2.74            | 1.85              | 1.04 | 1.14 | 1.27 | 1.38 | 1.54 | 9.10             | 6.11               |
| Extend deeming period to 7 years  | 0.17 | 0.33 | 0.70  | 0.99 | 1.25 | 3.45            | 2.32              | 1.40 | 1.54 | 1.69 | 1.86 | 2.09 | 11.99            | 7.99               |
| Extend deeming period to citizenship  | 0.30 | 0.60 | 1.33  | 2.03 | 2.50 | 6.80            | 4.67              | 2.61 | 3.08 | 3.40 | 3.75 | 4.12 | 23.95            | 16.29              |
| ITC: Denial to non-resident aliens<br>info reporting for DOD personnel  | 0.00 | 0.04 | 0.09  | 0.09 | 0.10 | 0.32            | 0.32              | 0.11 | 0.11 | 0.12 | 0.12 | 0.12 | 0.50             | 0.50               |
| Gambling  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Increase withholding on gambling winnings<br>> \$50,000 to 30%  | 0.26 | 0.12 | 0.05  | 0.85 | 0.05 | 0.52            | 0.52              | 0.65 | 0.66 | 0.66 | 0.66 | 0.67 | 0.81             | 0.61               |
| Withholding rate of 28% on keno, slots,<br>and bingo winners > \$7,500  | 0.15 | 0.09 | -0.01 | 0.01 | 0.01 | 0.25            | 0.25              | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.31             | 0.31               |
| Require information reporting on<br>winnings of \$10,000+ from gambling<br>regardless of odds (except State lotteries)      | 0.01 | 0.04 | 0.05  | 0.06 | 0.06 | 0.22            | 0.22              | 0.07 | 0.08 | 0.08 | 0.09 | 0.10 | 0.54             | 0.54               |
| 5% excise tax on net receipts of gambling<br>establishments (except State lotteries)  | 0.59 | 0.79 | 0.83  | 0.86 | 0.91 | 3.95            | 3.95              | 0.95 | 1.00 | 1.04 | 1.08 | 1.13 | 9.14             | 9.14               |
| Other:  |      |      |       |      |      |                 |                   |      |      |      |      |      |                  |                    |
| Phase down dependant care tax credit 10% for<br>AGI over \$70,000   | 0.09 | 0.19 | 0.18  | 0.18 | 0.17 | 0.78            | 0.78              | 0.17 | 0.17 | 0.18 | 0.18 | 0.19 | 1.67             | 1.67               |
| OPTION 1 (5 Yr Deeming, No 130% Income Test)  | 1.45 | 1.78 | 2.51  | 2.75 | 2.99 | 11.47           | 10.58             | 3.22 | 3.44 | 3.69 | 3.92 | 4.22 | 30.52            | 27.50              |
| OPTION 2 (7 Yr Deeming, 1/3rd 130% Income Test)   | 2.37 | 2.82 | 3.45  | 3.87 | 4.32 | 16.84           | 13.61             | 4.61 | 4.91 | 5.22 | 5.55 | 5.93 | 46.19            | 36.44              |
| OPTION 3 (Deem to Citizenship, 1/2 130% Test)   | 2.26 | 2.87 | 3.65  | 4.67 | 5.37 | 19.03           | 15.32             | 5.77 | 6.20 | 6.66 | 7.16 | 7.70 | 54.98            | 42.99              |
| OPTION 4 (Deem to Citizenship, Full 130% Test)  | 2.93 | 3.64 | 4.55  | 5.39 | 6.12 | 22.52           | 17.24             | 6.54 | 7.00 | 7.49 | 8.02 | 8.59 | 64.55            | 48.20              |

3/21 12:30

## COSTS AND FINANCING

There is relatively little disagreement over the basic structure of a preferred plan. The difficult part is coming up with acceptable financing options and cutting back on the policy if financing options are limited.

The costs of welfare reform ~~are~~ naturally depend on <sup>a family</sup> policy decisions. The working group has produced a consensus plan which can serve as the starting point for discussion. The combined state and federal costs of each major element of the welfare reform plan are shown below. In each case we show one year costs for FY 1999, five-year costs for FY 1995-1999, and ten year costs for FY1995-2004.

*NOT  
CONSENSUS  
(FEAR OF  
SCAREBACK)  
- implies  
conclusion  
on financing  
c. care, etc.  
- makes  
be the  
bad guy*

*range of options*  
*COSTS*  
*a family*  
*- range of costs*  
*- way of revenue*

**Costs of Working Group Consensus Welfare Reform Proposal**

|   | FY 1999     | Five Years<br>FY 1995-FY1999 | Ten Years<br>FY1995-<br>FY2004 |
|---|-------------|------------------------------|--------------------------------|
| Prevention, Parental Responsibility,<br>Child Support Enforcement | -0.19       | -0.14                        | -4.17                          |
| Make Work Pay--Child Care for the<br>Working Poor                 | 2.00        | 5.00                         | 16.27                          |
| Transitional Assistance Followed By<br>Work                       | 3.72        | 8.57                         | 27.72                          |
| Reinventing Government Assistance                                 | 0.94        | 4.78                         | 12.4                           |
| <b>Total State and Federal</b>                                    | <b>6.46</b> | <b>18.21</b>                 | <b>52.22</b>                   |
| Less state contribution   | -0.65       | -1.82                        | -5.22                          |
| <b>Total Federal</b>  | <b>5.81</b> | <b>16.39</b>                 | <b>47.00</b>                   |

The specific sub elements are shown in detail in the appendix tables. The costs could be reduced by a variety of policy changes. We believe the only part of the program which really cannot be reduced and still meet the commitments to do serious and comprehensive welfare reform is transitional assistance followed by work. Given the targetting already present in our proposal, we are already under some attack for not going far enough fast enough. We also see few options for

*good*

additional savings in the Prevention and Parental Responsibility section. Thus the major options involve child care for the working poor and reinventing government assistance. In addition, we propose a number of demonstrations ~~which could be scaled back~~. These could be scaled back.

The table below shows the costs of particular elements net of state contributions. Virtually every element in the table has strong support from the Working Group. Moreover, there was no consensus on which elements should be cut first.

POTENTIAL COST REDUCTIONS

|  | <u>FY99</u> | <u>5 Year</u> | <u>10 Year</u> |
|--|-------------|---------------|----------------|
| <u>Child Care for the Working Poor</u> | 1.80        | 4.50          | 14.63          |

Reinvention Options

|   |      |      |      |
|---|------|------|------|
| Eliminate Discriminatory Two-Parent Provisions            | 0.45 | 1.08 | 3.46 |
| Ease Existing Asset and Automobile Rules                  | 0.30 | 1.12 | 2.77 |
| Allow State Flexibility on Work Incentives                | 0.19 | 0.64 | 1.50 |
| Maintain Differential Accounting for AFDC and Food Stamps | 0.25 | 0.95 | 2.23 |
| Double Contributions to Puerto Rico and Territories       | 0.14 | 0.63 | 1.38 |

*— Make state option*

**Total Reinvention**

Demonstrations

|  |      |      |      |
|--|------|------|------|
| Prevention Grants                          | 0.03 | 0.10 | 0.24 |
| Work and Training for Noncustodial Parents | 0.20 | 0.43 | 1.97 |
| Access and Parenting                       | 0.03 | 0.14 | 0.29 |
| Child Support Assurance                    | 0.25 | 0.55 | 1.50 |
| Microenterprise and Subsidized IDA         | 0.10 | 0.30 | 0.70 |

**Total Demonstrations**

Eliminating or scaling back any of these options will be difficult. Child care is provided for people in JOBS and WORK and for those leaving welfare. If it is not provided for the working poor, serious equity and incentive issues arise. Moreover, if we target on young people, child care is a particular concern if the goal is to get people off welfare permanently. The \$2 billion in the plan for child care now will cover most working poor families, but not if utilization or costs rise rapidly.

Each of the reinventing options has strong support. There is strong support for the two parent provisions ~~but~~ on moral, symbolic, and political grounds. Proponents argue this policy is essential if we intend to send a clear message about strengthening two-parent families. The improved asset and automobile rules seemed especially important since current rules make it almost impossible for persons to own a reliable car to use in getting to work. Work incentives reward work, and are a major source of waiver requests. Proponents argue it is silly to allow states to set any benefit level they choose, but not to adjust the work incentives and benefit reductions associated with work. *(Some critics say these work disregards*

*discourage people from leaving welfare altogether.)*

*/ disagree*

Puerto Rico and the territories have a fixed allocation of money for AFDC, JOBS, and programs for the aged, blind and disabled. Residents are not eligible for SSI. The allocation has been adjusted only once since 1979. Thus doubling the existing caps seems both necessary and appropriate.

Each of the demonstrations also have strong supporters. Prevention grants are part of the teen pregnancy prevention. Work and training for non-custodial parents sends a signal about responsibility and opportunity for these men. Access and parenting demos are also focussed on the men and improving their role in nurturing the child along with our greater expectations for child support payments. Child support assurance has extremely strong supporters, but some significant critics. Most agree that demos are a good way to resolve the questions.

Microenterprise and IDA demos focus on the goal of giving people real opportunities to accumulate assets and start small businesses. There is likely to be strong support in Congress for all of these ideas.

Below are a few packages which would reduce the budget:

Packages with 5 year costs of \$13 billion

Packages with 5 year costs of \$10 billion

Packages with 5 Year costs of \$7 billion

## FINANCING

There simply are no easy financing options. Each faces serious political problems and raises some substantive concerns. We have sought to develop financing options which are sound policies and politically sustainable. Given that we sought to find most of the financing by cutting existing low income programs, all of the options have some troubling implications.

Welfare reform itself will generate a certain amount of savings from child support enforcement, caseload reductions, and changes in eligibility rules. These internal savings have already been shown netted out of the cost tables. Thus we examine only those proposals which arguably lie outside the basic reform proposal. We have explored closely related income transfer programs and identified reforms that would improve their targeting, efficiency, and effectiveness while providing savings. We paid particular attention to programs that seem to be growing very rapidly. Each of the proposals is difficult. Each will be controversial, but each can be justified on sound policy grounds.

### Entitlement Reforms

*Don't LEAD WITH THIS*

Conform AFDC benefits to the 130% of Poverty Rule of Food Stamps Food Stamps and AFDC use somewhat different definitions of family. AFDC is a child centered program with the filing unit defined narrowly around the child. The child's parent and siblings are almost always part of the unit, but other relatives generally are not. Indeed siblings are not part of the AFDC unit if they receive SSI. Food stamps uses a definition which is closer to extended families living together. Food Stamps also has a rule that units with income above 130% of poverty (i.e. roughly \$20,000 for a family of four) are not eligible to collect Food Stamps. At one point we sought to conform AFDC and Food Stamp filing unit definitions, but backed away when we discovered this would cut many people off AFDC in low benefit states as the income and assets of others would push the family above the very low AFDC benefits there.

Nonetheless, one option would be to apply the Food Stamp 130% rule to AFDC units as well-- effectively denying AFDC benefits to children living in families with income above 130% of poverty. This would impose no new administrative burdens since the rule already applies to Food Stamps. Remarkably applying this rule to AFDC would reduce AFDC expenditures by roughly 6% or \$1.4 billion in FY1999.

Two types of families would be affected by this plan. First "child only" cases would be reduced significantly. Child only cases are those where: no parent is present and the child is living with a relative who is not the legal guardian, the parent is present but the parent is an undocumented alien, the parent is present but receiving SSI. These cases have grown dramatically in recent years, rising from roughly 400,000 in the mid to late 1980s to nearly 700,000 cases in 1992. In child only cases, generally relatively little income of other household members is counted in determining benefits and eligibility. Thus many have household income in excess of 130% of poverty. The argument for limiting AFDC in such cases is that the money can be better targetted to poor families. The argument against it is that especially in the case of nonguardian relative, the limitation on benefits might discourage some relatives from taking in a child who might otherwise end up in foster care. One advantage would be that it would be harder to game the time-limited welfare system by "placing" a child with a relative. Relative caretakers who are not the guardian of the child would not be subject to work requirements and time limits.

The second type of family which could be affected are extended family settings. Most commonly a parent and child may be living with the grandparent. If the parent is over 18 the grandparents income is not counted in determining eligibility regardless of the income of the grandparent. Other situations would include cases where the parent is living with a sibling. This policy would prevent AFDC payments to situations where the parent had low income, but the extended family's income is well above poverty. Here the fear is that this policy might discourage extended families from living together.

Note this proposal would not affected Medicaid eligibility of any persons.

*OPTION: cut by 1/3 or 1/2*

Cap the Emergency Assistance Program: The little known AFDC-Emergency Assistance Program is an uncapped entitlement program which is out of control. In FY 1990 expenditures totalled \$189 million; in FY 1995, it is estimated that expenditures will be \$644 million and by FY 1995 almost \$1 billion. While the intent of the EA program is to the 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. Since the EA program has a federal match, states have rapidly begun shifting costs from programs which the states fund 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 repeal the current Emergency Assistance program and replace it with a Federal matching cap for each state's EA expenditures. The cap will be 3 percent of the state's total AFDC benefit payments incurred during the previous fiscal year. The Federal match will continue at 50 percent up to the cap. Under the new capped program, states will also be given the flexibility to determine their own definition of emergency services. This will give the states flexibility to address various special emergency problems. We would use the FY93 expenditures (estimated at \$386.9 million) since using FY94 (estimated at \$558.9 million and rising) would encourage states to spend more this year to increase the baseline. There will be a hold harmless provision to protect the seven states that spent above the 3 percent cap in FY93.

Critics of this proposal point to the fact that much of the money is now going to programs such as child welfare and homeless relief. They also note that capping at the FY93 level may hurt states whose spending rose in FY94.

Reform of the Family Day Care Home Component of the Child Care Food Program. 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 children. The family day care part of the program is not well targeted because it has no means test (due to the lack of administrative ability of the providers); a USDA study estimates that 71 percent of federal dollars 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 funding to low income children and creates minimal administrative requirements for providers:

A. Family day care homes located in low-income areas (e.g., census tracts where a third or half of the children are below 200 percent of the poverty line) would continue to receive reimbursement for all meals as they do today.

B. All other homes would have a choice. They could elect not to use a means-test; if they elect this option, they would receive reimbursement but at a somewhat reduced rate (\$1.27 per meal instead of \$1.52), though still much higher than the rate paid for most children in child care centers. (Meals served to children over 185 percent of poverty in centers are reimbursed at just \$1.31 per meal.) 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 higher rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced price rate.

Critics of this proposal will argue that it may hurt children because family day care programs may drop out of the program. Given the fact reimbursement falls only slightly, and only for homes in well to do areas, this seems rather unlikely.

Tighten Sponsorship and Eligibility Rules for Non-Citizens. In recent years, the number of non-citizens lawfully residing in who collect SSI has risen very dramatically. The Chart below shows that aliens rose from being 5% of the SSI aged caseload in 1982 to being over 25% of the caseload in 1992. Since 1982 applications for SSI from legal aliens as tripled, even though immigration rose by about 50% over the period.

Most of these applicants enter the country sponsored by their relatives. Until this year, current law required that for 3 years, a portion of the sponsor's income in excess of 110% of poverty be "deemed" as available to help support the legal alien should they need public assistance. Currently 47% of aliens on SSI apply in their 4th year in the U.S.

The House Republican welfare reform bill finances its reforms by denying all means tested benefits to noncitizens. Since undocumented immigrants are already barred from collecting benefits (except emergency medical services), this proposal only affects legal immigrants who have not yet become citizens. Such a policy is extremely difficult to defend. Legal aliens are required to pay taxes and contribute in many ways. We believe the administration should categorically reject such a proposal.

60p  
revis  
6/yr

Nonetheless, the question of how long a sponsor's responsibilities should last for a relative they bring to this country is difficult. Recently, the time was extended from 3 years to 5 years until 1996 when it reverts to 3 years again, as a way of funding the UI extension. The most modest proposal would be to extend the 5 year deeming provision permanently. One could argue that deeming should extend until the immigrant becomes a citizen.

The proposal would set consistent deeming rules for non-citizens across four Federal programs (SSI, AFDC, Medicaid, and Food Stamps). The proposal is based on long standing immigration policy that immigrants should not become public charges. However, it also 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. The policy would not affect refugees or asylees.

There currently are a number of different categories of immigrants. The second element of this proposal establishes similar eligibility criteria for all categories of non-citizens under the four Federal programs. 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-citizens. The Food Stamp program has the most restrictive definition of which categories of non-citizens 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-citizens are eligible for benefits, and the AFDC program falls between these extremes.

This proposal creates eligibility criteria in the SSI, Medicaid, and AFDC programs that is similar to the criteria that currently exists in the Food Stamp program. The new list of INS statuses required for potential eligibility to the SSI, Medicaid, and AFDC programs would also be the same as those listed in the Health Security Act providing eligibility for the Health Security Card. This part of the proposal would result in savings in the SSI, AFDC, and Medicaid programs.

This proposal would affect applications after date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits).

#### **Tax Compliance Measures**

Deny EITC to nonresident aliens. Under current law, nonresident aliens may receive the EITC. Because nonresident 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 would deny the EITC to nonresident aliens completely. We estimate that about 50,000 taxpayers would be affected, mainly visiting foreign students and professors. The proposal would raise \$133 million over 5 years.

EITC information reporting for 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 stateside) 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, which together would raise \$162 million over 5 years, is supported by the DoD.

Gambling compliance proposals. Current rules require withholding at a rate of 28% on proceeds from a wagering transaction if the proceeds (amount received over amount wagered) exceed \$5,000 and are at least 300 times the amount wagered (i.e., odds of 300:1 or higher). For lotteries, sweepstakes, or wagering pools, proceeds from a wager of over \$5,000 are subject to withholding at a rate of 28% regardless of the odds. No withholding is imposed on winnings from keno, bingo, or slot machines. There are three components to this revenue raising proposals, as

follows:

(a) Increase withholding rate on gambling winnings in excess of \$50,000. The first component of this proposal would increase the withholding rate on certain gambling winnings from 28% to 36%. The higher rate would apply only to winnings in excess of \$50,000. In addition, it would apply to such winnings regardless of the odds. This is estimated to raise \$516 million over 5 years. The increased revenues result from a speedup in collection of tax and enhanced compliance.

(b) Withholding on gambling winnings. The second component of the proposal would impose withholding on gambling winnings of over \$7,500 from keno, bingo, and slot machines regardless of the odds. This is estimated to raise \$248 million over 5 years.

(c) Information reporting on gambling winnings. Currently, information reporting is required on gambling winnings in excess of \$600 (except that in the case of bingo and slot machines the threshold is \$1,200; and \$1,500 in the case of keno) but only if the payout is based on betting odds of 300 to 1, or higher. The proposal would extend the information reporting requirement to any winnings of \$10,000 or more regardless of the betting odds. This would raise \$215 million over 5 years.

Limit EITC to Single Filing Males For Whom Paternity Has Been Established Policy still under development.

### Revenue Raising Measures

Excise tax on revenues from gambling. Certain wagers authorized by State law are currently taxed at a rate of 0.25%, and unauthorized wagers at a rate of 2%. That tax is calculated as a percentage of the *amount wagered*. Only wagers with respect to sporting events or contests and pools and lotteries conducted for profit are subject to tax. The tax does not apply to drawings conducted by nonprofit organizations, games where winnings are determined in the presence of all persons placing wagers (such as table games, bingo, and keno), parimutuel betting licensed under State law, wagers made using coin-operated or token-operated devices, and State lotteries. The proposal would impose an excise tax of 4% on gross revenues (wagers less winnings paid out) from all gambling activities except State lotteries. This proposal would raise approximately \$3.2 billion over 5 years.

Phase-out or reduce dependent care credit at high income levels. Under current law, a dependent care credit is allowed for a certain percentage of expenses incurred to enable the taxpayer to be gainfully employed. This credit is frequently used for child care expenses and, therefore, is sometimes referred to as the child care credit. The credit is currently 30% of qualifying expenses, phasing down to 20% beginning at \$10,000 of adjusted gross income. The maximum amount of creditable expenses is \$2,400 for households with one qualifying dependent and \$4,800 for two qualifying dependents, resulting in a maximum credit of \$1,440 (i.e., 30% of \$4,800), or \$960 for those whose credit rate is 20%. Currently, after the phase-down to 20%, the credit is available

More  
substantive

regardless of the taxpayer's income. Several alternatives have been considered in phasing out or reducing the credit, including the following three options:

(a) Full phase-out for high-income taxpayers. The proposal would begin to phase out the credit (i.e., remove the 20% floor) for taxpayers with adjusted gross income of at least \$90,000. Specifically, the credit would be reduced one percentage point for every \$1,000 of income in excess of \$90,000. Thus, the credit would be fully phased out at \$110,000. This option is estimated to raise \$781 million over 5 years.

(b) Phase-down to 10% of creditable expenses for taxpayers with \$90,000 to \$110,000 of income. Under this option, the credit would be reduced by one-half of a percentage point for every \$1,000 of income in excess of \$90,000. Thus, households with income of at least \$110,000 would receive a credit of only 10% of employment-related expenses. This option is estimated to raise \$384 million over 5 years.

(c) Phase-down to 10% of creditable expenses for taxpayers with \$70,000 to \$90,000 of income. This option is similar to the immediately preceding option except that the phase-down would begin with adjusted gross income of \$70,000 (instead of \$90,000). This option is estimated to raise \$626 million over 5 years.

## BALANCING COSTS AND FINANCING

If the

The working group recognizes the need for cuts in existing low income entitlements to fund reform. Nonetheless, there was little enthusiasm for any of the entitlement reforms proposed. The group thought it was particularly inappropriate to cut existing low income programs to fund child care for the working poor. Thus one approach would be to use revenue measures for child care for the working poor, and entitlement reforms and tax compliance measures for other elements.

If we think of ways to finance child care, reductions in child care tax credits for upper income families and reforms in child care feeding seem like a very close link. One can add the gambling tax on the basis that new revenues should be used for this new initiative. Comparing these three sources one finds that the finances fall slightly short of covering the costs of working poor child care in the 5 year window, well short in the 10 year window. Setting the gambling tax somewhat higher would make the match somewhat closer.

revenue raising measures to child care for the working poor, direct AFDC cuts in the form of the 130% rule to AFDC expansions through reinventing government, and other entitlement reforms

and tax compliance measures for the new transitional assistance program.

Comparing revenue raising measures included here to the costs of working poor child care, one finds that the

### MAJOR POLICY ISSUES

The plan as described <sup>above</sup> ~~above~~ reflects tentative decisions on a number of relatively controversial policy issues. This section identifies the key decisions and discusses alternative approaches. These issues can be considered in the context of two overriding questions:

- o Does the plan succeed in "ending welfare as a way of life?" ~~Is the multidimensional~~ notion of "success" that the plan assumes consistent with expectations for dramatic reform?  
*ave. the*
- o Does the plan achieve an appropriate balance between responsibility and opportunity, and between high expectations for parents and protection of children?

In each of these areas, alternative policy decisions could be made that would shift the balance of the plan in one direction or the other.

#### What is success?

An important challenge for the plan is to embody a definition of success that reflects the several dimensions of "ending welfare as a way of life." It must also recognize the difficulty of the task, the constrained capacity of the system to achieve it, and the need to protect vulnerable children and families.

The plan assumes that success has several dimensions:

- o Ending welfare as a way of life, by expecting everyone to work or prepare for work, changing the culture of the welfare system from an emphasis on income maintenance to an emphasis on work and the responsibilities of both parents, and imposing serious time limits.
- o Improving the well being of their children and their families through increased earnings and child support, and providing protections for the most vulnerable children.
- o ~~Preventing some entrants onto welfare through a combination of services and an emphasis on the obligations of parenthood.~~  
*Reducing the # of people who come onto welfare in the first place by making work pay, discouraging teen pregnancy, better child marriage, and enforcing the obligations of both parents.*
- o Achieving some caseload and cost reductions <sup>over time</sup> after a reasonable period for investment and implementation.

Key decision: phase in

A key decision to be made about whether the plan fulfills its promise of transforming welfare has to do with the scale and speed of implementation of the reformed welfare system. Should we seek to bring everyone on the caseload into the new system quickly, or should we initially target new resources on sub-groups such as new applicants or young families?

Immediate implementation of the new program would severely strain the ability of federal and state governments to implement the new system successfully. There is almost no disagreement that phasing-in is necessary.

A phase-in strategy could start with new applicants, with selected states, with families with older children, or with young applicants and recipients. A focus on new applicants raises serious equity concerns between people who came onto welfare very young and those who managed to stay off for a longer period of time. A state by state strategy raises serious capacity issues at the state level and questions about whether we have achieved truly national reform. The primary arguments for a focus on families with older children have to do with parental care of children and the cost of day care, but such a focus raises questions about whether the culture of welfare can be changed if families ~~can be~~ on welfare for several years ~~before they encounter the new system.~~

*and their ability to work in jobs where the present's low wage is holding.*  
A focus on young families, which the plan recommends, recognizes that it is the younger generation of actual and potential welfare recipients that are the source of greatest concern. They are also the group for which there is probably the greatest hope of making a profound change, and of sending the message that welfare can no longer be a way of life. Under this approach, we would 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.

Key decision: benefit supplements for part time and low wage work

Everyone agrees that independence from welfare should be the goal of the new system. But there may be situations in which welfare benefits to supplement work are desirable. Two related issues arise in thinking about work expectations, and about whether supplementary welfare benefits and exemptions from the time limit should be provided for workers.

The first issue is under what conditions someone who is working can continue to receive supplementary welfare benefits outside the constraint of the two year time limit. The issue arises because even full-time work at the minimum wage leaves a family below the income eligibility level for welfare in a few states. In about

The question is whether the clock should stop for people working 20 or 30 hours

half the states, half time work at the minimum wage leaves a family of three below the welfare eligibility levels. Larger families are eligible in more states. <sup>allowing only the work meeting the criteria anyone</sup> ~~Proponents of allowing continued benefit receipt for workers argue that someone who is working should be at least as well off as someone who is not working and receiving welfare, and that getting someone to work even part time is a big success and should be rewarded. Opponents argue that continuing AFDC as a work supplement for long periods of time is counter to the basic philosophy of the new program ending welfare.~~

The Working Group and Cabinet had difficult and somewhat inconclusive discussions of this ~~very difficult~~ issue. There was general agreement that supplementary welfare benefits should be provided irrespective of the time limit for anyone working at least 30 hours. There was also general support for <sup>the</sup> a state option to extend supplementary benefits to other part-time workers who worked at least 20 hours. An alternative proposal was to extend benefits to 20 hour workers who had pre-school children. <sup>say the clock for</sup>

(good as is)

A related issue arises around the number of hours of work that states would be required to provide through subsidized or community service jobs, and around whether supplemental welfare benefits should be paid if the ~~required~~ <sup>the</sup> hours of work did not generate pay at least as high as the welfare benefits received by non-working welfare recipients in the state. Because of wide variations in state welfare benefit levels, the number of hours of work at the minimum wage required to earn the equivalent of the welfare benefit level for a family of three ranges from about 7 to about 47. For larger families, work hours would have to be higher to reach the welfare benefit levels. It is obviously hard to structure a real job of eight or ten hours per week. At the other extreme, it is unreasonable to require more than the conventional definition of full-time work. When work hours fall short of the welfare benefit level, it seems reasonable to supplement the incomes of WORK program participants so that they are at least as high as those of welfare recipients who do not work.

True?

The general sense of the Working Group and the Cabinet on this issue is that states should not be permitted to define hours of work at so low a level that a significant portion of income comes from benefit supplements. With this caveat, there was agreement on providing some state flexibility within the range of 15 to 30 hours of work per week, and for benefit supplementation to insure that participants in the WORK program were as well off as welfare recipients who did not work.

The balance of responsibilities and protections

A second important challenge for the plan is to achieve an appropriate balance of responsibility and opportunity, and of expectations for parents and protection of children. The dilemma arises because AFDC recipients are both workers and parents, and because we are concerned about the well-being of children at the same time we require work and work preparation by their parents. The balancing act has to take place in two arenas: that of time limits and work requirements; and that of parental responsibility and prevention.

Key decisions: time limits and work requirements

A number of key policy decisions on time limits and work requirements affect the balance of responsibility and protections. The most difficult decisions are around extensions to and exemptions from the time limit, around various means for discouraging long-term participation in the WORK program, and around protections for children when parents do not meet the requirements of the program.

Extensions to and exemptions from the time limit. Should any groups of recipients have the time limit extended? Should any be exempted from the requirements of the time limit?

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

The Working Group and Cabinet generally agreed that a limited number of extensions for such purposes as completing a high school or job training program were appropriate. They generally agreed that extensions should not routinely be granted for the purpose of completing a four year college program but that higher education combined with part time work was appropriate.

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

The Working Group and Cabinet generally agreed that exemptions should be limited, and that participation in some activities be expected even of those who are exempted. They tentatively agreed that states should be permitted to exempt up to a fixed percentage of the

caseload for disabilities, care of a disabled child and other serious barriers to work.

There was considerable discussion of the issue of whether exemptions for mothers of infants should be for one year (i.e., until the baby's first birthday) or for twelve weeks (Twelve weeks is the mandated leave time in the Parental Leave Act.) The plan currently assumes a one year exemption for infants who were not conceived on welfare and a twelve week exemption for those conceived on welfare.

(good)  
as is

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

Subsidized job shots would last <sup>for no more than a year?</sup> ~~for a defined period of time~~, after which the person would again be expected to look for unsubsidized work.

Federal reimbursement to states could reflect the amount of time people were on the rolls, in order to provide the states with serious incentives to move people into employment.

Refusal to accept a private sector job will result in termination of benefits.

An issue arises around what <sup>we hoped</sup> ~~is expected~~ <sup>will</sup> to be a small number of people who continue to be unable to find unsubsidized employment after placement in a job slot and private sector job search. Some argue that they should be placed in community service slots for as long as they need them. Others argue that this policy would lead to permanent guaranteed jobs that might be expensive and perceived as simply another welfare program. Instead, people who continue to be unable to find employment might return to a deferred status, might have their welfare benefits reduced or might be cut off entirely.

There is general agreement that a serious reassessment should be done of everyone who comes to the end of one or two job placements without having found private sector work. Those found at that point to be unable to work would be returned to deferred status with full benefits. Those found to be able to work and unwilling to take an unsubsidized job would have assistance terminated. In situations where jobs were not available for people who conscientiously played by the rules and tried to find work, assistance would be continued through another job

slot, a workfare assignment, or training linked with work.

A second issue arises around whether the EITC should be available to WORK program participants. There was general agreement that denying the EITC to participants in subsidized jobs would provide a powerful incentive to move into unsubsidized work. ~~There are concerns, however, both~~ about the administrative feasibility of this recommendation, and about its equity implications for workers doing similar jobs.

*Some expressed concern*

Sanctions and protections. If the welfare reform plan is to be serious about ending welfare as a way of life and about changing the basic values and culture of the welfare system, it must embody serious consequences for recipients who do not meet the requirements. The plan basically continues current law sanctions for non-participation, which remove the adult from the grant for increasing periods of time for each sanction. It adds a severe sanction, benefit termination, for refusal to accept a private sector job. After the time limit, non-participation in the WORK program carries the same sanction as for ordinary workers: wages are not paid for hours not worked. Notice and hearings protections are continued. In addition, the state must keep its end of the bargain: services must be provided.

*in the JOBS program*

Families whose benefits are terminated for refusal to take a job or to participate in the work program continue to be eligible for food stamps and medical assistance. There is, however, the danger that in rare circumstances families will find themselves homeless or unable to care for their children. For these families, the shelter system and the child welfare system provide the safety net of last resort. If the welfare system is working properly, these failures will be extremely rare. Nonetheless, the fact that they may occur must be faced, since there is no apparent alternative if the system is to be serious about expectations.

Key decisions: parental responsibility and prevention

In the area of parental responsibility and prevention, the plan attempts to balance responsibility and opportunity for both mothers and fathers. Rather than simply focusing on the work obligations of custodial parents, it proposes a strengthened approach to child support enforcement that makes clear to fathers as well as mothers that parenthood brings with it clear obligations, and that these obligations will be enforced with serious and predictable consequences. To complement its emphasis on child support obligations, it proposes a set of demonstrations focused on work opportunities and expectations for non-custodial parents. It also proposes a set of requirements on and services for minor and school age parents, and a comprehensive approach to teen pregnancy prevention. Finally, it proposes to extend eligibility for

benefits to two-parent families, to remove the current bias in the system toward one-parent families.

A number of the key policy decisions have to do with the relative priority to be given to various spending proposals; the section on costs and financing outlines the tradeoffs. In addition there are three other decisions that have philosophical as well as cost implications: the size and scope of child support assurance demonstrations; the living at home requirement; and the family cap option.

Child support assurance demonstrations. The proposed child support assurance demonstrations are controversial not only because of cost but also because of the idea itself. Child support assurance speaks to the circumstance when little or no money is collected from the noncustodial parent, either because the system is ineffective or because the absent parent has very low earnings. Child support assurance guarantees that single parents with a child support award in place could count on a minimum level of support which they could use to supplement their earnings. Some see CSEA as a crucial way to "make work pay" and to ease the transition from welfare to work for single parents. Opponents see it as close to simply being welfare by another name, that might also provide an incentive for fathers to escape their obligations.

Living at home requirements. The plan proposes to require minor mothers to live at home or with a responsible adult. Though there is general agreement that very young mothers need care and supervision from adults, there are some questions about whether we can ensure adequate protections for minors in abusive or otherwise unsuitable homes.

Family cap option. The plan also proposes an option for states to adopt "family caps" that limit benefit increases when additional children are conceived by parents already on AFDC. Proponents of family caps, some of whom believe they should be a requirement and not just a state option, argue that they reinforce a message of parental responsibility and help achieve equity between welfare recipients and working families, who do not receive a pay raise for additional children. Opponents of family caps argue that there is no evidence that they deter births, and that they deny benefits to needy children. In addition, opponents argue that the average value of the benefit increase is not much greater than the value of the tax deduction and the EITC increase for a working family that has an additional child.

1. Deny EITC to nonresident aliens. Under current law, nonresident aliens may receive the EITC. Because nonresident 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 would deny the EITC to nonresident aliens completely. We estimate that about 50,000 taxpayers would be affected, mainly visiting foreign students and professors. The proposal would raise \$133 million over 5 years.
2. EITC information reporting for 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 stateside) on Forms 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, which together would raise \$162 million over 5 years, is supported by the DoD.
3. Gambling Compliance Proposals. Current rules require withholding at a rate of 28% on proceeds from a wagering transaction if the proceeds (amount received over amount wagered) exceed \$5,000 and are at least 300 times the amount wagered (i.e., odds of 300:1 or higher). For lotteries, sweepstakes, or wagering pools, proceeds from a wager of over \$5,000 are subject to withholding at a rate of 28% regardless of the odds. No withholding is imposed on winnings from keno, bingo, or slot machines. There are three components to this revenue raising proposal, as follows:
  - (a) Increase withholding rate on gambling winnings in excess of \$50,000. The first component of this proposal would increase the withholding rate on certain gambling winnings from 28% to 36%. The higher rate would apply only to winnings in excess of \$50,000. In addition, it would apply to such winnings regardless of the odds. This is estimated to raise \$516 million over 5 years. The increased revenues result from a speedup in collection of tax and enhanced compliance.
  - (b) Withholding on gambling winnings. The second component of the proposal would impose withholding on gambling

winnings of over \$7,500 from keno, bingo, and slot machines regardless of the odds. This is estimated to raise \$248 million over 5 years.

(c) Information reporting on gambling winnings. Currently, information reporting is required on gambling winnings in excess of \$600 (except that in the case of bingo and slot machines the threshold is \$1,200; and \$1,500 in the case of keno) but only if the payout is based on betting odds of 300 to 1, or higher. The proposal would extend the information reporting requirement to any winnings of \$10,000 or more regardless of the betting odds. This would raise \$215 million over 5 years.

4. Excise tax on revenues from gambling. Certain wagers authorized by State law are currently taxed at a rate of 0.25%, and unauthorized wagers at a rate of 2%. The tax is calculated as a percentage of the amount wagered. Only wagers with respect to sporting events or contests and pools and lotteries conducted for profit are subject to tax. The tax does not apply to drawings conducted by nonprofit organizations, games where winnings are determined in the presence of all persons placing wagers (such as table games, bingo, and keno), parimutuel betting licensed under State law, wagers made using coin-operated or token-operated devices, and State lotteries. The proposal would impose an excise tax of 4% on gross revenues (wagers less winnings paid out) from all gambling activities except State lotteries. This proposal would raise approximately \$3.2 billion over 5 years.

5. Phase-out or reduce dependent care credit at high income levels. Under current law, a dependent care credit is allowed for a certain percentage of expenses incurred to enable the taxpayer to be gainfully employed. This credit is frequently used for child care expenses and, therefore, is sometimes referred to as the child care credit. The credit is currently 30% of qualifying expenses, phasing down to 20% beginning at \$10,000 of adjusted gross income. The maximum amount of creditable expenses is \$2,400 for households with one qualifying dependent and \$4,800 for two qualifying dependents, resulting in a maximum credit of \$1,440 (i.e., 30% of \$4,800), or \$960 for those whose credit rate is 20%. Currently, after the phase-down to 20%, the credit is available regardless of the taxpayer's income. Several alternatives have been considered in phasing out or reducing the credit, including the following three options:

(a) Full phase-out for high-income taxpayers. The proposal would begin to phase out the credit (i.e., remove the 20% floor) for taxpayers with adjusted gross income of at least \$90,000. Specifically, the credit would be reduced one percentage point for every \$1,000 of income in excess of \$90,000. Thus, the credit would be fully phased out at

\$110,000. This option is estimated to raise \$781 million over 5 years.

(b) Phase-down to 10% of creditable expenses for taxpayers with \$90,000 to \$110,000 of income. Under this option, the credit would be reduced by one-half of a percentage point for every \$1,000 of income in excess of \$90,000. Thus, households with income of at least \$110,000 would receive a credit of only 10% of employment-related expenses. This option is estimated to raise \$384 million over 5 years.

(c) Phase-down to 10% of creditable expenses for taxpayers with \$70,000 to \$90,000 of income. This option is similar to the immediately preceding option except that the phase-down would begin with adjusted gross income of \$70,000 (instead of \$90,000). This option is estimated to raise \$626 million over 5 years.

The Working Group has largely completed its work on a plan designed to "end welfare" and create a system which reinforces work, responsibility, family, and opportunity. Our goal has been to design a system which rewards work and provides opportunity, and expects responsible behavior in return. For many in the working group, the many site visits, focus groups, and public hearings was a radicalizing experience. The depth of frustration with welfare, and the extent to which the current system humiliates, isolates, and stigmatizes while discouraging work and encouraging dependency is profound.

What is wrong with the current system is captured by numerous anecdotes. "I've been on welfare for 10 years and never once did anyone ask me what help did I need to get on my feet." "Welfare was meant to be a bridge, but there are millions of people living on that bridge." "They told me I couldn't get help for my severely ill child unless my husband and I split up." "I know where my ex-husband lives, where he works, even what kind of car he drives, but I still can't get the state to collect the child support he owes me." "Why should I work? I'm better off on welfare."

There seems near unanimity in the Administration on the need for change and for the basic direction embodied in the reform plan presented here.

~~CONCLUSION~~

~~Revised Parental Responsibility~~ We propose a series of steps designed around the principal that no one should have become a parent until he or she is in a position to nurture and provide for that child. Children having children rob themselves and their children. The effort would include:

- o **Prevention** *campaign against teen pregnancy, which sets clear goals for opportunity and responsibility for youth, mothers, grandparents, churches, youth, etc.*
  - A national mobilization for youth opportunity and responsibility spearheaded by youth and *and demanding on all segments of the society and all parts of the government, with clear goals, and a public/private institutional structure.*
  - ~~Opportunity and Responsibility Components focused on young people, with careful evaluations to learn what really works.~~ *Requiring minor mothers to live at home with their parents, not otherwise a separate check for setting up a separate household.*
  - ~~Expansions in responsible family planning.~~ *State option to limit additional benefits for additional children conceived while on welfare by a parent on welfare.*
  - ~~Changes in welfare rates, so that having a child does not become a way to become emancipated as a minor.~~

TAL

Demos?

~~We also propose a rather sweeping set of changes in child support enforcement designed to send the clear message: if you parent a child you will be held responsible. This effort would include:~~

- o **Child Support Enforcement**
  - Universal paternity establishment, preferably in the hospital. ~~The plan includes~~ *strict* penalties for women seeking AFDC who do not cooperate in identifying and finding the father. Serious financial incentives to states who do not establish paternity once the mother has cooperated.
  - ~~State-controlled~~ *central* child support registry *in every state* and collection mechanisms *to* so that we can track payments and take prompt action when money *is not paid.*
  - A national registry of child support awards and a national registry of new hires based on W-4 reporting so that delinquent noncustodial parents can be tracked quickly and easily *across state lines.*

~~regardless of where they are.~~

Regular updating of awards;

Numerous new measures to penalize those who refuse to pay--from license suspension to IRS enforcement.

A new program of <sup>required training</sup> ~~training~~ and work for men who owe child support and fail to pay.

Demonstrations of parenting and access programs and child support assurance.

### Support for Working Families

The program is designed to help ~~those~~ families ~~that work every day~~ <sup>support themselves by going to work, and staying on welfare.</sup> ~~cooking to raise and provide~~ for their families. The key elements are:

The expansion of the EITC <sup>plan</sup> This is already accomplished, but mechanisms for advance payments are expanded.

Health reform. <sup>Too many people go on welfare and stay there because they cannot do find work</sup> By far the most common reason given in focus groups for why people did ~~not leave welfare for work~~ <sup>not leave welfare for work</sup> is the fear of losing Medicaid. ~~and get health insurance that provides health coverage for their families.~~

Child care for the working poor. <sup>work force</sup> Families, especially single parent families cannot work unless they have access to ~~quality~~ <sup>affordable</sup> child care. <sup>Many families cannot make it in the</sup>

One of the greatest perversities of the current system is that people on welfare often have higher incomes, far better health protection, and <sup>even more</sup> ~~greater~~ access to child care than working poor families.

### Replace Welfare with Transitional Assistance Followed by Work

The focus of the welfare system must be changed from a system focussed chiefly on writing checks and verifying circumstance to one geared toward helping people move rapidly to work.

~~Doing so will be a major effort. The very culture of welfare offices will have to change from one oriented toward writing welfare checks to one geared to help people find jobs to get a paycheck.~~

The Family Support Act offered the first clear vision for converting welfare into a transitional system. But the vision was not realized. <sup>ad welfare clients</sup> In part that was due to insufficient resources, <sup>but also b/c</sup> ~~part that was also due to the fact that the message change never really reached the welfare~~ <sup>most w. officers never get the message.</sup>

~~offices. JOBS remained an afterthought, not the core of what happens in welfare offices. Work typically remains a lofty goal, not a serious expectation of those who use or administer the welfare system.~~

~~Thus the proposal contains several crucial elements:~~

- o A reformed JOBS program, <sup>Job Search</sup> which is the core of welfare. The program would include:

**Personal Resp Contract:** ~~Full participation.~~ Everyone has something to contribute and everyone ought to work to help themselves and their community from day one.

**Job Search First:** <sup>Job Search</sup> Next step will go through supervised job search in the first step of their employ. plan.

- A clear focus on employment. Too many programs seem to worry little about whether people actually get jobs and keep them. <sup>Build bridges to private sector. Require to take a private sector job if offered.</sup>
- Use and integrations with mainstream education and training opportunities.
- Welfare recipients should not have a separate system, it ought to be integrated with the new and existing programs in the community. <sup>for welfare recipients</sup>
- Emphasis on worker support once a person is placed. The most effective programs do more than try to place people in a job, they offer help to ensure the

INSERT FROM OTHER PAPER

person keeps the job.

- o ~~Time limits with limited extensions and exemptions. For most persons, persons would have to go to work within two years. If they had not found work after two years, in spite of intensive jobs search and training, their regular cash benefits would end. Persons caring for a child with a severe disability, persons with illnesses and disabilities which limit work, and those caring for infants would not immediately be subject to the time limit.~~ Extensions would be granted in a limited number of cases such as those needing time to complete high school, or persons who need more time because of language barriers.

persons with infants and people with disabilities  
 persons caring for a disabled child  
 immediately subject to the time limit

- o ~~WORK program for those who cannot find work after they reach their time limit. Instead of welfare, states would be expected to provide temporary jobs for those who have exhausted their time limit. Key elements would include:~~

*Work for Wages, Not Welfare.* States would be expected to place persons in subsidized jobs which pay a paycheck. Recipients would have the dignity and responsibility that comes from a job.

*Flexible, community based program.* Money which would have been spent on welfare and an additional amount for administration would be used to place people in subsidized private jobs, with local community organizations, or in public service employment. The program will have close links to the local community.

*Strong private sector emphasis.* The strong emphasis will be on placing people in subsidized private sector placements, with an emphasis on placements that will lead to unsubsidized work.

*Non-displacing jobs.* These jobs will be designed to avoid displacing existing workers.

~~Multiple mechanisms to keep stays in the WORK program short.~~ These include limits on the duration of any one placement, frequent job search requirements, no EITC for those in subsidized work slots, and a comprehensive reassessment for people after two placements.

*Special rules for places with high unemployment.* Places with very high unemployment will be granted special exemptions and added financial support.

flexibility

~~The new message of the system should be unambiguous. The goal and expectation is work and dignity rather than dependency and humiliation.~~

To control costs, these programs will be capped entitlements with a fixed dollar amount designed to meet the projected cost and requests.

### Reinventing Government Assistance

The rules and administration of public assistance consistently sends adverse messages about core values. Part of the problem is the eligibility rules themselves. The rules discriminate against two parent families, discourage work, prevent savings. Another part of the problem is that the rules are excessively complex and then differ between programs such as Food Stamps and AFDC. The Federal oversight and performance standards focus entirely on process, mostly looking for detailed paper verification of information on the family and financial status of recipients. Finally, there has been far too little use of new technological systems to reduce waste and fraud. The sum total of the old rules is a welfare system where the culture is based on paper verification of often

INSERT  
 (B)

INSERT  
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INSERT  
 (D)

absurd and counterproductive rules. The proposals here are designed to begin the difficult process of reversing that culture.

- o Correcting adverse eligibility rules. It is worth noting that virtually all of these are frequent parts of state waiver requests from Republican as well as Democratic governors. These include:

*End rules which discriminate against two-parent families.* The 100 hour rule and quarters of work rule which apply only to two-parent families would be repealed.

*Allow families to own a reliable automobile.* Current rules prevent those on AFDC from owning a car with an equity value of more than \$1,500. ~~Women on food stamps has different rules and different accounting procedures.~~

*Allow states to reward work.* Current law requires states to reduce benefits by \$1 for each \$1 earned. The proposal would give states the flexibility to reward work.

*Allow families to accumulate savings.* The proposal would allow families to set up Individual Development Accounts which could be used for specific purposes without losing eligibility.

WHAT IS PROPOSAL?

like obtaining income sharing a happy business or

- o Simplifying eligibility and coordinating/conforming AFDC and Food Stamp eligibility and rules. This would end most of the often ludicrous regulatory and statutory differences in the income, assets, and administrative rules between programs.

- o Shift the focus of performance measures. We propose to move away from the current "quality control" measures which measure paper verification to a system geared towards state effectiveness in moving people into work and keeping them in those jobs.

- o Significant expansions in the use of technology and tracking systems to ensure accountability, efficiency and fraud reduction. Among the advancements would be:

*A nationwide public assistance clearinghouse which tracks 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 by trying to collect benefits in two jurisdictions simultaneously.

*State tracking systems which 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 training and placement services they are expected to.

*State Registries and Federal child support clearinghouses* As described above, technology will play an integral part in ensuring that noncustodial parents meet their obligations to their children.

END TO WELFARE

INSERT (E)

INSERT (F)

## PROJECTED IMPACT

Just how different the new system would be can be seen by comparing the experience that a young mother might face today and in the new system we envision.

### ~~BOLD AMBITIONS, REALISTIC EXPECTATIONS~~

The proposal developed here is extremely bold. It calls for a fundamental transformation of the welfare and child support systems. It calls for changing the groundrules for government and low income families. More will be expected of everyone. The danger of such a powerful ideal is that it will be oversold, that expectations will be raised too high. Bureaucratic systems that have been in place for over 60 years cannot change overnight. Recipients who have learned to survive under one regime will not adjust instantly to another. The danger of trying to do too much too fast is that we will overwhelm the system. Based on our conversations with the states, it is abundantly clear that we dare not make all these changes overnight. Doing so would lead to too little emphasis on placement, education, and training services, meaning that a massive number of persons would hit the two year time limit and force states to create a major new WORK program with very little time. One of the biggest lessons of CETA was that massive expansion in a very short time lead to mismanagement and failure.

~~Thus we have sought to set realistic timetables and phase-ins for each element in the plan. The most difficult question is how to phase in and target the program of transitional assistance followed by work. The issues surrounding various choices are discussed in the accompanying paper. The Working Group chose to focus on young people, persons born after 1971 (under 25 in 1996). Starting with that cohort of people, the system will be transformed. Anyone born after 1971 who is on welfare today and anyone born after 1971 who enters it subsequently will face new opportunities and responsibilities. This group constitutes roughly one third of the caseload initially. By the year 2004, they will represent over 60% of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster would have the option of doing so.~~

*this group*

Table 1 indicates the number of persons in various parts of the program by year assuming this phase in. Note that because the states will need up to two years to pass legislation and implement their systems, the program would not begin fully until ~~fall of~~ <sup>1995</sup> 1996. Thus FY1997 is the first full year of implementation. The initial JOBS program starts up rapidly and grows somewhat over time as more and more people are phased in. The WORK program grows over time starting with roughly 140,000 jobs in the first year when people begin to hit the limit (FY1999) rising to roughly 500,000 by FY 2004.

*to the phased in caseload:*  
Table 2 shows the impact of these changes over the next 10 years compared with what it is easy to lose sight of just how profound a change we expect when looking at Table 1. But consider what would be true ten years from now for the 3.24 million persons born after 1971 who we project would have been on welfare without reform. *what we project would be the caseload without health reform and welfare reform.*

Making all these changes overnight would severely strain the ability of federal and state governments to implement the new system. We recommend phasing in the plan by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload - persons born after 1971, who will be 25 and under 1996 when the new system is implemented.

Table 2

Health + Welfare

| Projected Welfare and Work Status for Persons Born after 1971<br>Who Would Have Been on Welfare Without Reforms |                           |                        |
|---|---------------------------|------------------------|
|   | FY 2004 -- Without Reform | FY 2004 -- With Reform |
| Off Welfare   | 0                         | 22%                    |
| Working with Subsidy  | 8%                        | 25%                    |
| In Mandatory Education,<br>Training, or Placement   | 15%                       | 26%                    |
| Not working nor in<br>mandatory education and<br>training   | 77%                       | 27%                    |
| TOTAL   | 100%                      | 100%                   |

Thus we will go from a situation where 3/4s of the persons are collecting welfare and, <sup>doing nothing in return -</sup> neither working nor in training to a situation where 3/4s are either off welfare, working with a subsidy, or in time-limited training. Only those unable to work are outside the time limits. And even these persons will have greater expectations and opportunities under the proposed system. ~~Full participation means that everyone has something to contribute.~~

~~Opponents will try to suggest that this plan is not bold because of the pace of the phase in. On the contrary, the changes contemplated here are exceptionally ambitious.~~

### COSTS AND FINANCING

The costs of welfare reform are naturally depend on policy decisions. The working group has produced a consensus plan which can serve as the starting point for discussion. The combined state and federal costs of each major element of the welfare reform plan are shown below. In each case we show one year costs for FY 1999, five-year costs for FY 1995-1999, and ten year costs for FY 1995-2004.

### Costs of Working Group Consensus Welfare Reform Proposal

|   | FY 1999     | Five Years<br>FY 1995-FY 1999 | Ten Years<br>FY 1995-FY 2004 |
|---|-------------|-------------------------------|------------------------------|
| Prevention, Parental Responsibility,<br>Child Support Enforcement | -0.19       | -0.14                         | -4.17                        |
| Make Work Pay--Child Care for the<br>Working Poor                 | 2.00        | 5.00                          | 16.27                        |
| Transitional Assistance Followed By<br>Work                       | 3.72        | 8.57                          | 27.72                        |
| Reinventing Government Assistance                                 | 0.94        | 4.78                          | 12.4                         |
| <b>Total State and Federal</b>                                    | <b>6.46</b> | <b>18.21</b>                  | <b>52.22</b>                 |
| Less 10% state contribution                                       | -0.65       | -1.82                         | -5.22                        |
| <b>Total Federal</b>  | <b>5.81</b> | <b>16.39</b>                  | <b>47.00</b>                 |

The specific sub elements are shown in detail in the appendix tables. The costs could be reduced by a variety of policy changes. We believe the only part of the program which really cannot be reduced and still meet your commitments to do serious and comprehensive welfare reform is transitional assistance followed by work. Given the targetting already present in our proposal, we are already under some attack for not going far enough fast enough. We also see few options for additional savings in the Prevention and Parental Responsibility section. Thus the major options involve child care for the working poor and reinventing government assistance. In addition, we propose a number of demonstrations. These could be scaled back.

The table below shows the costs of particular elements net of state contributions. Virtually every element in the table has strong support from the Working Group. Moreover, there was no consensus on which elements should be cut first. Nonetheless we have developed several alternative packages which cost less:

#### Base Proposal

|   |      |       |       |
|---|------|-------|-------|
| Base Proposal   | 5.81 | 16.39 | 47.00 |
| *Option A:<br>Base proposal without<br>reinvention except two-<br>parent provisions |      |       |       |

| <b>Components in Base Package Which Could be Reduced (Federal Costs Net of State)</b> |                |                                      |                                    |
|---|----------------|--------------------------------------|------------------------------------|
|   | <b>FY 1999</b> | <b>Five Years<br/>FY 1995-FY1999</b> | <b>Ten Years<br/>FY1995-FY2004</b> |
| <b>Base Proposal<br/>Total Federal</b>  | <b>5.81</b>    | <b>16.39</b>                         | <b>47.00</b>                       |
| <b>Support for Working Poor Families</b>  |                |                                      |                                    |
| <b>Working Poor Child Care</b>  | <b>1.80</b>    | <b>4.50</b>                          | <b>14.63</b>                       |
| <b>Reinventing Government Assistance Reductions</b>                                   |                |                                      |                                    |
| Continue Existing Two<br>Parent Provisions  | 0.45           | 1.08                                 | 3.46                               |
| Continue Existing<br>Automobile Rules   | 0.30           | 1.12                                 | 2.77                               |
| Deny State Flexibility on<br>Work Incentives  | 0.19           | 0.64                                 | 1.50                               |
| Maintain Current Payments<br>to Territories*  | 0.14           | 0.63                                 | 1.38                               |
| Maintain Differential<br>Accounting for AFDC and<br>Food Stamps                       | -0.25          | -0.95                                | -2.23                              |
| <b>Total Reinvention</b>  |                |                                      |                                    |
| <b>Demonstrations</b>   |                |                                      |                                    |
| Prevention Grants   | 0.03           | 0.10                                 | 0.24                               |
| Work and Training for<br>Noncustodial Parents   | 0.20           | 0.43                                 | 1.97                               |
| Access and Parenting  | 0.03           | 0.14                                 | 0.29                               |
| Child Support Assurance   | 0.25           | 0.55                                 | 1.50                               |
| Microenterprise and<br>Subsidized-IDA   | 10             | 30                                   | 70                                 |
| <b>Total Demonstrations</b>   | <b>0.61</b>    |                                      |                                    |

PRELIMINARY DRAFT

FEDERAL COST ESTIMATES OF ADMINISTRATION'S WELFARE REFORM PROPOSAL (cont)  
 FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
 (By fiscal year, in millions of dollars)

|   | 1995        | 1996         | 1997         | 1998         | 1999         | 5 Year<br>Federal | 5 Year<br>Total |
|---|-------------|--------------|--------------|--------------|--------------|-------------------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                                 |             |              |              |              |              | 1,820             |                 |
| Additional JOBS Spending  | 0           | 415          | 645          | 765          | 790          | 2,615             | 3,340           |
| WORK Operations   | 0           | 0            | 0            | 105          | 435          | 540               | 775             |
| Work Expenses and Employer FICA   | 0           | 0            | 0            | 50           | 185          | 235               | 420             |
| Additional Child Care Spending for JOBS   | 0           | 345          | 515          | 625          | 655          | 2,140             | 2,570           |
| Child Care Spending for WORK  | 0           | 0            | 0            | 75           | 295          | 370               | 530             |
| Transitional Child Care   | 0           | 0            | 65           | 90           | 125          | 280               | 265             |
| Child and Adult Care Feeding Program (all child care)                           | 0           | 25           | 40           | 65           | 110          | 240               | 240             |
| Non-Custodial Parent JOBS/WORK  | 0           | 10           | 25           | 40           | 55           | 130               | 125             |
| Enhanced Teen Case Management   | 0           | 60           | 75           | 90           | 95           | 320               | 470             |
| ADP Federal and State Systems   | 40          | 65           | 105          | 200          | 255          | 665               | 830             |
| Enhanced Administrative Efficiency  | 0           | 0            | (25)         | (120)        | (125)        | (270)             | (430)           |
| Caseload Reduction and Sanctions  | 0           | 0            | (90)         | (235)        | (325)        | (650)             | (1,180)         |
| Medicaid Savings  | 0           | 0            | (55)         | (235)        | (450)        | (740)             | (1,300)         |
| EITC Outlays  | 0           | 0            | 25           | 70           | 100          | 195               | 195             |
| <b>SUBTOTAL, TRANSITIONAL ASSISTANCE</b>  | <b>40</b>   | <b>920</b>   | <b>1,325</b> | <b>1,585</b> | <b>2,200</b> | <b>6,070</b>      | <b>6,850</b>    |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                                    |             |              |              |              |              |                   |                 |
| Remove Two Parent (UP) Restrictions   | 0           | 0            | 155          | 295          | 350          | 800               | 1,430           |
| IDA/Microenterprise Demonstrations  | 0           | 0            | 15           | 25           | 30           | 70                | 70              |
| Generally Conform Resource Limit and Exclusion<br>Rules to those of Food Stamps | 0           | 0            | 85           | 135          | 200          | 420               | 800             |
| Increase by 25% Territories' Caps and<br>Adjust for Inflation                   | 0           | 0            | 30           | 30           | 30           | 90                | 90              |
| All Others  | (40)        | 0            | (20)         | (10)         | (10)         | (80)              | (265)           |
| <b>SUBTOTAL IGA</b>   | <b>(40)</b> | <b>0</b>     | <b>265</b>   | <b>475</b>   | <b>600</b>   | <b>1,300</b>      | <b>925</b>      |
| Tribal TAP (JOBS/WORK/At-Risk)  | 0           | 40           | 50           | 55           | 70           | 215               | 215             |
| Research and Evaluation TAP (J/W/AR)  | 0           | 40           | 50           | 55           | 35           | 180               | 180             |
| Adjustment for first year implementation  | 0           | (300)        | 0            | 0            | 0            | (300)             | (300)           |
| <b>GRAND TOTAL</b>  | <b>110</b>  | <b>1,090</b> | <b>2,515</b> | <b>2,820</b> | <b>3,855</b> | <b>10,385</b>     | <b>10,770</b>   |

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent the following state match rates: services at 66% (JOBS match + 3) in 1996 and 1997, at 68% in 1998, and at 70% in 1999; benefits at current match rates; child support is matched at rates specified in the hypothetical plan; comprehensive demonstration grants, teenage prevention grants and IDA and microenterprise demonstration grants are matched at 100%; and all other demonstrations are matched at 90%.

PRELIMINARY DRAFT

FEDERAL COST ESTIMATES OF ADMINISTRATION'S WELFARE REFORM PROPOSAL  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

|  | 1995 | 1996 | 1997 | 1998  | 1999  | 5 Year<br>Federal | 5 Year<br>Total |
|--|------|------|------|-------|-------|-------------------|-----------------|
| <b>PARENTAL RESPONSIBILITY</b>                                     |      |      |      |       |       |                   |                 |
| Minor Mothers  | 0    | (20) | (20) | (20)  | (25)  | (85)              | (130)           |
| No Additional Benefits for Additional Children                     | 0    | (10) | (25) | (40)  | (45)  | (120)             | (390)           |
| Teenage Parent Educational Attainment                              | 0    | 5    | 5    | 5     | 5     | 20                | 20              |
| Comprehensive Demonstration Grants                                 | 20   | 20   | 20   | 20    | 20    | 100               | 100             |
| Teenage Pregnancy Prevention Grants                                | 20   | 40   | 60   | 80    | 100   | 300               | 300             |
| Access and Visitation Grants                                       | 5    | 5    | 10   | 10    | 10    | 40                | 40              |
| Child Support Assurance Demonstrations                             | 0    | 0    | 25   | 50    | 65    | 140               | 155             |
| Child Support Enforcement  |      |      |      |       |       |                   |                 |
| Net Effect of Child Support Proposal                               | 50   | 117  | 194  | (215) | (288) | (142)             | (1,129)         |
| Computer Costs   | 14   | 43   | 60   | 59    | 51    | 227               | 253             |
| NET  | 64   | 160  | 254  | (157) | (236) | 85                | (876)           |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                           | 109  | 200  | 329  | (52)  | (106) | 480               | (781)           |
| <b>MAKING WORK PAY</b>   |      |      |      |       |       |                   |                 |
| At-Risk Child Care Expenditures                                    | 0    | 190  | 275  | 445   | 765   | 1.5<br>1,675      | 2,150           |
| State Flexibility on Earned Income and<br>Child Support Disregards | 0    | 0    | 220  | 255   | 290   | 765               | 1,530           |
| <b>SUBTOTAL, MAKING WORK PAY</b>                                   | 0    | 190  | 495  | 700   | 1,055 | 2,440             | 3,680           |

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent the following state match rates: services at 66% (JOBS match + 4) in 1996 and 1997, at 68% in 1998, and at 70% in 1999; benefits at current match rates; child support is matched at rates specified in the hypothetical plan; comprehensive demonstration grants, teenage prevention grants and IDA and microenterprise demonstration grants are matched at 100%; and all other demonstrations are matched at 90%.

June 7, 1994

Supporting materials for welfare reform cost-estimates

1. Year-by-year, section-by-section gross costs (and savings) for each of AFDC, Medicaid, the Food Stamp Program, and, as appropriate, EITC. (So far, we have received HHS estimates at this level of detail only for the child support title. A program-by-program break-out of cost avoidance estimates has not been received yet. But resolution of remaining other issues is well underway.)
2. Responses to questions in May 5 memorandum from Sawhill to co-chairs on cost estimates.
3. Response to list of cost and savings questions list given by Bavier to Oellerich on May 27. (Identified many specs provisions that did not seem to be included in earlier cost estimates and requested back-up data and discussions on other issues.)
4. Other cost estimating questions passed back in review of legislative specs and bill language (e.g. automation costs and timing of savings dependent on automation).
5. Background data and calculations necessary to understand and assess some cost-estimate descriptions in HHS "COST ESTIMATE MEMO FOR COMPONENTS OF THE ADMINISTRATION'S WELFARE REFORM PROPOSAL - DRAFT: SUBJECT TO CHANGE"

for example Final projection of yearly caseloads in each status of JOBS and WORK programs (i.e., deferred, in JOBS and participating, in JOBS and not participating, in extensions, in WORK program slot, on WORK program waiting list, not phased-in).

Spreadsheet showing how JOBS and WORK cost estimates are built up from caseload estimates, unit costs, and interactions of provisions.

Documentation and spreadsheet back-up for Medicaid estimates (and more complete documentation and back-up for Food Stamp Program estimates).

Supporting research and spreadsheet data underlying savings impacts of programs for non-custodial parents.

low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

### Transitional Assistance Followed by Work

We do not need a welfare program built around "income maintenance" -- we need a program built around work. Everyone has something to contribute. We need to transform the culture of the welfare bureaucracy to convey the message that everybody is expected to move toward work and independence. We envision a system whereby people would be asked to start on a track toward work and independence immediately, with limited exemptions and extensions. Each adult would sign a social contract that spells out their obligations, as well as what the government will do in return. Our proposal calls for:

**INSERT A**

- Full participation. Everyone who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work, and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education or job placement services.

- Training, education and employment services (the JOBS program). As soon as people begin receiving public assistance, they will sign a personal responsibility contract and develop an employability plan to move them into work as quickly as possible. Many will get jobs quickly--in weeks or months--after assistance with job search and job preparation. Others will spend time in education and training services as needed. The program will be closely coordinated with existing mainstream education and training programs including current and new Labor Department programs (the Job Training Partnership Act and the Workforce Security Act), School-to-Work programs, vocational and post-secondary education.

**INSERT B**

- Time limits. People who are able to work will be limited to two years of cash assistance. Most people are expected to enter employment well before the two years are up. ~~Extensions to complete an education program expected to enhance self-sufficiency will be granted in a limited number of cases.~~

**INSERT C**

- Work for those who exhaust their time limit (the WORK program). Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. These are intended to be real, work-for-wages

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

### Reinventing Government Assistance

A major problem with the current welfare system is its enormous complexity and inefficiency. It consists of multiple programs with different rules and requirements that are poorly coordinated and confuse and frustrate recipients and caseworkers alike. Waste, fraud and abuse can more easily arise in such an environment.

The real work of encouraging work and responsibility will happen at the State and local levels. The Federal Government must be clearer about stating broad goals and give more flexibility over implementation to States and localities. Our proposal calls for:

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

### A NEW BEGINNING

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

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

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

Second, we propose key demonstrations designed to explore ideas for still bolder innovation in the future. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

# SUMMARY RECOMMENDATIONS

[WHOSE PLAN THIS IS]

## INTRODUCTION

~~Everyone is frustrated with the welfare system.~~ Our current welfare system seems at odds with the core values Americans share: ~~regarding work~~ and responsibility. While we believe that work is central to the strength, independence and pride of American families, in reality people who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment, ~~the~~ the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculations and writing checks. The culture of welfare offices often seems to create an expectation of dependence rather than independence. Noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility. Welfare reform is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing work, and family, and opportunity, and responsibility.

work, family, opportunity

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

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

### MAJOR THEMES

#### Parental Responsibility

If we are going to end long-term welfare dependency, we must do everything we can to prevent people from going onto welfare in the first place. Families and communities need to work together to ensure that real opportunities are available for young people, and they must teach young people that men and women who parent

children have responsibilities and should not become parents until they are able to nurture and support their children. We also need to make it clear that ~~parents~~ both parents ~~have~~ have responsibilities to support their children. Our proposal calls for:

GO TO DAVID

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

**Making Work Pay**

Work is at the heart of the entire reform effort. To make work "pay" for welfare recipients, we must provide some support for working families, and ensure that a welfare recipient is economically better off by taking a job. We see three critical components to making work pay -- providing tax credits for the working poor, ensuring access to health insurance, and making child care available. Our proposal calls for:

- Health care reform. An essential part of moving people from welfare to work is ensuring that working persons get health protection. The current system keeps people from leaving welfare for fear of losing their health insurance.
- Advance payment of the Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.
- Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to

## SUMMARY RECOMMENDATIONS

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

This welfare reform plan is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing the values of work, family, opportunity and responsibility. The current system pays cash when people lack adequate means to provide for their families. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It signals that people should not have children until they are ready to support them. It stresses that parents--*both parents*--have responsibilities to support their children. It gives people access to the skills they need, but also expects work in return. It limits cash assistance to two years, and then requires work, preferably in the private sector, but in community service jobs if necessary. Most important, it requires changing the culture of welfare offices, getting them out of the business of writing checks and into the business of finding people jobs and giving them the skills and support to keep those jobs.

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

### MAJOR ELEMENTS

#### Parental Responsibility

If we are going to end long-term welfare dependency, we must do everything we can to prevent people from going onto welfare in the first place. Families and communities need to work together to ensure that real opportunities are available for young people, and they must teach young people that men and women who parent children have responsibili-

ties and should not become parents until they are able to nurture and support their children. We also need to make it clear that both parents have responsibilities to support their children. Our proposal calls for:

### Prevention

*A national campaign against teen pregnancy, which sets clear goals of opportunity and responsibility for youth, and draws on all segments of society and government.*

*Requiring minor mothers to live at home, with their parents or a responsible adult -- not receive a separate check for setting up a separate household.*

*State option to limit additional benefits for additional children conceived by parents on welfare.*

### Child support enforcement

*Universal paternity establishment, preferably in the hospital. Strict penalties for women seeking AFDC who do not cooperate in identifying and finding the father. Serious financial incentives to states who do not establish paternity once the mother has cooperated.*

*Central child support registries in every state, to track payments and take prompt action when money isn't paid.*

*A national registry of child support awards and a national registry of new hires based on W-4 reporting so that delinquent noncustodial parents can be tracked quickly and easily across state lines.*

*Regular updating of awards.*

*New measures to penalize those who refuse to pay -- from license suspension to IRS enforcement.*

*A new program of required work and training for men who owe child support and fail to pay.*

*Demonstrations of parenting and access programs and child support assurance.*

## **Support for Working Families**

One of the greatest perversities of the current system is that people on welfare often have higher incomes, better health protection, and greater access to child care than working poor families. This plan is designed to help families support themselves by going to work, not staying on welfare. The key elements are:

Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.

Health care reform. Too many people go on welfare and stay there because they cannot find work that provides health coverage for their families. An essential part of moving people from welfare to work is ensuring that working persons get health protection.

Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

### **Replacing Welfare with Transitional Assistance and Work**

We do not need a welfare program built around "income maintenance" -- we need a program built around work. Everyone has something to contribute. We need to transform the culture of the welfare bureaucracy to convey the message that everyone is expected to move toward work and independence. We envision a system whereby people would be asked to start on a track toward work and independence immediately, with limited exemptions and extensions. Each adult would sign a social contract that spells out their obligations, as well as what the government will do in return. Our proposal calls for:

Full participation. Every able-bodied individual who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work and to those who are currently not-ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education, job search or job placement.

A reformed JOBS program. The focus of the welfare system must be changed from a system focused on writing checks and verifying circumstance, to one geared toward helping people move rapidly to work. The Family Support Act offered the first clear vision for converting welfare into a transitional system. But the vision was not realized, in part due to insufficient resources, but also because most welfare offices and recipients never got the message. A reformed JOBS program would include:

*Personal Responsibility Contract.* In order to receive assistance, people will have to sign a personal responsibility contract that spells out their responsibilities and opportunities, and develop an employability plan to move them into work as quickly as possible.

*Job Search First.* Most recipients will go through supervised job search as the first step of their employability plan. Anyone taking part in the JOBS program will be required to take a private sector job if offered.

*A clear focus on employment.* Too many programs seem to worry little about whether people actually get jobs and keep them. The plan will attempt to build bridges between the welfare office and the private sector.

*Integration with mainstream education and training programs.* We should not have a separate system for welfare recipients; it ought to be integrated with new and existing programs in the community.

*Emphasis on worker support once a person is placed in a job.* The most effective programs do more than try to find someone a job, they offer help so that person can keep the job.

Time limits. Individuals who are able to work will be limited to two years of cash assistance. Most people will be expected to enter employment well before the two years are up. Mothers with infants, people with disabilities that limit work, and those who care for a disabled child will be placed in a JOBS Prep program, and not be immediately subject to the time limit. Extensions would be granted in a limited number of cases such as those who need to complete high school, or people who need more time because of language barriers.

A WORK program. Those people who are still unable to find work at the end of two years will be required to work in a private sector, community

service or public sector job. Instead of welfare, states would be expected to provide temporary jobs for those who have exhausted their time limit and cannot find unsubsidized private sector work. Key elements of the WORK program include:

*Work for Wages, not Workfare.* States would be expected to place persons in subsidized jobs which pay a paycheck. Recipients would have the dignity and responsibility that comes from a real job.

*Flexible, community based program.* States would be able to use money which would have been spent on welfare and an additional amount for administration to place people instead in subsidized private jobs, with local community organizations, or in public service employment. The program will have close links to the local community.

*Strong private sector emphasis.* The strong emphasis will be on placing people in subsidized private sector placements that will lead to unsubsidized work.

*Non-displacing jobs.* These jobs will be designed to avoid displacing existing workers.

*Keeping stays in the WORK program short.* To discourage long-term stays in the WORK program, the plan includes limits on the duration of any one placement, frequent job search requirements, no EITC for those in subsidized work slots, and a comprehensive reassessment for people after two placements.

*Special rules for places with high unemployment.* Places with very high unemployment may be granted special exemptions and added financial support.

*Dollar caps on the JOBS and WORK programs.* To control costs, these programs will be capped entitlements, with fixed dollar amounts designed to meet the projected caseload.

## **Reinventing Government Assistance**

A major problem with the current welfare system is its enormous complexity and inefficiency. It consists of multiple programs with different rules and requirements that are poorly coordinated and confuse and frustrate recipients and caseworkers alike. Waste, fraud and abuse can more easily arise in such an environment.

The real work of encouraging work and responsibility will happen at the State and local levels. The federal government must be clearer about stating broad goals and give more flexibility over implementation to states and localities. Our proposal calls for:

Coordination, simplification and improved incentives in income support programs.

The administrative and regulatory program structures of AFDC and Food Stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation. Changes include:

*End rules which discriminate against two-parent families.* The 100 hour rule and quarters of work rule which apply only to two-parent families would be repealed.

*Allow families to own a reliable automobile.* Current rules prevent those on AFDC from owning a car with an equity value of more than \$1,500. Worse still, food stamps has different rules and different accounting procedures.

*Allow states to reward work.* Current law requires states to reduce benefits by \$1 for each \$1 earned. The proposal would give states the flexibility to reward work.

*Allow families to accumulate savings.* The proposal would allow families to set up Individual Development Accounts which could be used for specific purposes without losing eligibility.

A performance-based system. In addition to incentives for clients, incentives will be designed to bring about change in the culture of welfare offices with an emphasis on work and performance.

Accountability, efficiency, and reducing fraud. The plan calls for significant expansions in the use of technology and tracking systems to ensure accountability, efficiency and fraud reduction. Among the advancements would be:

*A nationwide public assistance clearinghouse,* which tracks 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 by trying to collect benefits in two jurisdictions simultaneously.

*State tracking systems which 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 training and placement services they are expected to.

### **Projected Impact**

Making all these changes overnight would severely strain the ability of federal and state governments to implement the new system. We recommend phasing in the plan by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload -- persons born after 1971, who will be 25 and under in 1996 when the new system is implemented.

Starting with that cohort of people, the system will be transformed. Anyone born after 1971 who is on welfare today and anyone born after 1971 who enters it subsequently will face new opportunities and responsibilities. By the year 2004, this group will represent over 60% of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster would have the option of doing so.

Table 1 indicates the number of persons in various parts of the program by year assuming this phase in. Note that because the states will need up to two years to pass legislation and implement their systems, the program would not begin fully until late 1996. Thus FY1997 is the first full year of implementation. The initial JOBS program starts up rapidly and grows somewhat over time as more and more people are phased in. The WORK program grows over time starting with roughly 140,000 jobs in the first year when people begin to hit the limit (FY1999) rising to roughly 500,000 by FY 2004.

Table 2 shows the impact of these changes for the phased-in caseload over the next 10 years, compared with what we project would be the caseload without welfare reform and health reform.

**Projected Welfare and Work Status for Persons Born after 1971  
Who Would Have Been on Welfare Without Reforms**

|  | FY 2004 -- Without Reform | FY 2004 -- With Reform |
|--|---------------------------|------------------------|
| Off Welfare  | 0%                        | 22%                    |
| Working with Subsidy                                 | 8%                        | 25%                    |
| In Mandatory Education, Training, or Placement       | 15%                       | 26%                    |
| Not working nor in mandatory education and training. | 77%                       | 27%                    |
| <b>TOTAL</b>   | <b>100%</b>               | <b>100%</b>            |

Under the plan, we will go from a situation where three-quarters of the persons are collecting welfare and doing nothing in return -- neither working nor in training -- to a situation where three-quarters are either off welfare, working with a subsidy, or in time-limited training. Only those unable to work are outside the time limits, and even these persons will have greater expectations and opportunities under the proposed system.

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

**DRAFT**

**TABLE B - PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL TO BE ACCOMPLISHED THROUGH REGULATION**  
(By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997       | 1998       | 1999       | 5 Year<br>Total | 5 Year<br>Federal | 2000       | 2001       | 2002       | 2003       | 2004       | 10 Year<br>Total | 10 Year<br>Federal |
|--|------------|------------|------------|------------|------------|-----------------|-------------------|------------|------------|------------|------------|------------|------------------|--------------------|
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>       |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| <b>Set Auto Exclusions to \$3500 Equity Value</b>  |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| AFDC   | 0          | 0          | 30         | 55         | 90         | 175             | 95                | 95         | 95         | 100        | 105        | 110        | 680              | 375                |
| Food Stamps  | 0          | 0          | 0          | 0          | (5)        | (5)             | (5)               | (5)        | (5)        | (5)        | (5)        | (5)        | (30)             | (30)               |
| Medicaid   |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| NET  | 0          | 0          | 30         | 55         | 85         | 170             | 90                | 90         | 90         | 95         | 100        | 105        | 650              | 345                |
| <b>Conform to Food Stamp Accounting Procedures</b> |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| AFDC   | 225        | 230        | 240        | 250        | 255        | 1,200           | 660               | 265        | 275        | 285        | 295        | 305        | 2,625            | 1,445              |
| Food Stamps  | 0          | 0          | 0          | 0          | 0          | 0               | 0                 | 0          | 0          | 0          | 0          | 0          | 0                | 0                  |
| Medicaid   |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| NET  | 225        | 230        | 240        | 250        | 255        | 1,200           | 660               | 265        | 275        | 285        | 295        | 305        | 2,625            | 1,445              |
| <b>Simplify Verification Procedure</b>             |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| AFDC   | (2)        | (2)        | (2)        | (2)        | (2)        | (10)            | (5)               | (2)        | (2)        | (2)        | (2)        | (2)        | (20)             | (10)               |
| Food Stamps  | (3)        | (3)        | (3)        | (3)        | (3)        | (15)            | (15)              | (3)        | (3)        | (3)        | (3)        | (3)        | (30)             | (30)               |
| Medicaid   |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| NET  | (5)        | (5)        | (5)        | (5)        | (5)        | (25)            | (20)              | (5)        | (5)        | (5)        | (5)        | (5)        | (50)             | (40)               |
| <b>Microenterprises</b>                            |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| AFDC   | 10         | 10         | 10         | 10         | 10         | 50              | 30                | 10         | 10         | 15         | 15         | 15         | 115              | 65                 |
| Food Stamps  | 100        | 100        | 105        | 110        | 115        | 530             | 530               | 120        | 120        | 130        | 135        | 140        | 1,175            | 1,175              |
| Medicaid   |            |            |            |            |            |                 |                   |            |            |            |            |            |                  |                    |
| NET  | 110        | 110        | 115        | 120        | 125        | 580             | 560               | 130        | 130        | 145        | 150        | 155        | 1,290            | 1,240              |
| <b>GRAND TOTAL IGA REGULATIONS</b>                 | <b>330</b> | <b>335</b> | <b>380</b> | <b>420</b> | <b>460</b> | <b>1,925</b>    | <b>1,290</b>      | <b>480</b> | <b>490</b> | <b>520</b> | <b>540</b> | <b>560</b> | <b>4,515</b>     | <b>2,990</b>       |

Note 1: Parentheses represent savings.

Note 2: All of the above represent expenditures on benefits. Therefore they are matched at current rates - 55 percent federal costs for AFDC and 100 percent federal costs for Food Stamps.

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

PRELIMINARY DRAFT

FEDERAL COST ESTIMATES OF ADMINISTRATION'S WELFARE REFORM PROPOSAL  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997       | 1998        | 1999         | 5 Year<br>Federal | 5 Year<br>Total |
|--|------------|------------|------------|-------------|--------------|-------------------|-----------------|
| <b>PARENTAL RESPONSIBILITY</b>                                     |            |            |            |             |              |                   |                 |
| Minor Mothers  | 0          | (20)       | (20)       | (20)        | (25)         | (85)              | (130)           |
| No Additional Benefits for Additional Children                     | 0          | (5)        | (10)       | (15)        | (15)         | (45)              | (320)           |
| Teenage Parent Educational Attainment                              | 0          | 5          | 5          | 5           | 5            | 20                | 20              |
| Comprehensive Demonstration Grants                                 | 20         | 20         | 20         | 20          | 20           | 100               | 100             |
| Teenage Pregnancy Prevention Grants                                | 20         | 40         | 60         | 80          | 100          | 300               | 300             |
| Access and Visitation Grants                                       | 5          | 5          | 10         | 10          | 10           | 40                | 40              |
| Child Support Assurance Demonstrations                             | 0          | 0          | 25         | 50          | 65           | 140               | 155             |
| <b>Child Support Enforcement</b>                                   |            |            |            |             |              |                   |                 |
| Net Effect of Child Support Proposal                               | 50         | 160        | 280        | (105)       | (200)        | 185               | (385)           |
| Medicaid Savings from Caseload Reductions                          | 0          | 0          | (75)       | (165)       | (275)        | (515)             | (905)           |
| Computer Costs   | 10         | 30         | 70         | 90          | 90           | 290               | 360             |
| NET  | 60         | 190        | 275        | (180)       | (385)        | (40)              | (930)           |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                           | <b>105</b> | <b>235</b> | <b>365</b> | <b>(50)</b> | <b>(225)</b> | <b>430</b>        | <b>(765)</b>    |
| <b>MAKING WORK PAY</b>   |            |            |            |             |              |                   |                 |
| At-Risk Child Care Expenditures                                    | 0          | 190        | 275        | 455         | 765          | 1,685             | 2,200           |
| State Demonstration Projects for Advanced Payments of EITC         | 0          | 200        | 10         | 10          | (170)        | 50                | 50              |
| State Flexibility on Earned Income and<br>Child Support Disregards | 0          | 0          | 215        | 245         | 285          | 745               | 1,515           |
| <b>SUBTOTAL, MAKING WORK PAY</b>                                   | <b>0</b>   | <b>390</b> | <b>500</b> | <b>710</b>  | <b>880</b>   | <b>2,480</b>      | <b>3,765</b>    |

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent the following state match rates: services at 66% (JOBS match+5) in 1996 and 1997, at 68% in 1998 (JOBS match+7), and at 70% (JOBS match+9) in 1999. Child support is matched at rates specified in the hypothetical plan; comprehensive demonstration grants, teenage prevention grants and IDA and microenterprise demonstration grants are matched at 100%; and all other demonstrations are matched at 90%.

PRELIMINARY DRAFT

FEDERAL COST ESTIMATES OF ADMINISTRATION'S WELFARE REFORM PROPOSAL (cont)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL

(By fiscal year, in millions of dollars)

|  | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year Federal | 5 Year Total |
|--|------|-------|-------|-------|-------|----------------|--------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                              |      | 400   | 500   | 600   | 700   |                |              |
| Additional JOBS Spending   | 0    | 360   | 480   | 600   | 670   | 2,110          | 2,910        |
| WORK Operations  | 0    | 0     | 0     | 105   | 435   | 540            | 775          |
| Work Expenses and Employer FICA  | 0    | 0     | 0     | 40    | 160   | 200            | 380          |
| Administrative Costs   | 0    | 0     | 15    | 30    | 30    | 75             | 150          |
| Additional Child Care Spending for JOBS                                      | 0    | 235   | 320   | 410   | 470   | 1,435          | 1,535        |
| Child Care Spending for WORK   | 0    | 0     | 0     | 75    | 295   | 370            | 530          |
| Transitional Child Care  | 0    | 0     | 65    | 90    | 125   | 280            | 265          |
| Child Care Monitoring and Licensing  | 0    | 15    | 15    | 15    | 15    | 60             | 120          |
| Child and Adult Care Feeding Program (all child care)                        | 0    | 25    | 45    | 70    | 105   | 245            | 245          |
| Non-Custodial Parent JOBS/WORK   | 0    | 10    | 20    | 30    | 50    | 110            | 125          |
| Enhanced Teen Case Management  | 0    | 65    | 75    | 90    | 90    | 320            | 475          |
| ADP Federal and State Systems  | 110  | 225   | 265   | 140   | 60    | 800            | 1,000        |
| Enhanced Administrative Efficiency   | 0    | 0     | (25)  | (120) | (125) | (270)          | (430)        |
| Caseload Reduction and Sanctions   | 0    | 0     | (90)  | (235) | (325) | (650)          | (1,180)      |
| Food Stamp Savings   | 0    | 0     | (30)  | (70)  | (155) | (255)          | (255)        |
| Medicaid Savings   | 0    | 0     | (55)  | (235) | (450) | (740)          | (1,300)      |
| Medicaid Plug  | 0    | 0     | 15    | 45    | 55    | 115            | 200          |
| EITC Outlays   | 0    | 0     | 0     | 25    | 70    | 95             | 95           |
| <b>SUBTOTAL, TRANSITIONAL ASSISTANCE</b>                                     | 110  | 935   | 1,115 | 1,105 | 1,575 | 4,840          | 5,640        |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                                 |      |       |       |       |       |                |              |
| Remove Two Parent (UP) Restrictions  | 0    | 0     | 155   | 295   | 350   | 800            | 1,430        |
| IDA/Microenterprise Demonstrations   | 0    | 0     | 15    | 25    | 30    | 70             | 70           |
| Generally Conform Resource Limit and Exclusion Rules to those of Food Stamps | 0    | 0     | 85    | 135   | 200   | 420            | 800          |
| Increase by 25% Territories' Caps and Adjust for Inflation                   | 0    | 0     | 30    | 30    | 30    | 90             | 90           |
| All Others   | (40) | (10)  | (30)  | (20)  | (20)  | (20)           | (440)        |
| <b>SUBTOTAL IGA</b>  | (40) | (10)  | 255   | 465   | 590   | 1,360          | 925          |
| Tribal TAP (JOBS/WORK)   | 0    | 30    | 35    | 40    | 45    | 150            | 150          |
| Research and Evaluation TAP (J/W/AR)   | 0    | 40    | 45    | 55    | 35    | 175            | 175          |
| Adjustment for first year implementation                                     | 0    | (300) | 0     | 0     | 0     | (300)          | (300)        |
| <b>GRAND TOTAL</b>   | 175  | 1,320 | 2,315 | 2,325 | 2,900 | 9,135          | 9,590        |

1 Billion

includes work

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent the following state match rates: services at 66% (JOBS match+5) in 1996 and 1997, at 68% in 1998 (JOBS match+7), and at benefits at current match rates; child support is matched at rates specified in the hypothetical plan; comprehensive demonstration grants, teen-age prevention grants and IDA and microenterprise demonstration grants are matched at 100%; and all other demonstrations are matched at 90%.

# Summary of Administration's Welfare Reform Cost Estimates

(By fiscal year, in millions of dollars)

|  | 1995       | 1996         | 1997         | 1998         | 1999         | 5-Year Budget Outlay Totals |            |               |
|--|------------|--------------|--------------|--------------|--------------|-----------------------------|------------|---------------|
|  |            |              |              |              |              | Federal                     | State      | Combined      |
| <b>Transitional Assistance Followed by Work</b>                  |            |              |              |              |              |                             |            |               |
| • Additional JOBS Spending                                       | 0          | 349          | 709          | 819          | 921          | 2,798                       | 447        | 3,245         |
| • WORK Spending  | 0          | 0            | 0            | 205          | 762          | 967                         | 472        | 1,439         |
| • Non-Custodial Parent JOBS/WORK (Gross)                         | 0          | 34           | 51           | 97           | 120          | 302                         | 135        | 437           |
| • Additional Child Care Spending for JOBS/WORK/TCC               | 0          | 320          | 525          | 715          | 1,065        | 2,625                       | 370        | 2,995         |
| • Investments in Automation                                      | 115        | 230          | 270          | 145          | 65           | 825                         | 205        | 1,030         |
| • Subtotal   | 115        | 935          | 1,555        | 1,980        | 2,935        | 7,520                       | 1,630      | 9,145         |
| • Savings  | 0          | (80)         | (265)        | (460)        | (615)        | (1,420)                     | (1,020)    | (2,440)       |
| • Medicaid Impact On Transitional Assistance                     | 0          | 0            | (35)         | (150)        | (285)        | (470)                       | (355)      | (825)         |
| • Subtotal, Transitional Assistance                              | 115        | 855          | 1,255        | 1,370        | 2,035        | 5,630                       | 255        | 5,880         |
| <b>Making Work Pay</b>   |            |              |              |              |              |                             |            |               |
| Working-Poor Child Care Expenditures                             | 0          | 160          | 280          | 380          | 640          | 1,460                       | 333        | 1,793         |
| State Flexibility on Earned Income and Child Support Disregards  | 0          | 0            | 50           | 60           | 80           | 190                         | 350        | 540           |
| Medicaid Impacts for State Flexibility                           | 0          | 0            | 125          | 140          | 160          | 425                         | 320        | 745           |
| State Demonstrations to Advance EITC                             | 0          | 200          | 10           | 10           | (170)        | 50                          | 0          | 50            |
| • Subtotal, Making Work Pay                                      | 0          | 360          | 465          | 590          | 710          | 2,125                       | 1,005      | 3,130         |
| <b>Parental Responsibility</b>                                   |            |              |              |              |              |                             |            |               |
| Teenage Pregnancy Prevention Grants                              | 8          | 40           | 64           | 84           | 104          | 300                         | 7          | 307           |
| • Child Support Enforcement                                      | 60         | 185          | 350          | 0            | (70)         | 525                         | (535)      | (10)          |
| • Medicaid Impacts for Child Support Enforcement                 | 0          | 0            | (45)         | (105)        | (175)        | (325)                       | (245)      | (570)         |
| CSEA Demonstrations  | 1          | 3            | 29           | 57           | 73           | 162                         | 19         | 182           |
| State Option to Limit Additional Benefits to Additional Children | 0          | (5)          | (10)         | (15)         | (15)         | (45)                        | (260)      | (305)         |
| • Minor Mothers  | 0          | (15)         | (15)         | (15)         | (15)         | (60)                        | (50)       | (110)         |
| • Medicaid Impacts for Minor Mothers                             | 0          | (10)         | (10)         | (10)         | (15)         | (45)                        | (35)       | (80)          |
| • Subtotal, Parental Responsibility                              | 70         | 200          | 365          | (5)          | (115)        | 510                         | (1,100)    | (585)         |
| <b>Improving Government Assistance (IGA)</b>                     |            |              |              |              |              |                             |            |               |
| Remove Two-Parent (UP) Restrictions                              | 0          | 0            | 45           | 85           | 105          | 235                         | 225        | 460           |
| Medicaid Impacts for Removal of UP Restrictions                  | 0          | 0            | 80           | 160          | 235          | 475                         | 355        | 830           |
| • IDA/Microenterprise Demonstrations                             | 0          | 0            | 10           | 20           | 20           | 50                          | 0          | 50            |
| • Conform Resources Limit, Income Def and Other                  | (45)       | (15)         | 45           | 60           | 90           | 135                         | (135)      | 0             |
| • Medicaid Impacts (IGA)   | 0          | 10           | 20           | 55           | 95           | 180                         | 136        | 316           |
| • Subtotal, IGA  | (45)       | (5)          | 200          | 380          | 545          | 1,075                       | 580        | 1,655         |
| <b>TOTAL</b>   | <b>140</b> | <b>1,410</b> | <b>2,285</b> | <b>2,335</b> | <b>3,175</b> | <b>9,340</b>                | <b>740</b> | <b>10,080</b> |
| Total of State Mandatory Provisions<br>(Items designated by an ) | 130        | 1,010        | 1,600        | 1,355        | 1,945        | 6,040                       | (609)      | 5,426         |

(By fiscal year, in millions of dollars)

|   | 1995       | 1996         | 1997         | 1998         | 1999         | 5-Year Budget Authority Totals |            |               |
|---|------------|--------------|--------------|--------------|--------------|--------------------------------|------------|---------------|
|   |            |              |              |              |              | Federal                        | State      | Combined      |
| <b>Transitional Assistance Followed by Work</b>                               |            |              |              |              |              |                                |            |               |
| Additional JOBS Spending  | 0          | 710          | 660          | 737          | 839          | 2,945                          | 470        | 3,415         |
| WORK Spending   | 0          | 0            | 0            | 233          | 841          | 1,075                          | 525        | 1,600         |
| Non-Custodial Parent JOBS/WORK (Gross)  | 0          | 40           | 55           | 105          | 125          | 325                            | 145        | 470           |
| Additional Child Care Spending for JOBS/WORK/TCC                              | 0          | 320          | 525          | 715          | 1,055        | 2,625                          | 370        | 2,995         |
| Investments in Automation   | 115        | 230          | 270          | 145          | 65           | 825                            | 205        | 1,030         |
| Subtotal  | 115        | 1,300        | 1,510        | 1,935        | 2,935        | 7,795                          | 1,715      | 9,510         |
| Savings   | 0          | (80)         | (265)        | (460)        | (615)        | (1,420)                        | (1,020)    | (2,440)       |
| Medicaid Impact On Transitional Assistance                                    | 0          | 0            | (35)         | (150)        | (285)        | (470)                          | (355)      | (625)         |
| Subtotal, Transitional Assistance   | 115        | 1,220        | 1,210        | 1,325        | 2,035        | 5,905                          | 340        | 6,245         |
| <b>Making Work Pay</b>  |            |              |              |              |              |                                |            |               |
| Working-Poor Child Care Expenditures  | 0          | 200          | 300          | 400          | 700          | 1,600                          | 365        | 1,965         |
| State Flexibility on Earned Income and Child Support Disregards               | 0          | 0            | 50           | 60           | 80           | 190                            | 350        | 540           |
| Medicaid Impacts for State Flexibility  | 0          | 0            | 125          | 140          | 160          | 425                            | 320        | 745           |
| State Demonstrations to Advance EITC  | 0          | 200          | 10           | 10           | (170)        | 50                             | 0          | 50            |
| Subtotal, Making Work Pay   | 0          | 400          | 485          | 610          | 770          | 2,265                          | 1,035      | 3,300         |
| <b>Parental Responsibility</b>  |            |              |              |              |              |                                |            |               |
| Teenage Pregnancy Prevention Grants   | 40         | 62           | 83           | 103          | 123          | 410                            | 10         | 420           |
| Child Support Enforcement   | 60         | 185          | 350          | 0            | (70)         | 525                            | (535)      | (10)          |
| Medicaid Impacts for Child Support Enforcement                                | 0          | 0            | (45)         | (105)        | (175)        | (325)                          | (245)      | (570)         |
| CSEA Demonstrations   | 3          | 3            | 33           | 58           | 73           | 170                            | 20         | 190           |
| State Option to Limit Additional Benefits to Additional Children              | 0          | (5)          | (10)         | (15)         | (15)         | (45)                           | (260)      | (305)         |
| Minor Mothers   | 0          | (15)         | (15)         | (15)         | (15)         | (60)                           | (50)       | (110)         |
| Medicaid Impacts for Minor Mothers  | 0          | (10)         | (10)         | (10)         | (15)         | (45)                           | (35)       | (80)          |
| Subtotal, Parental Responsibility   | 105        | 220          | 385          | 15           | (95)         | 630                            | (1,095)    | (465)         |
| <b>Improving Government Assistance (IGA)</b>                                  |            |              |              |              |              |                                |            |               |
| Remove Two-Parent (UP) Restrictions   | 0          | 0            | 45           | 85           | 105          | 235                            | 225        | 460           |
| Medicaid Impacts for Removal of UP Restrictions                               | 0          | 0            | 80           | 160          | 235          | 475                            | 355        | 830           |
| IDA/Microenterprise Demonstrations  | 0          | 0            | 10           | 20           | 20           | 50                             | 0          | 50            |
| Conform Resources Limit, Income Def and Other IGA                             | (45)       | (15)         | 45           | 60           | 90           | 130                            | (130)      | 0             |
| Medicaid Impacts (IGA)  | 0          | 10           | 20           | 55           | 95           | 185                            | 140        | 325           |
| Subtotal, IGA   | (45)       | (5)          | 200          | 380          | 545          | 1,075                          | 590        | 1,665         |
| <b>TOTAL</b>  | <b>175</b> | <b>1,835</b> | <b>2,280</b> | <b>2,330</b> | <b>3,255</b> | <b>9,875</b>                   | <b>870</b> | <b>10,745</b> |
| Total of State Mandatory Provisions<br><small>(Items designated by S)</small> | 130        | 1,375        | 1,555        | 1,310        | 1,945        | 6,315                          | (515)      | 5,800         |

03:36 PM

To Bruce Reed  
Kathi Way  
FVI

Bill

EXECUTIVE OFFICE OF THE PRESIDENT

26-Apr-1994 11:14am

WR-COSTS

TO: (See Below)

FROM: Richard B. Bavier  
Office of Mgmt and Budget, HRVL

SUBJECT: Today's 7:30 meeting

The topic was performance measures and QC. Mary Jo handed out a short paper that was a little more detailed than the version we got in the package last week. (I'll distribute it.)

Mary Jo's general approach is to have higher matching rates for JOBS (and, it developed, WORK)-based on states' success in exceeding targets for self-sufficiency, service delivery, and the number of families hitting the two-year limit. In addition, she would expand the notion of erroneous payment to include "outcome-based" measures.

The discussion again revealed how much still needs to be done in thinking proposals through. Even leaving development of the actual measures to the Secretary (in consultation with states and other "stake-holders") basic design issues still need to be addressed, such as whether increased matching applies to spending during the period of the good performance (and so would be retrospective), and whether the intent is to reward (and punish) the extremes of behavior, or to try to fine tune state efforts.

Most significantly, after Wendell ruled that questions about lower matching for WORK costs than for JOBS, and lower benefit matching for those on WORK waiting lists, were out of order in yesterday's discussion of matching rates, these issues weren't mentioned at all in Mary Jo's paper. On questioning, she indicated her proposal would be to substitute her performance measures for the lower matching proposals for WORK and waiting lists.

It became clear that states would have no reason to put people into WORK slots, rather than on waiting lists, if the only penalty they faced was lower matching for non-benefit WORK slot costs. ACF staff will come back to the group with some proposals on this issue.

It seems to me that it will be hard to craft a realistic matching rate scheme to effectively deter waiting lists. It's one of those issues about coherence of the current proposal that keep rattling

around and never quite get engaged.

Suppose a state has a 50 percent match rate for a \$400 AFDC benefit. Because we've made the WORK slots so hard to develop and schedule, people will tend to collect on the waiting lists. The policy option HHS favors is to reduce the benefit match to make-waiting-lists-not-pay for states.

On average, the cost of a work slot will be \$300 to \$400 per month. If child care is needed, it will cost another \$250 to \$300. Assuming a 75/25 split, the state's share will be around \$150.

To make-waiting-lists-not-pay for states, benefit matches for mothers who need child care to WORK would have to be reduced more than \$150 (what the state would have to pay for the WORK slot and child care). In the 50 percent FMAP state near median AFDC, you would have to reduce federal matching more than 75 percent (from 50 percent to around 12 percent) before the state would be losing any money by letting this mother sit on the waiting list. I don't think it is reasonable to believe that Congress would adopt such a severe benefit matching rate proposal. And if they did, it isn't a sure thing that states would put people in WORK anyway. A state losing only a little on a family like in the example might still reason that it is better to take the small loss rather than add to the government FTEs both with a lot of the WORK participants (experience and research gives us little reason to hope that many will be in private for-profit sector jobs, and non-profits can only take so many - that leaves the public payrolls) and the staff needed to develop and maintain those WORK slots.

In states with FMAP much above 50 percent and benefits above the median, proportionately smaller (but still very large) reductions in benefit matching rates could make-waiting-lists-not-pay. However, I doubt that a credible national benefit matching rate deterrent to waiting lists can be designed.

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# DRAFT

January 25, 1994

## Welfare reform Federal costs in billions

| <u>Option</u>   | <u>1995</u> | <u>95-99</u> | <u>steady state</u> |
|---|-------------|--------------|---------------------|
| 1. <u>Base option - 2 years of AFDC, then community service in exchange for benefits - phased in with first-time applicants.</u> Federal 5-year costs: .9b for transition education and training; 2.4b for work slot administration; .8b for child care. <sup>1</sup> (OMB rough estimate)  | 0           | 4.1          | 5.1                 |
| 2. <u>Base option total with behavioral effects</u> - illustrates effects of increase of 10 percent in exit rates due to investment in education and training, and deterrent effects of time-limits and community service work requirements. Deterrent effects will be controversial. Best empirical evidence does not show big effects from CWEP, but no saturation workfare program has been rigorously evaluated. (OMB rough estimate) | 0           | .9           | .1                  |
| <u>Increments compared to 2. (base option with 10 percent behavioral effects)</u>   |             |              |                     |
| 3. <u>Up-front job search for all applicants</u> (OMB rough estimate)   | -2          | -1.3         | -1.2                |

<sup>1</sup> Estimates include spending for AFDC, Food Stamp Program, Medicaid, training, support services, and child care, but not EITC or Child Care Food Program which would tend to add to outlays. States are assumed to spend education and training and child care funds first on first-time applicants subject to new requirements.

Assumes 13 percent of cases are child-only, 25 percent of other case heads are exempt. 50 percent of nonexempt participate in transitional education, training and job search each year. 50 percent of nonexempt transitional participants require child care subsidies averaging \$972. Post-transition community service is 20 hours per week in exchange for AFDC benefits. Administration of each slot costs \$3,000 per year, and 50 percent of participants require child care subsidies of \$2,696.

# DRAFT

January 25, 1994

|     |   |    |         |      |
|-----|---|----|---------|------|
| 4.  | <u>Limit community service to one year followed by in-kind safety net</u><br>(OMB rough estimate)   | -2 | -2.5    | -4.0 |
| 5.  | <u>20 percent of work slots are child care workers</u> for other AFDC<br>parents, or aged care, or some other service for which the federal<br>government would have paid anyway (OMB rough estimate) | 0  | -5      | -6   |
| 6.  | <u>Employers pay community service administrative costs</u> (OMB rough<br>estimate)   | 0  | -2.0    | -2.3 |
| 7.  | <u>Discussion paper's child support policies</u> <sup>2</sup> (HHS preliminary estimate)  | .1 |         | -1.6 |
| 8.  | Child care for non-AFDC, working poor   |    |         |      |
| 9.  | Program simplification  |    |         |      |
| 10. | Eliminate 100-hour rule and workforce attachment requirements for<br>AFDC-UP (OMB rough estimate)   | .2 | 1.3     | .2   |
| 11. | Advance EITC payment  |    |         |      |
| 12. | Enhanced JOBS program match   |    |         |      |
| 13. | Demonstrations (OMB rough estimate)   | 0  | 2 to .5 |      |

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<sup>2</sup> Interactions with base option not modeled.