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Number of Pages + cover 33

REMARKS:

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DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

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

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

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INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

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

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

These reforms ought to be seen in context. The poverty of America's children is among the highest in the developed world. The social and economic forces that drive this poverty run far deeper than the welfare system. And the solutions must include reforms of pre-school, primary, secondary and post-secondary education programs. The country must regain the powerful productivity growth of the past. More effective economic development in low-income areas is essential. We must find a way to reduce violence and drug use. We must try to keep families together, and we must ensure health security for all Americans. Ultimately, we must restore community. And thus, the Administration has embarked on a series of closely-linked initiatives from expansions in Head Start to National Service, from worker retraining to Empowerment Zones, from comprehensive anti-crime legislation to drug treatment, from family preservation and support legislation to health reform. Welfare reform is a piece of a much larger whole. It is an essential piece.

FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: to refocus the system of economic support from welfare to work. But changing a system which has for decades been focused on calculating eligibility and welfare payments will be tall challenge. Still, we have already made an important beginning.

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The Family Support Act of 1988 serves as a blueprint for the future--a foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipient alike.

This plan has five basic parts:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Working families should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse and give greater State flexibility within a system which has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare use, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the number of children born out of wedlock has grown dramatically. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is 67 percent.

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

Make Work Pay

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

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

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We should guarantee health security to all Americans with health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families.

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

Provide Access to Education and Training, Time-Limit Cash Assistance and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people needed; recipients are expected to take advantage of these opportunities and move into work. The legislation created the JOBS program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility and determining welfare benefits and writing checks.

We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around income maintenance; we need a program built around work. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. This will require increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population for education and training services.

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare indefinitely. After two years, those who can work will be expected to work in the private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

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

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities.

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One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

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

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

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

A NEW BEGINNING

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

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

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

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore

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ideas for still bolder innovation in the future. In addition we would encourage States to develop their own demonstrations, and in some cases provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy. The exact phase-in method is yet to be determined, but one might expect time limits and high participation requirements to apply first to people newly entering the system after the legislation is enacted. Or some States or local communities may wish to start sooner than others. This will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

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

We turn now to the specifics of the plan.

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PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. SENDING A CLEAR MESSAGE OF RESPONSIBILITY
- C. BALANCING RESPONSIBILITY WITH OPPORTUNITY
- D. PROMOTING RESPONSIBLE FAMILY PLANNING

NEED - ^{and responsibility} Although the main focus of welfare reform is to change the welfare system to encourage work, ~~the best solution is to prevent the need for welfare in the first place.~~ This necessarily requires going beyond the welfare system to include every sector of our society.

LT answer

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children. Not only would this reduce welfare dependency, it would be the single greatest contribution we could make to the well-being of the next generation.

If this is the vision, the reality is quite different. The majority of children born today will spend some time in a single parent family. If current trends continue, over 20 percent of them will be on welfare as well. Teenage birth rates have been rising since 1986 because the trend toward earlier and earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY - It is time to instill a new ethic of parental responsibility. No one should bring a child into the world until they are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end we propose a four-part strategy. First, we suggest a number of changes to the welfare system itself to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of parental responsibility and to engage other leaders and institutions, including the media in sending a similar message. Government has a role to play, but the massive changes in sexual mores and family life that have occurred over the past few decades cannot be dealt with by government alone. Third, we realize that it is important to infuse the message of responsibility with a message of opportunity. We must break the cycle of poverty and provide a more hopeful future in low-income communities. Without hope there is no reason for responsibility. In addition to the large number of existing Administration initiatives from investing in Head Start to doubling the size of the Job Corps or concentrating resources to implement Empowerment Zones, we

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propose a number of approaches which would undergird responsibility with the capacity to achieve it. Finally, we need to promote responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

This proposal emphasizes the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for greater support of their children. Through required participation in activities intended to increase their employment and earnings capacity, AFDC mothers will become better prepared to enter the labor force. And through time-limits on eligibility for cash welfare, after which they must work, parents will have the incentive to move towards self-sufficiency. The details of these proposals can be found in subsequent sections. In addition to these steps, we need to change the welfare system to encourage responsible parenting and support two parent families.

The current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families would be eliminated. Under current law, two-parent families in which neither parent is incapacitated are ineligible if the primary wage earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. In addition, some States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

This proposal would require that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent) and parental support might be included in calculation of cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option of requiring minor mothers to reside in their parents' households, with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent. Only six States have taken advantage of this option. Research has shown that the level of AFDC benefits influence the likelihood that minor mothers will establish their own households. By definition, minor parents are children. Generally, we believe that children should be subject to adult supervision. However, current AFDC rules permit minor mothers to be "adult caretakers" of their own children.

Having a child of their own doesn't change the fact that minor mothers are still children, and most are in no shape to set up a household.

should not be parents if they are if they

We also propose to conduct demonstrations which condition a portion of the assistance benefit and a possible bonus on actions by parents and dependent children to achieve self-sufficiency. States could adopt policies which require parents and dependent children to meet certain obligations and provide some type of sanction and/or bonus based on their efforts to meet the obligations. These demonstrations would include comprehensive case management that focuses on all family members, assisting them to access all services necessary in meeting their obligations. The case management services would expand beyond the individual to take a more holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

This proposal also allows States to utilize older welfare mothers to counsel at-risk teenagers as part of their community service assignment. Counselling of at-risk teenagers by welfare recipients who were

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once teen mothers themselves could be especially effective because of their credibility and the relevance of their personal experience. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Peer counselling training and experience might be offered to the most promising candidates currently receiving welfare benefits.

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC.

For families not on welfare, government helps offset the costs of the arrival of an additional child by increasing the amount of income exempt from income taxes, or, if it is the family's second child, by increasing the EITC. Families on welfare typically receive additional support when their AFDC benefits increase automatically to include the needs of an additional child, and when their food stamp benefits increase as well. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase.

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Many states
will like to
limit these
increases
disregards
i pass this?

SENDING A CLEAR MESSAGE OF RESPONSIBILITY

While it is important to get the message of the welfare system right, these changes by themselves are insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system. Communities and other governmental and non-governmental institutions must be engaged if the trends contributing to dependency are to be substantially revised. One aspect of this strategy is the messages that are conveyed by opinion makers.

*to discourage
welfare recipients
from having
more kids
while on
welfare*

We propose to *conduct* a national campaign *of engaging in responsible sexual behavior, particularly* looking at the role of television in the socialization of children and its effects on sexual attitudes and behaviors. Other topics could be added such as staying in school and avoiding substance abuse. A national discussion would respond to public concerns on these issues, set an agenda for development of a knowledge base, and debate the role of government. The White House could also be used as a bully pulpit and to organize efforts to expand messages of responsibility. The media and other groups would be enlisted whenever possible. Focus group interviews suggest that such messages would be very well-received by almost all social and economic groups and that, as in the case of cigarette smoking, over time they would have an effect.

*including the
media, comm
orgs, religious
groups, etc*
*The campaign
would prompt
schools, churches,
and other groups*

BALANCING RESPONSIBILITY WITH OPPORTUNITY

Many Administration initiatives are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, School-to-Work and an expansion of the Job Corps. In addition to these building blocks, a number of options could be adopted to focus more on children and youth especially at-risk.

We propose to conduct demonstrations for local communities to stimulate neighborhood-based innovations. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods. Neighborhood effects on poverty are well documented. Comprehensive neighborhood-approaches can help change the environment of at-risk youth as well as provide more direct support services to these youth. Efforts to coordinate existing services and

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programs will provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving grants would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

This proposal also challenges all Americans, especially the most fortunate, to work one-on-one with at-risk children, adults, and neighborhoods. A wide variety of prevention-oriented programs employing volunteers rather than government employees exists already on the local level and many have been very successful. Volunteer programs dealing directly with at-risk children on a one-to-one basis (e.g. Big-brother and Big-sister programs) could be promoted under a unifying prevention theme of "reaching one child." Similarly, mentoring for adults at risk of welfare dependency could be promoted under the theme of "reaching one parent, or family." This approach could be extended to the neighborhood level ("reaching one neighborhood") by encouraging voluntary social institutions, scouts, little leagues, and church groups from more advantaged neighborhoods to work with their counterparts in a disadvantaged neighborhood. Reduced social isolation, enhanced self-confidence and exposure to a broader network of opportunities and resources for the most disadvantaged would be a common theme.

The White House could provide a national platform for communicating the theme of reaching one child, through statements and recognition events. In addition, the Federal government, through the Corporation on National and Community Service, with input from HHS, would develop a research agenda and clearinghouse of research and best-practices, so that successful innovation in recruiting and training volunteers and reaching the disadvantaged could be documented and replicated.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs addressing the family as a unit. Early indications of high risk for teenage childbearing and other risk behaviors include school absence, academic failure, and school behavioral problems. This would demonstrate the effects of providing middle and high schools with the resources and responsibility to identify early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

PROMOTING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the number is much higher for teen parents. Title X family planning funding for 1992 was \$150 million, or about 60 percent of the 1981 level, in constant dollars. Teenage childbearing often leads to school drop out, unemployment, and welfare dependency. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

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

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We propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them, and that having a child as an unmarried teenager would be one of the worst things a daughter of theirs could do. This option would improve the knowledge and access to appropriate family planning services available for these recipients, and to other low-income individuals.

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MAKE WORK PAY

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

NEED — Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

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

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

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is important to provide child care support for both those on AFDC cash assistance to allow them to participate in training and employment activities and for those who have left AFDC or are at-risk of coming on AFDC to allow them to work and avoid poverty. There must also be additional resources to expand supply and to improve quality.

The welfare reform proposal should have the following goals related to child care: to increase funding so that low-income working families have access to the care they need; to ensure children safe and healthy environments that promote child development; and to create a more consolidated and

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simplified child care system. Currently, the Federal Government subsidizes child care for low-income families through the IV-A entitlement programs, including JOBS Child Care, Transitional Child Care, and At-Risk Child Care, and through the Child Care and Development Block Grant.

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

For welfare reform, we would maintain the IV-A entitlement programs with some consolidation and significant new funding for low-income, working families. We would also maintain and gradually increase the Child Care and Development Block Grant; no families receiving AFDC would be eligible for the CCDBG. States would be allowed greater flexibility in the use of CCDBG funds for quality and supply building. At the same time, the requirement for health and safety standards would be made consistent across programs and would conform to those standards specified in the CCDBG program. States would have the option of assigning administrative responsibility for the IV-A and CCDBG programs to any State agency. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

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

There are several questions that must be addressed before a child care strategy is finalized:

1. How much new money for child care will be available? There is a need for significant new investments to ensure that both AFDC families and the working poor can access safe and affordable care.
2. Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families moving off welfare or at-risk of entering welfare.
3. Should we also propose making the Dependent Care Tax Credit refundable? The credit will not help the lowest income families who still would not have the up-front money to pay for child care; therefore, it should not be considered as a single option for providing support.

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ADVANCE PAYMENT OF THE EITC

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

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

Strategies to expand the effectiveness of the EITC include:

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

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor: ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

Work Should Be Better than Welfare

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

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

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

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

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

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

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

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

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

Demonstrations

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

- **Worker Support Offices.** A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- **Temporary Unemployment Support.** Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived and low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid.
- **A restructured AFDC program, as in Utah, to provide temporary economic assistance to families who have lost a job.**

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PROVIDE ACCESS TO EDUCATION AND TRAINING, TIME-LIMIT CASH ASSISTANCE AND EXPECT WORK

DUMB TITLE

A. ENHANCING THE JOBS PROGRAM

1. Immediate Focus on Work and Participation in JOBS
2. Expanding the JOBS Program
3. Integrating JOBS and Mainstream Education and Training Initiatives

B. MAKING WELFARE TRANSITIONAL

C. WORK

1. Administrative Structure of the WORK Program
2. Characteristics of the WORK Assignments
3. Economic Development

Focusing the welfare system on work and helping people become independent and self-sufficient through work are central themes of this entire plan. Realizing this goal demands a major overhaul of the nation's welfare program. A plan to move from a welfare system focused on providing cash assistance and determining eligibility to a work-based system which helps recipients achieve self-sufficiency through access to education, training and jobs is described below.

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

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

STRATEGY — Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency not writing checks and determining eligibility
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years
- (3) Providing Work to those who reach the end of their transitional assistance without finding a job in the private sector despite doing everything required of them

The goal of the system will be to move as many people to self-sufficiency within two years as possible. Making work pay, dramatically improving child support enforcement, and providing education and job placement services should make this possible for most people.

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ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering those services. The Family Support Act of 1988 set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from providing cash support to helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources, and another part is a lack of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. But perhaps the greatest challenge of true welfare reform is to bring about a dramatic change in the focus and culture of the welfare bureaucracy. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to provide the necessary opportunities, support services and incentives to enable individuals to move toward self-sufficiency through work.

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

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

Immediate Focus on Work and Participation in JOBS

Several key changes to the program will communicate the emphasis on moving from welfare to work from the moment people enter the transitional assistance program:

Social Contract. Each applicant for assistance would be required to enter into a "Social Contract" with the State in which the applicant agrees to cooperate in good faith with the State in developing and following a case plan leading to self-sufficiency, and the State agrees to provide the services called for in the case plan. *— an agent of mutual respon —*

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

Case Plan. ^{Employment} Within 90 days of application, each person, ^{employment} in conjunction with their caseworker, ^{work} would design an individualized case plan. Obtaining employment would be the explicit goal of the case plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency. *employment*

We recognize that participants have very different levels of education and skills and that their needs will be met through a variety of programs: job search, classroom learning, on the job training, or education, or work experience. States and localities would, therefore, have great flexibility in designing the exact mix of services. The time frames required would vary depending on the

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individual, but would not exceed two years for those who can work. ^{Employ could} Case plans can also be adjusted in response to changes in the family's situation.

We also recognize that some who seek transitional assistance will, for good reason, be unable to work, such as individuals who are physically disabled or seriously ill or who are caring for a seriously ill relative. For people in these circumstances, the case plan would be designed with appropriate expectations in mind, such as, for example, caring for and improving the health of the family.

More Limited Exemptions. There would be fewer exemptions in the expanded JOBS program, and, in particular, parents of younger children would be expected to participate after a more limited period.

Expanded Definition of "Participation." As soon as their case plan is complete, recipients would be expected to be enrolled in the JOBS program and to take part in the activities called for in their case plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include a wider range of activities such as substance abuse treatment, and possibly other activities such as parenting/life skills classes or domestic violence counselling that are determined to be important preconditions for successfully pursuing employment. The possibility of including activities such as caring for a disabled relative or for a young child as participation in JOBS is also being explored.

Sanctions. Sanctions for persons who fail to follow their case plan, which would encompass non-participation in JOBS, would be the same as under current law.

Expanding the JOBS Program

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

Enhanced Match. States are also currently required to spend their own funds to receive Federal matching funds, but the lack of State funds has been a primary barrier to JOBS expansion. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totalled only 62 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally. The Federal matching rate would be increased, and a provision could be included to increase it further if a State's unemployment rate exceeds a specified target.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload will be required to participate in JOBS by Fiscal Year 1995. Higher

than under current law

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participation standards would be phased in and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the dramatic program changes called for in this plan. Federal funds would help train eligibility workers to become effective caseworkers. Through technical assistance, the Federal government would help promote state-of-the-art practices and evaluations of JOBS programs and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded through a specific set-aside of Federal JOBS funds. Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which would measure outcomes such as long-term job placements, rather than process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

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

Among the many administration initiatives with which the JOBS program would coordinate are:

- *National Service* — we are working with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of the opportunity for national service as a road to independence
- *School to Work* — JOBS participants should be taking full advantage of this new initiative, and the programs need to be coordinated to ensure that participation requirements are compatible
- *One Stop Shopping* — the Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration

income-contingent loans?

The plan would also pursue ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, and the Job Corps. We will also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

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

E Board

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MAKING WELFARE TRANSITIONAL

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

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

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

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

- for ^{those making satisfactory progress} completion of high school, a GED or a training program expected to lead directly to employment.
- for post-secondary education, provided participants are working at least part-time, for instance in a work/study program
- for those who are seriously ill, disabled or taking care of a seriously ill or disabled child or relative or otherwise unable to work.

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

States would be prohibited from imposing time limits on a participant if they fail to provide the services specified in the participant's case plan.

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Credits for Additional Assistance. The plan would allow persons who leave welfare for work to earn additional months of cash assistance for months working and/or not on assistance.

WORK

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

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The goal of the WORK program would be to place participants in unsubsidized private sector employment. States would have the flexibility to employ a wide range of strategies to achieve this end, including temporarily subsidizing private sector jobs and providing public sector employment positions to enable participants to obtain needed experience and training.

Administrative Structure of the WORK Program

The administrative structure of the WORK program would be as follows:

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

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

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

- Execute performance-based contracts with private firms such as America Works or non-profits to place JOBS graduates.
- Subsidize non-profit or private sector jobs (through, for example, use of On-the-Job training vouchers). *and work supply*
- Give employers other financial incentives to hire JOBS graduates.
- Encourage microenterprise and other economic development activities.
- Set up community service employment programs.

States would be encouraged to integrate the WORK program with the Corporation for National and Community Service.

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

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

States would have the option of reducing cash assistance to persons who had spent at least 18 months in the WORK program—above and beyond the two years of transitional assistance—and were on the waiting list for a new WORK position. Cash assistance to recipients in this category could only be

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reduced by up to a certain percentage and the combined value of cash assistance, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

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

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level, but should nonetheless be substantive work that enhances participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in the occupations for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

Anti-Displacement. States would be required to operate their WORK programs such that displacement of public sector workers would be *without displacing* minimized. Anti-displacement language is currently under development. *avoided/prohibited*

Job Search. Participants in WORK program positions would be required to engage in job search.

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

Characteristics of the WORK Assignments

States would be permitted, as part of the WORK program, to provide positions administered directly by public sector agencies. These public positions would take the form of work for wages, as opposed to work for benefits (CWEP):

- Wage** Participants would be paid the minimum wage (or higher at State option).
- Hours** Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The required number of hours would be set by the State.
- Not Working** Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in WORK program earnings).
- Treatment of Wages** Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

These rules apply to public sector

Private sector WORK program positions would be required to meet the same minimum standards with respect to hours and wages, but otherwise States would be granted considerable flexibility concerning the form of private sector work assignments.

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Option: Permit a State to enroll WORK program participants, either as many as the State chooses or a limited number, in community work experience program (CWEP) positions. These CWEP positions would take the following form:

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

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

Child Support *At State option, the amount of the child support order could be deducted from the benefit for the purpose of calculating hours. Delinquent parent would have to work off...*

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

An important question remains as to whether States should be permitted to place time limits on the length of participation in the WORK program. / confusing

Economic Development

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

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

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

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Individual Economic Development. We would also propose a number of steps to encourage people receiving transitional assistance to save money and accumulate assets, to enable them to escape poverty in the long run.

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

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ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED -- In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single-parent home. The evidence is clear that children benefit from interaction with two supportive parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

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

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

CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.

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- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to both provide the name of the putative father and verifiable information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

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

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

Option: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established (instead of paysthrough under current law).

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

Appropriate Payment Levels

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

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions in service to achieve broader, more universal provision of services.

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- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives.
- State incentives to reinvest in the program.

Providing Some Minimum Level of Child Support

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

Options under consideration include the following:

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

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

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

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

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

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

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter." We ought to encourage noncustodial parents to remain involved in their children's lives--not drive

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them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

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

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

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

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REINVENT GOVERNMENT ASSISTANCE

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

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

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

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

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

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

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

- Reduce Federal program rules and reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt APWA regulatory and legislative proposals, including application, redetermination and reporting streamlining.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.

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- Change housing subsidies to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job to enhance the benefits from employment.
- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

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

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

This option includes:

- A common, improved set of definitions of the filing unit, asset rules, income definitions, and other rules for food stamps and cash aid. States would continue to set benefit levels for cash assistance.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.
- Other low-income programs would be encouraged to use the consolidated income and eligibility rules.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

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

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

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- The Federal government should provide technical assistance to States for achieving these standards which has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

PREVENTING WASTE, FRAUD AND ABUSE

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

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

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

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



PHONE: (202)690-8794 FAX: (202)690-6518

Date: 11/20/93

From: Emil Parker/Wendell Pierce To: Bruce Reed

Division: _____ Division: White House

City & State: _____ City & State: _____

Office Number: 640-5560 Office Number: _____

Fax Number: _____ Fax Number: 456-7739

Number of Pages + cover 10

REMARKS: For your review, please contact Wendell
or me (Emil) if you have any questions or
concerns.

PROVIDE ACCESS TO EDUCATION AND TRAINING, TIME-LIMIT CASH ASSISTANCE AND EXPECT WORK

A. ENHANCING THE JOBS PROGRAM

1. Immediate Focus on Work and Participation in JOBS
2. Expanding the JOBS Program
3. Integrating JOBS and Mainstream Education and Training Initiatives

B. MAKING WELFARE TRANSITIONAL

C. WORK

1. Administrative Structure of the WORK Program
2. Characteristics of the WORK Assignments
3. Economic Development

Focusing the welfare system on work and helping people become independent and self-sufficient through work are central themes of this entire plan. Realizing this goal demands a major overhaul of the nation's welfare program. A plan to move from a welfare system focused on providing cash assistance and determining eligibility to a work-based system which helps recipients achieve self-sufficiency through access to education, training and jobs is described below.

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

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

STRATEGY — Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency not writing checks and determining eligibility
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years
- (3) Providing Work to those who reach the end of their transitional assistance without finding a job in the private sector despite doing everything required of them

The goal of the system will be to move as many people to self-sufficiency within two years as possible. Making work pay, dramatically improving child support enforcement, and providing education and job placement services should make this possible for most people.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering those services. The Family Support Act of 1988 set forth a bold new vision for the social welfare system. AFDC would be a transitional support

program, and the focus would shift from providing cash support to helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources, and another part is a lack of effective coordination among the myriad of programs run by both State and federal departments of education, labor and human services. But perhaps the greatest challenge of true welfare reform is to bring about a dramatic change in the focus and culture of the welfare bureaucracy. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to provide the necessary opportunities, support services and incentives to enable individuals to move toward self-sufficiency through work.

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

- (1) Focus applicants from the moment they enter the system on moving from welfare to work and participating in programs and services to enhance employability.
- (2) Dramatically expand the JOBS program through higher federal funding, an enhanced match rate, and higher participation.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

Several key changes to the program will communicate the emphasis on moving from welfare to work from the moment people enter the transitional assistance program:

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

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

Case Plan. Within 90 days of application, each person, in conjunction with their caseworker, would design an individualized case plan. Obtaining employment would be the explicit goal of the case plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that participants have very different levels of education and skills and that their needs will be met through a variety of programs: job search, classroom learning, on the job training, or education, or work experience. States and localities would, therefore, have great flexibility in designing the exact mix of services. The time frames required would vary depending on the individual, but would not exceed two years for those who can work. Case plans can also be adjusted in response to changes in the family's situation.

We also recognize that some who seek transitional assistance will, for good reason, be unable to work, such as individuals who are physically disabled or seriously ill or who are caring for a seriously ill relative. For people in these circumstances, the case plan would be designed with appropriate expectations in mind, such as, for example, caring for and improving the health of the family.

More Limited Exemptions. There would be fewer exemptions in the expanded JOBS program, and, in particular, parents of younger children would be expected to participate after a more limited period.

Expanded Definition of "Participation." As soon as their case plan is complete, recipients would be expected to be enrolled in the JOBS program and to take part in the activities called for in their case plan. Enhanced federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include a wider range of activities such as substance abuse treatment, and possibly other activities such as parenting/life skills classes or domestic violence counselling that are determined to be important preconditions for successfully pursuing employment. The possibility of including activities such as caring for a disabled relative or for a young child as participation in JOBS is also being explored.

Sanctions. Sanctions for persons who fail to follow their case plan, which would encompass non-participation in JOBS, would be the same as under current law.

Expanding the JOBS Program

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

Enhanced Match. States are also currently required to spend their own funds to receive federal matching funds, but the lack of State funds has been a primary barrier to JOBS expansion. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totalled only 62 percent of the \$1 billion in available federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally. The federal matching rate would be increased, and a provision could be included to increase it further if a State's unemployment rate exceeds a specified target.

Dramatically Increased Participation. With increased federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload will be required to participate in JOBS by Fiscal Year 1995. Higher participation standards would be phased in and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the dramatic program changes called for in this plan. Federal funds would help train eligibility workers to become effective caseworkers. Through technical assistance, the Federal government would help promote state-of-the-art practices and evaluations of JOBS programs and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded through a specific set-aside of federal JOBS funds. Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which would measure outcomes

such as long-term job placements, rather than process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

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

Among the many administration initiatives with which the JOBS program would coordinate are:

- *National Service* -- we are working with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of the opportunity for national service as a road to independence
- *School to Work* -- JOBS participants should be taking full advantage of this new initiative, and the programs need to be coordinated to ensure that participation requirements are compatible
- *One Stop Shopping* -- the Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration

The plan would also pursue ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, and the Job Corps. We will also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

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

MAKING WELFARE TRANSITIONAL

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

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

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

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

- for completion of high school, a GED or a training program expected to lead directly to employment.
- for post-secondary education, provided participants are working at least part-time, for instance in a work/study program
- for those who are seriously ill, disabled or taking care of a seriously ill or disabled child or relative or otherwise unable to work.

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

States would be prohibited from imposing time limits on a participant if they fail to provide the services specified in the participant's case plan.

Credits for Additional Assistance. The plan would allow persons who leave welfare for work to earn additional months of cash assistance for months working and/or not on assistance.

WORK

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

The goal of the WORK program would be to place participants in unsubsidized private sector employment. States would have the flexibility to employ a wide range of strategies to achieve this end, including temporarily subsidizing private sector jobs and providing public sector employment positions to enable participants to obtain needed experience and training.

Administrative Structure of the WORK Program

The administrative structure of the WORK program would be as follows:

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

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

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

- Execute performance-based contracts with private firms such as America Works or non-profits to place JOBS graduates.
- Subsidize non-profit or private sector jobs (through, for example, use of On-the-Job training vouchers).
- Give employers other financial incentives to hire JOBS graduates.
- Encourage microenterprise and other economic development activities.
- Set up community service employment programs.

States would be encouraged to integrate the WORK program with the Corporation for National and Community Service.

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

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

States would have the option of reducing cash assistance to persons who had spent at least 18 months in the WORK program--above and beyond the two years of transitional assistance--and were on the waiting list for a new WORK position. Cash assistance to recipients in this category could only be reduced by up to a certain percentage and the combined value of cash assistance, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

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

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level, but should nonetheless be substantive work that enhances participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in the occupations for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

Anti-Displacement. States would be required to operate their WORK programs such that displacement of public sector workers would be minimized. Anti-displacement language is currently under development.

Job Search. Participants in WORK program positions would be required to engage in job search.

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

Characteristics of the WORK Assignments

States would be permitted, as part of the WORK program, to provide positions administered directly by public sector agencies. These public positions would take the form of work for wages, as opposed to work for benefits (CWEP):

<i>Wage</i>	Participants would be paid the minimum wage (or higher at State option).
<i>Hours</i>	Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The required number of hours would be set by the State.
<i>Not Working</i>	Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in WORK program earnings).
<i>Treatment of Wages</i>	Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public

sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

Private sector WORK program positions would be required to meet the same minimum standards with respect to hours and wages, but otherwise States would be granted considerable flexibility concerning the form of private sector work assignments.

Option: Permit a State to enroll WORK program participants, either as many as the State chooses or a limited number, in community work experience program (CWEP) positions. These CWEP positions would take the following form:

- | | |
|----------------------|--|
| <i>Benefits</i> | <i>Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.</i> |
| <i>Hours</i> | <i>The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.</i> |
| <i>Child Support</i> | <i>At State option, the amount of the child support order could be deducted from the benefit for the purpose of calculating hours.</i> |
| <i>Sanctions</i> | <i>Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program—a reduction in cash assistance.</i> |

An important question remains as to whether States should be permitted to place time limits on the length of participation in the WORK program.

Economic Development

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

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

- Providing enhanced funding through the Community Development Financial Institutions proposal to support the development of projects that create work for JOBS graduates;
- Expanding the administration's commitment to the microenterprise program by allocating additional funds for a set-aside for JOBS participants
- Enhancing job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take full advantage of the opportunities which would

be created through the administration's commitment to enterprise communities and empowerment zones.

Individual Economic Development. We would also propose a number of steps to encourage people receiving transitional assistance to save money and accumulate assets, to enable them to escape poverty in the long run.

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

November 18, 1993

MEMORANDUM FOR DAVID ELLWOOD, WENDELL PRIMUS

FROM: BRUCE REED

SUBJECT: Edits to Nov. 17 Draft

This draft is much better in some areas. But it still contains a few political landmines that are unacceptable to all of us at the White House if this is to remain a consensus document.

The section on guaranteeing child support is a big problem, and must be changed. There is universal disdain for that idea among all of us at the White House who work on welfare reform, and we cannot go along with a document that portrays "guaranteeing some level of child support" as an agreed-upon principle. I suggest revisions below. We insist on an honest portrayal of this issue. Without that, we cannot and will not defend this document.

REVISIONS TO NOV. 17 DRAFT

PAGE 1: Highlights/Intro

Prevention should be *Prevention and Parental Responsibility*

\$34 million should be \$34 billion

Non-custodial parents section should read: "Programs that require non-custodial parents to pay child support while increasing economic opportunities for them to do so and helping them to become more involved in parenting their children."

Simplifying Public Assistance should be: "Reducing Red Tape"

Time Limits should read: "Converting cash assistance to a system with serious two-year time limits. [NOT "in most cases"] Persons who cannot find work in the private sector after two years would be asked to take community service jobs, rather than welfare." [We're not supporting them with work; they're learning to support themselves with work.]

PAGE 3

This reference to child support assurance is OK: "We explore strategies..." It's OK to explore this stuff, so long as you can still turn back -- but it's not all right to declare that we've decided on the principle of guaranteed support.

Reinvent Government Assistance (here and throughout) might sound better as Cutting Red Tape

PAGE 4

The system must be sensitive to those who cannot work...

PAGE 5

Need: "Unwed teenage mothers face substantial obstacles..."

The Family Planning paragraph should be in italics, with the other options. We have not reached consensus on it.

PAGE 10

Ensuring that Work is Always Better than Welfare needs to be changed to **Work Should be Better than Welfare**. We have not agreed on the principle of ensuring this. I don't see how we can mandate high-benefit states to do something they could get out of by lowering their benefits. We ought to **allow** or **encourage** them to make work better than welfare.

"Allow or require" under Options 1 and 2 should read simply **"Allow"**.

Option 3 needs the following disclaimer: **"The President has never endorsed child support assurance, and there is considerable division within the Working Group about its merits."**

PAGE 12

"B. Guaranteeing Some Level of Child Support" should be deleted.

Under Strategy, there are only **two** key elements. The sentences on child support assurance should be deleted, and replaced with:

"The second major element is demanding responsibility and enhancing opportunity for non-custodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so. We are also exploring other strategies to ensure some level of regular level of child support for custodial parents."

PAGE 13

The sentence "The major options in this area" should read "encouraging or forcing mothers **and fathers** to cooperate:"

PAGE 14

"GUARANTEEING SOME LEVEL OF CHILD SUPPORT" cannot be its own separate section. It should be treated the same way as "Collection and Enforcement" on the previous page: in lower-case type and left-justified (it would be hard to justify it in any other way).

The second paragraph of the section should be deleted, and replaced with our disclaimer: **"The President has never endorsed child support assurance, and there is considerable division within the Working Group about its merits."**

The Options need to be **unbolded**, like the options on page 13.

In Option 2, delete the word **national**, as well as specific references to benefit levels of **\$2500**. There is no point giving your critics extra ammunition to accuse you not only of letting deadbeats off the hook, but spending billions to do it.

Option 3 should read as follows: "**State demonstrations only.**" We wouldn't support Option 1 beyond a demonstration basis, either.

PAGE 15

This section is still too soft. Remember — most noncustodial fathers are not poor and needy, and need more responsibility, not more opportunity. We should add a bullet that says:

*** Give states the option to make payment of child support a condition of other government benefits.**

PAGE 17

Waste and Fraud should be more than an afterthought. We need to add David's great idea of a **National Benefits Coordination and Fraud Elimination Data Base**.

PAGE 19

"The definition of participation should be broadened to include **community service** [not substance abuse treatment] as well as other activities such as etc."

PAGE 21

The section on Need is extremely misleading — it fuzzes over the whole question of those who cycle on and off welfare. Why do you insist on pretending that the time limits won't actually affect anybody? They will change expectations for everyone in the system, and that's a good thing.

The section on Need should start out as follows: "**Welfare should be a second chance, not a way of life. Under the current system, too many people remain on welfare with no prospect of leaving. While these recipients represent only a portion of all who enter the system, they represent a high percentage of those on welfare at any time.**

The third paragraph under Strategy should read: "A recipient who cannot find employment by the end of the time frame will be required to work in return for further support." [The NOT in all caps is ridiculous.]

"Work activities" and "community service activities" should drop the word "activities"

PAGE 22

"This time frame would vary depending on the skills and circumstances of the recipient, but would not exceed two years **for all who can work** [not "in most cases"].

The next two paragraphs imply that the time limit is entirely at the discretion of the caseworker. This is not true. The first paragraph should read instead: **"The system must be sensitive to those who for good reason cannot work -- such as individuals with disabled children or personal illness. For those who cannot work, other expectations may be more appropriate."**

The paragraph "There are persons on welfare who face barriers etc...." should be deleted. We have not agreed on this.

PAGE 24

Where did the option on deducting child support owed come from? This sounds like a screwy idea -- an incentive for mothers not to cooperate with child support collection. It should be **dropped** here and on page 25.

"Recipients on the waiting list would be **required** (not permitted) to do community service work"

PAGE 26

"First, this plan seeks **not just to get people off welfare, but to keep them from going on in the first place.**"

November 14, 1993

MEMORANDUM FOR DAVID ELLWOOD
WENDELL PRIMUS

FROM: BRUCE REED

SUBJECT: Edits to Nov. 12 Draft

Some sections are quite good; others need some work. Here are a few general recommendations, followed by some specific line edits and inserts. On the whole, these changes should help shorten the document.

1. Replace the 3-page Summary with a one-page Table of Contents. The Summary is unnecessary -- it adds length without adding clarity. The whole point of writing a comprehensive document was to make it harder for anyone to take our recommendations out of context. The Summary defeats this purpose: it is too easy to quote, fax, and distribute by itself. The Summary also blurs the distinction between decisions and options. (For example, it makes guaranteeing child support sound like an agreed-upon principle, which it clearly is not.) Why make it easier for critics to misrepresent our positions? This document is not supposed to be a fast read; it's a detailed options memo. (Besides, the Summary is hard to read anyway.) All we need is a Table of Contents that tells which issue is on what page.

2. The Introduction should be bolder. We are ending welfare as we know it; the Intro should explain how. It should put particular emphasis on the radical shift we envision in the values upon which our social contract is based -- especially the value of work. Many of these ideas are in the current draft, but I believe they should be placed in higher relief. If our Introduction is dripping in values, it will be harder for anyone to get too worried about the programs. Most of the changes I suggest below are in this section.

3. The "Problem:"/"Strategy:" sections of each chapter could be shortened considerably. I don't think it's necessary to summarize the four or five elements of our strategy immediately before spelling them out in greater detail. Again, it makes each element sound like a done deal rather than an option. All together, these summaries add 3-4 pages to the document without making it any easier to understand. They should be trimmed.

4. Don't try to hide the 2-year time limit. We've figured out a way to keep the President's promise without breaking the budget or punishing the poor. So let's highlight it, not fuzz it over with euphemisms like "Transitional Assistance Followed by Work." I know the advocacy groups are worried about "rigid" time limits and so on. But the truth is, we've come up with a plan that includes real time limits, and we should say so. Too often, this

Administration has been kicked around even when we were keeping a campaign promise, simply because our own people talked like we might not. (The 25% White House staff cut was a classic example.) Any reporter who gets hold of this document will be looking for one thing -- whether or not we're serious about time limits. The current draft makes them sound softer than they really are, and more of an afterthought than the centerpiece of the Clinton plan. ("buried on page 24," etc.). I've suggested some changes.

5. For the same reason, we should shorten the discussion of Extensions -- on which we have not reached internal agreement, and for which we haven't seen numbers -- and include a little more on Sanctions. I'm sure we can agree on a reasonable Extension policy, and we should have one. But for now, reporters are going to be looking for loopholes and ways to say we're wimping out. I have suggested more general language that should satisfy the suspicious, whether they're reporters or advocates.

6. We need some more of Gergen's "Dummy Options". In the discussion of guaranteeing child support, for example, we need a third option that says "Demonstrations Only" -- unless you want the President and Senator Moynihan to read in the Washington Times that according to documents obtained from HHS, the Clinton Administration has decided the government should pay when fathers won't, and is considering two ways to let these deadbeats off the hook. We should save that story; we may need it later to distract attention from our financing.

7. The section on "Preventing the Formation of Single-Parent Families" should be renamed "Promoting Parental Responsibility and Preventing Welfare Dependency." The former sounds like divorce prevention, which is probably a good idea, but not for this task force.

8. Add a section on Reinventing Government, as discussed Friday.

SPECIFIC LINE EDITS AND SUGGESTIONS
[Changes are in bold]

Summary (pp. 1-3):

Set it aside for now; it's not helpful or necessary for this document.

Replace with a one-page Table of Contents

In future versions of the Summary, make sure options don't sound like principles (i.e., "Guaranteeing Some Level of Child Support" is not yet a core principle of our Child Support Enforcement plan)

Introduction (pp. 1-4)

"There is near universal consensus across party, class, and racial lines that the welfare system simply does not work. Conservatives complain that it fosters illegitimacy and dependency. [no quotation marks] Liberals lament that it leaves millions of children poor. Taxpayers resent investing their tax dollars in a system that produces so little apparent result or return. And perhaps angriest of all are people on welfare themselves, who talk of the humiliation, stigma, and indignity of spending their lives in a system that seems designed to maintain them in poverty rather than move them toward independence. [Leave out the us vs. them/ugly, racist rhetoric -- it doesn't fit here.]

"Americans hold powerful values ... [no changes in this paragraph]

"Delete next paragraph -- "The current system of supports etc." This paragraph is redundant.

"[Insert new paragraph:]. It is time to restore those basic values, and forge a new social contract between the government and its citizens. Government has a responsibility to provide opportunity. People have a responsibility to make the most of it.

"This plan calls for a genuine end to welfare as we know it. It is built on fundamental American principles of common opportunity and mutual obligation: People who bring children into the world must take responsibility for them, because governments don't raise children, families do. Those who receive help from the government can do something in return. No one who works full-time with a family at home should be poor. And no one who can work should stay on welfare forever."

There are five key elements in what we propose:

I. Promoting Parental Responsibility and Preventing Welfare Dependency [not "Preventing the Formation of Single-Parent Families" -- dependency is the enemy, not divorce]

"If we are going to end welfare as a way of life, we must start by doing everything we can to prevent people from going onto welfare in the first place. In recent years, the welfare rolls have swelled in the wake of an explosion of out-of-wedlock births -- from 544,000 in 1978 to 1.1 million last year <ck>. We are approaching the point when one out of every three babies in America will be born to an unwed mother. We must confront this epidemic and the social forces behind it, or all our reforms will be for naught.

"The current welfare system sends the wrong signals to prospective young mothers that having children out of wedlock will be condoned or rewarded, and to prospective young fathers that the government will support their children if they will not. It is time to start sending the right signals for a change.

"Teenagers, in particular, are at risk. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and remain there the longest. We need a national campaign to reduce and prevent teen pregnancy and increase high school completion. We must turn children away from having children, and teach them how to get ahead."

2. Make Work Pay

"A basic tenet of the Clinton Administration is that any job ought to be better than welfare. Yet the current welfare system sets up a devastating array ... etc.

[Drop sentence about "economic weakness". It's gloom and doom; it's out of our bailiwick; it doesn't really fit here; and it has very little to do with low-wage jobs -- which have always been low-wage.]

"Our strategy requires ..." [no changes]

3. Child Support Enforcement [no changes]

4. Expanded Opportunity

"One of the clearest lessons..." [no changes]

"We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around income maintenance; we need an opportunity program built around work. Its goal should be to foster entry into the labor market, by providing education and training services, job listings and job search assistance, and parenting and self-esteem classes. ...

[rest of paragraph is fine. It's a mistake to refer here to "the welfare office" or to a "work support agency". We're better off talking about the function instead.]

"[Rewrite next paragraph as follows, so that it sounds less negative and more like an ode to the Family Support Act:] **We need to build on the accomplishments of the Family Support Act, which put an important new emphasis on giving people the skills to leave welfare and enter the work force. Unfortunately, the current system serves only a fraction of the caseload -- and many existing federal training programs are not designed to serve people on welfare. Welfare cannot and should not ... etc. ...**

[Rest of paragraph OK, but drop the last sentence about "The welfare office can and should help people use the services they need." It's redundant. Besides, we can't end welfare as we know it if we keep thinking of something called "the welfare office."]

5. A Two-Year Time Limit Welfare Followed by Work [not "Time-Limits on Cash Aid for the Employable Followed by Work" -- that phrase has too many qualifiers. As I said before, our plan still includes a two-year time limit, so let's say so upfront.]

"This plan is designed to move people off welfare and into self-sufficiency quickly and with lasting results. Making work pay, dramatically improving child support enforcement, and improving access to job training and placement will ensure that the vast majority of recipients will leave welfare in less than two years. Most people on welfare want to work, and these reforms will give them a much better chance to do so.

"But no system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare forever. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a social contract that spells out the path they see toward self-sufficiency, and makes clear their obligations in return. After two years, those who can work will be expected to work in the private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

"The system must be sensitive to those who for good reason cannot work -- for example, a parent who needs to take care of a disabled child. But at the same time, we should not exclude anyone from great expectations. Everyone can do something, and they will.

"In designing ... etc." [rest of paragraph OK except for the sentence which contains the phrase "current budget crisis" -- that sentence should be dropped. It doesn't help our cause with OMB and others to talk up the budget crisis.]

6. Reinventing Government

[Presumably a sixth section on "Reinventing Government" goes here. The key themes are rewarding performance, not paperwork; simplifying rules for caseworkers and recipients alike; expanding state flexibility and waiver authority; and reducing fraud.]

Prevention (pp. 5-7):

Call the Section **"Promoting Parental Responsibility and Preventing Welfare Dependency"** (as above).

Delete the opening Problem/Strategy section except for the last paragraph, which should read: **"A message of responsibility and prevention is central to the Administration's welfare reform initiative. To prevent the future dependency ... etc.**

Include policies from Wendell's list:

▼ **"Provide challenge grants to States for innovative ways to reward and require responsible behavior."**

* **"Conduct a national campaign to reduce and prevent teen pregnancy."**

As we agreed at our last Rosslyn retreat, in order to avoid a political firestorm, we should leave out discussion of family planning services, Norplant, etc. It's enough for now to say that we'll launch a national campaign against teen pregnancy.

Empowerment Zones: This paragraph should probably be dropped, but if you want to keep it, you need to say it differently: **"Communities which apply to become empowerment zones or enterprise communities could be encouraged to demonstrate what they plan to do to promote economic self-sufficiency and prevent welfare dependency."**

Make Work Pay (pp. 9-14):

Reduce the Problem/Strategy section down to one short paragraph: **"For too many, welfare rather than work is the sound economic choice. Too many people who try to leave welfare and go to work see their benefits cut and their health coverage disappear. We must ensure that working families really can support themselves. And when working people in low-paying jobs need some additional support, it should be provided in ways that reinforce work and dignity. "**

[The discussion of economic weakness, declining wages, etc., is not helpful or necessary. The reference to "the administration is working hard on that task" of restoring economic growth sounds kind of feeble.]

No changes until the Child Care section: take out reference to \$2 or \$3 billion.

Make reference to the training and use of post-transitional welfare recipients as child care workers.

In the Reward Working Families section, the various Options sound more real than we intend. I thought we had talked of the Work Support Agency, emergency EA, and Family UI as Demonstrations for now.

Child Support Enforcement (pp. 15-19):

The "Problem" section is fine, except for one sentence in the third paragraph: "If we cannot solve the problem of child support, we cannot possibly adequately provide for our children" should be dropped in favor of "It is hard enough for any parent to raise a child alone, or any child to grow up with just one parent present. No absent parent should be allowed to deny support to that child as well."

The "Strategy" section is repetitive and misleading, and should be dropped. As you're tired of hearing me say, guaranteeing Child Support is not an agreed-upon principle. (The word you want is "insuring", not "guaranteeing" -- but even at that it's still not an agreed-upon principle.)

Child Support Assurance: As Wendell writes in his version, all child support assurance options should be linked to work requirements for fathers.

This section needs to include an **Option 3: Child Support Insurance Demonstrations Only**, as explained above.

Noncustodial Parents: This whole section sounds too Robert Bly to me. If we're serious about parallel expectations for mothers and fathers, we need to emphasize that we will require work for fathers who do not or cannot pay. All our sticks are aimed at mothers.

Moreover, I think you set up a dangerous moral equivalence in the last paragraph when you say that "whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents." This suggests that we should reward single parents and absent parents, but not parents who stick together. Opening the doors for noncustodial parents to take advantage of more federal programs may add one more excuse for them not to stick around.

Increasing Opportunity (pp. 20-22):

The "Problem" section could be shortened; the "Strategy" section dropped.

In the 2nd paragraph on p. 20, drop the sentence "Providing case mgmt and access to education and training can be costly." States don't need more excuses, either.

"Placement" should be "Job Placement" throughout.

Three ideas need to be included from Wendell's version:

* "Require most new applicants to engage in supervised job search from the date of application for benefits. Sanction for non-participation."

* **"Require all applicants to sign a social contract specifying the responsibilities of both the State agency and the recipient."**

* **"Require job search for the last 90 days before time limit expires."**

Where did the 1% tap on JOBS funds come from? I'm not sure whether it's a good idea or a bad idea, but we haven't discussed it.

The waiver board should go under the REGO section, and should be the Community Enterprise Board, with broad powers -- not just limited to coordinating education and training.

A Two-Year Time Limit Followed By Work (pp. 23-29): [Not "Transitional Assistance Followed by Work"]

The Strategy section should be deleted, along with any references in the document to "public work jobs" and "public sector work program".

The headline on p. 24 should simply read **"Specific Strategies to Time-Limit Welfare and Require Work."** I don't see what you get by talking about cash assistance instead of welfare. It sounds like there must be a catch.

The paragraph on "cash aid" should read **"Cash aid would be limited to two years for those who are able to work."** The rest of the paragraph should be deleted -- it sounds squishy when it doesn't need to.

The Extensions section should be reduced to a single paragraph: **"There will be a reasonable extension policy for the disabled, recipients caring for a disabled child or relative, people making substantial progress toward completion of high school or a GED, etc. -- but the overall number of extensions a state can grant will be limited to a set percentage of the caseload."**

The Sanctions section from Wendell's draft should be included:

* **"Not working the required number of hours would result in a corresponding reduction in wages and no change in benefits (i.e., benefits would not rise to offset the fall in work program earnings)."**

* **"If an individual refused an offer of a full- or part-time private sector job without good cause, benefits for at least the next six months would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job."**

The Work Not Workfare section should include the option that **"States could impose a time limit on participation in the work program (including self-initiated community service), and reduce benefits after a certain period of time."**

The "Involvement of Private Sector and Public Sector Unions" section should be renamed: "**Public-Private Partnerships Will Oversee Job Creation**". Unions will be involved if the community so chooses (along with business, community groups, govt, etc.), but the more important point is that the private sector will be involved in finding and creating jobs.

Drop the sentence "Unions will worry that jobs are being taken from existing workers." There's no need to elevate that concern here.

Leave out the displacement options, pro and con. I'm not sure what options we have anyway, but there's no point arguing it out here.

Don't mention 500,000 slots. Numbers are dangerous.

Self-Initiated Community Service: Mention churches. It may be necessary to explain why it's called self-initiated and how it's reported.

WR-12a

November 15, 1993

MEMORANDUM FOR Naomi Goldstein

FROM: Bonnie Deane

SUBJECT: Comments on Welfare Document

If you do not have time to read all of these comments, please focus on the ones labeled: **IMPORTANT**.

p.1 The message that we are trying to prevent single-parent families strikes me as odd. Aren't we trying to prevent **welfare dependency** or **poverty among children** before it starts? I agree that encouraging family formation and preventing unwed pregnancies are important aspects of the solution, but tagging single-parent families as the "problem" seems politically volatile. That's the same approach that caused the Murphy Brown flap under Bush.

On the second page 1 in the document and on page 5, the theme is repeated: preventing single parent families. I strongly urge that we change it to preventing welfare dependency.

p.20 3rd paragraph...departments of education and labor and education...?

p.22 I love the overall message. The last sentence in the first paragraph, however, seems unnecessarily critical or confrontational with DOL. Perhaps we could say..."Some local employment offices organize their service strategy around dislocated workers and have been less effective at serving more disadvantaged clients." (Incidentally, the reverse is also true, to the detriment of dislocated workers in many other communities.)

- The next sentence looks a bit lonely and out of place.
- The second bullet under proposals: There are two very different approaches on this one. First you can coordinate access and customer service so that people don't have to go all over town just to find out what is available. This is much easier than a second approach (which is less helpful to real people) that involves coordinating rules or even funding. Either of these approaches would be complicated by trying to achieve more than the coordination of programs within a single agency. I would suggest that we recommend a *coordinated access* strategy across agencies as a higher priority than a coordinated rules or funding strategy.

A couple of other minor problems I had with this bullet: What is Apprenticeship Training? Is it Youth Apprenticeships? If so, that has been renamed School to Work. Saying that these two programs should be "designed to encourage participation of welfare recipients" without mentioning National Service or Income Contingent Loans or other major new programs, borders on sounding like preaching to DOL. I would avoid that tack.

Here's a stab at another phrasology with the same spirit of intent, I hope: Keep the first sentence and combine it with the bullet that follows. Eliminate the second sentence about how the programs ought to be designed to help welfare recipients. If you want to name programs in the other two sentences, make sure you list initiatives from all the departments listed. Create a new bullet with the following: **Encourage the creation of customer-oriented, career centers in the JOBS program for education, training, and employment information for welfare recipients. These career centers should be parallel to and supportive of the Department of Labor's "One-Stop Shop" development plan. Recognizing that not all states or all relevant agencies will immediately become a part of DOL's One-Stop system, a parallel and compatible, JOBS-based, career center system could help to pave the way for One-Stop system expansion in later years.**

[Rationale: The One-Stop system will be experimental and take a long time to get up to scale. It will be controversial because it involves competition between providers. It also does not explicitly include HHS or DoEd programs -- only EDWAA, JTPA and Employment Service. Rather than adding to the controversy and complexity in designing One-Stop, we could provide incentives for JOBS programs to create compatible career service centers, more oriented to the needs of welfare recipients but able to link up with One-Stop as it comes of age. This is the same strategy being taken in the dislocated worker program for states which do not want to implement One-Stop right away.]

- Under the bullet which starts "Require.." are you missing a word? Do you mean provide info to welfare recipients, to caseworkers, to the government?

P.24 First bullet after the options: I thought that the social contract would be one, simple contract explaining the new expectations for individuals and for the government in a transitional time-limited system. Making the social contract a document which changes depending on the person would undermine its significance in transforming the culture. A service plan or a development plan should be tailored, but the social contract which all new entrants sign ought to be universal. It's a minor difference...but a personalized "social contract" sounds odd to me.

P.25 **IMPORTANT** Job expansion

[Jobs: Please do not say that the NEC and CEA suggest that there will be a large number of low skill jobs available with low pay. How we communicate this is absolutely crucial. The Administration has been working hard to fight for higher skill jobs and higher paying jobs. We are not stimulating or encouraging the growth of low skill or low paying jobs.]

Investment Fund: If the document is likely to leak, we should stay vague about the welfare investment fund since the idea has not been widely circulated within the Administration yet.]

Here's some draft text:

" Helping families to become self-sufficient through work involves two strategies: helping the workers and finding the jobs. Helping parents involves skill building, access to child care and health care, facilitating EITC payments and improving child support enforcement. These parent-focused initiatives will be enough to allow many families to take advantage of numerous job opportunities which already exist: The Bureau of Labor Statistics projects that over 24 million new jobs will be created between 1990 and 2005 and that some of the fastest growing occupations will be those which tend to hire women and minorities. The EITC will increase the rewards from work enough to make it possible for many more parents to accept jobs they could not accept before. Similarly, health care coverage and access to affordable child care will make it possible for parents to work in jobs they can easily find.

However, job growth in the U.S. does not impact all communities evenly. Particularly in the case of distressed communities and less skilled workers, there is a need to develop the job opportunities as well as help parents. We need to increase linkages between welfare recipients and job opportunities through job development, job placement programs, job search assistance, better transportation, micro-enterprise, or employer incentives for hiring. Over the longer term, increasing capital investment in distressed areas can expand the sustainable, private employment opportunities for men and women supporting the children who are currently on welfare. For those who have exhausted their transitional support and have not yet found a job in the private sector, community service jobs should be available to build skills or help stimulate future economic growth.

There are many examples of how community investment and job connections can work. Businesses which train disadvantaged people and then place them in permanent work have succeeded across the country: Chicago Commons Schicago, Esperanza Unida, Focus:Hope, and Pioneer Human Services. Cooperative ventures for self-employment in areas like home health care and day care have succeeded in New York, Maine and Indiana and are expanding. Project Match in Chicago and America Works! in New York and Hartford are two successful examples of outreach, referral and placement agencies for welfare recipients. We need to invest more in the capital and operating budgets of innovative programs like these.

We propose:

-- The Administration's Empowerment Zone initiative represents a major investment in 104 communities to stimulate economic activity and job creation in places where poverty is high. Plans developed at the local level, not government programs, will direct the use of these funds toward innovative, tailored solutions to special problems in each community. Applicants will be encouraged to show how they will utilize the tax incentive for hiring Zone residents and other funds to expand employment opportunities for Zone residents.

-- An investment fund strategy: (As per bullet in text, but add micro-enterprise as a type of

client. Need a period between done and Private.)

(cut out the targeting bullet and the initial funding bullet.)

-- A performance based bonus strategy for loan recipients: (As per bullet in text) If designed properly, such a bonus scheme should not cost taxpayers a dime because benefits are only paid out when federal spending has clearly been reduced.

-- Encourage the use of current program expenditures for economic development: Organizations which hire welfare recipients should have a wide range of incentives including the EITC, the targeted jobs tax credit, and wage supplementation agreements negotiated locally.

-- Funds for creating public jobs after the time limit will be flexible enough to encourage job development and job placement in the private sector whenever possible.

-- Making the asset and savings rules more flexible in order to encourage micro-enterprise."

P.26 **IMPORTANT** Comments on Post-transition jobs.

Maybe a second paragraph under the initial paragraph on Community service jobs?
Something like:

" Communities would be allowed additional flexibility in the management of their post-transitional funds for activities other than creating community service jobs. For example, communities could use their fund for job development, micro-enterprise, and temporary hiring subsidies. As long as the fund creates more job placements for welfare recipients than could have been created through a purely community service program, extensive flexibility should be allowed. Local employers and labor representatives should be included in the job creation process--public or private--to ensure that the effects on the local labor market are not disruptive. "

(Note: I have given some specific comments on the text as written and an alternative below.)

Last bullet on page 26: If you don't pay FICA you get almost as much money as the EITC--so you have not achieved a difference between the private and public jobs. Why no UI? These people need all the credits they can get. Can you just fudge this instead of being so specific?

P.27 Last bullet: this probably ought to be an option. Can you put in a second sentence saying that the total cost to states must not rise? Or that federal shares up front would have to rise? It shouldn't sound like an unfunded mandate when it leaks.

2nd to last bullet: How about "States have the option to limit the duration of post-transition jobs." A general point...don't you think that the use of the word "slots" undermines

the perception of these as jobs?

New heading at bottom of page: Could we re-title it " Flexible Job Creation Fund involving Employers, Unions, and Community Organizations."

Alternative formulation for Community Service section:

This is a hard section to comment on because I think you may reorganize it or rewrite it based on our Friday meeting. In my mind, the public jobs and the flexible fund are all one thing and should be written up together, not in separate sections. If these comments here are too confusing, please call me and lets fax on this section. I think we have broad agreement. Here are a few more ideas (I would put all of this in front of the "key elements" and streamline the other sections--so many detailed rules don't need to be in this document.):

"We propose:

- A joint public/private governing board will be set up in each area (sentence as per Ellwood text). The board need not be created if an existing board such as an Empowerment Zone Council or a Private Industry Council can be used. Together, labor representatives, employers, government, and community organizations may be able to assist in creating meaningful, subsidized, public- or private-sector jobs.
- Anti-displacement provisions to avoid disrupting the existing jobs market.
 - OPTION: Displacement provisions are not necessary since the jobs or subsidies would be temporary and labor representatives would be involved in the process of job creation.
- Funding will be capped at a given amount such as \$x billion and allocated by a formula based on ... (You have text for this somewhere? Wendell?)
- Flexible spending if minimum job targets are met. Communities may want to spend funds helping a person find a private-sector job instead of creating an artificial job. As long as communities generate more job placements per dollar than the minimum standard, funds could be spent on job development, micro-enterprise, employer incentives, hiring bonuses, etc.
- Self-initiated community service (as per text)"

WR-Pl



DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

Melissa T. Skolfield

Deputy Assistant Secretary for Public Affairs

Phone: (202) 690-6853

Fax: (202) 690-5673

To: Bruce Reed

Fax: 456-7028 Phone: _____

Date: 11/15 Total number of pages sent: 9

Comments:

FYI - I'm recommending several deletions in an effort to head off bad headlines of this leak.

All sent to David + Naomi this a.m.

to achieve.

- Programs such as Section 8 should experiment with mechanisms which temporarily freeze rents when people first enter work, so that people going to work do not suddenly face higher housing costs.
- Benefits to working families should not come in the form of coupons or other stigmatizing mechanism. Electronic Benefit Transfer (EBT) mechanisms for Food Stamps, EITC and other benefits seem a promising mechanism. ~~EBT demonstrations show dramatically reduced stigma and considerable consumer satisfaction.~~

Working families typically face the largest and most serious reporting requirements, rather than the simplest ones. HHS, FNS, and HUD should work to coordinate programs more effectively, especially for working families. In addition, bolder measures could be considered:

- o **Option:** A separate office could be set up offering support for working families. At these offices working families would get access to Food Stamps, child care, advance EITC, and possibly health insurance discounts. Other services, such as child care could also be provided. The office could be the state employment and training office, existing UI offices, or a new office. This could first be tried on a demonstration basis.

One clear problem for low income working families is that their jobs are often short lived. Low income families rarely qualify for UI for a variety of reasons. Thus families which suffer short term unemployment may end up mired in the welfare system when they only needed short term aid. Several options could be explored for dealing with this problem.

- o **Option 1:** The current AFDC emergency assistance program or a new family UI program could be developed for low income families who suffer temporary job loss.

of the private sector is critical for insuring that work has real content. ~~Unions will worry that jobs are being taken from existing workers.~~ A joint public/private governing board will be set up in each area to oversee the job creation activities which must include representatives from government, business, and labor. The panel will solicit jobs in both public and private sector organizations.

Allow S

- o **Option:** ~~Require~~ that proposal be accepted from both public and private sector organizations. All organizations who can legally hire people at the minimum wage can offer slots in exchange for some form of subsidy.

- Any organization would be eligible to bid if they can legally employ people at minimum wage or higher for six to twelve months. All local and national employers would be able to bid: Non-profit organizations, private, for-profit businesses, temporary help agencies, subcontractors, public agencies. There is no requirement that jobs be non-displacing since they are only temporary jobs. Preference will be given to job proposals involving training or experience which builds earning potential.

- **Proposals would include:** the number of jobs offered, when the jobs would become available, and the funding expected from the government in order to provide wages, supervision and, if possible, some valuable training and job experience. Localities are strongly encouraged to organize the contracting so that welfare recipients can choose between several employers.

- **Employers would be able to stipulate certain objective requirements** such as a high school degree, a typing speed, a drug test or literacy test. Employers would not be allowed to use subjective screening to accept or reject applicants. Localities may opt to stipulate in the contract that employers will have a choice between 3 to 5 applicants.

- Any remaining funds can be used to create and administer jobs directly using 100% government funds (with the caps), if an insufficient number of jobs are generated through the competitive process. These jobs should fill unmet needs in the community, provide training, or foster economic development (such as micro-enterprise or community investment corps).

every locality gets a fund - essentially a 10% block grant. Similar to program in some places like Cal.

Anti-Displacement Provisions

To avoid displacing existing jobs, strict anti-displacement provisions would be designed.

- o **Option:** Since jobs are temporary anti-displacement rules are not required.

Caps on Job Slots or Funding For Job Slots

The number of job slots will be capped at a fixed number nationally or at a fixed cost. Slots or job slot money would be allocated according to a formula. The proposed cap would be

there may

500,000 slots. Given the caps on the number of job slots, ~~it is likely that there will be~~ insufficient job slots to meet the needs of all those who have exhausted transitional assistance. In such cases, states must set up a waiting list and may set up a priority system for persons awaiting job placements.

Self-Initiated Community Service Volunteer Work for People on Waiting List

The principle that everyone should contribute to their community in exchange for cash aid is central to this proposal. People on the waiting list would continue to receive cash assistance. But in exchange, at least one adult would be expected to perform at least 20 hours per week of self-initiated community service work. Recipients could serve as volunteers in libraries, child care centers, community organizations and the like. Considerable anecdotal evidence exists that volunteer work is a stepping stone to more consistent and rewarding paid employment.

*being done
in Micho -
need info -*

The IV-A entitlement, transitional and at risk child care entitlements would be combined and eligibility would be extended to any family at risk for AFDC/Transitional assistance. Risk would be defined as any family who would be eligible for food stamps, i.e. families below 130 percent of the poverty level. No separate or special entitlement would exist for single parent families or welfare recipients, and the disregards for child care in both Food Stamps and AFDC would become unnecessary and would be abolished. Benefits would be limited to families where all adult caretakers are either working or are disabled or unable to care for children for other reasons. Priority would be given to families with pre-school children. States would share in the cost, with a match rate equal to the new JOBS match rate. States could count as match funds other monies spent to provide child care to low income families. States would set co-payment (sliding fee scale) requirements.

- o **Option 1:** Consolidate the entitlement programs into two funding streams rather than one. The child care subsidy program for AFDC recipients would be uncapped as per current law, the program for all other low income families would be a capped entitlement gradually increasing from the current level of transitional and at-risk child care plus the food stamp disregard to a level of \$2 or 3 billion.
- o **Option 2:** The dependent care tax credit would be made refundable, which would provide a subsidy of about 30 percent of day care costs to working families.

delete?

Under all subsidy programs, care would have to be legal under state law, and if exempt from state regulation would have to meet minimum health and safety standards of the sort now required for care funded under the block grant. States would set maximum rates and co-payment rates which would be the same for all categories of recipients.

Child Care Block Grant

CCDBG funding would be gradually increased from its current level of about \$900 million. States would continue to have considerable flexibility in using this grant for both services and quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. If a broad entitlement were adopted as above, then a new requirement would be added that they not use CCDBG money to provide services to welfare recipients. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of state median income (current law). States could continue to use the SSBG for child care, but would be required to use the same rules for all subsidized child care.

Quality enhancements that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

- MEMO -

TO: DAVID ELLWOOD
FROM: MELISSA
RE: COMMENTS ON FRIDAY'S DRAFT
DATE: NOVEMBER 15, 1993

Here are my thoughts on the draft we got on Friday.

* The structure is fine for me, although I feel strongly that it needs to have "draft - for discussion only" written on every page. I agree with Bruce that there should be a section on reinventing government/simplification that mentions the fact that simpler rules make it easier to detect fraud.

* I've marked a number of political "gotchas" which should be deleted, especially on pages 1, 3, 4, 12, 13, 28 and 29.

In general, I'd advise deleting all of the cost numbers. For purposes of "leakage," you might also consider a note somewhere which states that we intend to pay for this with other unspecified changes to the current system. I also think you should consider a stronger paragraph on sanctions for noncompliance.

You should also consider rewriting the extensions section on page 24. I thought we were planning to phrase this as "different options for fulfilling work requirements" rather than as "exemptions from the work requirements?"

* As far as I can tell, the substance is fine, and it should work for purposes of the 20th meeting.

CONFIDENTIAL

November 12, 1993

DRAFT PROPOSAL OUTLINE

INTRODUCTION

There is near universal consensus that the current system simply does not work. Conservatives believe that it fosters "illegitimacy and dependency". Liberals decry the low benefits that leave children poor. And the people who are most angry with the system are the recipients themselves who talk of the humiliation, the stigma, and the perversity of a system that seems designed to prevent rather than support their efforts to achieve real independence and robs them of any sense of control over their lives. ~~Sadly in response to this frustration with welfare, it is common to stereotype and finger-point. Us versus them thinking pervades welfare debates. Ugly, racist, and mean spirited images and policies are often loudly proclaimed.~~ There must be a new direction.

achieve

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, absent parents provide little or no economic or social support to the children they parented. Meanwhile, single parent families often have access to cash and services that are unavailable to two-parent families. The welfare system has focussed on writing checks, rather than getting people access to the education, training, and employment opportunities they need to become self-sufficient.

almost exclusively

The current system of supports implicitly adopts a notion that the government's responsibility is to provide economic support and that dignity and responsibility of parents are secondary. Until recently, the role of government child support enforcement was to try and collect money from non-custodial fathers to help offset welfare costs. The role of welfare is mostly to write checks as accurately and efficiently as possible; encouraging work and training often appears almost as an afterthought. People who are not working get cash and medical aid, while working people get far less.

solely

This plan calls for a genuine end to welfare as it is now conceived. It calls for a new view of the role of government and citizens. It is the responsibility of parents and individuals to provide for and nurture their children. Government's role is to support parents in meeting those responsibilities. Government policies must reinforce basic values.

There are five key elements in what we propose:

Preventing the Formation of Single Parent Families

First, welfare reform must include significant attention to prevention. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and to remain on welfare the longest. Therefore, our proposal must contain measures designed to

special benefits to single parents and making single parenthood the key criteria for benefit eligibility. By removing work and marriage disincentives, and through universal paternity establishment and improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children.

Expanded Opportunity

One of the clearest lessons of the site visits and hearings held by the working group is that the current welfare system is not about getting people access to jobs that allow them to maintain independence and control. It is not about training or job placement or work supports. It is about writing checks. It is about writing checks in an environment with a numbingly large number of regulations, all of which must be met or penalties will accrue to the state and recipient alike. We have created a system preoccupied with detail which misses the big picture.

Our current reform effort must transform the culture of welfare and welfare administration from eligibility determination and benefit distribution as the primary focus, to the welfare office being seen as a work support agency which helps individuals who are "doing the right thing" to obtain employment and achieve self-sufficiency. The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a philosophy of mutual obligation: the Government provides--through the reformed welfare/work support system--the necessary opportunities, support services and incentives to allow individuals to move toward self-sufficiency, and the recipient agrees to accept responsibility for working toward that end.

Key shortcoming

A great tragedy of the current education and training system is that low income persons are usually eligible for considerable support for education and training. Yet few of those who apply for welfare ever learn about the services they could receive. And many of the existing services are not designed to serve the types of people who are now on welfare. Welfare cannot and should not be the key to new and special services. Rather, all those who need education and training--whether or not they have children--should have access to the same high quality investments that the nation needs to compete in the 21st century. The welfare office can and should help people use the services they need.

Time-Limits on Cash Aid for the Employable Followed by Work

No system which is designed to encourage work and responsibility can allow people who are able to work to collect cash aid indefinitely. A relatively small portion of the entrants into welfare actually stay for a very long period. That is the way the system should work. But a smaller group comes on a stays for a very long time. And they consume a very large fraction of the resources of the welfare system. That needs to be changed. ??

These potential long-term recipients should have the access to the training they need. Work must pay so that any job they take ought to improve their situation. And the system must be sensitive to the unique circumstances that confront individuals such as disabled children,

personal illness, or severe educational deficiencies. People should be expected to be on track to help themselves from their first day on welfare. But after two years, the bulk of recipients can and should be expected to work in private sector jobs or to work in service to the community. If there are no jobs available, the government ~~does have an obligation to~~ provide work, but those who receive assistance must help serve in return. *should*
(their communities)

In designing this options outline, we have endeavored to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis. The following is an outline of policies which embody these principles and which represent an attempt to define areas of consensus and areas where options remain.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

To: Group

From: ~~David T. Ellwood~~
WEP Wendell E. Primus

Re: Revised draft

Date: November 16, 1993

We enclose a revised draft options paper for our meeting on November 20. We believe it is substantially improved -- thanks in large part to your suggestions, which we have incorporated as best we could.

We would appreciate receiving any additional comments by 9:30 on Thursday. Please fax them to Wendell at 690-6562, or call Marcy Carlson at 690-7409. If you get us your comments by 9:30 on Thursday, we will have time to incorporate them in the final draft that will be sent to the Working Group Friday morning.

Thanks.

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CONFIDENTIAL DRAFT--For Discussion Only

~~CONFIDENTIAL~~ *ms*

November 17, 1993

DRAFT PROPOSAL OUTLINE

HIGHLIGHTS AND INTRODUCTION

This is a plan which fulfills the President's pledge to end welfare as we know it, by reinforcing traditional values of work, family, opportunity and responsibility. Key features include:

- o Prevention ^{Resp.} A prevention strategy designed to reduce welfare and poverty by reducing teen pregnancy, promoting responsible parenting, and better supporting two-parent families.
- o Child Care. Significant expansions in child care for the working poor and for families in work or training while on public assistance.
- o Child Support. Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 million annual child support collection gap, ensure children can count on support from both parents, and reduce public benefit costs.
- o Non-custodial Parents. ^{Requiring NCPs to pay CS while increasing their econ. opp to do so} Programs to increase economic opportunities for needy noncustodial parents who owe child support, and to enhance their role in parenting their children.
- o Simplifying Public Assistance. Significant simplification and coordination of existing public assistance programs. ^{Ending welfare bureaucracy}
- o Promoting Self-Support Through JOBS. Making the JOBS program from the Family Support Act central to cash assistance, involving virtually every recipient in activities designed to move toward self-support with significantly enhanced funding.
- o Time-limits and Jobs. ^{no!} Converting cash assistance to a system with serious two-year time limits (in most cases). Persons still unable to find work ^{in the private sector} after two years, would be supported ^{asked to take} via community service jobs, rather than welfare.
- o Fully Funded Without New Resources. Gradual phase in of the plan with enhanced benefits fully funded by offsets and savings inside and outside the program.

*Ending welfare
Replacing it
with work*

*for those
who can work*

NO

A DISCREDITED SYSTEM

There is near universal consensus across party, class, and racial lines that the welfare system simply does not work. Conservatives complain that it fosters illegitimacy and dependency. Liberals lament that it leaves millions of children poor. Taxpayers resent investing their tax dollars in a system that produces so little apparent result or return. And perhaps angriest of all are people on welfare themselves, who talk of the humiliation, the stigma, and indignity of spending their lives in a system that seems designed to maintain them in poverty rather than move them toward independence. Most

~~CONFIDENTIAL~~ DRAFT--For Discussion Only

importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future. There must be a new direction.

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current welfare system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, non-custodial parents provide little or no economic or social support to the children they parented. Meanwhile, single parent families often have access to cash and services that are unavailable to equally poor two-parent families. Instead of exploring ways to give people access to the education, training, and employment opportunities they need to become self-sufficient, the welfare system is driven by numbingly complex eligibility rules and staff resources are spent overwhelmingly on eligibility determination and benefit calculation.

A NEW VISION

It is time to restore those basic values, and forge a new social contract between the government and its citizens. Government has a responsibility to provide opportunity. People have a responsibility to make the most of it.

This plan calls for a genuine end to welfare as we know it. It is built on fundamental American principles of common opportunity and mutual obligation: People who bring children into the world must take responsibility for them, because governments don't raise children, families do. Those who receive help from the government can do something in return. No one who works full-time with a family at home should be poor. And no one who can work should stay on welfare forever. Only by fundamentally refocusing current policy can we achieve long-term economic security for our children.

There are six key elements in what we propose:

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

If we are going to end welfare as a way of life, we must start doing everything we can to prevent people from going onto welfare in the first place. In recent years, the welfare rolls have swelled in the wake of an explosion of out-of-wedlock-births--from 544,000 in 1978 to 1.1 million last year. We are approaching the point when one out of every three babies in American will be born to an unwed mother. We must confront this epidemic and the social forces behind it. /check

The current system sends the wrong signals to prospective young mothers that having children out of wedlock will be condoned, and to prospective young fathers that the government will support their children if they will not. It is time to start sending the right signals. Teenagers, in particular, are at risk. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and remain there the longest. We propose a series of strategies to reduce and prevent teen pregnancy. We must turn children away from having children, and teach them how to get ahead.

MAKE WORK PAY

A basic tenet of the Clinton Administration is that any job ought to be better than welfare. Yet the current welfare system sets up a devastating array of barriers to work. It penalizes welfare recipients who engage in work by taking away benefits dollar for dollar. It imposes stricter and more intrusive

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7/25

reporting requirements for those with earnings. It prevents savings for the future. It stigmatizes and humiliates the working poor who must still apply for assistance. Part of the long-run answer must be to improve the economy. But we must also ensure that families can support themselves adequately through work. People who choose work over welfare ought to be rewarded with higher incomes; positive support rather than stigma; simplicity rather than nightmarish bureaucratic rules.

Our strategy requires that we improve the economic and social security of working families and that we simplify and humanize the administration of support systems. We have already expanded the EITC to make work pay. Now we must also simplify advance payment of the EITC. We should guarantee health security to all Americans with health reform.

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

ENFORCE CHILD SUPPORT

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and non-custodial parents. It lets many absent parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems of nurturing. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. And the biggest indictment of all is that only a fraction of what could be collected, is actually paid.

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

REINVENT GOVERNMENT ASSISTANCE

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of different programs with different rules and requirements which confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs, reduce the potential for program error or fraud, give states more flexibility to determine program design and operation, and implement new performance standards.

PROMOTE SELF-SUFFICIENCY

Despite the impressive reforms of the Family Support Act, one of the clearest lessons of the site visits and hearings held by the working group is that the primary function of the welfare system is not getting people access to the jobs, training, job placement or work supports that would allow them to maintain independence and control. It is about eligibility rules, reporting requirements, income

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(25)

verification and writing checks. We have created a system preoccupied with detail which misses the big picture.

We need to build on the vision and accomplishments of the Family Support Act, which put an important new emphasis on giving people the skills to leave welfare and enter the work force. Unfortunately, the current JOBS program serves only a fraction of the caseload. We don't need a welfare program built around income maintenance; we need a program built around work. This will require much increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population. Welfare cannot and should not be the key to new and special services.

Ultimately we must transform the culture of the welfare bureaucracy. Its mission should be to expect and encourage entry into the labor market, by providing access to education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a philosophy of mutual obligation: the government provides opportunities, support services and incentives to allow individuals to move toward self-sufficiency, and the recipient agrees to accept responsibility for working toward that end. Finally, all those who need education and training--whether or not they have children--should have access to the same high quality investments that the nation needs to compete in the 21st century.

TIME-LIMIT ASSISTANCE AND FOLLOW WITH WORK

This plan is designed to move people off welfare and into self-sufficiency quickly and with lasting results. Making work pay, dramatically improving child support enforcement, and improving access to job training and placement will ensure that the vast majority of recipients will leave welfare in less than two years. Most people on welfare want to work, and these reforms will give them a much better chance to do so.

But no system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare forever. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a social contract that spells out the path they see toward self-sufficiency, and makes clear their obligations in return. After two years, those who can work will be expected to work in the private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

The system must be sensitive to those who for good reasons ^{cannot} can work--for example, a parent who needs to take care of a disabled child. But at the same time, we should not exclude anyone from great expectations. Everyone has something to contribute.

We turn now to the specifics of the plan.

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PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

NEED -- Each year, one out of ten young women ^{Unwed} under the age of 20 becomes pregnant. By the age 20, 40 percent of all women have been pregnant. Teenage mothers face substantial obstacles to achieving self-sufficiency, and thus, are at high risk of long-term welfare dependency. Their earning abilities are limited by lack of education, work experience, job skills, parenting and self-esteem. Eighty percent of teen mothers drop out of high school and only 56 percent ever graduate. Teen mothers are the least likely to receive child support, increasing the likelihood that they will need public assistance. Each family begun by a teenage mother in 1990 will cost the taxpayer an average of almost \$20,000 by the time that child reaches age 20.

More broadly, all too often the current economic, social and welfare systems send the wrong signals. Men who father children out-of-wedlock are rarely expected to pay any child support. There are also inequitable distinctions between the support available to single parent and two parent families.

STRATEGY -- A message of responsibility and prevention is a key element of the Administration's welfare reform initiative. Some of these actions, such as eliminating distinctions in cash assistance and service programs available to single parent families and two parent families, seeking to establish paternity in every case of a child born out-of wedlock, holding parents and states accountable for establishing paternity are discussed in other sections of this paper.

EXPAND?

Given the recent data indicating that teenagers who have children out of wedlock are most at risk of long-term welfare dependency, prevention strategies must focus on measures to prevent teenage pregnancy, to increase responsible reproductive behavior, to hold fathers, as well as mothers responsible for their children, and to encourage high school completion.

Several key elements would support these goals. State demonstration that provide comprehensive case management would focus on all family members as a means to help prevent welfare recipients' children from going on welfare as well as helping keep existing recipients off. While teens would be targeted in this effort, the broader AFDC recipient population would be included.

Family planning services would be made available to all adolescent and adult AFDC recipients who request them. In addition, broader efforts under the Surgeon General's auspices, such as increasing the outreach efforts of family planning services agencies, enhancing counseling services provided by those agencies, and increasing the accessibility both in location and hours of operation, of those agencies to teenagers through school-based and school-linked services could be utilized. Also, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens.

what does that mean? should be an option.

Finally, school accountability would contribute to building the future of these youth. Demonstrations could hold schools accountable for "tracking" at risk youth and drop-outs and for supporting them in mainstream educational opportunities or providing them with good training or education alternatives.

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Other steps to promote responsibility include:

Option: Convene a highly publicized Presidential-level conference could address the promotion of responsible behavior in the media industry and the effects of the media on youth.

Option: Conduct a national campaign that utilizes the media/entertainment industry.

Its goals would be to promote messages about responsible sexual behavior, staying in school, and avoiding the use of drugs and alcohol. Sensitive and responsible television advertising for contraception would be encouraged.

Option: Require that minor mothers live in their parents household and include parental income in determining eligibility for benefits except in exceptional circumstances or calculate a teen parent's AFDC benefits based on their parents' ability to contribute to their support.

Option: Support demonstrations that make case heads accountable for their family members' participation in education and training activities (e.g., attend and finish high school or benefit level will be reduced).

Option: Allow states the option to limit additional benefits for additional children born while on welfare.

In determining this limit, if the mothers child support award or earnings offset the reduction in AFDC, the family will not be penalized.

Option: Support challenge grants to States for innovative ways to reward and require responsible behavior.

Option: Provide programs of adults volunteering to work with disadvantaged children one-on-one, such as Big Brothers/Sisters and mentoring programs tied to colleges and business, a White House spotlight and document successful innovation in recruiting and training volunteers and reaching disadvantaged children.

Option: Provide support, such as planning, organizing, and coordination funds, to non-profit community-based organizations (e.g. churches, PTAs, and boys and girls scouts) that foster responsible behavior and prepare youth for the opportunities awaiting them.

Option: Recruit and train older recipients who went on welfare as teen mothers to serve as counselors as part of their community service assignment.

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jbs

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Advance Payment of the EITC
 - 2. Ensuring that Work is Always Better than Welfare
 - 3. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened over time, as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents savings for the future with a meager limit on assets. Moreover, working poor families are often without adequate medical protection and face sizable day care costs. Many parents choose welfare to insure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, to reduce both poverty and welfare, then work must pay.

STRATEGY -- There are three elements to making work pay: working family tax credits (EITC), health reform, and child care. The President has already launched the first two of these: (1) A dramatic expansion in the Earned Income Tax Credit (EITC) was already passed in the last budget. When fully implemented it will have the effect of making a \$4.25 job pay nearly \$6.00 per hour for a parent with two or more children. This very nearly ensures that a family of 4 with a full time worker will no longer be poor. However, we must find better ways to deliver the EITC on a timely basis throughout the year; (2) Ensuring that all Americans can count on health insurance coverage is essential. We hope and expect the Health Security Act to be passed next year independent of this effort.

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

CHILD CARE FOR WORKING FAMILIES

The federal government currently subsidizes child care through a number of different programs. Each of the programs has different eligibility rules and regulations, making for an extremely complicated system that is hard for both providers and recipients to navigate. Programs include the dependent care tax credit, child care deductions through flexible spending accounts, an entitlement to child care for AFDC recipients (title IV-A), transitional child care (TCC) (also an entitlement) for people who have left welfare for work in the past year, a third entitlement (capped at \$300 million) for those the state determines to be at-risk of AFDC receipt (At-risk), the Child Care and Development Block Grant (CCDBG), and the Social Services Block Grant (SSBG).

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Clearly, the goal is to create a more consolidated and simplified system and to increase funding so that low income working families have access to the care they need. Given the current structure of programs, it makes the most sense to divide the populations needing child care into two groups: those who are working or training in preparation for work while collecting cash assistance, and the working poor who are not collecting AFDC cash assistance (or its successor). If we fail to help those people who are not on AFDC, it will be impossible to ensure that working people avoid poverty and that people are able to leave welfare for work. If we fail to provide child care coverage for those on AFDC, we cannot realistically expect parents to work or train for employment. In addition, we need additional resources to expand supply and to improve quality. The options for providing child care are as follows:

Option 1: Consolidate and expand existing programs

The plan would consolidate the existing entitlement programs into two programs and expand the CCDBG block grant.

Maintain IV-A child care. The existing entitlement of child care (IV-A) for persons on AFDC would remain largely unchanged, though somewhat simplified, to ensure recipients getting transitional assistance or in work slots have access to child care.

Consolidated and Expanded At-Risk Program. The other existing entitlements--TCC and At-Risk--would be folded into an expanded program of child care for at-risk working families. Key provisions would include:

- Any family with incomes low enough to be eligible for food stamps would be deemed at-risk and could qualify, i.e. families below 130 percent of the poverty level could be served.
- Priority would be given to families with pre-school children
- States would be expected to ensure seamless coverage for persons who leave welfare for work.
- States would share in the cost, with a match rate equal to the new reduced JOBS match rate (discussed elsewhere in this paper). States could count as match funds other monies spent to provide child care to low-income families.
- Care would have to meet standards set by state law, and if exempt from state regulation, would have to meet minimum health and safety standards of the sort now required for care funded under the block grant.
- States would set maximum rates and co-payment (sliding fee scale) requirements which would be the same for all categories of users.
- Benefits would be limited to families where all adult caretakers are either working or are disabled or are unable to care for children for other reasons.

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Since the at-risk child care program would be created by combining a capped and uncapped entitlement, a major question is whether to cap the combined program, and if so at what level.

Child Care and Social Services Block Grants. CCDBG funding would be gradually increased from its current level of about \$900 million. States would continue to have considerable flexibility in using this grant for services and also for quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of state median income (current law). States could continue to use the SSBG for child care, but would be required to use the same rules for all subsidized child care.

Quality enhancements that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

Option 2: Comprehensive Child Care Entitlement

Combine the existing entitlement programs into a comprehensive child care program for all low-income working families and AFDC recipients. Rules could be similar to those suggested for the at-risk program in option 1, or a more uniform set of eligibility and payment rules could be mandated federally. The program would be administered by the state. The existing CCDBG money (which is not an entitlement) would remain with a clearer focus on expanding supply and quality.

Option 3: Make Dependent Care Tax Credit Refundable

This could be done separately or combined with another option. The current credit of up to 30 percent of child care costs is not of use to low income families because it can only be used to offset taxes which low income families rarely owe. Making it refundable would ensure that all families would benefit from the credit.

OTHER SUPPORT FOR WORKING FAMILIES

Two other policies need to be addressed to adequately encourage work and support the working poor: advance payment of the EITC, and ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

Advance Payment of the EITC

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

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- Adopt Treasury's ideas for expanded use of employer-based advance payments, the most important of which is to send W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS
- Joint administration of food stamps and EITC to working families using existing state food stamp administration, utilizing EBT technology whenever possible.

Ensuring that Work is Always Better than Welfare

The combination of the EITC, health reform and child care will largely ensure that people with fewer than 2 children can avoid poverty with a full-year full-time worker. But full-time work may not always be feasible, especially for mothers with young or troubled children. Only 1/3 of married mothers work full-year full-time. And for larger families welfare in many states may still pay better than work. We must ensure that families where someone is working at least half-time are better off than families who are receiving welfare where no one is working. There are three options for achieving that goal:

Tavor

^{NO}
Option 1: Allow (or require) states to supplement the EITC or food stamps for working families when work pays less than welfare.

Mandate on high benefit states

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

Require to convert to state EITC

^{NO}
Option 2: Allow (or require) states to continue to provide some AFDC/cash assistance to working families, even if they have been on aid for more than 2 years.

One straightforward way to ensure that part-time work is better than welfare is to allow or (require) states to continue to provide some cash aid to part-time workers who have exhausted transitional aid. One could also simplify the existing earnings disregards in the AFDC program. One could also not count months towards a time limit if the adults were working at least part-time.

NO

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

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

NO!!

Demonstrations CSA

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

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- **Work Support Offices.** A separate office would be set up offering support specifically for working families. At these offices working families would get access to food stamps, child care, advance EITC, and possibly health insurance discounts.
- **Temporary Unemployment Support.** Because low-paying jobs are often short-lived, low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid. Revise the current UI system to make it easier for low-income working families with children to qualify for unemployment.
- **Reform the current AFDC emergency assistance program, as in Utah, to provide temporary economic assistance to families.**

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(10)

ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. GUARANTEERING SOME LEVEL OF CHILD SUPPORT

NO

C. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED -- In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single parent home. The evidence is clear that children benefit from interaction with two parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

The problem is primarily threefold: First, for many children born out of wedlock, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, when awards are established, they are often too low, are not indexed to inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. Fully 42% of the potential gap can be traced to awards that were either set very low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases. The remaining 21 percent in the potential collection gap is due to failure to collect on awards in place.

STRATEGY -- There are three key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made universal and done as soon as possible immediately after the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries of collections and disbursements which can be coordinated with other States, and enhanced tools will be available for federal and state enforcement. The second major element entails guaranteeing some level of child support. For child support to serve its purpose, custodial parents must be able to depend upon receiving a certain amount of support each month. Because collections are sporadic, some mechanism must be devised to that some regular payment is made. Thirdly, noncustodial parents must be provided with increased services and opportunities to facilitate the payment of child support obligations and arrearages.

NO.

NO

If necessary

required to pay CS, and offered -

NO!

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CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- States expected to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Performance standards with incentive payments and penalties. State performance based on all cases where children are born to an unmarried mother.
- *Patetic* Outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Expand and simplify voluntary acknowledgement procedures.
- Streamlined process for contested cases.
- Clearer, stricter cooperation requirements would be imposed to require parents to provide both the name of the putative father and verifying information so that the father could be located and served the papers necessary to commence the paternity action.

The major options in this area relate to the role that government programs should play in encouraging or forcing mothers to cooperate:

Option 1: Means-tested benefits denied to persons who have not met cooperation requirements.

Option 2: Other public benefits such as personal exemption, dependent care tax credit, EITC, etc. denied when cooperation requirement is not met.

Option 3: Cases where paternity is established get bonus of \$50 more per month in AFDC payments.

Option 4: States which fail to establish paternity in a reasonable period in cases where the mother has cooperated fully receive reduced federal match on benefits paid. States responsible for the first \$100 in monthly benefits without federal match.

Appropriate Payment Levels

- National Guidelines Commission would be established to explore the variation in state guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across states.
- Universal, periodic updating of awards. Awards updated periodically for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revised payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Central State registry and clearinghouse in all States. All States will maintain a State staff in conjunction with a central registry and centralized collection and disbursement capability. The State staff will monitor support payments to ensure that the support is being paid and will be able to impose certain enforcement remedies at the State level administratively. Higher federal match rate to implement new technologies.

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- Federal Child Support Enforcement Clearinghouse will be created for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various federal and state databases including IRS, Social Security, Unemployment Insurance, etc.
- Routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders result in immediate wage withholding via the state.
- Elimination of any welfare/non-welfare distinctions in service and broader, more universal provision of services.
- Increased tools for federal and state enforcement, including more routine wage withholding, suspension of driver's and professional licenses, credit bureau reporting.
- IV-D administrative power to take many enforcement actions.
- Simplified procedures for interstate collection.
- New funding formula and emphasis on performance based incentives.

NOT A SEPARATE SECTION
NO

GUARANTEEING SOME LEVEL OF CHILD SUPPORT

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, many cases will remain when the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single-parent families should be guaranteed some level of child support even when the State fails to collect it. The problem is especially acute for women who are not on AFDC and trying to make ends meet with a combination of work and child support.

STACKED ARGUMENT

Some form of advance or guaranteed payment would change the incentives for a mother to get an award in place; it would focus attention on the absent father as a source of support and it would change the incentives for work. Unlike traditional welfare, it encourages work because it allows single parents to combine earnings with the child support payment without penalty.

Options under consideration include the following:

The President has never endorsed guaranteed child support, and there is considerable division within the working group about its merits.

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

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

Option 2: A national system of child support assurance. Guaranteed minimum payments for all custodial parents with awards in place.

Minimum payments might exceed actual award, with government paying the difference between collections and the minimum assured benefit. Guaranteed payments might be tied to work or participation in a training program by the noncustodial parent. Typical benefits could

Joke

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be \$2500 for the first child and \$500 for each additional child. Benefits would be deducted entirely or in part against AFDC payments for those on AFDC.

Option 3: State demonstrations ^{only} ~~of child support assurance as described in option 2~~

NO

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

ok - so expect work

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

- Block grants to states for access- and visitation-related programs; including mediation (both voluntary and mandatory), counseling, education and enforcement.
- A National Commission on Access and Visitation will be created.
- A portion of JOBS program funding would be reserved for education and training programs for noncustodial parents.
- Targeted Jobs Tax Credit (TJTC) made available to fathers with children receiving food stamps.
- Experimentation with a variety of programs whereby men who participate in employment or training activities do not build up arrearages while they participate.
- Significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.

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REINVENT GOVERNMENT ASSISTANCE

- A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. OTHER REINVENTION STRATEGIES

NEED -- The current welfare system is enormously complex. There are many different programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, increases administrative cost, confuses caseworkers, and leads to program errors and inefficiencies. We have created perverse incentives whereby single parent families get support, and two-parent families are ineligible. Partially as a result of this complexity, the administrative system now largely focuses on meeting every detailed federal requirement and calculating checks quite precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Simplifying and rationalizing the system will be a major challenge. Clearer federal goals with greater state flexibility are also critical. Finally, a central federal role in information systems and interstate coordination would both reduce waste and fraud and also improve services.

RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. There are two basic options for reform:

Option 1: Simplify and Coordinate Rules in Existing Programs

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

- Simplify asset rules and liberalize AFDC rules to be in conformity with food stamps.
- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.
- Thorough review of existing assistance programs to reduce rules, regulations, and reporting requirements to a minimum.
- Eliminate 100-hour rule and quarters-of-work rule in AFDC which exclude many two-parent families.
- Base eligibility for new or expanded programs, such as child care for working families, on existing program rules such as food stamps.
- Enhanced use of Electronic Benefit Transfer (EBT) mechanisms for Food Stamps, EITC and other benefits with most cash and food aid provided through a single card.

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- Change housing subsidy to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job.
- Coordinate tax and benefit systems by making all or a portion of benefits (including AFDC, food stamps, housing, child support assurance and SSI) taxable for families with incomes above the federal tax threshold, just as earnings and other forms of income are taxed. Increase standard deduction for heads of household.

Option 2: Replace Existing AFDC System with a Training and Transitional Assistance Program Linked Closely with Food Stamp Eligibility Rules. Strive to bring other aid programs into conformity.

Probably the hardest problem to solve is the fact that AFDC and Food Stamps use very different filing units. AFDC is a program focused on supporting children "deprived of parental support" so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, it excludes disabled persons with SSI or SSDI income from the unit, etc. Food stamps by contrast, instead defines a filing unit as all people in the household who use shared cooking facilities.

This option includes:

- A new training and transitional assistance program to replace AFDC for all able-bodied recipients.
- A common set of definitions of filing units, asset rules, income definitions, and other rules for food stamps and cash aid. Most definitions would conform to current food stamp definitions. States would set benefit levels and disregards.
- States would be required to calculate need in the state according to a standard procedure and decide what fraction of need would be met.
- Encourage other low income programs to standardize around the coordinated income and eligibility rules used in food stamps and training and transitional assistance program.
- Other improvements from option 1 which still apply including EBT, simplified rules, adopting of key APWA simplification ideas, and taxation of benefits.

OTHER REINVENTION STRATEGIES

Any plan needs to set clearer objectives for aid policy, measure performance based on those goals, and then give states and localities the flexibility and resources they need to achieve them. Thus we anticipate:

- Clearer performance standards and measures focused on outcomes as much as possible.
- Increased State Flexibility with Stronger Federal Role in Evaluation and Technical Assistance.
- Enhanced interagency waiver authority through Community Enterprise Board.
- Reduce Waste and Fraud and Offer Better Service With the Use of Technology.

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PROMOTE SELF-SUFFICIENCY

- A. ENHANCED FUNDING FOR JOBS
- B. FOCUS ON ASSISTING RECIPIENTS FIND EMPLOYMENT
- C. IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING AND SELF-EMPLOYMENT OPPORTUNITIES

NEED - The Family Support Act set forth a bold new vision for the social welfare system. AFDC would be a transitional support program and the focus would shift from unlimited cash support to a system geared toward helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Many states have been unable to draw down their entire allocation for JOBS because they cannot find the money for the state match. In 1991, actual State spending totaled only 55 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program - the program designed to move recipients into training and employment -- is just 7 percent of the caseload nationally.

Another part of the problem involves a lack of effective coordination among the myriad of programs run by both state and federal departments of education, labor and welfare. Information about the full array of services that people are entitled to is rarely available. And programs from different agencies often have conflicting goals and eligibility rules and requirements.

Yet another part of the problem involves the culture of welfare offices. Despite the progress achieved since the Family Support Act, the AFDC program is still basically a check-writing operation. As long as the focus of public aid remains writing checks rather than moving people toward pay checks in the private sector, most of the administrative costs and energy of the program will be dissipated in verification and bureaucracy.

STRATEGY - The strategy is threefold: First, a substantial increase in JOBS funding is needed if we really expect recipients to be job-ready and to be employed in the private sector. Increased funding would also permit States to increase their overall levels of participation in JOBS. Second, the focus of welfare administration needs to shift from eligibility determination and benefit distribution to helping recipients find employment and become self-sufficient. More resources need to go to finding jobs, and less to managing eligibility rules. Finally, access to mainstream education, training and self-employment opportunities must be improved for welfare recipients.

ENHANCED FUNDING FOR JOBS

If States are to increase their overall levels of participation in JOBS, additional funding is crucial. States currently receive Federal matching funds for JOBS expenditures up to an amount allocated to them under a national capped entitlement. The cap was established at \$600 million for FY 1989, increases to \$1.3 billion for FY 1995, and decreases to \$1 billion for FY 1996 and beyond. The cap needs to be increased. States are also currently required to expend State funds in order to receive the

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Federal matching funds. It is also necessary to increase the Federal matching rates. In addition, Federal match rates for JOBS would increase even further if a State's unemployment rate exceeds a specified target.

With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload is required to participate in JOBS. Higher participation standards would be phased in, along with reductions in the number of exemptions and an overall limit on the number and duration of extensions and exemptions.

Nearly everyone ought to be expected to immediately engage in some activity to promote their movement to independence. Most new applicants would be required to engage in supervised job search from the date of application for benefits. Rules for what constitutes active participation need to be revised. The definition of "participation" should be broadened to include substance abuse treatment, and possibly other activities such as parenting/life skills classes, domestic violence counseling, etc. Flexibility for States should be increased in the operation of the JOBS program, i.e., relaxing the requirement that work supplementation jobs be new jobs, extending the limit on participation in job search (currently limited to eight consecutive weeks).

FOCUS ON ASSISTING RECIPIENTS FIND EMPLOYMENT

To assist recipients to find employment, the focus of the welfare bureaucracy must change. Quality control and audits must be based on participation rates and performance standards. Performance standards should be geared toward measures such as long-term job placements, rather than errors in eligibility determinations, and outcomes rather than process standards. The whole system needs to change based on a philosophy of mutual obligation: the Government provides--through the reformed welfare/work support system--the necessary opportunities, support services and incentives to allow individuals to move toward self sufficiency, and the recipient agrees to accept responsibility for working toward that end. Sanctions would be imposed for persons who fail to meet JOBS rules (as under current law) or the terms of the "contract" they enter into with the State. Sanctions would gradually increase in severity, and be curable upon compliance, with some additional State flexibility. Likewise, a State would be prohibited from imposing time limits on a participants if it failed to provide the opportunities, services or incentives it agreed to in the contract with the participant.

- Expand the Federal government's role in evaluation and technical assistance to take a leadership role in state-of-the-art evaluation of effective practices, and in assisting states to redesign their intake processes to emphasize employment rather than eligibility. Fund such activities by a 1 percent tap on Federal JOBS funds.
- Permit demonstrations of State initiatives that would promote microenterprise development, and re-design program rules to encourage saving and asset accumulation for future schooling, home buying or small business start-up.
- Permit States to provide JOBS opportunities to noncustodial parents.

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- Require all applicants to sign a "social contract" specifying the responsibilities of both the State agency and the recipient.

**IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING, AND
SELF-EMPLOYMENT OPPORTUNITIES**

- Ensure that AFDC recipients have access to and information about the broad array of existing training and education options.
- Permit States to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) into the JOBS program and to implement "one-stop shopping" education and training models.

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TIME-LIMIT ASSISTANCE AND FOLLOW WITH WORK

A. TIME-LIMITED ASSISTANCE

B. WORK

1. Economic Development
2. Work Opportunities

NEED – Two out of every three persons who enter the welfare system leave within two years. Fewer than one in five remains on welfare for more than five consecutive years. For most persons who receive AFDC, the program serves as temporary assistance, supporting them until they regain their footing.

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

The welfare system at present does not focus on helping recipients achieve self-sufficiency through access to education, training and job placement services. Its core task is determining who qualifies for welfare and dispensing checks to those persons.

STRATEGY – The welfare system would be revamped into two distinct components, a transitional assistance program focused on helping recipients move into private sector jobs and a post-transitional work program making work opportunities available to recipients who reach the two-year time limit for transitional assistance.

Making work pay, dramatically improving child support enforcement and improving access to training, education and job placement services should maximize the number of recipients leaving welfare within two years. Most of the people on welfare want to work, and these reforms will give recipients a better chance to find employment and ensure that it makes economic sense to take a job.

Some employable persons will, however, reach their time limits without finding private sector jobs, despite having successfully followed their case plans. A recipient who cannot find employment by the end of the time frame would **(NOT)** be denied support from the government, but the support would be in the form of work, rather than cash assistance. Individuals who reached the time limit would be assigned to work activities, including subsidized jobs with private sector employers and community service activities, for which they would receive wages, rather than a welfare check.

TIME-LIMITED ASSISTANCE

The time limit is not primarily a strategy to save money, but rather part of the comprehensive effort to shift the focus of the welfare system from disbursing funds to promoting work and self-sufficiency.

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The time limit gives both recipient and case manager a structure that encourages steady progress toward fulfilling the objectives in the case plan and obtaining employment.

Upon entry into the welfare system, each person, in conjunction with the case manager, would design an individualized plan with obtaining lasting employment as the explicit goal. The individualized case plan would include the services to be provided by the State agency and a time frame for achieving self-sufficiency. This time frame would vary depending on the skills and the circumstances of the recipient, but would not exceed two years in most cases.

Sounds like the limit is at Bureau's discretion

In devising the case plan, including the time frame, the caseworker would consider the unique circumstances that confront individuals such as a disabled child, personal illness, or a severe educational deficiency. The case plan could be adjusted in response to changes in a family's situation.

Unit #

There are persons on welfare who face barriers to employment so significant that achieving self-sufficiency is not a realistic or attainable goal, at least for the present. The case plan would accordingly be designed to, for example, improve the health status of the family, including both adults and children, or stabilize the family's housing situation.

Most recipients would be doing something, either to enhance employability or otherwise improve their situation, from their first day on welfare. States would be permitted to grant extensions of the time limit for completion of high school, a GED program or other education or training program expected to lead directly to employment. The number of extensions would be limited to a fixed percentage of the caseload. In addition, we would propose the following provisions concerning time limits:

Consider

- Allow recipients who have left the rolls to earn additional months of assistance for months working and/or not on assistance.
- Recipients would be required to participate in job search during the period (45-90 days) immediately preceding the end of the time limit.
- At State option, months in which a recipient worked an average of 20 hours per week (more at State option), reported over \$400 in earnings, or was on a waiting list for the JOBS program would not be counted against the time limit.

WORK

The transitional assistance program is intended to move recipients into private sector employment. However, there will be employable persons who reach their time limits without finding private sector jobs. The post-transitional work program will make available to these recipients work opportunities that will facilitate movement into private sector employment.

In many localities, however, recipients will not be able to move into private sector employment due to a shortage of private sector jobs. It will be necessary to not only provide work opportunities that continue the process of movement into unsubsidized private sector employment, but also to focus on developing private sector jobs into which recipients can move.

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Economic Development

There is a need, particularly in distressed communities, to invest in economic activities that create jobs. Increasing capital investment can expand the sustainable private employment opportunities for the caretakers of the children who are currently on welfare. This investment program would help to catalyze social services resources for economic development benefitting welfare mothers.

- ♦ Integrate the public sector work program with other Administration economic development initiatives, including empowerment zones and microenterprise loan programs.
- Create a special equity fund to invest in businesses, Community Development Corporations, non-profits and other entities which hire the parents of children on welfare (this would include both welfare recipients and noncustodial parents of children on welfare.)

Work Opportunities

States would be required to involve the private sector and community organizations in the post-transitional work program by, for example, establishing a joint public/private governing board to oversee operations and/or tapping local Private Industry Councils to help identify and develop unsubsidized private sector jobs.

- Encourage States to enter into performance-based contracts with nonprofits or private firms to place recipients who reach the time limit into unsubsidized private sector positions.
- Provide financial incentives for States to place program participants into lasting unsubsidized private sector employment.
- If an individual refused an offer of a full- or part-time unsubsidized private sector job without good cause, benefits for at least the next six months would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job. = w/f W. Tougher
- Persons in the post-transitional work program would be required to engage in job search either concurrently or periodically (i.e., one week every three months, or for a fixed period after completing a work assignment).

We are considering two options for the structure of the post-transitional work program:

Option 1: Work for Wages

- All work assignments would pay the minimum wage (higher at State option). States would be mandated to supplement these earnings with AFDC benefits if wages from the work assignment were not equal to the AFDC benefit for a family of that size (in order to avoid penalizing families who are fulfilling their work requirement).
- Each work assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (140 hours per month). The required number of hours would be set by the State.

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- States which choose to determine the required number of hours by dividing the AFDC grant by the minimum wage would have the option of deducting child support ^{owed} from the AFDC grant for purposes of this calculation. *collected*
- Wages would be paid for hours worked. Not working the required number of hours would result in a corresponding reduction in wages and no change in benefits (i.e., benefits would not rise to offset the fall in work program earnings). *what?*

Total Federal funding for the post-transitional program would be capped and distributed to States by formula. The cap could be increased if unemployment rose significantly above a target level.

States, and by extension localities, would be granted considerable flexibility in the operation of their post-transitional programs. Given that a State is able to provide at least the number of work assignments that would be generated by spending all its post-transitional funds on public sector employment (PSE) positions, it would be permitted to employ post-transitional program dollars to contract with nonprofits to provide work assignments, subsidize private sector jobs, provide employers with other incentives to hire welfare recipients or encourage micro-enterprise efforts.

If the number of recipients subject to the work requirement is greater than the number of positions available, the local entity operating the post-transitional program would maintain a waiting list. Positions would be allocated on a first-come, first-serve basis or according to need.

- Recipients on the waiting list would be ^{required} permitted to do community service work, for example, volunteering in a library, child care center or community organization, for at least 20 hours per week in fulfillment of the work requirement.

States would be required to absorb a greater share of the cost of cash assistance for those on the waiting list. The AFDC benefit level could be reduced in high-benefit States or for recipients who are receiving AFDC, Food Stamps and housing assistance. Only AFDC benefits, however, could be reduced, and the safety net could not fall below 60 percent of poverty. *what?*

Post-transitional work program positions would be treated as private sector employment with respect to Worker's Compensation, FICA and other Federal assistance programs. Earnings from post-transitional program positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

There would be an 18-month time limit on participation in work assignments. Recipients reaching this post-transitional time limit would be placed on the waiting list for work assignment positions and would be required to perform community service for 20 hours per week in order to receive benefits (not wages). States would, as described above, receive a reduced match rate for recipients on the waiting list. Also as above, States would be able to reduce benefits for recipients on the waiting list.

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Option 2: Work for Welfare (CWEP)

Recipients who reach the time limit for transitional assistance would be required to participate in a community work experience program (CWEP) operated by the State IV-A agency in order to continue receiving benefits. The check received by CWEP recipients would be treated as benefits rather than earnings for any and all purposes.

Required hours of work for participants in the CWEP program would be calculated by dividing the AFDC grant by the minimum wage, up to a maximum of 35 hours per week. At State option, child support owed, as under Option 1, could be deducted from the AFDC grant for the purpose of this calculation.

Under this option, there would be no time limit on participation in the post-transitional work program.

Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program, a reduction in the AFDC grant, not a reduction in wages. A person working no hours under Option One, Work for Wages, would not be paid for that month, a penalty equal to the required number of monthly hours times the minimum wage. Under Option Two, Work for Welfare, the recipient's needs would not be considered in the calculation of the AFDC grant.

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CONCLUSION

This welfare reform plan fundamentally changes the current system of welfare. It replaces an irretrievably flawed system with a coherent set of policies that will significantly improve the lives of millions of poor children and their families in ways that reaffirm and support basic values concerning work, family, opportunity and responsibility.

Each of the plan's six elements addresses different dimensions of the separate but related problems of poverty, welfare dependency and a flawed system of welfare programs and policies; taken together they offer a vision for a dramatically different future.

First, this plan reverses the trend of thinking about welfare reform solely in terms of getting people off welfare. We cannot afford to continue to ignore the need for prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus the plan calls for increasing resources directed at preventing teen pregnancy and out of wedlock childbearing more generally as well as promoting the work of mentors, role models and community institutions to work with at-risk youth. *not just getting off, but keeping off in 1st place. Parent resp.*

Second, this plan will significantly improve the lives of impoverished children and reinforce the value work by insuring that working people are not poor. The current patchwork system of child care assistance programs, all with different eligibility rules and regulations, would be streamlined and, in some cases, consolidated. Increased resources would be available for subsidies and investments in the quality of child care. These child care changes would benefit those receiving assistance while in training or education as well as low-income working families. The EITC will be delivered on a timely basis. And health reform will reduce perhaps the greatest source of insecurity facing the working poor.

Third, the plan supports children and reinforces the value of parental responsibility through the realization of universal paternity establishment, improved administration of child support awards, and tougher child support enforcement. More resources will also be directed towards providing training and other support to noncustodial parents so that they are better prepared to meet their child support obligations.

Fourth, we intend to reinvent public assistance. Simplifying and streamlining the myriad of rules, regulations and requirements across assistance programs will significantly enhance the ability of agency staff to refocus their efforts on moving people off welfare. The welfare office will assume a new mission, serving as an effective link between clients in need and education, training, and employment resources in the community.

Fifth, increasing numbers of welfare recipients will be allowed and expected to participate in activities leading to employment. Further, welfare cannot be an indefinite experience. Expanded education and training services will be made available to recipients for two years.

Finally, welfare really will be converted into a time limited cash assistance program. After benefits have been exhausted, most would have found private sector jobs. But for those who have not, support would come in the form of community service work, paid at the minimum wage, not welfare.

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Taken together, the major elements of the plan provide for more equitable policies that reinforce basic values. Differences in the way we treat single parent families versus two parent families, welfare families versus working families will be vastly reduced. The plan places a premium on parental responsibility and deepens our commitment to assist parents in meeting those responsibilities. In so doing, it provides a genuine end to welfare as it now exists.