

WR-Plans
-October

October 15, 1993

NOTE TO: Group

FROM: Ann McC

Copies of six draft hypothetical proposals are attached. The key is:

- A Mary Jo
- B Howard
- C Jeremy
- D David
- E Wendell
- F Bruce/Kathi/Belle

Other documents are included in this package. I've included a list of the Issue Group products by group so you can be sure you received a full set of materials. The titles on the list that are highlighted in bold are included in this package. They include:

- o Child Care and Welfare Reform - Challenges and Choices,
- o the Hypothetical Child Support Enforcement and Assurance Proposal,
- o Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research,
- o Issues in the Administration of Welfare Reform Work Sites, and
- o the Prevention Options paper.

Also attached is a comparison of the 9/13/93 and 8/93 House Republican welfare reform proposals.

10/15/93

HYPOTHETICAL DRAFT WELFARE REFORM: QUASI-MINIMALIST PLAN

The crucial difference between this plan and the minimal legislative plan I discussed last time is the insight (from California) that even though the JOBS legislation is very good for what it is, it has not brought about a cultural change in the welfare system because the basic eligibility culture has not changed. The essence of this plan, therefore, is to change the system so that there is no longer a welfare system, only a JOBS system. Another goal is to dramatically simplify eligibility determination so that resources can be devoted to the JOBS program.

The system would encompass five programs: Food Stamps, JOBS I, JOBS II, Working Family Support and AFDC (during a transition period). (Sounds simple, right?) Eventually no one would get an AFDC benefit, but instead would get Food Stamps, JOBS benefits, or Working Family support.

Food Stamps eligibility becomes the basic eligibility framework for the system. It basically follows the current income eligibility guidelines and exemption policies, which mean that nearly everyone with income below and slightly above the poverty line is eligible. The eligibility determination for food stamps is the only determination done, and is the only process audited under the now standard QC procedures that focus on eligibility and benefit levels. Food Stamps should probably have a work or job search requirement for people (mostly singles and childless couples) who are not participating in one of the programs described below.

Working Family Support

Anyone who is eligible for Food Stamps, has children and is working is automatically eligible for Working Family Support. (We could specify a certain number of hours to be eligible, or could offer the program as a choice to anyone.) States would be encouraged to administer WFS outside the welfare system, perhaps through their employment services, or at least to have it an identifiable separate track within the welfare system. The Working Family Support Program gives you a regular payment of the EITC and Food Stamps. The benefit would be easily available, perhaps combined in a EBT payment. Participants in the WFS program with a child support order in place would be eligible for guaranteed child support set at about the levels in Wendell's plan.

Sounds expensive, but maybe it's just accounting

NO

WFS participation automatically carries eligibility for Head Start and for subsidized day care. If health care reform hasn't

are with a system

yet happened, participation in the WFS program automatically carries Medicaid eligibility. Participation in the WFS program also carries with it eligibility for a kind of unemployment benefit, probably set at the state's JOBS benefit level (see below) that is available for short periods of time between jobs. I haven't decided yet if I think states should be required or permitted to supplement the WFS benefit package with additional cash. I think not; but perhaps we could design incentives for currently high benefit states to establish state EITCs.

JOBS I

JOBS becomes a program that pays benefits as well as provides services, replacing the AFDC program completely over a period of time. States set the income eligibility level for the JOBS benefits at some percentage of the Food Stamps level, using basically Food Stamps rules with some flexibility about earnings disregards in calculating benefits, so that income eligibility is easily calculated and audited. Participants receive JOBS benefits, after a brief grace period (at state option) only if they are participating in some activity for some specified (perhaps graduated) number of hours per week. Permitted activities are an expanded version of the current list. CWEP becomes a more easily used JOBS activity. Participants can receive JOBS benefits for work-preparation activities, as opposed to work, for only two years, with some exceptions for people with special educational or English-language needs.

(How is this diff. from current elig. tests? (Assets?))

similar to ours

QC and audits for the JOBS program focus on activities, progress and placements rather than on income eligibility, which is audited through the FS QC process. Target group requirements are removed. Participation standards are replaced by a 100 percent participation expectation, with minimal exemptions, which is monitored through the revised QC program.

States are required to have an entry process into JOBS that focuses on work preparation planning rather than income eligibility. The feds (in consultation with the states, of course) would design a standard intake form and procedure which states would be required to use unless they designed an acceptable substitute. (With income eligibility based on the FS rules, it should be much easier to design standard intake procedures.)

Phase-in is accomplished by allowing states to continue to have some portion of their caseload in AFDC rather than JOBS for a period of several years. After a certain date (1996?), the feds would no longer reimburse for AFDC payments, only for JOBS payments; if states chose to continue AFDC it would be at state expense. States could be required (with the penalty being the loss of federal match) to enroll all members of certain groups, like teen parents, in the JOBS program immediately. States would be encouraged to make the transition from AFDC to 100 percent JOBS by cohort and by geography, so as to have saturation

programs quickly.

The JOBS program should be available to all families with children; at state option immediately and then phased in over time, non-custodial parents would also be eligible for JOBS. Federal match for JOBS benefits stays at the MAP rate; for JOBS services at new higher rates. | ?

JOBS II

As the AFDC program phases out and JOBS I is fully established, JOBS II phases in. Under JOBS I, participants who have used up two years of work preparation activity continue receiving JOBS benefits, with their required activity being a combination of CWEP, unsubsidized employment and job search. Non-cooperation in JOBS I carries sanctions, probably similar to those in place currently. JOBS II replaces the post-transition CWEP option with a work for wages guaranteed job. States must establish jobs that provide 20 hours work at the minimum wage; they may require or permit up to 40. Non-participation brings a loss of wages, not a benefit reduction. The requirement for establishing JOBS II programs phases in, so that there is time to invest in and monitor how effective JOBS I is being in moving people into work. JOBS II is designed to be less attractive than WFS. JOBS II workers are not eligible for EITC, and have more reporting and periodic job search requirements. | similar

Day care

Day care is provided for participants in the WFS program through a combination of disregards, TCC and CCDBG child care. A disregard amount could be added to the EITC. The most feasible option for actually subsidizing care is probably to fold the At-risk child care stream into TCC and use that stream for the first two years of participation in the WFS program, whether you come into the program from JOBS or or simply by being Food Stamp eligible. After two years, care should be funded through CCDBG, which is also available at state discretion for families with incomes above the Food Stamp level. Even better would be to make the TCC entitlement to child care available to everybody in the WFS program.

The federal match rate for TCC should be raised at least to the MAP rate (or is it there now?) and even better to the new JOBS services match rate. It is possible that we should allow states to use CCDBG money as the state match for TCC. States should be forbidden from using CCDBG funds for JOBS participants. Rules for all the programs should be made consistent, to get as close as we can to continuity of care. Some quality initiatives should be built into CCDBG; funds for R and R, training etc provided through CCDBG should be available to all day care providers.

Day care for JOBS participants should be funded through the current IV-A JOBS day care stream, with new match rates at the

JOBS services level. JOBS child care should follow the same rules as CCDBG child care.

Welfare Reform as Jobs

The only way that welfare reform can succeed is if participants and administrators accept the principle that AFDC is available only to those who are unable to find alternative sources of support, primarily private employment. Although altering economic incentives is important, the critical element is that, with very limited exceptions, transitional AFDC and post-transitional jobs must only be available to those who cannot obtain private sector jobs. Given limited funding, administrative resources must be focused on the task of ensuring that neither AFDC nor residual jobs become a legitimate economic alternative. Excess expenditures and attention focused on activities not directly related to this task, e.g., skills upgrading, AFDC/Food Stamp consistency, are not only potentially costly, but suggest that the transitional nature of welfare has not been accepted. Tinkering with consistency, equity and economic incentives means accepting that welfare is a way of supporting oneself indefinitely, not a temporary situation. Acceptance of this aspect of the status quo will result in the incentive problems currently in AFDC being shifted to post-transitional jobs, i.e., am I better off in a post-transitional or a private sector job? The end result will be a "reform" whose costs and administrative focus are driven by the effort to provide post-transitional employment rather than supporting individuals in private sector jobs.

I. Making Work Pay

- A. Generally would follow other approaches suggested to make the EITC partially available on an advanced basis, especially David's idea of an EITC/FS card /ok
 - B. An assured child support benefit (if budgetarily possible) \$1,200 for first child, \$600 thereafter to a maximum of \$2,400 -- reduces AFDC dollar-for-dollar -- available only with a support order /no
 - C. Child Care -- replace CCDBG, TCC, and ARCC with an open-ended, individual entitlement at the FMAP plus ten percentage points -- benefits would be based on a sliding fee scale with full subsidy for families with up to \$8,000 annual income and benefits phased out at \$20,000 income -- benefits might be more limited for school-age children. ??
- create a block grant for building child care capacity distributed to states by formula (total \$1 billion over 5 years)

Discussion: To make welfare transitional it is necessary to radically change employment expectations for low income women, especially those with young children. This requires a commitment to offsetting the costs of child care. Spending money on child care has the advantage of being better targeted to need than other ways of making work pay. Its downside is cost, monetizing current arrangements, and the economic inefficiency associated with in-kind benefits. It is worth noting, however, that much of the child care expenditure would add income to other low income women who would be providers. In addition, although phase-out of the benefit adds to the overall tax rate, this tends to correct itself as the children move into school.

II. Child Support

The focus on child support should be on a few key elements that can really improve the system. The danger is a massive new set of mandates on states that not only disrupt progress underway but overwhelm state administrative capacity. Favored approaches are: a Federal system of matching of new hire information with a registry of all child support orders and locate actions, UIFSA, extending paternity standard to all out-of-wedlock births, restructuring administrative match rates and the incentive formula.

It is also important to recall that child support financed other elements of the Family Support Act. Overly ambitious approaches which make child support a net Federal cost item could be a problem.

III. Employment and Training

A. Job search -- there are two main ways to promote job search: incentives for states and incentives for individuals. With respect to the former, expenditures for job search should be an uncapped entitlement at the FMAP plus 20 percentage points to a maximum of 90%. With respect to individuals, initially all able-bodied adults without children under one should be required to job search. The sanction for failure to cooperate with job search requirements or turning down or quitting a job that met section 484 criteria (health and safety) would be a 50% reduction in AFDC with no offsetting increase in Food Stamps or subsidized housing. Activities that would be encouraged are well-structured individual job search combined with job

development that allows case managers to have direct evidence regarding how seriously individuals are pursuing employment. This funding would also be available for post-employment job search and case management activities.

- B. Education and training -- there should be a capped entitlement of about \$800M - 1B for all other current JOBS activities. Matching rate would be at the FMAP, distributed similarly to current JOBS program. Benefits would be not only for AFDC recipients, but also for other low income individuals to aid in upgrading their skills.

Maybe

IV. Transitional Welfare

- A. Time limit -- a 24-month lifetime limit would apply with an additional month earned for every four consecutive months off welfare and not in a post-transitional job
- B. Exceptions -- for those who are (1) caring for a child under 1 (one-time), (2) incapacitated (3) and needed in the home to care for an incapacitated child or adult -- teen parents would be subject to the 2-year limit or attainment of age 20 whichever occurred later; throughout their AFDC eligibility they would be required to participate in education/training, parenting and life-skills development
- C. Residual Jobs -- for those unable to find a regular job, post-transitional jobs would be available without a time limit that paid the lesser of AFDC (Hours = an approximation of grant/minimum wage) or 20 hours times the minimum wage -- no EITC would be applicable, and 8 hours of additional structured job search would be required weekly -- funding for these jobs would be an open-ended entitlement at the FMAP minus 10 percentage points
- D. AFDC simplification/improvement -- this would be aimed at two goals: simplification and lowering breakevens consistent with making AFDC transitional. From a budgetary

?

OK

good

perspective the goals would be to strive for budget neutrality or better. It should not be expected that administrative savings will be significant relative to potential program costs given that administrative costs represent only 12% of program costs.

Potential items: eliminate the \$30 and one-third disregard, replace the \$90 disregard with 20%, eliminate the child care disregard and pay or reimburse for child care needs directly, eliminate attachment to-work requirement for AFDC-UP, but not the 100-hour rule, conform minor differences in income and resource rules between AFDC and Food Stamp, conform AFDC and Food Stamp vehicle and asset rules (if budgetarily possible,) eliminate the \$50 pass through for child support.

ok

V. Phase-in

The time limit should initially apply to new applicants. Phase-in for returning applicants and recipients should be extended over a five year period. During that time a front-end SWIM/Riverside kind of program should be required, leading up to a scaled-down supported work-type intervention. This may require specific funding beyond what is discussed in II. above.

DRAFT

Example: One Adult, Two Children

<u>3 Day/Week Job at \$5.00/Hour</u>		<u>AFDC/FS California</u>		<u>Residual Job Half Time</u>	
Earnings	\$ 6,000	AFDC	\$7,500	Earnings	\$4,250
Food Stamp	\$ 2,600	Food Stamps	\$1,700	Food Stamps	\$3,900
EITC	\$ 2,400	EITC	0	EITC	0
	<u>\$11,000</u>		<u>\$9,200</u>		<u>\$7,150</u>
Assured Benefit	\$ 1,800		0*		\$1,800
	<u>\$12,800</u>		<u>\$9,200</u>		<u>\$8,950</u>

*Net -- offsets AFDC dollar-for-dollar

With no child care costs and subsidized health insurance, and even without an assured child support benefit, a part-time job pays better than California benefits or a residual, post-transitional job. (Few individuals who persist in the labor market would not advance to \$5/hour.) The assured benefit results in a substantial improvement and brings the residual job almost up to California AFDC and Food Stamps.

C

HYPOTHETICAL REFORM IDEAS

10/15/93

The following is not a comprehensive proposal but a series of suggestions on some key policy issues under discussion. I agree with many of the elements of the hypothetical proposal presented at the previous retreat, particularly in the areas of child support, making work pay, and simplification. This memo, therefore, does not duplicate those efforts.

The suggestions spelled out in the pages that follow include:

Replace AFDC with JOBS — JOBS is now an option for a small percentage of the AFDC caseload. It has not "transformed the welfare system." I believe it can. I propose making participation in JOBS the only way to get federal cash assistance. People would no longer be "AFDC recipients," they would be "JOBS participants." This change means:

- as of effective date, people apply to JOBS, not AFDC
- no exemptions; everyone does something
- expanded and flexible eligible activities

No Financial Assistance except JOBS stipends -- JOBS participants would receive cash assistance in the form of JOBS stipends.

- Stipends available for a lifetime limit of two years
- Stipends available on "pay for performance" basis
- Stipends end when participation ends

Stipends can be extended for:

- applicants whose "child of record" is under one
 - participant caring for disabled relative or child
 - those with severe learning or functional disabilities who comply with their agreed-upon service plan (up to fixed percentage of caseload)
 - those completing certain limited education or training programs
- | ?

Emphasis on Private Sector Job Development -- The plan should strongly emphasize placing JOBS graduates and participants into private sector jobs by

- creating local private/public Jobs Councils to develop jobs and run job banks
- encouraging creative approaches to job development/placement
- making community service work available only if private sector jobs have not been offered to JOBS graduates

Emergency Assistance — Three month stipends available to JOBS graduates who lose private sector jobs and job-ready new applicants to provide financial support during job search.

- fewer limitations, less requirements
 - available only for three months out of twelve
- | ?

Phase in New Applicants — All new applicants enter JOBS program beginning January 1, 1996. All teen parents transfer to JOBS by 1997. Remaining caseload phased in slowly by state/county.

| ok

I. Eliminate AFDC; Replace it with the JOBS program

As of January 1, 1996, persons needing income support for the first time would apply to the JOBS program, not AFDC. Instead of JOBS being an option for a small percentage of AFDC recipients, JOBS participation will be a mandatory condition of receiving federal financial assistance.

Program Structure The basic structure of the JOBS program described in the Family Support Act would be maintained including initial assessment of needs and skills and development of an employability plan specific to the needs of each participant. States would now be required (instead of permitted) to enter into an agreement with the participant and required (instead of permitted) to assign a single case manager to each JOBS participant.

Case managers would be required to ensure participants receive full services from child support, food stamps and child care programs. Case management should continue for three months after participants leave the JOBS program. The "aftercare" responsibilities of case managers would include ensuring linkage to the EITC, food stamps, child care and any other services necessary to successful employment.

Eliminate exemptions All exemptions from JOBS would be eliminated - on the theory that everyone can do something. / GOOD

Expand eligible activities The range of eligible activities will be expanded to permit parenting (in cases where youngest child is under one), caring for a disabled relative, and other appropriate activities. States would have flexibility in designating eligible activities subject to Department approval. / GOOD

JOBS Stipends Receipt of JOBS stipends (at least equivalent to current AFDC payments) will be conditioned on satisfactory participation in JOBS.

Time Limit JOBS stipends will be limited to a lifetime cap of two years. / GOOD

Extension of JOBS Stipends In certain cases, extensions of JOBS stipends would be permitted:

- 1) where eligible activity was taking care of a disabled relative, stipend could be extended for continuing care beyond two years
- 2) where eligible activity was taking care of a child under one, participant would still be entitled to two years of education/training after child's first birthday / NO
- 3) Individuals successfully participating in JOBS through enrollment in education programs may receive an extension to complete up to two additional years of education and training. Work toward degrees beyond four year college would not count. Extensions would only be permitted to finish degree toward which participant had begun working during first year of JOBS participation. / ?

[Rationale: This exception will (1) garner support from liberal critics, (2) reduce the number of people needing public jobs, and (3) increase the long term likelihood of an escape from poverty. The public wants to be sure people are not doing nothing. There is unlikely to be opposition to supporting someone who is satisfactorily pursuing higher education.] Note: Additional education/training beyond two years will not be a reimbursable JOBS expenditure.

wrong

- 4) Individuals judged by the state to have severe learning or functional disabilities may continue receiving JOBS stipends beyond the 24 month limit, provided that they are engaged in some activity approved as part of their individual service plan -- training, community service, etc. This exemption may be applied to no more than ten percent of the total JOBS caseload. States must review each case in this category annually for SSI eligibility and continuing eligibility for this exemption. This percentage may be revised on application to the Secretary describing the nature of the disabilities facing this segment of the caseload and the activities and programs being provided to serve them.

maybe

10%

State Flexibility The JOBS program would maintain the flexibility it currently provides to state and local governments in designing the mix of services offered. Programmatic decisions such as whether to incorporate mandatory job search or to emphasize basic skills training would be left to the states. However, particular service models whose effects we wish to test could be funded as demonstrations (see Phase-In).

II. Emergency Assistance

A companion to the JOBS program would be an Emergency Assistance (JOBS-EA) program to provide support during periods of unemployment for JOBS graduates who do not qualify for UI and as a diversion from the JOBS program for job-ready applicants.

JOBS Graduates JOBS graduates who get private sector jobs and then lose them need a financial safety net. Either unemployment insurance (UI) needs to be expanded or some new form of emergency stipend to support job search needs to be built into the JOBS program. JOBS graduates losing their jobs would be eligible for three months of JOBS-EA stipends and intensive job search assistance.

- After three months, community service work would be made available subject to the same conditions as other JOBS graduates (described below).
- Assistance would be available for three out of every twelve months, provided the other nine were spent either in private sector employment or community service work.
- Guidelines for distinguishing between people who get fired and those who lose their jobs need to be established.

Job Ready Applicants New applicants for assistance with work histories should be encouraged to follow this track as a "diversion" from the JOBS program. This track could be made "attractive" relative to JOBS by simplifying the application process, loosening eligibility restrictions, and making JOBS-EA recipients immediately eligible for the employment programs discussed below, including the services of Jobs Councils and access to community service work when JOBS-EA runs out.

Alternatively, the program could be structured as a mandatory step for all JOBS applicants, conditioning JOBS eligibility on satisfactory participation in job search activities.

maybe

But why give them 3 mos off? Maybe if public job is limited

YES

III. Private Sector Job Development/Placement

Every state must develop a plan for engaging the private, non-profit and public sectors and organized labor at the local level in developing and identifying appropriate entry-level job opportunities for JOBS participants. These partnerships (referred to here as Jobs Councils) can draw on existing structures such as Private Industry Councils or be newly created. They can also be related to efforts under the National Service initiative. *[Closer work with business groups and the states is required to flesh out a proposed structure. Closer work with the Department of Labor on tying this into One Stop Shopping or other new and/or existing programs is also needed.]*

Good

Jobs Councils will provide at least the following services:

- Job Listings -- Job Councils will develop and maintain current listings of available opportunities for employment in their area. These opportunities should include general openings on the market and positions developed specifically for JOBS participants. The Jobs Council is responsible for ensuring that employers listing placements are willing to hire JOBS participants.
- Job Development -- The council will also be responsible for using a variety of strategies to encourage local employers to hire people from the JOBS program. *[Strategies such as permitting Councils to run the work supplementation program or to set up "America Works" style placement programs where the Councils fund themselves through a fee for each placement need to be explored in much greater detail. Another strategy is described by the Post Transitional Work group as OJT vouchers. The legislation should permit councils to develop their own strategies and to submit these for approval by the Secretary. Successful models should be highlighted and shared by the Department with the States.]*

Eligibility for Jobs Council Services These services would be available

- (1) immediately on application to JOBS for clients with a high school degree/GED or with a history of employment whose individual service plan indicates immediate employment as an agreed upon goal -- or as part of the EA program (above);
- (2) to clients who are successfully completing designated education/training programs as part of their individual service plan from the point when they are three months from ending their participation in the JOBS program;
- (3) Emergency assistance recipients who are JOBS graduates.

/?

good

The incentive for states to make the Jobs Council work is that developing, offering and placing participants in private sector jobs will directly reduce the number of JOBS graduates who will require community service work placements. Further incentives could be built in through the funding structure including fee for placement payments to the Councils or varying matching rates.

IV. Community Service Jobs

On reaching the 21st month in the JOBS program, the individual service plan must be updated to indicate the expectations for the recipient on reaching the end of the two year JOBS program. Either the participant will be granted an extension, or she will have to enroll with the Jobs Council for placement services.

States will have considerable flexibility on how to set up the Councils and the interaction with JOBS graduates. However, several components should be built in:

- o Councils will develop job opportunities that provide certain guarantees that the opportunities are "real" and truly available to JOBS graduates. [These protections should be spelled out in regulation.]
- o Job opportunities must be for a minimum of twenty hours and at least pay as much in total as the JOBS stipend. They must be in reasonable distance from the participant's residence
- o If available, Councils should make three offers to the participant within the 90 days prior to completion of the JOBS program.

If the participant registers with the Council and complies with the program but does not receive an offer of employment, s/he will be eligible for a community service placement on reaching the time limit.

Community service placements may be developed by the Jobs Council, the JOBS program, or such other entity as the State may designate.

They will be 20 hour, minimum wage jobs. At state option, 30 hour jobs may be offered.

Participants will not be eligible for the EITC.

Participants will continue to be eligible for job placement services from the Jobs Council until they receive and reject ^(two) three qualified offers.

Community service placements may only be ended by the state if (1) three qualified job opportunities have been made during any three-month period of community service and (2) the local unemployment rate is no greater than the national average during that time.

Supervision, training and other administrative expenses may account for no more than 10 percent of the cost of the placement.

Child care must be offered to the participant.

Compensation from the community service placement must at least equal the JOBS stipend. Where this would require more than 20 hours of work, states must either offer more hours at minimum wage or pay more per hour for the time worked. JOBS stipends may not be a part of the compensation for community service workers.

V. Phase In

A. As of January 1, 1996, new applicants for financial assistance would apply to the JOBS program, and not the AFDC program. */good*

- o The focus on new applicants permits a national rule, setting new parameters for welfare receipt to guide the program into the future. The immediate national application of a new rule meets the President's pledge.
- o Limiting to new applicants is attractive because it minimizes initial cost/capacity issues.
- o The focus on new applicants means targets limited resources on the next generation, an attractive notion from a prevention point of view.

B. By January 1, 1997, all teen mothers on AFDC will be transferred into the JOBS program. */good*

C. By January 1, 1996, HHS will issue a request for proposals for state demonstrations of several components of welfare reform that the administration wants to test:

- child support assurance
- various models of work support agencies ?
- various models of full participation for the entire AFDC caseload

D. A full phase in of the entire caseload should be incorporated that provides for full transfer of AFDC cases to the JOBS caseload within ten years. The phase in should be designed so that entire offices transfer rapidly from AFDC to JOBS programs. This can happen county by county, rather than through slowly increasing participation rates. *true*

VI. Other Items

Make Work Pay

JOBS Program as Work Support Agency — The JOBS programs should eventually become the Work Support Agencies we have been envisioning. JOBS case managers should ensure that graduates taking jobs are fully linked to EITC, food stamps, child care and child support, and the combination of three months of after-care and the ability to return through the Emergency Assistance program gives the JOBS program much of the feel of the work support program. If JOBS offices come to provide participants, graduates and other low income individuals with EITC, Food Stamps, child care, and DOL one stop shopping information and services, then the transformation will be complete.

Other Make Work Pay Initiatives — The following are important elements of the Make Work Pay package that I would like to see in the proposal:

- o The combination of EITC and food stamps in an EBT system administered by the JOBS program
- o The housing subsidy should be changed to provide less support to more people. The percentage of FMR paid should be lower, the percentage of income for rent should be raised to 35%, and the value of all income transfers should be included in income.
- o Consolidation and simplification of child care programs.

Child Support

This is an area where I defer to the expertise of others. I would support making JOBS participation conditional on cooperation in paternity establishment subject to good cause exceptions. I would also make state demonstrations of child support assurance a part of the proposal. On the rest, I support whatever Paul says I should support. | good

Simplification

I support many of the measures on pages 14-15 of the previously circulated proposal regarding the AFDC program. In replacing AFDC with a JOBS program stipend, simple rules should be the key. Standardizing the rules and forms for JOBS stipend with those for food stamps and housing should be a priority.

October 15, 1993

HYPOTHETICAL WELFARE REFORM OPTION (D)

If welfare reform is to truly succeed, it should:

Reduce poverty among children in the long run.

Dramatically simplify and improve the situation for low income working people.

Strongly convey the message that it is parents who are supposed to support and nurture children, not the government. Both parents have responsibilities and they can rightly be held accountable. The government's role is to help parents meet those responsibilities rather than serve as a substitute for the parents.

Transform the mentality of welfare and welfare administration from "pay the check" to "help people help themselves." Welfare-like income support ought to be a part of helping people move along a path not a substitute for it. As part of that process, benefit programs need to be dramatically simplified and coordinated.

Simplify and improve access to employment, training, and education services. Reduce the duplication and make better use of existing resources at all levels. Child care deserves special priority.

Signal that out-of-wedlock childbearing, especially by young women is a terrible mistake for mother, father, and child. We should try to avoid offering special benefits to single parents, especially benefits which low income couples could also benefit from. Avoid making the key that unlocks services be children born out of wedlock or going on welfare.

Recognize and accommodate the extraordinary heterogeneity of the caseload and the remarkable variation geographically, not only in case mix, demographics, and economic conditions, but also in the prevailing attitudes toward work, family, and education.

In designing this package, I have tried my darndest to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis, yet one can do reasonably well. The striking fact is that the current system does a disastrous job on all counts.

CSEI - states pay - puts them at risk

Bold Claims/Empirical Guesses

Here are a few educated guesses based on the work we have done to date.

Roughly about 1/3 of the current caseload would leave if an expanded EITC, medical care, and some child care were provided. That implies AFDC savings of \$8 billion. This is not a pie in the sky estimate. It includes the cyclers. It includes the group that many estimate are trapped by their concern about medical care, etc. If each case requires an average of \$3,000 in child care and other services--a high estimate--the cost would be \$4.5 billion

Roughly 1/3 of the caseload is unlikely to ever leave through their own work. Some 15% are disabled themselves, another group is caring for a sick or disabled person, another group has a variety of physical and mental problems which will make serious work extremely difficult. I believe legitimate exemptions from full work will be necessary.

The hard, unknown group is the middle third. It is that group for whom we may have to deal with time limits in a serious fashion. Our current estimate is that two-thirds of the current caseload of roughly 4.3 million (cases with adults) has been on 2 years or more. If we have to provide jobs for 1/3 of these that translates into 900,000-1 million jobs. If with training, a changed welfare mentality and other supports we can get half of them off (meaning we had reduced welfare caseloads by 1/2 overall), we could get by with 500,000 jobs in the long run. If each of the 1.5 million requires \$4,000 worth of training and services, the net cost is \$6 billion, less any AFDC savings.

This back of the envelope analysis suggests that if we really can get 1/3 of the caseload off, a combination of AFDC savings, child support enforcement savings, and a variety of other savings could be used to finance major reform.

I also believe we should be able to reduce childhood poverty by 1/3 relative to what it would have been.

If these are remotely correct....

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I. Work Support Program

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1. Standard monthly benefit of \$350 per month for families with one adult and two children, plus EITC bonus at end of year of roughly 15% of earnings up to \$8500. No change in basic EITC or food stamp benefit formulas.
2. Monthly benefit does not vary for earnings between \$1 and \$13,000. Mix of cash and food does vary however. Limited need for verification and monthly reporting.
3. Benefits are paid on EBT card.
4. Liberalized asset rules, dramatically simplified food stamp deductions and benefit calculations, quarterly accounting period for food stamps.
5. End of year reconciliation with remaining EITC payments allows easy recovery of overpayments and reduces fraud.

B. Child Care Supports

1. 33% child care credit in lieu of former food stamp deduction.
2. Child care ombudsman services.
3. Expanded child care benefits with priority given to single parents, especially transitional assistance exhaustees.

C. Health Insurance Subsidies. If requested by the alliance, the Work Support Program could administer low income subsidies for working families.

D. State Options

1. Separate administration from welfare, could even be part of UI or training services.
2. Other services such as transportation, job matching, training opportunities, employment services.

II. Child Support Enforcement

A. Paternity Establishment

1. Universal establishment goal
2. Simplified process
3. Clear responsibilities, incentives and penalties for states and recipients

B. Appropriate Payment Levels

1. Universal, mandatory, administrative periodic updating of awards.
2. Minimum payment required of absent parents of \$50 per month
3. State must provide the \$50 month minimum payment even if it fails to collect from father

C. Improved collection

1. Expanded state and federal enforcement and tracking (see below)
2. Improved interstate process
3. Numerous tough enforcement tools

D. State Role

1. Elimination of welfare/non-welfare distinctions
2. Central Registry and Clearinghouse
3. Dramatically Reformed Funding and Incentive Structure
4. New Information Reporting
5. Staffing Requirements
6. Revised payment and distribution rules

4 kids = \$2000/yr.

E. Federal Role

1. National Child Support Enforcement Clearinghouse
 - a. National Child Support Registry
 - b. Directory of New Hires
 - c. National Locate Registry
2. Expanded IRS role
 - a. State access to IRS data
 - b. Greater use of IRS for full collection and tax refund intercept for delinquent cases
3. Auditing and Technical Assistance
 - a. Auditing is performance rather than process oriented
 - b. Improved technical assistance

F. Demonstrations and Commissions

1. Six state demonstration of child support enforcement and insurance with benefits up to \$2,500 for one child, \$3,000 for two, etc.
 - a. Some states tie payments to participation by absent father in employment or training | a must
 - b. States may vary treatment and level of insured benefits, including full insurance, full and partial deductibility from welfare, etc.
2. Multi-site demonstration of expanded training and support for absent fathers, including job training and parenting classes which reduce or ameliorate obligations. | maybe
3. National Commission on Child Support Guidelines
4. National Commission on Access and Visitation

III. Training and Transitional Assistance

A. Assistance System Focussed on Work and Independence

1. Family independence plan (FIP) required of all recipients within 30 days. May be modified as often as desired so long as both worker and client agree.
2. Strong performance incentives and audit rules tied to:
 - a. Very high participation requirements in job search, training, or work
 - b. Long term placements/welfare departures differentiated by type of recipient
 - c. Fraction of clients on for 2 years, 3 years, etc.
3. High state match (80%) for case management, training, tracking systems, child care, and other services provided during first 24 months of eligibility
4. State flexibility on method of getting people job ready
 - a. Strong emphasis on use of existing training and education programs available to all persons regardless of welfare status especially for higher education
 - b. Where possible integrate services with one-stop training programs
5. High expectations of recipients right from the start
 - a. Within 90 days required to participate in activities noted in family independence plan
 - b. Immediate and significant sanctions for non-participation in activity (similar to teen parent or LEAP demos)
 - c. Special rules for teenage recipients

good!

??

good

good

6. Heavy involvement of private and public sector

- a. Special public/private councils--possibly PICs which are responsible for identifying as many placement slots in private sector industries as possible / agree
- b. Flexible training dollars to allow programs to train recipients to meet specific employer needs / good
- c. Encourage use of private sector job placement agencies such as America Works. / agree

B. Time limits

- 1. After 24 months of receipt, ongoing non-exempt recipients must be placed in a work/community service setting.
- 2. Any recipient working 20 hours per week or more would normally be better off on work support than on AFDC, but if the person works an average of at least 20 hours per week over the course of a month while collecting assistance in an unsubsidized job, the month will not count against the time limit. / ??

C. Special extensions for the time-limit

- 1. A one time extension will be given for each parent with a young child. A "child-of-record" will be designated for each family. The child-of-record is the youngest child of a family receiving assistance on the effective date of the legislation, or at the time of first applying for assistance subsequent to that date. The designation of the child-of-record does not change, even if the child no longer lives in the household. There are no additional extensions for additional children to that family. The extension lasts until the child reaches the age of three or is eligible to participate in an available Head Start Program, whichever is later. / maybe
- 2. Completion of an education/and or training program in which a recipient has been actively participating and progressing; limited to a one time only extension of no more than 1 or 2 years for specific cases including:
 - a. Persons with English language difficulty / ? no

b. Persons who are actively working to complete their GED and are in good academic standing

state
option

c. At state option, persons who have borderline physical or mental limitations and who therefore lack sufficient work skills or training to secure employment, or who have other substantial barriers to employment, and who are assigned to and participating in appropriate training to overcome these problems.

good

d. At state option, recipients participating in other educational activities. This option might be limited to say 10% of the caseload or have a low match

why?

D. Work requirement after 2 years

1. Minimum: 20 hours or AFDC benefit divided by minimum wage, whichever is less, but no less than 10 hours. Maximum: 35 hours or AFDC divided by minimum wage, whichever is less.

good

2. State must provide a minimum number of community service jobs for those who have reached the time limit as set out by allocation formula. These jobs must offer a set number of hours, pay the minimum wage, be supervised, etc. The state may pay up to 100% of the salary for such placements, but the receiving agency must provide supervision and monitoring.

good

3. Every 90-120 days, recipients must engage in private job search for at least two weeks. This may be treated as employment during those two weeks or included as a part of the community work requirement on an ongoing basis.

good

4. Recipients in these jobs will not be eligible for the earned income tax credit.

5. Persons who have exhausted benefits for who no community service placement is available will be placed on a first come first serve waiting list, and

a. Will be required to participate in a self-initiated or agency located volunteer/community service activity, such as working at local schools, churches, libraries, etc. Receiving agency must agree to keep track of

good

hours and provide supervision. Self-initiated placement might be converted into permanent community service job slots.

- b. Must move to a regular community service slot, when it becomes available.
 - c. Persons who work less than the minimum hours required by the state will have payments reduced by those number of hours times the minimum wage.
 - d. Placements must be short-term.
6. As an extra incentive for states to move people off welfare quickly and permanently, the state match for benefits and for support activities could be reduced for persons who have reached the 2 year limit. / good
7. States may require participation in community work activity prior to 24 months as part of the FIP.
- E. Exemptions from participation and work requirements
- 1. A woman in the last trimester of a pregnancy and for a period of ninety days after birth.
 - 2. A person who is suffering from a professionally certified permanent or temporary illness, injury or incapacity which is expected to continue for more than 30 days and which prevents the person from obtaining or retaining employment.
 - 3. A person who is diagnosed by a licensed physician, licensed psychologist, or other qualified professional, as mentally retarded or mentally ill, and that condition prevents the person from obtaining or retaining employment.
 - 4. A person who has an application pending for, or is appealing termination of benefits from either the Social Security Disability program or SSI program, if there is a reasonable basis for the application.
 - 5. A person whose presence in the home is required on a substantially continuous basis because of a professionally certified illness, injury, or incapacity of another member of the household.

6. A person who is unable to obtain or retain employment because advanced age significantly affects the person's ability to seek or engage in substantial work.
7. A person who lives more than one hour round-trip traveling time from any potentially suitable employment.

F. Benefit Payments and Integration

1. The order of calculating AFDC and Food Stamps would be reversed, food stamps will be calculated first. This essentially eliminates the interaction between Food Stamps and AFDC and simplifies work rules dramatically.
2. Disregards and deductions for food stamps would be dramatically reduced and simplified.
3. Filing units for Food Stamps and AFDC would be identical. The 100 hour rule and the work history requirement would be eliminated for two-parent families receiving benefits.
4. States would be required to determine a need standard according to a standard methodology and update it annually.
5. States would determine the level of AFDC payments based on a percentage of need (including food stamps).
6. States would be free to set whatever disregard and deduction policy they choose so long as they use only the disregard and deduction categories and definitions used in the food stamp program.
7. Asset rules would be liberalized, especially with respect to individual investment accounts.
8. More direct offsets would be set when people get housing assistance.
9. Most other rules would be eliminated.
10. Audits and errors would be based on samples of actual mispayments identified rather than a failure to have certain records or materials.

G. National Benefits Coordination ^{and Fraud Elimination} Data Base

1. States would report the names and social security numbers of each recipient monthly to a federal reporting system.
2. The system will inform states how much time the recipient has already been on AFDC. States will report the current status of the case, including work activities.
3. HHS will use this data base to build state program indicators of welfare dynamics, placements, and mobility.
4. HHS will use the data base to reduce fraud and abuse, to link into child support orders, to monitor usage, etc.

good
idea

October 15, 1993

HYPOTHETICAL WELFARE REFORM OPTION (D)

If welfare reform is to truly succeed, it should:

Reduce poverty among children in the long run.

- Dramatically simplify and improve the situation for low income working people.

Strongly convey the message that it is parents who are supposed to support and nurture children, not the government. Both parents have responsibilities and they can rightly be held accountable. The government's role is to help parents meet those responsibilities rather than serve as a substitute for the parents.

Transform the mentality of welfare and welfare administration from "pay the check" to "help people help themselves." Welfare-like income support ought to be a part of helping people move along a path not a substitute for it. As part of that process, benefit programs need to be dramatically simplified and coordinated.

Simplify and improve access to employment, training, and education services. Reduce the duplication and make better use of existing resources at all levels. Child care deserves special priority.

Signal that out-of-wedlock childbearing, especially by young women is a terrible mistake for mother, father, and child. We should try to avoid offering special benefits to single parents, especially benefits which low income couples could also benefit from. Avoid making the key that unlocks services be children born out of wedlock or going on welfare.

Recognize and accommodate the extraordinary heterogeneity of the caseload and the remarkable variation geographically, not only in case mix, demographics, and economic conditions, but also in the prevailing attitudes toward work, family, and education.

In designing this package, I have tried my darndest to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis, yet one can do reasonably well. The striking fact is that the current system does a disastrous job on all counts.

Bold Claims/Empirical Guesses

Here are a few educated guesses based on the work we have done to date.

Roughly about 1/3 of the current caseload would leave if an expanded EITC, medical care, and some child care were provided. That implies AFDC savings of \$8 billion. This is not a pie in the sky estimate. It includes the cyclers. It includes the group that many estimate are trapped by their concern about medical care, etc. If each case requires an average of \$3,000 in child care and other services--a high estimate--the cost would be \$4.5 billion

Roughly 1/3 of the caseload is unlikely to ever leave through their own work. Some 15% are disabled themselves, another group is caring for a sick or disabled person, another group has a variety of physical and mental problems which will make serious work extremely difficult. I believe legitimate exemptions from full work will be necessary.

The hard, unknown group is the middle third. It is that group for whom we may have to deal with time limits in a serious fashion. Our current estimate is that two-thirds of the current caseload of roughly 4.3 million (cases with adults) has been on 2 years or more. If we have to provide jobs for 1/3 of these that translates into 900,000-1 million jobs. If with training, a changed welfare mentality and other supports we can get half of them off (meaning we had reduced welfare caseloads by 1/2 overall), we could get by with 500,000 jobs in the long run. If each of the 1.5 million requires \$4,000 worth of training and services, the net cost is \$6 billion, less any AFDC savings.

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1. 33% child care credit in lieu of former food stamp deduction.
2. Child care ombudsman services.
3. Expanded child care benefits with priority given to single parents, especially transitional assistance exhaustees.
4. Simplify and consolidate child care programs targeted to low income families.

C. Health Insurance Subsidies. If requested by the alliance, the Work Support Program could administer low income subsidies for working families.

D. State Options

1. Separate administration from welfare, could even be part of UI or training services.

2. Other services such as transportation, job matching, training opportunities, employment services.
3. Demonstrations of short-term cash assistance for persons losing jobs who do not qualify for unemployment insurance.

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 - b. Where possible integrate services with one-stop training programs
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 - a. Within 90 days required to participate in activities noted in family-independence plan
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- a. Special public/private councils--possibly PICs which are responsible for identifying as many placement slots in private sector industries as possible
- b. Flexible training dollars to allow programs to train recipients to meet specific employer needs
- c. Encourage use of private sector job placement agencies such as America Works.

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1. After 24 months of receipt, ongoing non-exempt recipients must be placed in a work/community service setting.
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- b. Persons who are actively working to complete their GED and are in good academic standing
- c. At state option, persons who have borderline physical or mental limitations and who therefore lack sufficient work skills or training to secure employment, or who have other substantial barriers to employment, and who are assigned to and participating in appropriate training to overcome these problems.
- d. At state option, recipients participating in other educational activities. This option might be limited to say 10% of the caseload or have a low match

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- 3. Every 90-120 days, recipients must engage in private job search for at least two weeks. This may be treated as employment during those two weeks or included as a part of the community work requirement on an ongoing basis.
- 4. Recipients in these jobs will not be eligible for the earned income tax credit.
- 5. Persons who have exhausted benefits for who no community service placement is available will be placed on a first come first serve waiting list, and
 - a. Will be required to participate in a self-initiated or agency located volunteer/community service activity, such as working at local schools, churches, libraries, etc. Receiving agency must agree to keep track of

hours and provide supervision. Self-initiated placement might be converted into permanent community service job slots.

- b. Must move to a regular community service slot, when it becomes available.
 - c. Persons who work less than the minimum hours required by the state will have payments reduced by those number of hours times the minimum wage.
 - d. Placements must be short-term.
6. As an extra incentive for states to move people off welfare quickly and permanently, the state match for benefits and for support activities could be reduced for persons who have reached the 2 year limit.
 7. States may require participation in community work activity prior to 24 months as part of the FIP.

E. Exemptions from participation and work requirements

1. A woman in the last trimester of a pregnancy and for a period of ninety days after birth.
2. A person who is suffering from a professionally certified permanent or temporary illness, injury or incapacity which is expected to continue for more than 30 days and which prevents the person from obtaining or retaining employment.
3. A person who is diagnosed by a licensed physician, licensed psychologist, or other qualified professional, as mentally retarded or mentally ill, and that condition prevents the person from obtaining or retaining employment.
4. A person who has an application pending for, or is appealing termination of benefits from either the Social Security Disability program or SSI program, if there is a reasonable basis for the application.
5. A person whose presence in the home is required on a substantially continuous basis because of a professionally certified illness, injury, or incapacity of another member of the household.

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1. States would report the names and social security numbers of each recipient monthly to a federal reporting system.
2. The system will inform states how much time the recipient has already been on AFDC. States will report the current status of the case, including work activities.
3. HHS will use this data base to build state program indicators of welfare dynamics, placements, and mobility.
4. HHS will use the data base to reduce fraud and abuse, to link into child support orders, to monitor usage, etc.

HYPOTHETICAL WELFARE REFORM PROPOSAL

The following describes a proposal for reforming the current welfare system based on themes and ideas emerging from the process underway. The proposal includes measures to make work pay and to affirm the responsibility of families for the social and economic support of all family members. Specific aspects of the plan increase the incentives to work and the financial rewards from employment; increase the rate of paternity establishment and the levels of child support payments; simplify key aspects of the financial assistance programs; modify the assistance rules to better meet the needs of two-parent families and to underscore the transitional nature of cash assistance; strengthen the system of social support during a transitional period; and provide post-transitional work opportunities.

The charge to "end welfare as we know it" involves changing the culture of welfare as a way of life to welfare as a temporary "hand up" to families in need. It involves giving parents the tools they need to provide for their children and escape poverty. The proposal described below encourages work and self-sufficiency, it provides services and opportunities for those who need assistance to enter, reenter, or progress in the labor force, it institutionalizes parental responsibility, and it provides services to strengthen families and communities so as to prevent the onset of dependency.

This proposal focuses on improving the well-being of children, particularly children in poor families, and unambiguously accomplishes that goal. While ending dependency is a noble objective, if in the process we do not improve the lives of children, our reform efforts will have deleterious effects. This proposal contains elements that will appeal to both ends of the political spectrum, as well as to all major related interest groups. The proposal was crafted with significant attention to both budgetary and political constraints, realizing that what might be desirable in an ideal world is neither financially nor practically feasible. (For example, the number of work slots authorized in this proposal is considerably less than were created under CETA.) The proposal fully integrates the tax and the welfare systems, and consequently, it significantly reduces the likelihood of fraud or "gaming" the system. It places equal emphasis on males and females in their roles as parents and as economic providers for their children. Finally, the proposal provides substantial incentives for individuals to act responsibly and incentives for bureaucratic institutions to function more effectively in moving families toward self-sufficiency.

Rationale for Reform

While opinions diverge about how best to reform welfare, there is near universal consensus that the current system simply does not work. Conservatives believe that it destroys initiative and fosters perverse incentives which discourage both work and marriage. Liberals contend that it offers modest benefits while robbing individuals of their dignity and self-esteem. Recipients feel degraded and trapped by a system that offers no reward for their efforts to be self-sufficient and gives them no control over their lives. Taxpayers decry spending seemingly innumerable dollars on a program for which they see little positive result. And most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.

While the task of reforming our current welfare system looms large, the consequences of inaction are even more extreme. Recent decades have witnessed a sharp rise in single-parent families, changes in the wage structure leading to declining real wages for those at the low-end of the wage scale, persistently high rates of school failure, and rising teenage pregnancy and birth rates, each of which contributes to the social welfare problem.

The number of children living in poverty in 1992 is over 14 million, the highest level since 1965. The poverty rate for children in single-parent families characteristically is much higher than for two-parent families; in 1991, 55 percent of children in single-parent families headed by women were poor. In contrast, about 11 percent of children in male-present families were poor. Moreover, the percentage of children in single-parent households has increased precipitously in recent years, increasing from 9 percent in 1960 to 26 percent in 1991. The percentage of children living with a never-married parent increased from less than 0.5 percent to almost 9 percent over the same time period.

Real wages have been declining since the early 1980s, particularly among those workers who lack a high school degree. The result is that, for low skilled individuals, finding a job that pays better than welfare is extremely difficult.

High school completion rates have been stagnant in recent years, while basic skills levels among high school graduates have been falling. Moreover, the school failure and low basic skills are concentrated among children from poor families. In combination with the changes in the wage structure, these trends in educational outcomes have resulted in widening of the welfare statuses for those who do and those who do not complete high school. In 1991, 28 percent of white school dropouts and 40 percent of the blacks were poor compared with only 8 percent and

22 percent of white and black high school graduates, respectively.

The teenage pregnancy and birth rates have risen substantially in recent years. Despite significant expansions in school health and sex education programs, expansions in the prevalence of school-based health centers, and increased accessibility of contraceptives, between 1986 and 1989, the birth rate increased 19 percent among teens between ages 15 and 17 and 7 percent among the older teens. Moreover, most of the first pregnancies to teenagers occur within six months of the onset of sexual activity.

The whole culture of welfare needs to be changed based on the philosophy of mutual obligation: the Government needs to define clear expectations regarding the roles and responsibilities of families for their well-being and commit to providing the opportunities, support services and incentives to allow individuals to move toward self-sufficiency; public assistance recipients need to accept responsibility for working toward that end. Welfare should be viewed as a "hand up"--temporary assistance to families in need--rather than a "hand out". Instead of punishing the poor or preaching to them, we need to empower Americans and give them dignity and a sense of control over their own lives. We need to "end welfare as we know it" by requiring public assistance recipients to actively work toward preparing themselves for self-sufficiency, placing time limits on the government's responsibility to provide transitional support, and providing the necessary means to engender productivity. We need to make work a more attractive option than welfare by ensuring that those who work full-time are able to support their families and not be poor, and that those who work at least part-time are rewarded for their efforts. We need to expect that all individuals in society, including those on welfare, will constantly work toward meeting their responsibilities to themselves and to their families. For young people this means remaining in school, while for older youth and adults, this may entail a range of endeavors including attending school, participating in job training or working in private sector employment, depending on the needs of the individual and the opportunities available.

Further, we need to change the biased nature of our current system, which expects one parent to do the work two. And, for too long we have accepted a system whose main requirements are of mothers, not fathers. Through universal paternity establishment and dramatically improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children. Only one-third of single parents currently receive any court-ordered child support. By strengthening the child support enforcement system, we can improve the well-being

of all children--regardless of whether or not they are on welfare--by ensuring that they receive the support they deserve.

In addition, we must eliminate the requirement that AFDC recipients remain single and remove the so-called "marriage penalty" that exists in the current system. The data are clear that children benefit from interaction with two parents, and we need to remove the rules within the welfare system which discriminate against two-parent families. By giving priority to two-parent families in the public sector work slots and by providing support for married-couple families to work toward self-sufficiency, we can encourage families to remain together and escape poverty.

Finally, we must incorporate a broad and intensive focus on family support as part of the work-support programs instituted under welfare reform. Case managers should be assigned responsibility for families--not simply case heads. The circumstances of other family members often adversely affect the behaviors of and outcomes for the payee and set the stage for the intergenerational transfer of poverty. Case managers must be more proactive in addressing warning signs of longer term problems for children from welfare families and/or confounding influences of problems associated with other family members.

Summary

The proposal is broad-ranging in scope and includes both major and minor revisions to the existing system. The child support enforcement program would be significantly strengthened, and a child support assurance system would be implemented. The programs providing cash or near-cash assistance would be simplified, disregards standardized, and asset rules liberalized. Self-sufficiency payments would be provided for a limited period of time to parents in the process of preparing themselves to enter the labor force. At the end of the time limit, work opportunities would be available for persons who were unable to obtain employment in the private sector.

The major components of the proposal are listed below:

Make Work Pay

- o Emergency assistance program
- o Advance payment and automatic calculation of the EITC
- o Work support activities
- o Demonstration of work support agency
- o Consolidation of child care programs and more generous funding
- o Case management to assist individuals in obtaining private sector employment

Child Support Enforcement and Assurance

- o Universal paternity establishment program
- o Multiple opportunities for consent
- o In-hospital paternity establishment
- o Improved efforts to locate absent parents
- o Denial of government benefits across income strata if paternity is not established

- o Administrative State process to establish orders based on uniform national guidelines
- o Regular updating of awards
- o Mandated universal central registries

- o State enforcement with IRS as Federal backup
- o New hire reporting and mandating of other enforcement tools
- o Establishment of child support assurance program if State meets certain enforcement criteria

AFDC

- o Eligibility rules simplified and coordinated with other assistance programs
- o Incentives to work increased through additional State flexibility
- o Disincentives for two-parent families eliminated
- o Benefits paid to recipients who marry

Education and Training

- o One hundred percent participation required for teen parents
- o \$2 billion of additional JOBS funding
- o Consolidation of food stamp and housing self-sufficiency programs into JOBS
- o Counter-cyclical matching rates in JOBS
- o JOBS made available to non-custodial parents, so they can meet child support obligations

Time Limits

- o Expectation of continuous participation and strict time limits on inactivity
- o Intensive efforts to improve ability to acquire and hold private sector jobs
- o Work opportunities if transitional assistance expires

Preventing Dependency

- o Comprehensive Case Management for families--not just case heads
- o Teen parents subject to all requirements under transitional assistance and public work programs

- o Demonstration of sanctions to enforce family responsibility
- o Increased school responsibility for drop-outs and expanded alternatives to general education
- o Active participation of the media and entertainment industry

MAKING WORK PAY

Numerous policy options could be considered to make work pay, including lowering marginal tax rates through fill-the-gap or AFDC earnings disregard policies adopted by the States, providing similar health insurance benefits for those working and not working, expanding the Targeted Jobs Tax Credit (TJTC), and providing child care and transportation services. Of primary importance is changing the culture within the welfare system to emphasize that assistance is transitional and that attaining self-sufficiency through work is the overriding objective. Caseworkers must perceive their role as not only managing client cases but also advocating work and empowering clients to gain the necessary skills and abilities to obtain permanent employment.

Emergency Assistance Program

States would have the option to provide a short-term emergency assistance program to persons who temporarily lose their jobs in order to encourage such individuals to reenter the labor force immediately. Assistance would be granted for 1-3 months (at State option), and this assistance would be given outside of the time-limited, transitional assistance structure. Aid might be available in certain cases to employed persons who were experiencing short-term financial problems placing them at risk of AFDC receipt.

Assistance to unemployed recipients might be accompanied by a job search component. This emergency assistance program would take the form of a capped entitlement. This program could be modelled after a program in Utah wherein if a family actually goes on AFDC, these payments are counted as AFDC.

agree
no

Advance Payment and automatic calculation of the Earned Income Tax Credit

An important element of making work pay is distributing the Earned Income Tax Credit (EITC) on a periodic basis, instead of in a lump sum several months after the end of the tax year. Under the proposal, certain low-income custodial parents who are eligible for the EITC could request to receive payment of the credit more regularly. To prevent overpayments, approximately 60 percent of the credit would be available on an advanced basis.

Individuals who declare to their employer that their total family income is less than \$20,000 per year (and who are indeed earning less than \$20,000 on an annual basis) could receive an

advance EITC equal to the employee's portion of the Social Security payroll tax.

In addition, low-income families could, upon application, receive the EITC through the food stamp office. This office would administer the credit and give an accounting to the IRS of payments made at the end of each year. Recipients would receive both the EITC and food stamps. These benefits would be administered through an electronic benefits transfer (EBT) card which could be utilized at most grocery stores and financial institutions. Recipients could use the card as a savings account and could draw down or save benefits as needed.

To encourage full utilization of the EITC, the IRS would reinstitute the practice of routinely calculating eligibility for the EITC for apparently eligible tax filers who do not request a refund and automatically send them a refund. The tax form would contain enough information to perform the necessary calculations.

As a means to reduce fraud and abuse, unemployment insurance records and information from welfare and child support enforcement records would be used to verify EITC claims.

Work Support Activities

States would be permitted and encouraged to provide transitional supportive services (through JOBS) in addition to other authorized transitional services to those who leave the welfare rolls, when necessary to help them stay off the rolls.

Private Sector Employment

The ultimate goal of the caseworker is for a welfare recipient to obtain a private sector job. Caseworkers and support staff should be able to convey to clients the following:

- (1) The economic advantages of working in the private sector, including the EITC;
- (2) The consequences of staying on welfare; and
- (3) The Targeted Jobs Tax Credit, which encourages employers to hire welfare clients.

In addition, States would be granted significant flexibility, but only on a limited basis until a full evaluation has been conducted, to subsidize private employers to employ clients through wage supplementation strategies. These would be of limited duration (probably no longer than the 9 months of AFDC under current law), and employers would be expected to offer regular employment to the participants at the end of the wage-supplemented period.

States would be given flexibility to design programs that offer work and training opportunities simultaneously. States would also be encouraged to develop job networks through various means such as the Department of Labor's proposed "one-stop shopping" information system, job banks with requirements that employers list available jobs, and alternative networks such as job fairs and subsidized employment newspapers.

good

Child Care

Under current law, there are three programs under which child care is provided to welfare recipients: Child care under AFDC, Transitional Child Care assistance, and At-risk Child Care. Under the proposal, these three programs would be consolidated into one open-ended entitlement with a Federal match at the JOBS rate. Eligibility rules would be simplified. This program would be for recipients of welfare and JOBS participants. In addition, outside of this welfare proposal, the Federally-funded Child Care and Development Block Grant would be expanded to serve the non-welfare, low- and middle-income population. A requirement would be added to the block grant limiting the use of this program for welfare or JOBS participants to 5 percent or less. As much as possible, other rules governing these two programs would be standardized.

caption

Adequacy of supply

While on the whole the marketplace for child care seems to be working, the proposal would address the need to increase the supply of child care in the following four areas:

- (1) Organized care for infants and toddlers;
- (2) Organized care for children whose parents must work evenings and weekend schedules;
- (3) Before- and after-school care; and
- (4) Center-based care in central cities, particularly in very low-income neighborhoods.

These needs would be met by assisting child care resource and referral (CCRR) agencies in developing networks of family day care providers by enabling them to offer training, marketing assistance, and other technical assistance as a way of recruiting additional providers while assuring quality care.

The proposal would also encourage the development of revolving loan funds under the control of States or local governments for purchasing or remodeling facilities for child care. This lending would be coordinated with the community

good

reinvestment activities of banks and with the community development investments under the enterprise zone legislation.

/good

Addressing quality

To address quality concerns, the proposal would:

- (1) Allow States to pay premium rates for higher quality of care;
- (2) Set aside a portion of title IV-A funds for training and technical assistance activities;
- (3) Seek an appropriation for the existing authorization of Federally-administered grants to assist States seeking to improve the development of their licensing standards and monitoring instruments;
- (4) Undertake a public information and education program by sponsoring the development of culturally appropriate materials to inform parents about the developmental needs of children at different ages, the variety of forms of care available, and what questions to ask and what to look for in selecting a child care provider;
- (5) Promote the training of caseworkers in the developmental needs of children, the varieties of care available, and the necessity of stable and secure child care arrangements as a necessary condition of successful participation of parents in work or training activities.

?

Coordination with Head Start

The proposal would encourage the development of linkages between Head Start programs and child care programs by eliminating barriers to sharing resources in training, technical assistance, and extending the Head Start health, social service, and parental involvement components to more eligible children.

/good

Training welfare recipients to be child care workers

From the research on training AFDC recipients to be gainfully employed in the child care profession, it is clear that a positive effect can be had on the twin dilemmas of the need for jobs for AFDC parents and the need for child care. In order to make this a reality, however, it is essential to create flexibility in the programs through enabling legislation and regulations, to provide funding that is earmarked for training, to build partnerships with existing providers of training, to ensure that the appropriate components are offered and to provide effective placement for trainees. The effectiveness of such a

/good

program would only be limited by the resources devoted to the process.

CHILD SUPPORT ENFORCEMENT AND ASSURANCE

This plan basically subsumes all the recommendations of Paul Legler and the Child Support Enforcement issue group, although they are not all described within this document. The summary of these recommendations is included here.

Summary of Hypothetical Child Support Enforcement and Insurance
Option

Draft: October 5, 1993

I. ENSURING ADEQUATE AND UNIFORM PROVISION OF SERVICES

State Role.

- State Centralization
 - Must maintain a state staff for central registry, central clearinghouse, monitoring cases and imposing certain administrative enforcement remedies.
 - States encouraged to move towards centrally state administered programs through higher FFP match.
- Central State Registry and Clearinghouse
 - Universal services (tightly restricted opt-out allowed)
 - Monitoring of all cases
 - Centralized collection and disbursement
- Funding and Incentives
 - 75% FFP with performance based incentives
 - Maintenance of effort by both federal and state government
 - Incentive payments must be reinvested back into the program. *good*
 - Revolving loan fund to up-front funding for innovations and improvements
- Staffing
 - Staffing standards based on individual state needs
 - Training requirements and federal leadership
- Distribution
 - Arrearages to families first
 - Forgiveness of arrearages owed to state if family reunites
 - Collection of interest on arrearages
 - \$50 pass-through replaced with \$50 increase in AFDC for paternity establishment */good?*

Federal Role

- National Child Support Enforcement Clearinghouse
 - A National Clearinghouse consisting of the National Child Support Registry, National Directory of New Hires and National Locate Registry
- National Child Support Registry
 - Contains abstracts of orders to allow matching against other data bases for locate and enforcement
- National Directory of New Hires
 - Matches new hires against other data bases
- National Locate Registry
 - An expanded FPLS
- IRS Expanded Role
 - Direct state access to IRS data
 - Expansion of IRS full collection and tax refund offset
- Federal Assistance and Auditing
 - Federal technical assistance to be more proactive
 - Auditing to be more performance oriented rather than process oriented, proactive rather than reactive, and state friendly

II. ENSURING THAT PATERNITY IS ESTABLISHED FOR ALL OUT-OF-WEDLOCK BIRTHS

- Universal Establishment Approach
 - New universal paternity measurement and performance standards
 - Performance based paternity incentives
 - Education and outreach efforts
- Simplified Paternity Establishment Process
 - Expanded voluntary acknowledgement program
 - Streamlined process for contested cases
- Clear Paternity Establishment Responsibility
 - Clearer, stricter cooperation requirement
 - Clearer responsibility and tight timeframes for agency

III. ENSURING THAT A FAIR AMOUNT OF SUPPORT IS PAID

- Improved Interstate Process
 - Expanded uniform interstate procedures
 - Mandated adoption of UIFSA

- Establishment of Two National Commissions
 - National Commission on Child Support Guidelines
 - National Commission on Access and Visitation
- Modifications of Child Support Orders
 - Universal, periodic, administrative modification of orders
- Tougher enforcement
 - IV-D administrative enforcement power to take many enforcement actions
 - Expanded access and matching with other state data bases
 - A variety of tough enforcement tools
 - Improved locate and case tracking
 - Complete healthcare coverage enforcement

IV. ENSURING A MINIMUM LEVEL OF SUPPORT

- Child Support Assurance
 - Option A - a national program
 - Option B - six to ten demonstrations with additional to be added if program meets goals

ND

The changes from the child support enforcement issue group are noted below:

- (1) Universal paternity establishment sanctions;
- (2) States could contract with IRS to modify orders;
- (3) Expansion of the IRS role;
- (4) Deletion of the staffing standard;
- (5) Arrearages reduced if current support payments are enhanced;
- (6) Reduction in retirement pensions if child support not paid;
- (7) Further simplification of distribution rules;
- (8) Support for teenage parents;
- (9) A different child support assurance system;
- (10) The \$50 passthrough replaced with a \$70 increase in the AFDC payment; and
- (11) Child support orders for low-income non-custodial parents (less than \$15,000 of earnings) would increase to the higher of the level of the child support assurance benefit or a percentage (roughly 17 percent in the case of one child and 25 percent for two children) of their income. These higher amounts reflect the fact that the EITC is now available to non-custodial parents.

These changes are described below:

Universal paternity establishment sanctions

All mothers with children born out of wedlock would be provided the opportunity to establish paternity for their children. As a condition of eligibility for benefits under AFDC, Federal housing assistance, the dependent care tax credit, child support assurance and for receipt of the tax exemption for children, a mother must cooperate in establishing paternity for her child, provided that she does not meet the good cause exception rules for non-cooperation.

Ability for States to contract with IRS to modify order

Since the Federal government maintains a national, universal database of all existing orders and could combine this with

current information from the Federal income tax returns of all custodial and noncustodial parents, States could contract with the IRS to update and modify all orders.

Expansion of IRS role

Any child support owed by a noncustodial parent at the end of the year in excess of that withheld during the year would be determined by the State, forwarded to the noncustodial parent, added as a Federal tax liability, and collected via the annual-income tax form. Child support payments would have precedent over Federal tax liabilities.

Arrearages

The State would have the discretion to reduce child support arrearages on a case-by-case basis, if the office determined that such a reduction would promote the payment of current child support obligations by the noncustodial parent. This would apply if the noncustodial parent were making regular child support payments or were regularly providing in-kind support, such as child care, to the custodial parent.

Retirement payroll taxes applied to child support

As described later in this section, the EITC amount for the noncustodial father could be applied to an arrearage amount. In addition, the IRS and the Social Security Administration could reduce arrearages by reducing the present value of Social Security retirement benefits based upon changes in the earnings records of noncustodial parents. In other words, the Social Security payroll tax would effectively be applied to the child support arrearage, and the noncustodial parent's earnings record would reflect a zero contribution.

good

Distribution rules further simplified

The Federal government would retain any arrearages which resulted in the payment of the assured benefit, and no monies would be distributed to States as a result of any change in welfare benefits.

Support for Teenage Parents

In order to encourage family responsibility, all parents with a child who is a teenage parent, who has care of the child, and who moves out of the home would be required to support her/him until the age of 18 (up-to age 20 at State option). An 'order' for the parents to pay would be assessed based on a national guideline similar to the guideline for child support.

good

As for all non-marital births, a support order for the child would be placed on the noncustodial parent, regardless of age. If this parent is a minor and unable to pay, his or her parents would be expected to pay the full amount of the order until he or she reached the age of 18 (up to 20 at State option).

Assured Child Support Benefit

Under the proposal, the Federal government would fund an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent failed to pay. The benefit would be administered by the State and would be based upon the personal exemption amount under the Federal tax system and would equal the following amounts (for 1993):

<u>Number of Children</u>	<u>Benefit</u>
1	\$2,350
2	3,525
3	4,125
4 or more	4,700 - <i>No way!</i>

Fill-the Gap in low-benefit States

States whose AFDC payment level was less than or equal to 30 percent of the Federal poverty level (approximately \$12,000 per year for a family of three in 1993) would be required to disregard child support and assured benefit payments (up to \$1,800 annually) before calculating the AFDC payment such that the State's AFDC minimum payment was equal to at least 30 percent of poverty. This would raise AFDC benefits in approximately 13 low-benefit States to \$300 per month for a family of three. In all other cases, the assured benefit would reduce AFDC dollar for dollar. / no

Phase-in

Child support assurance would be phased in slowly, State by State. Before being allowed to pay the assured benefit, States would be required to meet certain criteria. These criteria would include having a strong child support enforcement system in place, a fully automated data system, a universal central registry, and meeting certain targets in establishing paternity. Also, as each State implements child support assurance, cost expectations must not be exceeded.

OTHER CSE PROVISIONS

Living Arrangements of Unmarried Parents

Unmarried parents of a child born out-of-wedlock who choose to cohabit could notify the State of their living status and thereby preclude the establishment of a child support order. *why?*

Paternity would presumably have been established at birth, as it would be for all children born out-of-wedlock. As long as the parents continue to live together, the State would assume that resources were being sufficiently supplied by both parents for the child(ren) and would in effect treat the couple as married. If one parent moves out of the home, he or she would then be considered the noncustodial parent, and a child support order would be established.

If an AFDC mother lives with a new male (not the father of her child), States would have flexibility over how much of the new male's income to disregard in benefit calculations. ?

Payment of Child Support

Because it is important that the custodial parent be aware of what the noncustodial parent is paying toward the child support obligation, separate checks would be administered for any welfare benefits, the child support payment by the noncustodial parent and the child support assurance amount.

OK except for CSA same checks, diff. times

Eligibility for the Earned Income Tax Credit

To facilitate the payment of child support, noncustodial parents would become eligible under the proposal to receive the EITC. (The custodial parent would remain eligible for the EITC as under current law.) Noncustodial parents who were in arrears on the payment of child support could not receive the credit on an advanced basis. For parents with a child support arrearage, at the end of the tax year, the credit would not be paid to the noncustodial parent but would apply to the arrearage amount owed to the custodial parent or to the Federal Government to reimburse for child support assurance. The enforcement tools and the cooperation of the IRS would be used to ensure compliance. Parents paying support for one or more children outside the home but who also have one or more children living in the home could 'count' all children in the calculation of the EITC.

Treatment of Child Support under Welfare and Tax Systems

Child support payments and the assured benefit would be treated as income to the custodial parent, and deducted from the income of the noncustodial parent, for purposes of determining eligibility and benefit levels under all means-tested programs (including AFDC, SSI, food stamps, Medicaid). Child support payments and the assured benefit would be taxable to the custodial parent, and tax deductible to the noncustodial parent, if the custodial parent receives the personal exemption for the child. If the noncustodial parent receives the personal exemption, as under current law, child support payments would not be counted as gross income to the custodial parent. All families with children would be required to file tax returns.

why?

Social Insurance Programs

Social insurance program benefits based on a noncustodial parent's work history (i.e. disability and survivors' benefits) and received by his or her children would reduce the child support assurance amount dollar-for-dollar. In the Social Security program, the rules governing the calculation of payments among children (particularly if the individual has children in more than one family)-would not be altered.

AMENDMENTS TO ASSISTANCE PROGRAMS

Under the proposal, changes would be made to means-tested assistance programs as follows:

- (1) Asset rules under AFDC, food stamps (possibly SSI) and housing would be significantly simplified and liberalized. Asset rules would be completely eliminated for life insurance, burial plots and pension plans. Under AFDC and food stamps, the asset limit for automobiles would be raised to \$10,000 of net equity. All other asset rules would be standardized to the existing rules under the food stamp program; OK
- (2) States would be given the option, when calculating countable resources, to disregard up to \$10,000 in savings designated for the purchase of a home, a car or for education. States could also disregard up to \$10,000 in assets associated with a microenterprise owned by the recipient or her family; OK
- (3) Under current law, when food stamps are calculated, AFDC benefits are taken into account. The AFDC benefit is assumed to be 50 percent for housing and 50 percent for other needs, and housing benefits are calculated assuming one-half of the AFDC check as income. The other one-half reduces the housing subsidy dollar for dollar. Unlike current rules, under the proposal, food stamps would be treated as income for housing subsidy purposes. Calculation of the food stamp benefit would not count the amount of housing assistance received. As an additional option, the fair market rent for section 8 housing vouchers and certificates could be set at 30 percentile; ?
- (4) The 100-hour rule (which specifies that a parent must work fewer than 100 hours in a month to be classified as unemployed) would be eliminated; good
- (5) The quarters of work rule (which specifies that to be eligible for AFDC-UP the principal earner must have

worked 6 or more quarters prior to one year before application) would be eliminated;

- (6) In place of the current \$50 per month passthrough of child support, States would be required to increase AFDC benefit levels by \$70 per month for families with a child support order;
- (7) The standard disregard in AFDC would be raised from \$90 to \$100 per month (with State option to increase up to \$250), and an additional disregard of 20 percent of subsequent earnings (with State flexibility up to 50 percent) would be added. The child care disregard would remain the same as under current law (20 percent of earnings to a maximum of \$200 per month per child).
- (8) All benefits (including AFDC, housing, food stamps and the assured benefit, (and possibly SSI) as well as child support payments) would be taxable to the custodial parent; and
- (9) Treatment of children in the welfare system would be made consistent with treatment of children in the tax system.

TRANSITIONAL ASSISTANCE

This section describes how the transitional assistance program would operate, including the application of the time limit. This is an extremely complicated matter, given cost and capacity constraints. The phase-in of the time limit is described later in the paper.

The transitional assistance program would take the following form:

(1) Self-sufficiency Payments

The recipient would be eligible to receive self-sufficiency payments for a fixed period of time. The maximum time limit would be 24 months.

All recipients would be required to participate in approved activities from the date of entry into the transitional assistance program. Approved activities would be broadly defined to include not only the education, training and job search activities under Title IV-F (JOBS) but also human development activities, including parenting and life skills classes and volunteer work.

(2) Grace Period

There would be a 6-month grace period during which recipients could be inactive without penalty. Families could opt to use the grace period at any time during the period of transitional assistance. Recipients who had received education or training services might, for example, use the grace period to locate employment. Recipients would in most cases be discouraged from using the grace period immediately upon entry into the program.

NO

Self-sufficiency checks would be equal to the current AFDC check less child support payments. Upon entry to the program, a time frame for the family to reach self-sufficiency would be established, based on the recipient's level of basic skills and work history, as well as factors such as the family's housing situation. The time limit for self-sufficiency payments would be limited to 24 months. A longer time frame might be established for recipients facing serious, long-term impediments to employment. Employable recipients might, conversely, have a shorter time frame to reach self-sufficiency.

The time limit would apply to the case head. Children would not have their own separate time limits (treatment of teen parents is discussed below). A parent who had reached the time limit would not be eligible to receive assistance on behalf of the children. Relatives would not be prohibited from acting as payees for the children.

grad

States would have the option to extend the benefit period, if it were deemed to be in the best interest of the individual. For example, extensions might be granted to permit recipients to complete an education or training program.

7

Comprehensive Case Management

As emphasized in the rationale section above, the proposal attempts to change the culture within the welfare office and to foster intensive and individualized case management. Accordingly, each new applicant to the system would be assigned to a caseworker with whom she would jointly decide on an individual service strategy. Case managers would be required to brief all applicants about the structure of the transitional assistance program, including the concept of individualized time limits, the approved activities and supportive services available, and the definition of satisfactory participation. States might be encouraged to administer a post-test to applicants following orientation and to grade case managers on the applicants' performance.

NO

The case plan would be tailored to the family's circumstances, including the case head's level of basic skills. A recipient's initial case plan could consist of attending parenting

classes and, with the assistance of the case manager, stabilizing her housing situation. Subsequent case plans might call for the recipient to enroll in an adult basic education class, followed by a JTPA-funded job training program. The initial case plan for a recipient with a fairly extensive work history might consist of unsupervised individual job search in conjunction with job placement/development services to be provided by the State. A case plan could include both primary and secondary goals; a secondary goal could be ensuring that the children are seen medically on a regular basis and remain in school.

JOBS program caseworkers would be responsible for designing case plans taking into account the needs of the family as a whole, as opposed to only the education/training needs of the case head. The JOBS case manager would, when necessary, assist the family in obtaining housing, health care (preventive and acute), child care, transportation and child support. Other services to be provided, either directly or by referral, could include domestic violence counseling, contraceptive education and financial planning. *note of time*

Services would be provided through expanded State JOBS programs. The State would have considerable discretion in how these services are delivered, including determining the definition of satisfactory participation.

If a recipient followed the case plan in good faith but reached the end of the time frame initially established without finding employment, the case manager would have the option to revise the case plan and extend the time limit.

Participation

Participation in approved activities would be required of all non-exempt recipients once the program were fully implemented. Recipients not following the case plan would be subject to sanction (see section on sanctions below). There would be a 6-month grace period during the 24 months of transitional assistance during which a recipient could be inactive without penalty. As mentioned above, most recipients would be discouraged from expending the grace period at the outset.

JOBS caseworkers would be responsible for ensuring that recipients who are on waiting lists for education, training or other services remain active while waiting. A recipients who is on a waiting list or lists but who is otherwise following the service plan would not be subject to sanction. If the case plan did not consist of any other activities, the recipient would be exempt from the time limits until the case plan was revised. *no*

In order to encourage States to achieve full participation, States would receive reduced Federal reimbursement (below the MAP

rate) for benefits provided to families whose grace period had been exhausted and were not participating in the JOBS program. This would include recipients who, as described above, were inactive because their case plans had not been revised.

If a State did not have sufficient capacity to serve all non-exempt recipients in its JOBS program, recipients on a waiting list for case management services would be exempt from the time limit. For example, an applicant who entered in June 1996 and attempted to access JOBS services immediately but did not meet with a case manager until November 1996, would still be eligible for the full 24 months of self-sufficiency payments as of November 1996.

Child Support Payments under AFDC

Child support payments (as described in the earlier child support assurance schedule) would be made for a limited period of time under the transitional assistance program for each child with a child support order in place or in the process of being established. This would be a temporary program designed to give AFDC children a safety net and would only be available in States where a full-fledged child support assurance payment was not available. These payments would not be in any way conditioned upon the behavior of the parent. Actual child support payments would reduce these payments dollar for dollar, and these payments would not be affected by earnings of the custodial parent. The proposal to exempt a portion of child support in low-benefit States (as described earlier) would be applied to these payments.

NO

Consolidation of Education and Training Programs

Under the proposal, States would be given the option to consolidate all education and training programs under the expanded JOBS program. Specifically, States would be allowed to combine funding for JOBS and the food stamp employment and training program and to operate them as a single program. The advantage of such a combination would be to reduce the administrative structure needed to run two separate, but essentially similar, programs. Self-sufficiency programs for families with children in housing programs would be coordinated through JOBS. JOBS would also be expanded to include volunteer parenting activities such as Head Start or other self-initiated community service activities (e.g. Michigan). HHS would work with all States to shape their JOBS programs in ways that are consistent with the new directions of the plan.

good

Funding

Federal funding for the JOBS program would increase by \$400 million per year beginning in fiscal-year 1995, up to a total of \$2 billion in the fifth year and thereafter. The Federal

matching rate would be raised from the current level to 75 percent. Countercyclical assistance would be provided through an enhanced Federal match of 90 percent if the unemployment rate in a State rose above 7 percent.

Earmarked funding would be provided to States to hire additional caseworkers in order to reduce the recipient/caseworker ratio to a level that will permit the comprehensive case management described above.

NO

Exemptions

Exemption from the obligation to participate in education, training or work activities and from the time limit would apply to a caretaker of an AFDC child who meets one or more of the following conditions. He or she:

- (1) is not a natural or adoptive parent; (this could be a temporary exclusion until all natural mothers are being served by JOBS and there exist enough work opportunities);
- (2) has care of a child under 1 year old (up to 3 years at State option), in cases in which child care is not available. This exemption would not apply to teen parents and for all other parents would be limited to a "child of record." Additional children would not qualify the mother for this exemption, except for a limited period of time (3-4 months) before and/or after the birth of the child;
- (3) has care of an ill child or relative or a child or relative with a disability who is both in need of care and does not have access to less expensive alternative care;
- (4) has a functional disability, illness or impairment that prevents employability. States would be allowed to exempt up to 20 percent of their caseloads due to substantial barriers to employment;
- (5) is working more than 20 hours per week (40 hours for both parents) (up to 30 hours and 60 hours, respectively, at State option); or
- (6) is in need of substance abuse treatment (exemption to last for the period of time needed for treatment).

?

too long

The clock would not run while the conditions creating the exemption existed.

Teen parents under 18 would not be subject to a time limit. In other words, the clock would begin to run for a teen parent on her 18th birthday. A teen who gave birth at 16 could receive benefits for two years and still be eligible for 24 months of self-sufficiency payments. | No

AFDC received because of working would be characterized as a self-sufficiency payment.

Exhaustion of Time Limits

If an individual has reached the time limit for receiving self-sufficiency payments and does not have access to a private job, public work slot as defined below, or other State-defined CWEP or other work slot, and is available to take any job that is offered, and has engaged in job search, and successfully completed JOBS and/or self-initiated community service for at least 20 hours per week, the State must provide additional cash payments for her at 100 percent State expense. | good?

This would be part of the State AFDC plan, and the State funding requirement can be justified based on the addition of child support assurance, which is 100 percent Federally funded. This State payment must bring total income to the current level of food stamps and AFDC, less child support assurance amounts that one received or that could be received. (It is assumed that all mothers could be receiving child support assurance, except for those who have established good cause. This will provide the State and the custodial parent an additional substantial incentive to establish paternity and have a child support order in place.) If combined food stamp and AFDC benefits in a State are greater than 60 percent of the poverty level, States may decrease the combined payment level by up to 20 percent. This payment would continue indefinitely until the family moved off the AFDC rolls.

POST-TRANSITIONAL ASSISTANCE

When self-sufficiency payments (including the grace period) are exhausted, able-bodied recipients would be expected to participate in some type of work. Hopefully before reaching the time limit, they would have obtained employment in the private sector.

As discussed above, recipients who have successfully completed the JOBS program but do not have access to a public work program slot (see below) would continue to be eligible for AFDC (funded at 100 percent State share).

Recipients who have reached the time limit without having successfully completed the JOBS program and who do not have access to a public work program position would NO LONGER be

eligible for AFDC. They would still have access to food stamps and housing benefits.

/good

Assured benefit payments (or child support payments under AFDC in States in which an assured benefit were not in place) to children with support orders in place would continue, regardless of whether the parent successfully completed the JOBS program.

w. by another name

Public Work Program Jobs

A number of minimum wage public sector positions would be made available to non-exempt recipients who have reached their time limit without obtaining a private sector job. The public sector employment (PSE) positions would be designed to improve the employability of participants through actual work experience and on-the-job training in marketable skills in order to enable individuals to move into regular employment as soon as possible.

Job slots would be created within local governments and through contracts with private, non-profit employers. Workers would be compensated at the minimum wage, the number of hours required to work would be at least 20 per week (up to 40 hours per week at State option). Work assignments for less than 20 hours per week could be made, if the client had a part-time private sector job such that the combined hours from the private and public sector jobs was greater than 20 hours per week.

maybe

Public work program jobs would operate like "real" jobs, with clients receiving a bi-weekly paycheck and with normal employer-employee relationships assumed. One option would be to require recipients to apply for PSE positions (perhaps there would be an interview process of some sort). The welfare department would assume that the participant is being paid for the hours specified; wages under the work slots would be counted as earnings and benefits calculated respectively. For any required hours that the participant failed to work, wages would be reduced accordingly. If a client fails to perform satisfactorily or does not show up for an extended period of time, he or she could be "fired", which would in effect entail a whole family sanction. Benefits are calculated as if the wages are actually received.

good

Public work program jobs would be entry-level jobs which are newly created (as much as possible) in order to minimize displacement of regular workers. They should be useful, genuine work, including positions such as teacher's aides, health aides, office aides, child care workers, Head Start aides, recreational aides and library assistants, as well as clerks in welfare and employment agencies. Allowing AFDC recipients to work in child care centers or be paid to operate their own family day care homes could be particularly beneficial. Outdoor assignments

ok

/agree -

could include gardening, park maintenance and road or building repair.

As much as possible, community organizations should be utilized to supervise groups of workers assigned to special projects within their local communities, including youth projects, painting and housing rehabilitation, recycling programs, senior citizens' programs, family day care programs, community beautification and entrepreneurial endeavors. Performance pay incentives could be provided to organizations (both for-profit and non-profit) and possibly to welfare offices which provide jobs that move families from welfare to work. good

States would have discretion to determine how long clients could remain in the public work program, up to a maximum of 18 months. For every year off of AFDC and public sector work, individuals would be able to earn two months of additional self-sufficiency payments (up to a maximum of 24). Maybe
2 yrs 2 mos.

Treatment of Earnings

In order to encourage movement into the private sector, earnings from public work would not be counted as income for purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Current law rules for the workers' compensation program and the Social Security program (including payment of the FICA tax) would apply. All benefits would be calculated according to existing rules; this implies that individuals would leave the AFDC program first, the food stamp program second, and the housing program third.

Exhaustion of Eligibility for a Public Work Program Slot

A recipient who had reached the time limit for participation in the work program but was unable to find employment would still be eligible for cash benefits, if she had cooperated with the child support enforcement agency. These benefits would be identical to the payments described under "Exhaustion of Time Limits" above. Requiring States to pick up the full tab for these benefits would maximize the incentive for States to move recipients from PSE jobs into unsubsidized employment. ?

Recipients of these benefits would, however, be subject to the same full participation requirements as recipients of transitional assistance. Caseworkers would be similarly required to provide comprehensive case management services. States would not, however, be mandated to make available the full range of education and training services to these recipients. state option
to extend;
not state
mandate

Funding for Public Work Program Slots

The cost of providing post-transitional job slots would be funded at a Federal matching rate of 75 percent. A total of 400,000 full-time equivalent PSE positions (700,000 half-time and 50,000 full-time) would be created. The 50,000 full-time slots would be allocated to noncustodial fathers. In addition, of the 700,000 half-time slots, 250,000 would be reserved for noncustodial fathers and 100,000 for two-parent families. Priority for the PSE positions allocated to custodial single parents would be given to recipients who are not eligible for the assured child support benefit or for child support payments under AFDC. Special consideration would also be given to recipients in particular need of assistance, i.e., without permanent housing.

States who wish to provide additional positions or hours per week above the minimum requirements could receive Federal funds at a matching rate of 50 percent. Job slots would be allocated to the States based upon State AFDC caseload numbers, and States would be required to fully utilize all slots allocated.

WORK AND TRAINING REQUIREMENTS FOR NONCUSTODIAL PARENTS

Under the proposal, ten large-scale, saturation demonstration projects would be conducted to evaluate the potential impact of enforcing requirements for and providing services to noncustodial parents (NCPs). Under these demonstration projects, the JOBS program would be modified and funding would increase (by \$150 million in 1995, \$300 million in 1996, and \$500 million in 1997 and thereafter) to be utilized for services to non-custodial fathers who have at least 2 months of child support arrears. In addition, two hundred and fifty thousand half-time program slots and 50,000 full-time public sector job slots would be created to accommodate participation by noncustodial parents who have failed to, or are unable to, pay child support. These slots would allow non-custodial parents to work off their child support arrearages and current child support payments and would prevent JOBS from looking too attractive as a means to avoid payment.

Considerable flexibility would be given in how each demonstration designed their programs, but the programs must include at least the following elements.

- o Initial contact with the NCPs must include a letter that informs them that they must pay child support, that they should contact the child support office, and that they are subject to fines and penalties if they do not cooperate;
- o NCPs who do not pay child support within 30 days, must be enrolled in a screening program 20 hours per week for 120 days. The screening program must provide at least the following components:

--job search;

--work experience (this must be provided for at least 10 weeks);

--any combination of classroom, counseling, and peer support around issues of parental responsibility;

--subsidized transportation;

- o NCPs who still do not begin to make child support payments after participating in the screening program for a period of 120 (not necessarily consecutive) days are required to participate in the JOBS program, subject to the following stipulations:

--NCPs are automatically eligible for JPTA; NO

--NCPs are required to continue their participation in any combination of classroom, counseling, and peer support around issues of parental responsibility, understanding the child support system, access, visitation, and their legal rights as NCPs for up to 3 additional months;

--Qualified NCPs will be placed in OJT vacancies, when available;

--Child support payments would not be required during participation in JOBS. / NO

- o NCPs may escape these requirements by paying child support payments and maintaining such payments for 90 days, however, full-payment of child support shall not make NCPs ineligible for JTPA, or other services.

After successful completion of the screening program and JOBS and if the NCP still has not found work, a full-time minimum wage job would be provided for up to one year on a first-come basis. / NO
WM

too attractive

TAX TREATMENT OF CHILD SUPPORT AND BENEFITS

Under the proposal, the household standard deduction would be increased to the level of the joint standard deduction. For 1993, this implies an increase of \$750. As previously stated, child support payments and the assured benefit would be taxable to the custodial parent, and tax deductible to the noncustodial parent, if the custodial parent receives the personal exemption for the child. If the noncustodial parent receives the personal exemption, child support payments would continue to not be included in gross income to the custodial parent. AFDC benefits,

food stamps, SSI and housing benefits would all be counted as taxable income to the custodial parent.

PREVENTING DEPENDENCY

The prevention of welfare dependency calls for the examination of services which exist independently of the welfare system, in addition to those that are actually a part of the system. This shift of focus, hand-in-hand with other reforms setting strict expectations for those on welfare, form an integrated prevention strategy which provides supports to assist individuals to achieve self-sufficiency. While those who are at-risk of welfare dependency should meet certain expectations, there must be services available to support them in doing so. This notion of "mutual responsibility", an integral part of the overall welfare reform proposal, is central to the proposed prevention efforts.

Leading families to self-sufficiency

There are numerous current and proposed programs that are intended to increase the opportunities of at-risk children and youth, including Head Start increases, implementation of the family preservation and support legislation, and a major overhaul of Chapter 1, which aims at early prevention by giving disadvantaged children a better developmental and educational start.

In order to ensure that these services are utilized to their full potential, welfare recipients would receive intensive and comprehensive case management services to identify needs and link family members with appropriate services. These services would be started in phases, until they were available in all locations. However, these services would be available from the start for all teenage parents. /junk

Comprehensive case management

In contrast with past welfare practices that focused on individual case heads, the support services and obligations would now extend to all family members and their varied needs. Case managers would be assigned responsibility for families, not simply case heads. The circumstances and needs of all family members would be considered in determining the support service needs of case heads who are subject to time limits and offered employment-oriented services. Moreover, the case managers should be much more proactive than has historically been the case in addressing warning signs of longer term problems for children from welfare families and/or the confounding influences of problems associated with other family members. junk

The types of services that will be central to the case management intervention would include: children receiving

important health services; preschoolers gaining access to safe and preferably enriching day care or preschool; school age children being helped to stay in school and performing at grade level; adolescents becoming knowledgeable about human sexuality, family planning, and contraceptives including Norplant, whose effectiveness is not contingent on follow through actions by teenagers and is reversible; teenagers receiving sound career counseling and work experience opportunities. Case management to link families and family members with these services forms the basis of an early intervention strategy for those at-risk of welfare receipt. /ok

Case heads would be held accountable for their family members' actions. On a demonstration basis, sanctions (e.g. a reduction in benefit level if a child is not in school or if an older child is not actively involved in school, job training or work) will be tested. Further, teenage parents who are children of AFDC recipients would, unless there is good cause, remain in the custody of their parents. The teen parents' AFDC benefit would then be determined based on the parents' ability to contribute to their support, regardless of whether the teen is living with the parents or not. The portion of the AFDC award for the teen's child is not effected by this; the baby's father is still required to meet any child support requirements. ?

Targeting Teens

Under the proposal, teen parents would be subject to the same requirements under the transitional assistance and public work programs as other recipients, with appropriate incentives and sanctions to encourage compliance. States would have the option to adjust the time period for transitional payments in order to encourage high school students to complete their education. Because teen parents are most likely to remain on AFDC for long periods of time, these women would receive the most intensive case management and more comprehensive training.

Teen parents who have not completed high school would be expected to participate full-time in an appropriate educational activity, unless participation in work or training activities were determined to be in the best interest of the teen. To the extent possible, educational activities would be combined with work and training activities.

Case management for teen parents would be the same as described in the above section on case management, except that they would be assigned to caseworkers specially trained to work with youthful, multi-problem families. These caseworkers would serve as mentors for the teen parents and would, at a minimum, assess their needs and those of their children, help identify appropriate plans of activity, help remove barriers impeding progress, refer them to other service providers as needed, and

monitor compliance with participation and other requirements. In addition, the caseworkers would be responsible for working to develop part-time and full-time employment opportunities specifically for teens.

School Responsibility and Preparedness for Employment

A prevention proposal that expects or stresses the responsible behavior of at-risk youth should both establish clear expectations regarding education and employment and provide sufficient educational and employment opportunities to enable youth to meet these expectations. For youth to be persuaded that irresponsible behavior will lead to loss of real life chances and opportunities, such opportunities must truly exist for these youth. Thus, the proposal would include programs that invest in public schools, expand occupational preparedness in the schools, "track" drop-outs into appropriate educational and vocational training programs, develop "school-to-work" opportunities, strengthen job training, and offer real employment positions.

School Responsibility

To bolster the general education in our public schools, passage of the Administration's "Improving America's School Act of 1993" would increase the educational opportunity of disadvantaged children and youth by sending more of the available funds to schools that need it most.

Under the proposal, schools would further provide an education that prepares youth for future employment. A "dual track" model that emphasizes general education as well as occupational preparedness would be expanded. A life skills curriculum would be adopted for at-risk youth. Education about career opportunities would also be available, and mentors from colleges or businesses in the local community, who have overcome similar hardships and environments, would act as role models and significantly increase the perceived opportunities for these youth.

Schools would also be held accountable for "tracking" and providing necessary services for at-risk youth and drop-outs. If a youth is not attending school on a regular basis, the school would actively investigate and address the surrounding circumstances. In order to hold schools systems accountable, federal funding will be in some manner contingent upon locating drop-outs and coaxing them back into school or into an appropriate alternative, such as alternative education programs, "school-to-work" programs, or job training.

Preparedness for Employment

In addition to the other components related to employment in the welfare reform proposal, numerous other initiatives would be included.

The Administration's "School-to-Work Opportunities Act of 1993" will provide "venture capital" to States to develop school-to-work systems built around school-based learning, work-based learning, and connecting activities. Special grants will be available to target at-risk youth.

Under the newly recast Title II-C of the Job Training Partnership Act (JTPA), year-round training and employment services will be available to at-risk youth. One-half of the available funds are set aside for drop-outs.

To facilitate access to these available opportunities, the Administration has proposed "One-Stop Career Centers."

Finally, two Government-wide initiatives, empowerment zones and national service, will provide true employment opportunities for at-risk youth.

With all of these increased services for at-risk youth -- in the areas of school responsibility, employment preparedness, and welfare reform -- in place, higher expectations can be required of the youth. Children and youth of AFDC recipients would be expected to participate in one of these programs and their families would be sanctioned if they do not.

good

Messages from the Media and Entertainment Industry

The television, film and music industries have a strong influence over young people. These mediums are currently used to transmit public service messages. Their use in issues related to welfare prevention could be expanded. First, celebrities could discuss the importance of staying in school, responsible sex, using contraception, and avoiding teenage pregnancy, as well as the availability of services and how to access them. Second, the federal government could encourage sensitive and responsible advertising for contraceptives on television in order to foster a discussion among family members watching television. Finally, the media industry would be encouraged to review the presentation of extramarital sex, responsible contraception and sex, and the consequences of teenage childbearing as portrayed in entertainment programming.

PHASING

The plan should be phased in such that lessons learned through implementation of various parts could be used to guide future implementation. This would imply a requisite level of flexibility throughout. The number of work slots would be phased

in as described earlier. As we gain experience from the program and gather evidence of the impact it has, the number of slots may need to be raised.

For numerous reasons, including capacity and cost constraints, the reform plan will need to be phased in over a period of years. While strong arguments exist for each of the different phase-in strategies, the cohort phase-in may most clearly convey the message that the current system is seriously being reformed. Under the cohort option, States would be required to serve all members of an incoming cohort (e.g. all applicants in a given year, or specific sub-groups within an incoming cohort). States would also be encouraged to phase in the plan by office or geographical area and in so doing, must endeavor to change the entire culture of the welfare offices. States might choose to serve some of the existing caseload but would not be required to do so. As emphasized under the teen pregnancy and parenting section, one specific subgroup that must be served on a saturation basis is teen mothers.

In 1994, HHS should work with States who have existing waivers or who want to develop new waiver requests for programs that approximate what is outlined in this proposal. The cost neutrality requirement in Section 1115 would be relaxed in specific ways to allow some States to make investments in accordance with the overall goals of the plan. Allowing States increased waiver flexibility would provide a good head start on the process and would hopefully yield successes early on. HHS would work with all States to shape their JOBS programs in ways that are consistent with the new direction. Current JOBS participation requirements, which in 1995 will be 20 percent, would apply to the continuing caseload. / YES

The percentage of non-exempt recipients who must be included in the new time-limited welfare system (the participation rate) would be as follows:

<u>Year</u>	<u>Percent</u>
1995	20
1996	30
1997	40
1998	50
1999	60
2000	70
2001	80
2002	90

good

Failure to meet this requirement would lower the Federal AFDC, JOBS and child care matching rates by the percentage by which the participation rate falls short of its goal.

Throughout the entire process, HHS would invest considerable resources in technical assistance to the States to assess and disseminate information about the successes and failures of various JOBS activities.

SANCTION POLICY

Under the proposal, the ability of States to sanction recipients for non-participation would remain similar to current law with some additional State flexibility. Not participating in whatever activity is required in the individual case plan for a given month would result in an appropriate warning and then the elimination of the mother's portion of the AFDC grant for two months initially, with gradually increasing severity. This must be implemented in such a way that food stamps does not increase as a result of the sanction. As under current law, these sanctions would be 'curable', meaning that they would be lifted once participation was resumed.

The second instance of non-participation would result in the grant reduction as before, plus the loss of two months of the grace period. The third instance of non-participation would result in the grant reduction and loss of all remaining grace period months.

As described earlier, not working the required number of hours in the work slot would result in a corresponding reduction in 'wages'. The penalty for not taking a private sector job when offered (assuming no other legitimate reason for refusal such as worktimes, lack of child care, etc.) or for being fired for cause would result in the loss of benefits as if the private job had been taken. This sanction would last a year or until a job was taken.

OK

STATE WAIVERS

Explicit waiver integration would be allowed by States which have existing waiver demonstrations in place and wish to incorporate parts of the new plan into their demonstration. However, States could opt to defer compliance with the welfare reform plan until after the expiration of the existing waiver. The latter would be encouraged to allow sufficient time to observe the results of experimentation underway. As under current law, all State waivers must include a rigorous evaluation component.

?

FRAUD AND ABUSE

Aggressively attacking fraud and abuse and ensuring that only those eligible for welfare benefits receive assistance is critical to developing public confidence in public assistance programs. Misuse of the system damages both recipients who are

good!

"doing the right thing" and taxpayers by reducing the willingness of the public to support social service programs and by wasting taxpayer resources. Eliminating fraud is an important goal to persons on all sides of the welfare debate and should be used to garner Congressional and public support.

YES!

The major effort at controlling fraud would be a full integration of the tax, welfare, UI, Social Security and child support enforcement data systems. With all due rights considerations, overpayments in one system would be taken from benefits paid in another system.

make

Measures to attack fraud could include implementing a program of "front-end" fraud detection (based on a proposals now pending in the Massachusetts State legislature); establishing a nationwide fraud hotline; changing Federal and State law as necessary to allow welfare offices to verify eligibility information with other government offices and organizations; and encouraging and facilitating the use of national computer eligibility systems.

New applicants in a given State would be required to identify whether they had been on a time-limited welfare payment schedule in other States. By receiving information on welfare recipients, the Federal Government could investigate whether individuals are moving across State lines to avoid time limits and not giving a correct response to the above question.

good

REFORM BY REGULATION

As much as possible, the welfare reform proposal should be implemented through regulatory changes as opposed to Congressional action. This would particularly apply to changes in program rules such as asset rules in AFDC, food stamps and housing and the 20-hour rule in the AFDC program.

DEMONSTRATIONS, RESEARCH AND EVALUATION

A thorough evaluation of all aspects of the proposal would be conducted after the time-limited transitional assistance and public work programs had been fully implemented. It would be particularly important to evaluate the impact of State flexibility with respect to the sanction policy. If it was determined that harm was being done to children, the President would have the authority to modify or eliminate the time limit.

NO

In addition to the "child support assurance," "non-custodial parent and work support agency demonstrations described earlier in this paper, a variety of other demonstration projects would be designed:

- (1) America Works

A demonstration would be conducted based upon the success of the America Works Corporation in New York and Connecticut. Under this program, the contractor finds jobs in the private sector and prepares welfare clients to obtain these positions. The AFDC check is used to subsidize wages during a four-month trial period, and if the worker performs well, she is permanently placed in the job, and America Works collects a placement fee of about \$5,000;

(2) Incentives to pay child support

A demonstration would be conducted to test the effects of certain incentives for fathers to pay child support. Of particular interest would be whether the amount of child support paid by low-income fathers could be increased; and

(3) Work Support Agency Demonstration

HHS will assess the success of work support demonstrations currently in progress under Section 1115 and will establish several new small-scale demonstrations in up to six States to examine the effectiveness of a comprehensive work support agency. Such an agency would serve as a resource center for clients to obtain information on available jobs, would offer classes on resume-writing and other job-related skills, would supervise job search activities, and would provide the necessary supports (on-site as much as possible) to enable recipients to successfully attach themselves to the labor force.

Maybe

(4) School attendance

A demonstration would be conducted to test the effects of various incentives and sanctions in encouraging welfare recipients to attend school in order to complete their high school education.

good

(5) Persons with disabilities

A demonstration would be conducted to determine how best to serve recipients with disabilities. While up to 20 percent of the recipient population can be exempted due to disability, this figure is low enough that many persons with disabilities would still be subject to the time limit. This demonstration should be designed to yield information on how to assess what services are needed, how much services cost, models for treatment and rehabilitation systems, etc.

good

COST

The proposal would be deficit neutral and other than the taxation of welfare benefits previously described would involve no additional taxes (with the possible exception of previously submitted proposals involving the extension of social security coverage). Most of the financing would come from tightening eligibility rules for non-citizens receiving welfare payments and other entitlement program changes. / ?

TITLE I: THE NEW SOCIAL CONTRACT

1. All applicants will be required to sign a social contract that makes clear up front the terms of their assistance -- what they can expect from government and what responsibilities will be expected of them in return.

2. The contract will state the basic principles of our plan, including: 1) Everyone who receives benefits can and will do something in return; 2) People will receive paychecks for participation and performance, not welfare checks for staying home; 3) We'll make sure that any job is better than welfare, but in return, anyone who is offered a job must take it; 4) People who bring children into the world must take responsibility for them, because governments don't raise children, families do; and 5) No one who can work can stay on welfare forever.

3. States will be required to teach these principles to every teenager.

4. Assistance can include job search, job placement, education, training, child care, community service, parenting, and family planning. Responsibilities can include a commitment to participate in an agreed-upon plan of job search, training, high school, drug treatment, parenting classes, community service, deferred childbearing, and work.

TITLE II: PARENTAL RESPONSIBILITY

1. Child Support

a. Several of the reforms recommended by the Child Support issue group, but not full-scale child support insurance.

b. States can require non-custodial parents with children on AFDC to pay up or work off their obligations. Any child support insurance demonstrations must have this component.

c. States can also make payment of child support a condition of other government benefits.

2. No AFDC for Minors: No one under the age of 19 will be eligible to receive AFDC as a case head. Minors will be expected to live with their parents or in other supervised settings.

3. Parenting: States will have the option to require parents on welfare to fulfill their parental responsibilities, including enrolling in parenting classes, attending parent-teacher conferences, and ensuring that their children (including adolescent children) are immunized and receive annual checkups.

4. Pregnancy Prevention

a. Schools receiving Chapter I concentration grants will be required to establish school-based or school-linked health clinics that provide counseling, health screening, and family planning services to adolescents.

b. Older welfare recipients who went on welfare as teen mothers will be recruited and trained to serve as counselors as part of their community service assignment.

c. Support will be provided to non-profit community-based organizations to foster responsible attitudes and behavior.

d. Family planning services will be made available for adults.

5. Paternity Establishment

a. States will be required to establish as many paternities as possible at the time of birth, regardless of welfare or income status. Voluntary in-hospital programs and civil procedures that offer multiple opportunities for voluntary consent will be strongly encouraged for all out-of-wedlock births. States will have the option to make acknowledgment of paternity mandatory for all births paid for with public funds, and/or allow hospitals to require blood or saliva tests for every out-of-wedlock birth.

b. We should seek 100% paternity establishment by the year 2000. After that date, states will lose funds for failing to meet the target, and will have the option to restrict government benefits to those with two legal parents. A national media campaign will be used to emphasize the benefits of paternity establishment.

c. No child born one year after the enactment of this law will be eligible for AFDC until paternity has been established. In cases where paternity has not been established, mothers will be expected to cooperate in identifying the father, and a presumptive determination of paternity will be made at the time of application, except where the putative father appears for a blood or saliva test and can prove otherwise. Emergency assistance will be provided in cases where the determination of paternity is delayed for reasons beyond the mother's

control. Exceptions will be made for cases of rape, incest, or endangerment of the mother and child.

6. Family Limits: States will have the option to establish family caps for parents who have additional children while on AFDC.

TITLE III: JOBS FIRST

1. All new applicants will be required to do supervised job search (potentially through the Labor Dept.'s One-Stop program) for 90 days before receiving benefits. Emergency assistance and other support services will be available if necessary during that period. (States have the option to relax asset rules for emergency assistance.)

2. After 90 days of job search, applicants may receive benefits, but everyone must do something in return -- work, education, training, job search, community service, etc. States can choose from a variety of models:

- a. Everyone Does Something: Under this option, the definition of activities can be loose, but everyone has to do something for 20-30 hours a week.
- b. Work First: States may instead put recipients to work immediately in community service jobs, where they can earn generous training credits.
- c. Work or Train: States can assess each individual's needs, and assign recipients either to training or community service.

Under each of these options, job search, job placement, and work support must be available at any time. Training programs should require a high school degree or lead to a high school degree.

3. After 21 months on AFDC, every able person will receive notice that they are approaching the time limit and must begin three months of job search. (States will have the option to require work and/or job search sooner.)

4. Anyone still on AFDC after 2 years must apply to the local public-private jobs consortia for a private sector or community service job.

- a. A jobs consortium will have broad flexibility to find and create jobs:
 - One-year OJT vouchers that would pay employers 50% of wages and training up to \$5,000, provided the employee is still working after one year.
 - Private employers receive one-year health care subsidy for new employees they hire through the jobs consortia.
 - Work supplementation or grant diversion.

-- Performance-based payments to private companies, non-profits, and state welfare agencies for successful placement in private sector jobs.

-- Block grants to jobs consortia for child care and other work support services, so that a consortium can use the social service funds to create community service jobs. Community organizations, churches, and other non-profit institutions willing to provide community service jobs can compete for block grants and/or jobs consortium status. Perhaps use national service state councils to help identify community service employers.

-- Strict limits on administrative costs, based on national service legislation.

b. All community service jobs will be on a pay per hour basis; 20-30 hours minimum (state option). If no job slot is available, state must pay recipient to do supervised job search, and will receive a lower federal match.

c. Community service jobs will be limited to one year. At the end of that time, states have the option to reduce or eliminate benefits. They will receive a reduced match for anyone still on the rolls.

d. States have the option to block grant AFDC for the post-transitional period. They would receive one year's worth of benefit payments (at a reduced federal match) for every able-bodied recipient on the rolls after two years, provided they guarantee those recipients a private or community service job for a year.

e. States have the option to contract out the entire post-transitional period to a statewide public-private consortia or an organization like America Works, along the same terms as the block grant.

5. Sanctions/Refusals: Anyone who refuses to show up for required activities during the two-year period, refuses to work at the end of the time limit, or reaches the end of the one-year post-transitional community service job will no longer receive AFDC cash benefits. Instead, their children will be eligible for an in-kind Children's Allowance -- food stamps and a housing voucher which together represent no more than 50-66% (state option) of their pre-sanctioned benefits.

TITLE IV: REINVENTING GOVERNMENT

1. Welfare Simplification: Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining (one income/asset/verification requirement).

2. Performance Incentives: Move to a performance-based system in which states are reimbursed for clear performance measures, such as the number of people moved off welfare

into private work; reduction in rate of teen or out-of-wedlock births; EITC payouts; percentage of children immunized; rate of paternity establishment; etc.

3. Fraud Reduction: Expand EBT to include AFDC payments, and crosscheck benefits against W-4 wage withholding records.

4. Community Empowerment: Use existing social service funding streams to create jobs and stimulate economic development in communities with high welfare populations. Give microenterprise grants to new or expanding businesses that agree to hire half or more of their new employees off of welfare. Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients.

5. State Flexibility: Allow waivers for states to consolidate employment, training, and JOBS resources.

MAKE WORK PAY

PLANS

KEY FEATURES	A	B	C
EARNINGS SUPPLEMENTS	Income supplement for anyone getting Food Stamps, has children, and is working. Establish Working Family Support Program.		
EITC	Regular payment in Working Family Support Program.	Partially available on advance basis. EITC/FS card.	EITC and FS in EBT system administered by JOBS program.

KEY FEATURES	D	E	F
EARNINGS SUPPLEMENTS	Combine and dramatically simplify administration of EITC and FS. Standard monthly benefit of \$350 for family of 3 (between \$1 and \$13,000 earnings) plus end-of-year bonus of 15% of earnings up to \$8,500. Payments on EBT card.		
EITC	End-of-year reconciliation with remaining EITC payments.	IRS to calculate automatically. Extend to non-custodial parents if child support payments made. Partially available on advance basis.	

CHILD CARE PLANS

KEY FEATURES	A	B	C
Funding	IV-A JOBS day care stream with new match rates	FMAP plus 10 percentage points	not addressed
Method	Fold at risk child care funds into TCC for first 2 years then use CCDBG block grant or make TCC entitlement available to all in WFS and use disregards, TCC and CCDBG child care	Replace CCDBG, TCC and ARCC with entitlement	not addressed
Agency	Working Family Support	not addressed	JOBS program
Consolidation	Make rules consistent	One entitlement program	Consolidate
Quality	In CCDBG - funds for R and R and training for all day care workers	not addressed	not addressed
Eligibility	Participation in WFS	Full subsidy for families with up to \$8,000 and phasing out at \$20,000	JOBS program participant

CHILD CARE PLANS (continued)

KEY FEATURES	D	E	F
Funding	80% Federal match for child care provided during first 24 months of eligibility	Federal match at new JOBS rate	not addressed
Method	Expand benefits, priority to single parents, especially transitional assistance exhaustees, child care ombudsman services; 33% child care credit in lieu of food stamp deduction	Open-ended entitlement for welfare and JOBS participants; assist CCRR agencies to increase supply of care in specific areas; would offer loans to purchase or remodel facilities	Create block grants to jobs consortia which then can create community service jobs for caregivers
Agency	Work Support Program	not addressed	Jobs consortia or national service councils
Consolidation	not addressed	Consolidate child care under AFDC, TCC and ARCC into one open-ended entitlement; CCDBG expanded to serve non-welfare, low and middle income; standardize rules with CCDBG	not addressed
Quality	not addressed	Allow States to pay premium rates for higher quality of care; set aside IV-A funds for training and TA; seek funding to help states improve licensing standards; undertake public information campaign for parents about developmental needs of children; promote training of caseworkers; encourage linkages with Head Start	not addressed
Eligibility	Working families not receiving AFDC	Recipients of welfare and JOBS participants	Recipients of assistance

CHILD SUPPORT ENFORCEMENT

PLANS

KEY FEATURES	A	B	C
General Approach	minimal changes to allow existing reforms to take hold; implement child support assurance	limit reforms to a few key elements to reduce implementation demands; implement child support assurance	essentially supports whatever Paul legler has recommended (plan D); major reforms with child support assurance demonstrations
Paternity Establishment	Not Addressed	Extend paternity establishment standard to all out-of-wedlock births. Expansion of paternity establishment requirements not addressed.	Defers to plan D
Award Establishment and Adjustments over time	Not Addressed	Registry of new orders	Defers to plan D
Enforcement			
Distribution	Not Addressed	Not Addressed	Defers to plan D
Techniques	Not Addressed	New Hire Reporting UIFSA Locate linkages	Defers to plan D
Non-custodial	Not Addressed	Not Addressed	Defers to plan D
CS Insurance/Assurance	Implement at levels set in plan E.	Perhaps, set guarantee at \$1,200 for i, up to \$2,400. Only with support order & count toward AFDC. (see also MWP)	Defers to Paul Legler.

CHILD SUPPORT ENFORCEMENT (cont't)

PLANS

KEY FEATURES	D	E	F
General Approach	Major child support reforms and expansions; child support assurance demonstrations	Major child support reforms and expansions; phased implementation of child support assurance or demonstrations.	Limited child support reforms; child support assurance demonstrations
Paternity Establishment	Goal of 100% paternity establishment; incentives paid on meeting standards for paternity in all out-of-wedlock births; all out-of-wedlock births tracked for paternity establishment (included in Central Registry); increased cooperation requirements and incentives for custodial parent.	Same as D plus denial of additional government benefits (e.g., tax deduction) if paternity not established.	Similar to D and E, although fewer details provided. Paternity establishment a requirement for AFDC benefits; states can restrict all government benefits to those with two legal parents. No increased AFDC benefit if paternity established
Award Establishment and Adjustments Over Time	Central Registry (State level) for new and modified orders. Public outreach campaign directed at paternity cases where support not established (non-AFDC) Orders based on state guidelines-with \$50 minimum. All orders (in registry) must be reviewed and modified every three years. Guidelines Commission	Same as D except State would have option to contract with IRS to modify orders; higher minimum order for low-income non-custodial parent-minimum set at child support assurance level of about \$200 per month for 1 child.	Not Addressed

CHILD SUPPORT ENFORCEMENT (con't)

KEY FEATURES	D	E	F
Enforcement	National child support/ locate registries; state access to IRS data; better interstate procedures; more resources at state level, and so forth.	State administrative centralization and improved data; better funding and incentives; national child support clearing house and registry; better interstate tools; expanded IRS role; and the list goes on.	States make CS payment a condition for receiving other benefits.
Collections/Distribution	Optional to pay current child support direct to family in AFDC cases. Post AFDC family arrears to be satisfied before AFDC arrears	Current support paid direct to family (AFDC and non-AFDC); Child Support Assurance arrears, then arrears owed to family	
Techniques	New Hire Reporting UIFSA IRS Referral for Arrears	Same as D plus greater IRS involvement	
Non-Custodial	Commission on access and visitation	Work-fare/EITC to pay minimum order. Reduction in SSA pension fund if support not paid	Mandatory work-fare for amount of order at state option.
CS Insurance/Assurance	Six demonstrations; varied guarantees, eligibility, criteria, and other stuff.	National system to be phased in slowly on a state by state basis. Low benefit states disregard portion of CS guarantee in calculating AFDC.	

SERVICES FOR NONCUSTODIAL PARENTS

PLANS

KEY FEATURES	A	B	C
Services for Noncustodial Parents	Noncustodial parents would be eligible for JOBS services, either immediately or at some point during phase-in (state option)		

KEY FEATURES	D	E	F
Services for Noncustodial Parents	Multi-site demonstration projects providing training and support services for noncustodial parents, including activities which would reduce obligations	Ten large-scale demonstration projects providing services to non-custodial parents; noncustodial parents in arrears would be required to participate first in a screening program, then in the JOBS program and finally in a public sector work program	

AFDC/Transitional Welfare

PLANS

KEY FEATURES	A	B	C
AFDC/Transitional Welfare	(unless specified all references are to second plan).		
Time limit	<p><u>Earlier Plan</u> would make funding available to states so that they could have demonstrations of time limit proposals.</p> <p><u>Second Plan</u> would create JOBS I which would replace AFDC. Participants could receive JOBS I benefits for work preparation activities for two years.</p>	<p>Two year lifetime limit for AFDC receipt. Could earn additional months for every four consecutive months off welfare and not in post-transitional job.</p>	<p>Lifetime cap of two years.</p>
Extensions	<p>For people with special educational or English-language needs.</p>	<p>Not specified.</p>	<ul style="list-style-type: none"> • Recipient caring for disabled relative. • Two additional years after youngest child's first birthday. • If successfully enrolled in education, could take two additional years of education and training. • If recipient has severe learning or functional disability, as long as they were in an activity.

AFDC/TRANSITIONAL WELFARE

KEY FEATURES	A	B	C
Exemptions	Minimal (not specified).	<ul style="list-style-type: none"> • If recipient is caring for a child under one (one time). • If recipient is incapacitated. • If recipient is needed to care for incapacitated child or adult. 	No exemptions.
Sanctions	Nonparticipation would trigger sanctions similar to those currently in place in the JOBS program.	Nonparticipation in job search or quitting a job that met health and safety criteria would trigger a 50% reduction in AFDC with no increase in Food Stamps or housing benefits.	Not specified.
Case Management	Intake process must focus on work preparedness rather than income eligibility.	Not specified.	Single case manager for each participant. Case management would continue three months after client leaves AFDC.

AFDC/Transitional Welfare

PLANS

KEY FEATURES	D	E	F
Time limits	<ul style="list-style-type: none"> • Create Family Independence Plan (FIP) within 30 days. • Within 90 days required to participate in activities detailed in FIP. • Two year limit on receipt. 	<ul style="list-style-type: none"> • Six month grace period where participants could be inactive without penalties. • Maximum of twenty-four months of self-sufficiency payments in which recipients would have to participate in approved activities: <ul style="list-style-type: none"> • States could extend the benefit period if it were deemed to be in the best interests of the individual. • Children would not have separate time limit. • If person fulfills JOBS responsibilities and cannot get public or private job, state must provide cash payments for person at 100% state cost. 	<ul style="list-style-type: none"> • Ninety days of supervised job search for all new applicants. • Twenty-four month time limit. (After twenty-one months receive warning of approaching time limit).

KEY FEATURES	D	E	F
Extensions	<ul style="list-style-type: none">• One time extension for parents with young child. Until youngest child (at time of application) is three or eligible to participate in Head Start, whichever is later.• One or two year, one time exemption for completion of education and training program for persons with English language difficulties, those completing GED's, those with substantial barriers to employment, other educational activities.	Limited extensions available.	Not specified.

AFDC/TRANSITIONAL WELFARE

KEY FEATURES	D	E	F
Exemptions	<ul style="list-style-type: none"> • Recipient in last trimester of pregnancy and ninety days after birth. • Recipient suffering from illness, injury or incapacity that lasts longer than thirty days and interferes with employment. • Recipient who is mentally retarded or ill and cannot obtain or retain employment. • Recipient with application pending or is appealing the termination of benefits for SSI or Social Security Disability. • Recipient is caring for ill member of the household. • Recipient whose advanced age limits employment. • Recipient who lives more than one hour round-trip traveling time from employment. 	<ul style="list-style-type: none"> • Recipient is not a natural or adoptive parent (could be temporary). • Recipient is caring for a child under 1 year old (or 3 at state option) and there is no child care. • Recipient has just given birth (three to four months before and/or after birth of a child). • Recipient is caring for ill child or relative in need of care and without access to less expensive alternative care. • Recipient has functional disability or impairment to prevent employability (only 20% of the caseload can qualify). • Recipient is working more than 20 hours per week. • Recipient is in need of substance abuse treatment (exemption lasts for time during treatment). 	No exemptions.

AFDC/TRANSITIONAL WELFARE

KEY FEATURES	D	E	F
Sanctions	Immediate and significant sanctions for non-participation (similar to LEAP and teen parent demo sanctions).	<ul style="list-style-type: none"> • Nonparticipation in a month would result in warning and then elimination of mother's portion on AFDC grant for two months. • Second instance would lose portion of grant and two months of grace period. • Third instance would lose portion of grant and all of grace period. • Sanctions are curable. 	<p>No longer receive AFDC benefits if:</p> <ul style="list-style-type: none"> • refuses to show up for transitional activities, • refuses to work after time limit, • reaches the end of one year post-transitional CWEP job. <p>AFDC children will receive a children's allowance of their food stamps and housing voucher.</p>
Case Management	Not specified	Intensive and individualized case management. Responsible for helping client develop case plan.	Not specified.

TEENAGE PARENTS
PLANS

KEY FEATURES	A	B	C
Teen Parents	No special treatment.	Teens subject to time limit or attainment of age 20, whichever comes later. Must participate in education/training, parenting, life skills development.	By January 1, 1997, all teen mothers on AFDC will be transferred to the JOBS program.

PLANS

KEY FEATURES	D	E	F
Teen Parents	Special rules (not specified).	Teen parents under 18 not subject to time limit. Sanctions and incentives from Teen Parent Demo. Intensive case management and comprehensive training. Educational activities for those who have not finished high school.	Teen parents cannot become their own case head.

JOB SEARCH, EDUCATION AND TRAINING

PLANS

KEY FEATURES	A	B	C
Activities During Transitional Program	Expanded version of current JOBS program list	Current JOBS activities, with a strong emphasis on job search/development	Expanded version of current JOBS list, emphasis on job placement
Participation Requirements: Recipients	All non-exempt recipients required to participate	All able-bodied recipients required to participate	All recipients required to participate (no exemptions)
Performance Standards: States	100% of non-exempt caseload participating, at full implementation	100% of nonexempt caseload participating	100% of caseload participating
Phase-in	By cohort and geography; all teen parents enrolled immediately	Begin with new applicants, phase-in returnees and recipients over 5-year period	Begin with new applicants as of January 1, 1996; phase-in within 10 years
Match Rate/Funding	Increased matched rate for services (above the JOBS rate)	Services at the FMAP rate (+20% for job search), \$800M-\$1B for other JOBS activities	Current JOBS match rate for services

JOB SEARCH, EDUCATION AND TRAINING (cont'd)

PLANS

KEY FEATURES	D	E	F
Activities During Transitional Program	Current JOBS list; involvement of private sector	Expanded version of current JOBS list, including human development activities	At state option, current/expanded JOBS list, work activities or a mix
Participation Requirements: Recipients	All non-exempt recipients required to participate within 90 days of entry	All non-exempt recipients required to participate	All non-exempt recipients required to participate
Performance Standards: States	High participation standards, other incentives based on placements and length of stay	90% of non-exempt caseload participating, at full implementation	100% of nonexempt caseload participating, other performance incentives
Phase-in		Begin with new applicants in 1995; participation standards rise during phase-in; all teen parents enrolled immediately	
Match Rate/Funding	Higher match (80%) for case management, training, tracking and other services	JOBS funding increased by \$2 billion (full implementation); match for services at 75%	

POST-TRANSITIONAL PUBLIC
EMPLOYMENT/COMMUNITY SERVICE

KEY FEATURES	A	B	C
Post-Transitional Public Employment/Community Service (General Policies)	During phase-in period: Combination of CWEP, unsubsidized employment, and job search required. Full-Implementation: Replace CWEP w/ work for wages.	Work for wages. Jobs pay AFDC/min. wage; or, 20 hrs. * min. wage, whichever is less. Weekly job search required. Financing: FMAP minus 10 percentage points	"Jobs Council" coordinates placements for unsubsidized jobs.
Hours of Work	20 to 40 hours/week @ minimum wage.	20 hours, or more to match AFDC payment amount	20 to 30 hours/week @ minimum wage; payment at least equal to JOBS stipend.
EITC	No EITC eligibility	No EITC eligibility	No EITC eligibility
Time-Limited	Not discussed	Not time-limited	Not time-limited. Placement ends if recipient receives other job offers.

POST-TRANSITIONAL PUBLIC
EMPLOYMENT/COMMUNITY SERVICE
(Contin.)

KEY FEATURES	D	E	F
<p>Post-Transitional Public Employment/Community Service</p> <p>(General Policies)</p>	<p>State establishes community service jobs. State may pay full salary (no discussion of fed. matching).</p> <p>2 weeks of job search every 3 or 4 months.</p> <p>If no community service jobs available, participant must volunteer in a community activity.</p> <p>Match rate reduced after 2-year transitional period.</p>	<p>Create 350,000 FTE post-transitional job slots, 75% federally funded. States can create more w/ 50% federal funding.</p> <p>For JOBS graduates: if no community job slots available, AFDC continues at 100% state funding (feds. pay for child support assurance).</p> <p>For those who didn't complete JOBS: AFDC ends.</p> <p>Jobs work like real jobs (paychecks, fired for poor performance, etc.).</p>	<p>State option to block grant AFDC for the post-transitional period.</p> <p>State option to contract out post-transitional program.</p> <p>If no community employment job slots are available, state pays for job search at a lower federal match rate.</p>
Hours of Work	20 to 35 hours/week @ min. wage; or, AFDC/min wage, whichever is less.	20 hours/week @ min. wage.	20 to 30 hours/week @ min. wage.
EITC	No EITC eligibility	No EITC, UI eligibility; workers comp. and FICA apply	Not addressed.
Time-Limited	Not discussed.	Limited to 18 months. After that, qualified individuals may receive state-funded cash payments.	Community service jobs limited to 1 year; after that, state option to continue benefits.

PRIVATE SECTOR/JOB CREATION

PLANS

KEY FEATURES	A	B	C
			<p>State plan to develop/identify jobs.</p> <p>Create local private/public Jobs Councils to develop jobs and run job banks.</p> <p>Encourage creative approaches to job development/placement</p>

PLANS

KEY FEATURES	D	E	F
	<p>Heavy Involvement of Private Sector in getting people into jobs:</p> <p>a. Public/Private Councils to identify private sector slots</p> <p>b. Flexible training \$'s</p> <p>c. Encourage private sector job placement agencies</p>	<p>Opportunities available thru:</p> <p>One Stop Career Centers Empowerment Zones National Service</p> <p>Demonstration project</p>	<p>Public-private jobs consortium</p> <p>One-year OJT vouchers One-year health subsidy Work supp/grant divers. Perf. based payments</p> <p>Option to contract out post-transitional program entirely.</p>

AFDC SIMPLIFICATION

KEY FEATURES	A	B	C
AFDC Simplification	<p>JOBS program replaces AFDC.</p> <p>Generally, income eligibility for JOBS is based on food stamp rules</p>	<p>Not a major emphasis; focus on simplification and lowering breakevens, not consistency.</p> <p>Potential changes: conform minor financial rules, income disregards</p>	<p>Supports simplification measures in plan discussed at last retreat.</p> <p>Supports simplification of JOBS (previously AFDC) rules and standardization w/ Food Stamps and Housing.</p>

KEY FEATURES	D	E	F
AFDC Simplification	<p>Proposes major changes in program interactions and rules. Changes include:</p> <p>Calculating FS benefits before AFDC; uniform filing units; eliminate 100 hr. rule; establish methodology for determining need standard.</p>	<p>Proposes major changes in program interactions and rules. Changes include:</p> <p>Major changes to asset rules; treat 1/2 of AFDC as a housing subsidy, reducing HUD subsidies; tax benefits; reduce the fair market rent, (optional); eliminate the \$50 pass through (raise AFDC benefits to compensate).</p>	<p>Proposes adoption of APWA regulatory and legislative proposals.</p>

PREVENTION/SERVICES TO TEENS

PLANS

KEY FEATURES	A	B	C
Strengthening Families			
Pregnancy Prevention			
Drop-out Prevention			
Employment Preparedness			

PREVENTION/SERVICES TO TEENS (cont'd)
PLANS

KEY FEATURES	D	E	F
Strengthening Families		<p>Provide comprehensive case management focused on all family members, not only the case head</p> <p>Utilize services provided through a broad array of programs such as Head Start, Chapter 1, family preservation and support</p> <p>Assign Teens to caseworkers specially trained to work with youthful, problem families</p>	<p>Provide states with the option to require parents on welfare to fulfill their parental responsibilities, including enrolling in parenting classes, attending parent-teacher conferences, and ensuring that their children are immunized and receive annual check-ups</p>
Pregnancy Prevention		<p>Calculate a teen parent's AFDC benefit based on their parents' ability to contribute to their support</p> <p>Require all adolescents in a family receiving AFDC to be knowledgeable about human sexuality, family planning and contraception</p> <p>Utilize the media and entertainment industry to promote messages about responsible sexual behavior</p> <p>Encourage sensitive and responsible television advertising for contraception</p>	<p>Make everyone under the age of 19 ineligible to receive AFDC as a case head</p> <p>Require schools receiving Chapter 1 grants to establish school-based or school-linked health clinics that provide counseling, health screening, and family planning services to adolescents</p> <p>Recruit and train older welfare recipients who went on welfare as teen mothers to serve as counselors as part of their community service assignment</p> <p>Provide support to non-profit community-based organizations to foster responsible attitudes and behavior</p> <p>Make family planning services available to adults</p>

PREVENTION/SERVICES TO TEENS (cont'd)

KEY FEATURES	D	E	F
Drop-out Prevention		<p>Hold case heads accountable for their family members' participation in education or training activity</p> <p>Hold schools accountable for "tracking" at-risk youth and drop-outs</p> <p>Utilize mentors from businesses or colleges in the community</p>	
Employment Preparedness		<p>Utilize existing or proposed Administration initiatives such as:</p> <p>school-to-work systems for the general population, with special grants targeting at-risk youth</p> <p>year-round training and employment services under JTPA</p> <p>one-stop career centers</p> <p>National Service experience as a stepping stone to employment</p> <p>Empowerment Zones</p>	

September 28, 1993

TO: Mary Jo
David
Bruce
Belle
Kathi
Wendell
Jeremy
Howard
Diann
Naomi
Paul
Marcy

FROM: Ann

Attached are two draft papers that will be discussed at the meeting on Wednesday.

The meeting will take place from 2:00 to 6:00 p.m. at the Howard Johnson National Airport Hotel, 2650 Jefferson Davis Highway, in Arlington, in the Admiral Rickover room.

If anyone is interested, the hotel is accessible by Metro. The closest stop is Crystal City, which is four blocks from the hotel. The telephone number at the hotel is (703) 684-7200.

WELFARE REFORM: A MINIMAL LEGISLATION APPROACH

There are good policy and political reasons for thinking about an approach to welfare reform that relies a lot on working within current law, supplemented by discrete pieces of legislation to deal with specific problems.

The operational justification for this approach is that we are nowhere near reaping the benefits from legislation that already "exists, most notably the JOBS and child support provisions of the Family Support Act, and the new child support provisions of the recent reconciliation law. FSA certainly permits, and many believe requires, a dramatic cultural change in the welfare system. One of the biggest barriers to making anything work at the street level, let alone bringing about serious cultural change, is that welfare policies change all the time. People put all their energy into understanding and "implementing" policy changes, without ever doing the hard work of actually making them work. I am convinced that we could get enormous benefits from actually making the Family Support Act work, if we put our efforts into applying the lessons that we have already learned, and investing some resources in systems and effective technical assistance.

The other major policy tool which we already have but are not using very effectively is the 1115 waiver authority. I believe that there are ways to shape state demonstrations so that all the important variations of time limited welfare and of approaches to making work pay could be tested. The advantage of doing this through the waiver authority is that we could do it fast, and thus take some leadership on the welfare reform efforts that the states are already engaging in anyway.

The political advantage *vis a vis* Congress of this approach is that we would not be perceived as trying to replace the program that the chair of senate finance is so fond of, but could instead engage him in a conversation about how to fulfill its promise. Similarly, we could engage those members of Congress who have deep interests in child support in shaping that legislation without requiring them to wait for or take a stand on a resolution of the debate on time limits.

The political advantage for the president is that he could announce a bold new approach to welfare, the major elements of which he was directing the secretary of health and human services to put into effect immediately. The real political advantage might come if we actually had some operational results to talk about in by the summer of 1996.

The major political disadvantage of the approach is that Congress doesn't get to vote on a big visible package that the president submits, and may instead feel compelled to vote on something

else. But I don't think they're going to want to vote on the house republican alternative because of its cost. I doubt that most of them would want to vote on a cold turkey time limit once they actually faced the implications of what they were doing. They might prefer not to vote on a state flexibility approach, but might well consent to our doing it through waivers. If we allowed members of Congress to sign on to and vote on discrete legislative pieces, we might be able to put together different coalitions for different pieces, which ought to be easier than building the coalition for the package. So I'm not sure I'm convinced that not having one big vote is a disadvantage actually, but we have to think this part through very carefully.

A minimal legislation approach to welfare reform might have the following elements:

Make the JOBS program work.

The JOBS program is good legislation which is nowhere near reaching its potential. A lot could be done without legislation; a minimal package of legislation could be developed to enhance its operation and place more emphasis on employment.

The basic idea would be to genuinely change the culture of the welfare system by taking the lessons of Riverside nationwide. We could do this through a leadership and technical assistance campaign, and through developing some of the tools--like tracking systems--that will aid states in running good programs. A major component of this would be the development of performance standards which would come into effect in 1996, to supplement or replace the participation rate requirements which currently apply through 1995.

To really make JOBS work, I think we're going to have to change the matching rates to make them more attractive for states. I don't think this would involve heavy duty spending, I think we'd have lots of support, and we can do it quickly.

We, or the chair of senate finance, may want to put together a package of legislative amendments to JOBS that put more emphasis on employment. It would be helpful, I think, to change some of the rules on work experience programs to make them easier to use, if it were possible to get such changes. I don't think any legislative changes are crucial to reorienting the program, but it might make some people happy if we made them. If we did a minimal package, it wouldn't have to be in conflict with the overall goal of making the current program work better.

Make child care programs work. We can go a long way toward a "seamless" system through regulation. We could also try to do some consolidations through the budget process.

IV-A child care is an uncapped entitlement whose use could be

increased by aggressive marketing and perhaps an enhanced match rate. This should be the basic day care program for folks in the welfare system. We may want to change the matching rate to the JOBS matching rate if we can find some savings to finance that.

Child care for low income working families is most appropriately funded through the block grant. That legislation will be reauthorized this year, and we should work hard to make it supportive of making work pay. Funding for the block grant needs to be increased, which we should do as the discretionary appropriations caps allow.

Simplify program administration.

Changing the culture of the welfare system means getting rid of some of the obsession with the details of eligibility determination and some of the punishment of work, if only to free up some time and energy that workers could then put into JOBS activities. We can do a lot through regulation. We could also invest in some technology and systems development that we could offer to states, which would be a lot easier to do if we weren't changing the whole program at the same time.

We would need some legislative changes to make AFDC Food Stamps and housing consistent in several respects: the filing unit, assets rules and so on. Again, though, this could be a discrete, relatively modest package of changes which shouldn't be too controversial.

Use the waiver authority to shape state demonstrations of time-limited systems.

It's clear that a good number of states want to do demos of time limits. If we worked closely on developing them and were willing to put some resources in, I feel sure we could get more thoughtful and productive demos than we're currently getting.

One of the deterrents to states doing experiments with time limits followed by the providing of jobs or community services slots is our requirement that projects be cost-neutral to the federal government. My guess is that if we made some funding available or at least shared the risks, we could get some good demonstrations of sensible time limit proposals. And if we had some guidelines and time to work with states, we might be able to avoid some of the policy inconsistency that so many of the proposals show.

I bet we could have ten good state demos, including some big states, within a couple of years. That's certainly enough to claim as stage one of a phased in end-to-welfare-as-we-know-it. If they work, we'll encourage more states to come in, or pass legislation requiring it, having learned, or not, what we ought to require.

Use the waiver authority and 1115 demonstration money to shape state demonstrations of approaches to making work pay.

We're just in the process of funding four state demos of case management approaches to making work work. Lots of states want to experiment with incentive approaches, which we could try to shape. We could also try to get more states to try CAP approaches. These might not necessarily be the same states that were experimenting with time limits, but they could be. Perhaps we could put together a package of funding that would let some states test the work support agency concept.

In addition, for both these demos and demos of time limited approaches, I'd like to make the approval of waivers conditional on good performance in the JOBS program. At least, I'd like to make any enhanced funding for demos conditional on good performance. That would send the message that the JOBS program is the base, and that any new state programs should build on it.

Make the child support system work.

As with JOBS, there's a big job to do within the confines of the current system. In this system, too, we need culture change, which takes a lot of work and is best done when you're not simultaneously adding lots of new activities and requirements. We simply must get the automated systems working, and develop the system that will simplify interstate collections by tying the state automated systems together. I'm a little worried that we've overloaded the system with all the legislative changes we've made over the last few years, and that if we make a lot more changes the whole thing may fall apart. Since I don't think the option of starting over with a whole new system is real, I think this would be a bad thing.

Alternatively, we could put together a legislative package on child support, perhaps including some demonstrations of child support insurance, that I suspect would pass in a minute.

HYPOTHETICAL WELFARE REFORM PROPOSAL

The following describes a proposal for reforming the current welfare system based on themes and ideas emerging from the process underway. The proposal includes measures to make work pay, improved paternity establishment and child support enforcement, child support assurance, amendments to the current AFDC program to assist intact families, time-limited transitional assistance and post-transitional work.

The charge to "end welfare as we know it" involves changing the culture of welfare as a way of life to welfare as a temporary "hand up" to families in need. It involves giving parents the tools they need to provide for their children and escape poverty. The proposal described below encourages work and self-sufficiency, it provides services and opportunities for those who need assistance to reenter the labor force, it institutionalizes parental responsibility, and it strengthens families.

Rationale for Reform

While opinions diverge about how best to reform welfare, there is near universal consensus that the current system simply does not work. Conservatives believe that it destroys initiative and fosters perverse incentives which discourage both work and marriage. Liberals contend that it offers modest benefits while robbing individuals of their dignity and self-esteem. Recipients feel degraded and trapped by a system that offers no reward for their efforts to be self-sufficient and gives them no control over their lives. Taxpayers decry spending seeming innumerable dollars on a program for which they see little positive result. And most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.

While the task of truly reforming our current welfare system looms large, the consequences of inaction are even more extreme. Recent decades have witnessed a sharp rise in single-parent families, which characteristically have a much higher poverty rate than two-parent families; in 1991, 47 percent of single-parent families headed by women were poor. Real wages have declined, particularly during the 1980s, such that finding a job that pays better than welfare is extremely difficult. And, for too long we have accepted a system whose main requirements are of mothers, not fathers.

The whole culture of welfare needs to be changed based on the philosophy of mutual obligation: the Government needs to

commit to providing the opportunities, support services and incentives to allow individuals to move toward self-sufficiency; the recipient needs to accept responsibility for working toward that end. Welfare should be viewed as a "hand up"---temporary assistance to families in need---rather than a "hand out". Instead of punishing the poor or preaching to them, we need to empower Americans and give them dignity and a sense of control over their own lives. We need to "end welfare as we know it" by placing a time limit on idleness and by providing the necessary means to engender productivity. We need to make work a more attractive option than welfare by ensuring that those who work full-time are able to support their families and not be poor, and that those who work at least part-time are rewarded for their efforts.

Further, we need to change the biased nature of our current system which expects one parent to do the work two. Through universal paternity establishment and dramatically improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children. Only one-third of single parents currently receive any court-ordered child support. By strengthening the child support enforcement system, we can improve the well-being of all children---regardless of whether or not they are on welfare---by ensuring that they receive the support they deserve.

In addition, we must eliminate the requirement that AFDC recipients remain single and remove the so-called "marriage penalty" that exists in the current system. The data are clear that children benefit from interaction with two parents, and we need to remove the rules within the welfare system which discriminate against two-parent families. By giving priority to intact families in the public sector work slots and by providing support for married-couple families to work toward self-sufficiency, we can encourage families to remain together and escape poverty.

Summary

The proposal is broad-ranging in scope and includes both major and minor revisions to the existing system. The child support enforcement program would be significantly strengthened, and a child support assurance system (whether as a multi-State demonstration or a national program) would be implemented. The programs providing cash or near-cash assistance would be simplified, disregards standardized, and asset rules liberalized. Transitional payments and self-sufficiency payments would be provided for a limited period of time to parents in the process of preparing themselves to enter the labor force. At the end of the time limit, work opportunities would be available for persons who were unable to obtain employment in the private sector.

The major components of the proposal are listed below:

Make Work Pay

- o Emergency assistance program
- o Advance payment of the EITC
- o Work support activities
- o Demonstration of work support agency
- o Consolidation of child care programs and more generous funding

Child Support Enforcement and Assurance

- o Universal paternity establishment program
- o Multiple opportunities for consent
- o In-hospital paternity establishment
- o Improved efforts to locate absent parents
- o Denial of government benefits across income strata if paternity is not established

- o Administrative State process to establish orders based on uniform, national guidelines
- o Regular updating of awards
- o Mandated universal central registries

- o State enforcement with IRS as Federal backup
- o New hire reporting and mandating of other enforcement tools
- o Establishment of child support assurance program if State meets certain enforcement criteria

AFDC

- o Rules simplified and coordinated with other assistance programs, including definition of filing unit and asset limits
- o Incentives to work increased through additional State flexibility
- o Disincentives to remain as intact families eliminated
- o Benefits paid to recipients who marry

Education and Training

- o One hundred percent participation required for teen parents
- o \$3 billion of additional JOBS funding
- o Consolidation of food stamp and housing self-sufficiency programs into JOBS
- o Counter-cyclical matching rates in JOBS
- o JOBS made available to non-custodial parents, so they can meet child support obligations

Time Limits

- o Expectation of productivity and strict time limits on idleness
- o Intensive efforts to improve ability to acquire and hold private sector jobs
- o Work opportunities if transitional benefits expire

Making Work Pay

Numerous policy options could be considered to make work pay, including lowering marginal tax rates through fill-the-gap or AFDC earnings disregard policies adopted by the States, providing similar health insurance benefits for those working and not working, expanding the Targeted Jobs Tax Credit (TJTC), and providing child care and transportation services. Of primary importance is changing the culture within the welfare system to emphasize that assistance is transitional and that attaining self-sufficiency through work is the overriding objective. Caseworkers must perceive their role as not only managing client cases but also advocating work and empowering clients to gain the necessary skills and abilities to obtain permanent employment.

Emergency Assistance Program

States would have the option to provide a short-term emergency assistance program to persons who temporarily lose their jobs in order to encourage such individuals to reenter the labor force immediately. Assistance would be granted for 2-3 months (at State option), and this assistance would be given outside of the time-limited, transitional assistance structure. This could be modelled after a program in Utah wherein if a family actually goes on AFDC, these payments are counted as AFDC.

Advance Payment of the Earned Income Tax Credit

An important element of making work pay is distributing the Earned Income Tax Credit (EITC) on a periodic basis, instead of in a lump sum several months after the end of the tax year. Under the proposal, certain low-income custodial parents who are eligible for the EITC could request to receive payment of the credit more regularly. To prevent overpayments, approximately 60 percent of the credit would be available on an advanced basis.

Individuals who are receiving the credit on an advanced basis and whose total family income is less than \$20,000 per year would not be required to pay the employee's portion of the Social Security payroll tax.

There are four options for distributing the advanced payments:

- (1) The preferred option would be for the food stamp office to administer the credit and give an accounting to the

IRS of payments made at the end of each year. Recipients would receive both the EITC and food stamps. These benefits would be administered through an electronic benefits transfer (EBT) card which could be utilized at most grocery stores and financial institutions. Recipients could use the card as a savings account and could draw down or save benefits as needed;

- (2) The IRS could administer the credit quarterly based on information from the previous year's tax returns and information received from the beneficiary on a postcard verifying earnings information;
- (3) The social service office could administer the credit to those who voluntarily submitted a form similar to the IRS W-5 form to the welfare office. Recipients would receive a monthly advanced EITC check separate from their regular assistance check, between 2-6 weeks after they report income. Annually, social services would provide a statement of the total amount of the advanced EITC received to each recipient and to the IRS;
- (4) The employer would add the EITC payment to the employee's paycheck bi-weekly, monthly or quarterly;
- (5) The unemployment office would make quarterly payments based on quarterly reports from employers.

To encourage full utilization of the EITC, the IRS would reinstitute the practice of routinely calculating eligibility for the EITC for apparently eligible tax filers who do not request a refund and automatically send them a refund.

As a means to reduce fraud and abuse, unemployment insurance records would be used to verify EITC claims.

Work Support Activities

States would be permitted and encouraged to provide transitional supportive services (through JOBS) in addition to other authorized transitional services to those who leave the welfare rolls, when necessary to help them stay off the rolls. HHS will develop tools and procedures for tracking recidivism, which will be made available to the States. HHS will report to Congress and the States on State progress in reducing the number of people who return to AFDC after leaving, and States would be encouraged to set goals for reducing returns.

Work Support Agency Demonstration

HHS will assess the success of work support demonstrations currently in progress under Section 1115 and will establish several new small-scale demonstrations in up to six States to examine the effectiveness of a comprehensive work support agency. Such an agency would serve as a resource center for clients to obtain information on available jobs, would offer classes on resume-writing and other job-related skills, would supervise job search activities, and would provide the necessary supports (on-site as much as possible) to enable recipients to successfully attach themselves to the labor force.

Child Care

Under current law, there are three programs under which child care is provided to welfare recipients: Child care under AFDC, Transitional Child Care assistance, and At-risk Child Care. Under the proposal, these three programs would be consolidated into one open-ended entitlement with a Federal match at the Medicaid rate. Eligibility rules would be simplified. This program would be for recipients of welfare, JOBS participants, or for those making a transition to the private sector. In addition, outside of this welfare proposal, the Federally-funded Child Care and Development Block Grant would be expanded to serve the non-welfare, low- and middle-income population. This program, for the most part, could not be used to fund individuals eligible under the former program. As much as possible, other rules governing these two programs would be standardized. This strategy will need to be reexplored if sufficient dollars cannot be added to CCDBG since otherwise this would reduce available funding for non-welfare families. Efforts to address the quality of child care would include a focus on Head Start for eligible children, linkages between child care and Head Start, consumer education, and technical assistance and training activities. In the public sector work program, efforts would be made to train welfare recipients as child care providers.

Paternity Establishment

Federal funding would be made available to States to implement a paternity establishment program that expands the scope and improves the effectiveness of current State procedures. States would be required to meet new Federal requirements to ensure that paternity is established for as many children born out of wedlock as possible, regardless of the parents' welfare or income status and as soon as possible following birth. To facilitate this process, States would be required to implement changes based on the successes of other States, including the use of in-hospital paternity establishment and civil procedures that offer multiple opportunities for voluntary consent.

Performance and Measurement Standards

State performance would be measured based upon all cases where children are born to an unmarried mother--not only upon cases within the IV-D (child support) system. Each State would be required, as a condition of receipt of Federal funding for the child support enforcement program, to calculate a State paternity establishment percentage based on annual data for all out-of-wedlock births and all paternities established for new births, during the same year. The paternity status of all children born out of wedlock would be tracked throughout the child's first 18 years of life, improving significantly each State's ability to determine precisely how long it takes to establish paternity on each birth.

Each State would be required to meet certain minimal standards of performance for establishing paternity in all cases, based on the percentage of paternities established by the State for children within the IV-D system. Old cases presently in the system in which paternity has not been established would not be counted in the State's paternity establishment percentage, but incentives would be provided for States to work old cases until they are eventually phased out of the system; States would be allowed to double-count old cases (cases at least one year old on the date of enactment) for purposes of meeting both Federal performance standards and funding incentives. In addition, States must, as a condition for receipt of Federal funding, show maintenance of effort in working old paternity cases.

Funding and Incentives

The Federal government would reimburse States for the costs of operating the paternity establishment program, both through Federal funding for State child support enforcement programs (at a rate yet to be determined) and through incentive payments to States based on performance. In addition, Federal funding would be provided at an increased matching rate of 90 percent to support specific paternity establishment functions, including the following:

- (1) staff training for both caseworkers, and hospital and vital records staff;
- (2) laboratory testing for establishing paternity; and
- (3) outreach programs promoting voluntary acknowledgement of paternity.

States would be required to reimburse hospitals and other providers who offer paternity establishment procedures by providing a fee for each paternity established. Federal reimbursement would be capped at \$20 per paternity established.

At State option, States could experiment with programs that provide financial incentives for parents to establish paternity, and such programs, upon approval of the Secretary, would be eligible for Federal funding.

Voluntary Acknowledgement

Each State would be required to have in effect laws for the use of a simple, administrative process for the voluntary acknowledgement of paternity, including the establishment of a hospital-based program for acknowledging paternity as soon as possible following a child's birth. Voluntary consent procedures would include:

- (1) requiring health-related facilities to inform unwed parents about the benefits and the opportunities from establishing legal paternity for their children;
- (2) making blood tests available, if requested by the parents, at the time of the child's birth;
- (3) requiring full participation by hospitals in paternity establishment procedures as a condition for reimbursement for Medicare and Medicaid.

Timeframes for establishing paternity through administrative procedures shall be determined by the Secretary.

Outreach

Outreach efforts at the Federal and State levels would be undertaken, emphasizing that the establishment of paternity is both a parental responsibility and a child's right. The Department of Health and Human Services would take the lead in developing a comprehensive media campaign designed to reinforce both the importance of paternity establishment and the message that child support is a "two-parent" responsibility.

States would be required to implement outreach programs (within Federal guidelines) promoting voluntary acknowledgement of paternity, which would be eligible, if approved, for an enhanced matching rate of 90 percent. In addition, States would be required to follow up with all individuals who do not establish paternity in the hospital, providing them with information on the benefits of and procedures for establishing paternity.

Cooperation and Good Cause Exceptions

All mothers with children born out of wedlock would be provided the opportunity to establish paternity for their children. As a condition of eligibility for benefits under AFDC,

Federal housing assistance, the dependent care tax credit, child support assurance and for receipt of the tax exemption for children, a mother must cooperate in establishing paternity for her child, provided that she does not meet the good cause exception rules for non-cooperation.

State IV-D workers would be required, within 10 days, to determine whether a mother who wishes to receive Federal benefits has provided sufficient information to locate the putative (alleged) father. Once a determination of cooperation is made, the IV-D worker would inform both the mother and the relevant programs. Applicants could not be denied program eligibility if the determination of cooperation was not made within the 10-day time period, or while an appeal to a determination of non-cooperation is pending. IV-D agencies would be subject to sanctions if they failed to comply with paternity establishment requirements established by the Secretary.

Good cause exceptions would be granted for non-cooperation on an individual case basis using strict application of the existing good cause exceptions for the AFDC program. State IV-D workers must inform each applicant of the good cause exceptions available under current law and assist the mother in determining if she meets the definition. New standards for cooperation would be established, which would apply to all applications for assistance for women with children born on or after 10 months following the date of enactment.

Applicants for public assistance would be referred immediately to the IV-D office to provide the necessary information before eligibility for AFDC is determined. Those individuals qualifying for emergency assistance, however, could begin receiving benefits before a determination is made. Applicants for AFDC who do not meet the definition of cooperation would lose the mother's portion of the AFDC benefits, but the children's benefits would not be affected. If a mother fails to cooperate and is determined ineligible for benefits, but subsequently chooses to cooperate, Federal benefits would be reinstated.

Contested Paternity Cases

Each State would be required to establish a civil procedure to adjudicate contested paternity cases through an administrative process. The process must be based on one of several models determined by the Secretary, or the State must seek approval from the Secretary for a plan designed by the State. Under the administrative process, each State must refer all contested paternity cases to an administrative law judge (ALJ) through the State agency and allow for the use of courts in paternity cases only in rare instances. Timeframes for paternity establishment for contested cases shall be determined by the Secretary.

Parent Locate Efforts

In addition, each State would be required to improve efforts to locate absent parents by ensuring that the parent locate service has access to requisite State and private records, and that other States have direct access to the State data bases in order to process interstate cases.

Establishment of Child Support Orders

At the time paternity is acknowledged, States must have in place procedures to collect the information necessary to establish a child support order. Such procedures must be used for all cases in which paternity is established through the child support agency. Parents who establish paternity outside the child support agency must, at a minimum, be provided subsequently with information on the requirements to, benefits of and procedures for establishing a child support order.

States would establish all initial orders through an administrative procedure according to uniform, national guidelines indexed annually for inflation. Orders would be established on all noncustodial parents regardless of current ability to pay. Timeframes for the establishment of child support orders shall be determined by the Secretary.

The Federal government would establish and maintain a national, universal database of all existing orders with current information from the Federal income tax returns of all custodial and noncustodial parents including addresses, and States would be required to use this information to update orders every two years.

Collection and Enforcement of Child Support Orders

Wage Withholding

Under the proposal, States would assume primary responsibility for the collection, disbursement and enforcement of child support payments. Employers would withhold support from wages based on information from a revised W-4 form and would forward all withholdings to the State office. The State office would forward child support payments to custodial parents on a monthly basis, and would include separately any child support assurance amounts.

In addition, all new employees would be required to notify their employer of their child support obligations by filing the Federal W-4 form, which would be revised to collect information regarding child support orders and health insurance benefits. Employers would forward this information to the Federal government to be verified against the national database of

orders. The system would be fully automated, and noncustodial parents would be required to keep the child support office fully informed of any change in address or employer.

Any child support owed by a noncustodial parent at the end of the year in excess of that withheld during the year would be due to the State office and collected via the annual income tax form. Child support payments would have precedent over Federal tax liabilities. The non-custodial parent would have various choices on how to pay his child support such as automatic withdrawal from a checking account, predated checks, wage withholding or other methods. The choice employed might dictate the necessity of one or two months of advance payments.

Arrearages

The State office, through its administrative law judges (ALJs), would have the discretion to reduce child support arrearages on a case-by-case basis, if the office determined that such a reduction would promote the payment of current child support obligations by the noncustodial parent. This would apply if the noncustodial parent were making regular child support payments or were regularly providing in-kind support, such as child care, to the custodial parent. An ALJ could also reduce arrearages by reducing the present value of Social Security retirement benefits based upon changes in the earnings records of noncustodial parents.

The existing rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit, and no monies would be distributed to States as a result of any change in welfare benefits. Arrearages would be cancelled working backwards from the date of the arrearage payment on an annual basis.

Living Arrangements of Unmarried Parents

Unmarried parents of a child born out-of-wedlock who choose to cohabituate could notify the State of their living status and thereby preclude the establishment of a child support order. Paternity would presumably have been established at birth, as it would be for all children born out-of-wedlock. As long as the parents continue to live together, the State would assume that resources were being sufficiently supplied by both parents for the child(ren) and would in effect treat the couple as married. If one parent moves out of the home, he or she would then be considered the noncustodial parent, and a child support order would be established.

If an AFDC mother lives with a new male (not the father of her child), States would have flexibility over how much of the new male's income to disregard in benefit calculations.

Payment of Child Support

Because it is important that the custodial parent be aware of what the noncustodial parent is paying toward the child support obligation, separate checks would be administered for any welfare benefits, the child support payment by the noncustodial parent and the child support assurance amount.

Assured Child Support Benefit

Under the proposal, the Federal government would fund an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent failed to pay. The benefit would be administered by the State and would be determined according to the following schedule indexed to inflation:

The amount shown in the schedule below, less any private child support collected:

<u>Number of Children</u>	<u>Benefit</u>
1	\$1,500
2	2,100
3	2,700
4 or more	3,300

States whose AFDC payment level was less than or equal to 30 percent of the Federal poverty level (approximately \$12,000 per year for a family of three) would be required to disregard child support and assured benefit payments (up to \$1,800 annually) before calculating the AFDC payment such that the State's AFDC minimum payment was equal to at least 30 percent of poverty. This would raise AFDC benefits in approximately 13 low-benefit States to \$300 per month for a family of three. In all other cases, the assured benefit would reduce AFDC dollar for dollar.

Child support payments and the assured benefit would be treated as income to the custodial parent for determining AFDC eligibility and benefit levels and for tax purposes. Child support payments would be disregarded from earnings of the noncustodial parent for tax purposes.

Child support assurance would be phased in slowly, State by State. Before being allowed to pay the assured benefit, States would be required to meet certain criteria. These criteria (to be specified in greater detail) would include having a strong child support enforcement system in place, a fully automated data system, a universal central registry, and meeting certain targets

in establishing paternity. Also, as each State implements child support assurance, cost expectations must not be exceeded.

As an alternative to a national program, child support assurance could be implemented as an intensive State-wide demonstration in 8-10 States not limited to, but including, the following forms:

- (1) Universal child support assurance at the levels in the table above or at levels set by applying child support guidelines to the minimum wage or to median earnings in the State;
- (2) Pure child support guarantees, wherein the State would guarantee the actual amount of the child support order;
- (3) Child support assurance or child support guarantees contingent on good faith efforts of the non-custodial payments, as shown by payments or by participation in a Parents' Fair Share or other work program for noncustodial parents; and
- (4) Child support assurance paid as a percentage of the child support order, plus a bonus based on payments made by the noncustodial parent.

After a reasonable time, the Department would assess the demonstrations and report to Congress on whether one or another form of child support assurance should be implemented nationwide.

States who wish to conduct demonstrations with tougher sanctions or time limits than those specified under the Administration plan could be required to offer child support assurance. This premise could be justified on the basis that child support assurance is a necessary safety net before such drastic measures could be implemented.

Social Insurance Programs

Social insurance program benefits based on a noncustodial parent's work history (i.e. disability and survivors' benefits) and received by his or her children, would be deducted from the child support owed by the noncustodial parent. In addition, the child support assurance payment would be reduced dollar-for-dollar. In the Social Security program, the rules governing the calculation of payments among children (particularly if the individual has children in more than one family) would not be altered.

Amendments to the Assistance Program

Under the proposal, changes would be made to means-tested assistance programs as follows:

- (1) The definition of the filing unit would be standardized for AFDC, food stamps and housing such that all persons living within a household and the earnings thereof would be counted for eligibility purposes. This would prevent a teenage parent who is living with her own parents from receiving AFDC if the parents have ample means to support the teenage mother and her child(ren). In addition, all parents with a child who is a teenage parent and who moves out of the home would be required to support her until the age of 18 (up to age 21 at State option);
- (2) Asset rules under AFDC, food stamps and housing would be significantly simplified and liberalized. Asset rules would be completely eliminated for life insurance, burial plots and pension plans. Under AFDC and food stamps, the asset limit for automobiles would be raised to \$10,000 of net equity. All other asset rules would be standardized to the existing rules under the food stamp program;
- (3) States would be given the option, when calculating countable resources, to disregard up to \$10,000 in savings designated for the purchase of a home or for education. States could also disregard up to \$10,000 in assets associated with a microenterprise owned by the recipient or her family;
- (4) Under current law, when food stamps are calculated, AFDC benefits are taken into account. The AFDC benefit is assumed to be 50 percent for housing and 50 percent for other needs, and housing benefits are calculated assuming one-half of the AFDC check as income. The other one-half reduces the housing subsidy dollar for dollar. Unlike current rules, under the proposal, food stamps would be treated as income for housing subsidy purposes. Calculation of the food stamp benefit would not count the amount of housing assistance received. As an additional option, the fair market rent for section 8 housing vouchers and certificates could be set at 30 percentile;
- (5) The 100-hour rule (which specifies that a parent must work fewer than 100 hours in a month to be classified as unemployed) would be eliminated;
- (6) The quarters of work rule (which specifies that to be eligible for AFDC-UP the principal earner must have

worked 6 or more quarters prior to one year before application) would be eliminated;

- (7) In place of the current \$50 per month passthrough of child support, States would be required to increase AFDC benefit levels by \$70 per month for families with a child support order;
- (8) The standard disregard in AFDC would be raised from \$90 to \$100 per month (with State option to increase up to \$250), and an additional disregard of 20 percent of subsequent earnings (with State flexibility up to 50 percent) would be added. The child care disregard would remain the same as under current law (20 percent of earnings to a maximum of \$200 per month per child).
- (9) All benefits (including AFDC, housing, food stamps and the assured benefit, as well as child support payments) would be taxable to the custodial parent; and
- (10) Treatment of children in the welfare system would be made consistent with treatment of children in the tax system.

Transitional Assistance

This section describes how the time limit would be administered and what happens if the time limit is exceeded. This is an extremely complicated problem, given cost and capacity constraints. Other options and how the time limit could be phased in are described later in the paper.

Conceptually, the current AFDC program would be divided into three parts:

(1) Emergency Assistance

States would have the option to establish an emergency assistance program--a one- to two-month initial payment for those families desiring only limited assistance. This program would only be for families who have had recent job experience and would probably be accompanied by a job search component;

(2) Transitional payments

The recipient would receive transitional payments for 24 months initially (and 6-12 months when fully implemented) during which she would be expected to participate in job search activities and pursue self-sufficiency. States would be given flexibility on how rapidly these limits would be phased and whether the

transitional limit could vary by family type. During this period, there would be no specific requirements to begin education and training activities, but assuming available program resources, recipients could choose to begin at any point during the transitional period. States would have the option to reduce this time period for certain groups, specifically for teen parents for whom it would be advantageous to remain in school to complete their high school education. There would be some limited ability for recipients to earn back months of credit after being off of assistance for a period of time;

(3) Self-sufficiency payments

Self-sufficiency payments would be made to all persons who do not meet the exemption criteria listed below and who are participating satisfactorily in an approved activity, including but not limited to the following:

- a) job search;
- b) job-readiness;
- c) educational activity;
- d) high school or GED;
- e) Classes on parenting, life and money management, and self-esteem;
- f) training (including on-the-job training); and
- g) community service or family development activity.

Receipt of these payments would be limited to 18 months (with State option to increase to 24 months).

Transitional and self-sufficiency checks would be equal to the current AFDC check less child support payments. The combination of transitional payments and self-sufficiency payments could not exceed 30 months initially, and 24 months after full implementation. Under certain circumstances, States would have the option to extend the benefit period for 6 or 12 months, if it was deemed to be in the best interest of the individual.

Under the proposal, transitional payments would be limited to 12 months initially (eventually 6 months), after which (adult) recipients would be expected to participate in some activity leading to employment while receiving self-sufficiency payments. Recipients would be expected to use the entire time period productively and intensively to either build attachment to the labor force or increase their human capital, with the overall goal of increasing their long-term self-sufficiency.

Each new applicant to the system would be assigned to a caseworker with whom she would jointly decide on an individual

service strategy. All applicants would be told about the time limitation and about the various education, training, work experience and job search options available to them. The State would have considerable discretion in how these services are delivered, including determining the definition of satisfactory participation and placing time limits on certain education and training opportunities.

Services would be provided through expanded State JOBS programs. States would be given considerable flexibility, as under current law, as to how recipients move through the system. States would be required to properly inform all recipients of opportunities available to them and of the implications of the time limit.

Child Support Payments under AFDC

Child support payments (as described in the earlier child support assurance schedule) would be made for a limited period of time under the transitional assistance program for each child with a child support order in place or in the process of being established. This would be a temporary program designed to give AFDC children a safety net and would only be available in States where a full-fledged child support assurance payment was not available. These payments would not be in any way conditioned upon the behavior of the parent. Actual child support payments would reduce these payments dollar for dollar, and these payments would not be affected by earnings of the custodial parent. The proposal to exempt a portion of child support in low-benefit States (as described earlier) would be applied to these payments.

Consolidation of Education and Training Programs

Under the proposal, States will be given the option to consolidate all education and training programs under the expanded JOBS program. Specifically, States would be allowed to combine funding for JOBS and the food stamp employment and training program and to operate them as a single program. The advantage of such a combination would be to reduce the administrative structure needed to run two separate, but essentially similar, programs. In addition, administrators would be encouraged to use some or all of their funding to buy services from JTPA. Self-sufficiency programs for families with children in housing programs would be coordinated through JOBS. JOBS would also be expanded to include volunteer parenting activities such as Head Start or other self-initiated community service activities (e.g. Michigan). HHS would work with all States to shape their JOBS programs in ways that are consistent with the new directions of the plan.

Funding

Federal funding for the JOBS program would increase by \$500 million per year beginning in fiscal year 1995 up to a total of \$3 billion in the sixth year and thereafter. The Federal matching rate would be raised from the current level to 75 percent. Countercyclical assistance would be provided through an enhanced Federal match of 90 percent if the unemployment rate in a State rises above 7 percent.

Exemptions

Exemption from the obligation to participate in education, training or work activities and from the time limit would apply to a caretaker of an AFDC child who meets one or more of the following conditions. He or she:

- (1) is not a natural or adoptive parent; (this could be a temporary exclusion until all natural mothers are being served by JOBS and there exists enough work opportunities);
- (2) has care of a child under 1 year old (up to 3 years at State option). This exemption would be limited to a "child of record," and additional children would not qualify the mother for this exemption;
- (3) has care of a disabled or ill child or relative;
- (4) has a functional disability, illness or impairment that prevents employability. States would be allowed to exempt up to 10 percent of their caseloads for those people with substantial barriers to employment; or
- (5) is working more than 20 hours per week (40 hours for both parents).

Exemptions 1-5 would result in the payment of benefits without a time constraint.

Exhaustion of time limits.

If an individual has reached the time limit for receiving transitional payments and self-sufficiency payments and does not have access to a private job, public work slot as defined below, or other State-defined CWEP or other work slot, and is available to take any job that is offered, and has engaged in job search, and successfully completed JOBS and/or self-initiated community service for at least 20 hours per week, States would have the option to provide a one-time, 12-month extension of the transitional payments.

At the end of this extension (or at the end of the regular time limit, for States who do not provide the extension), States

must provide additional payments for individuals described above at 100 percent State expense. This would be part of the State AFDC plan, and the State funding requirement can be justified based on the addition of child support assurance which is 100 percent Federally funded. This State payment would not count in the calculation for any other assistance benefits and must bring total income to the current level of food stamps and AFDC, less child support assurance amounts. (It is assumed that all mothers could be receiving child support assurance, except for those who have established good cause.) If combined food stamp and AFDC benefits in a State are greater than 60 percent of the poverty level, States may decrease the combined payment level by up to 20 percent. This payment would continue indefinitely until the family moved off the AFDC rolls.

Teenage Pregnancy and Parenting

Under the proposal, teen parents would be subject to the same requirements under the transitional assistance and public work programs as other recipients, with appropriate incentives and sanctions to encourage compliance. States would have the option to reduce the time period for transitional payments in order to encourage high school students to complete their education. Because teen parents are most likely to remain on AFDC for long periods of time, these women would receive the most intensive case management and more comprehensive training.

Teen parents would be given priority for service by States, with the goal being complete saturation of the teen parent population. Teen parents who have not completed high school would be expected to participate full-time in an appropriate educational activity, unless participation in work or training activities were determined to be in the best interest of the teen. To the extent possible, educational activities should be combined with work and training activities.

Upon entering the system, teen parents would be assigned to caseworkers specially trained to work with youthful, multi-problem families. These caseworkers would serve as mentors for the teen parents and would, at a minimum, assess their needs and those of their children, help identify appropriate plans of activity, help remove barriers impeding progress, refer them to other service providers as needed, and monitor compliance with participation and other requirements. In addition, the caseworkers would be responsible to work to develop part-time and full-time employment opportunities specifically for teens.

As much as possible, many services for teen parents, including child care, would be provided at a single site. Counseling, peer support groups, and courses on topics such as parenting, self-esteem and life management would also be offered. In addition, health screening and immunizations could be

available on-site for the teens and children participating in the program.

To encourage teens to delay subsequent pregnancies, the proposal would also include family planning services, including counseling on the risks and benefits of various birth control methods. The teen parent demonstration project has shown that mothers often desire to prevent the birth of additional children, but they do not often have the means or ability to follow through with this desire.

Post-transitional Assistance

When transitional payments and self-sufficiency payments are exhausted, able-bodied recipients would be expected to participate in some type of work. Hopefully before reaching the time limit, they would have obtained employment in the private sector. Non-exempt recipients who have reached their time limit without obtaining a private sector job would be assigned in many instances to a public work program slot. Work slots would be designed to improve the employability of participants through actual work experience and training in order to enable individuals to move into regular employment as soon as possible. Intact families would be given priority to receive a job slot over single-parent families.

Even without a work opportunity, at the end of the transition assistance program, food and housing benefits, as under current law for certain families, would continue to be available. In addition, child support payments would continue.

The cost of providing post-transitional job slots would be funded at a Federal matching rate of 75 percent. A total of 400,000 half-time (20 hours per week) work slots would be created and 100,000 full-time slots would be created for intact families. States who wish to provide additional work slots or hours per week above the minimum requirements could receive Federal funds at a matching rate of 50 percent. Fifty thousand of the half-time slots would be for noncustodial parents. Job slots would be allocated to the States based upon State AFDC caseload numbers, and States would be required to fully utilize all slots allocated.

Job slots would be created within local governments and through contracts with private, non-profit employers. Workers would be compensated at the minimum wage, the number of hours required to work would be at least 20 per week (up to 40 hours per week at State option). Work assignments for less than 20 hours per week could be made, if the client has a part-time private sector job such that the combined hours from the private and public sector jobs was greater than 20 hours per week.

Prioritization of Work Slots

The work slots would be first assigned to teen parents and intact families and then to those recipients most in need of assistance (e.g. without housing, without child support, through a waiting list).

Public Work Program Jobs

Public work program jobs would operate like "real" jobs, with clients receiving a bi-weekly paycheck and with normal employer-employee relationships assumed. The welfare department would assume that the participant is being paid for the hours specified; wages under the work slots would be counted as earnings and benefits calculated respectively. For any required hours that the participant failed to work, wages would be reduced accordingly. If a client fails to perform satisfactorily or does not show up for an extended period of time, he or she could be "fired", which would in effect entail a whole family sanction.

States would have discretion to determine how long clients could remain in the public work program up to a maximum of 18 months. For every year off of AFDC and public sector work, individuals would be able to earn two months of 'credit' for transitional payments.

Public work program jobs would be entry-level jobs which are newly created (as much as possible) in order to minimize displacement of regular workers. They should be useful, genuine work, including positions such as teacher's aides, health aides, office aides, child care workers, Head Start aides, recreational aides, library assistants, as well as clerks in welfare and employment agencies. Allowing AFDC recipients to work in child care centers or be paid to operate their own family day care homes could be particularly beneficial. Outdoor assignments could include gardening, park maintenance, road repair, building repair.

As much as possible, community organizations should be utilized to supervise groups of workers assigned to special projects within their local communities, including youth projects, painting and housing rehabilitation, recycling programs, senior citizens' programs, family day care programs, community beautification and entrepreneurial endeavors. Performance pay incentives could be provided to organizations (both for-profit and non-profit) and possibly to welfare offices which provide jobs to move families from welfare to work.

Treatment of Earnings

In order to encourage movement into the private sector, earnings from public work would not be counted as income for

purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Current law rules for the workers' compensation program and the Social Security program (including payment of the FICA tax) would apply. All benefits would be calculated according to existing rules; this implies that individuals would leave the AFDC program first, the food stamp program second, and the housing program third.

Additional Options

Several additional options exist for implementing the two-year time limit. All of these entail offering some work opportunities, but there is a recognition that many more individuals will exhaust transitional payments than there are work slots. Some of these options are much more viable than others:

(1) Cold turkey

This option would entail simply ending AFDC for all recipients after two years--regardless of whether or not they have found a job in the private sector or not--without offering any public sector work opportunities. To many, cold-turkey time limits not only save money, but they represent a philosophical approach to the welfare conundrum and a plausible interpretation of the promise to "end welfare as we know it." However, time limits without protections for child well-being are repugnant to much of the public and the Congress, and this approach seems highly irresponsible and likely to cause undue harm to low-income families and children.

(2) Public sector, part-time, minimum-wage jobs for all who reach the time limit

Under this option, public sector job slots would be granted to every recipient who reaches the time limit. These jobs would continue until recipients were able to move into the private sector labor market. While this option may be desirable in an ideal world, funding and capacity constraints prevent it from being a viable alternative.

Perhaps under very favorable circumstances this option could be made to work, with work slots being offered to all who exhaust transitional assistance payments. The plan would be phased in slowly: a) with teens, b) by cohort saturated within a given area of a State, c) by State.

If JOBS was very successful, if health insurance was implemented, and if the EITC and other support systems worked well, it might be possible to argue that enough work slots would be created to meet the demand. The number of

required job slots would be carefully monitored as the plan was implemented.

- (3) Reduce regular or current AFDC payments by 50 percent permanently, or let a reduced AFDC payment continue for another 12 to 36 months.
- (4) Instead of child support payments, create a small housing benefit for all those who exhaust transitional payments.
- (5) Like the preferred option except that for those who are not assigned a work slot, AFDC could continue for another 18 months.
- (6) After serving 180 days in a work slot successfully, one could again receive AFDC benefits. (I think this is a non-starter, but it does protect the safety net.)

Alternative Work Programs

States would be granted significant flexibility to augment their statewide public work program with smaller-scale strategies, including efforts to subsidize private employers to employ time-limited clients through wage supplementation strategies. These would be of limited duration (probably no longer than the 9 months of AFDC supplemented work under current law), and employers would be expected to offer regular employment to the participants at the end of the wage-supplemented period. Under such programs, the State's share of each client's wage could be below the minimum wage, so long as the total of the State's share and the employer's contribution are at least equal to the minimum wage.

States would also be given flexibility to design programs that offer work and training opportunities simultaneously. However, the Federal public work program funds could only be applied toward those activities which constitute actual work.

To encourage movement into private sector jobs, clients would be expected to participate in supervised job search concurrently while working in the public work program. Job search could be completed on an individual basis or through participation in a job club for a certain number of hours per week. In addition, States could establish a required period of full-time job search either before or after a public work assignment.

States would be encouraged to develop job networks through various means such as the Department of Labor's proposed "one-stop shopping" information system, job banks with requirements

that employers list available jobs, and alternative networks such as job fairs and subsidized employment newspapers.

Prevention

A principal factor contributing to risky behavior by adolescents is their perception that they have little to lose if they don't delay becoming parents and little to gain if they do. This view does not entail a belief that adolescents make choices about sexual activity and contraception based upon fine estimates of the present value of future income streams. However, it does assume that, if the desirability of the options at-risk youth see before them could be changed, their childbearing behavior might change as well.

Therefore, the proposal would include various incentives to encourage teenagers to stay in school to complete their high school education and to delay having children. Elements of such a strategy would include making the responsibilities that parents bear more transparent and increasing the opportunities that at-risk youth enjoy when they avoid becoming parents. States would be given considerable flexibility to design demonstrations to test such ideas based on programs that have shown positive results (such as Learnfare).

Work and Training Requirements for Noncustodial Parents

Under the proposal, ten large-scale, saturation demonstration projects would be conducted to evaluate the potential impact of enforcing requirements for and providing services to noncustodial parents. Under these demos, the JOBS program would be modified and funding would increase (by \$150 million in 1995, \$300 million in 1996, and \$500 million in 1997 and thereafter), and 50,000 additional PSE job slots would be created. In addition, 150,000 CWEP slots would be created to accommodate participation by noncustodial parents who have failed to, or are unable to, pay child support. These CWEP slots would allow non-custodial parents to work off their child support arrearages and would prevent JOBS from looking too attractive as a means to avoid payment. These parents would be required to participate in an initial parenting/job-readiness activity (such as Operation Fatherhood) for six months prior to receiving a job slot. After successful completion of a job slot experience, noncustodial parents could be eligible for additional education and training.

A State administrative law judge (ALJ) could require mandatory participation in job search activities, on-the-job training or work experience courses under the JOBS program for noncustodial parents who willingly fail to pay child support. Noncustodial parents who are unable to pay child support but are not more than two months delinquent would have an opportunity to volunteer for participation in the JOBS program or other

specified activities, during which time the current child support order would be waived.

Tax Treatment of Child Support and Benefits

Under the proposal, the household standard deduction would be increased to the level of the joint standard deduction. For 1993, this implies an increase of \$750. Child support payments and the assured benefit would be taxable to the custodial parent, and tax deductible to the noncustodial parent, if the custodial parent receives the personal exemption for the child. If the noncustodial parent receives the personal exemption, child support payments would continue to not be included in gross income to the custodial parent. AFDC benefits, food stamps, SSI and housing benefits would all be counted as taxable income to the custodial parent.

Phasing

The plan should be phased in such that lessons learned through implementation of various parts could be used to guide future implementation. This would imply a requisite level of flexibility throughout. The number of work slots would be phased in as described earlier. As we gain experience from the program and gather evidence of the impact it has, the number of slots may need to be raised.

For numerous reasons, including capacity and cost constraints, the reform plan will need to be phased in over a period of years. While strong arguments exist for each of the different phase-in strategies, the cohort phase-in may most clearly convey the message that the current system is seriously being reformed. Under the cohort option, States would be required to serve all members of an incoming cohort (e.g. all applicants in a given year, or specific sub-groups within an incoming cohort). States would also be encouraged to phase in the plan by office or geographical area and in so doing, must endeavor to change the entire culture of the welfare offices. States might choose to serve some of the existing caseload but would not be required to do so. As emphasized under the teen pregnancy and parenting section, one specific subgroup that must be served on a saturation basis is teen mothers.

In 1994, NHS should work with States who have existing waivers or who want to develop new waiver requests for programs that approximate what is outlined in this proposal. The cost neutrality requirement in Section 1115 should be relaxed in specific ways to allow some States to make investments in accordance with the overall goals of the plan. (Assuming the final plan will end up somewhere between the Administration plan and the Republican proposal, the territory between the two can be defined as limiting the shape of the waivers.) Allowing States

increased waiver flexibility would provide a good head start on the process and would hopefully yield successes early on. HHS should work with all States to shape their JOBS programs in ways that are consistent with the new direction. Current JOBS participation requirements, which in 1995 will be 20 percent, would apply to the continuing caseload.

Official phase-in, assuming the passage of legislation in 1994, would start with applicants to the welfare system in 1995. The applicants would be informed very clearly about the new program, the opportunities available to them, and the time limits they will face. During the first year of the program, new investments would be focused on job search and job development, work support activities, and expanding the current JOBS program for the entering cohort. HHS would develop the systems and procedures needed to track the new cohort, and goals would be set for an increase in exits and a decrease in recidivism. Savings over the baseline would be calculated accordingly.

In 1996 and beyond, emphasis would remain on work support activities and job search and development activities for the entering cohort. For the 1995 cohort, States would be required to have at least 30 percent of the cohort in their second year receiving self-sufficiency payments (implying JOBS program participation) rather than transitional payments. States would be encouraged to meet this participation rate target by serving all teen parents and through saturation programs in 30 percent of their offices. HHS would continue to track exits and recidivism and would calculate any savings over the baseline. The JOBS participation requirement for the continuing caseload would remain at 20 percent. This group, however, would disappear rapidly because anyone who cycles off the rolls and back on again would be considered a new entrant.

Sanction Policy

Sanction policy would follow current law with some additional State flexibility. Not participating in JOBS for a given month when required would result in using up a month of transitional payments and at State option up to three months of the adult portion of the AFDC grant.

The penalty for not working the required number of hours in the work slot was described earlier in the document. The penalty for not taking a private sector job when offered could follow current law, or result in the loss of all remaining months of transitional payments, or it could be the same penalty as not taking the work opportunity. The State would calculate the amount of assistance as if the job had been taken and adjust all forms of assistance accordingly. The actual penalty would be at State discretion.

State Waivers

Explicit waiver integration would be allowed by States which have existing waiver demonstrations in place and wish to incorporate parts of the new plan into their demonstration. However, States could opt to defer compliance with the welfare reform plan until after the expiration of the existing waiver. The latter would be encouraged to allow sufficient time to observe the results of experimentation underway.

Fraud and Abuse

Aggressively attacking fraud and abuse and ensuring that only those eligible for welfare benefits receive assistance is critical to developing public confidence in public assistance programs. Misuse of the system damages both recipients who are "doing the right thing" and taxpayers by reducing the willingness of the public to support social service programs and by wasting taxpayer resources. Eliminating fraud is an important goal to persons on all sides of the welfare debate and should be used to garner Congressional and public support.

Measures to attack fraud could include implementing a program of "front-end" fraud detection (based on a proposals now pending in the Massachusetts State legislature); establishing a nationwide fraud hotline; changing Federal and State law as necessary to allow welfare offices to verify eligibility information with other government offices and organizations; and encouraging and facilitating the use of national computer eligibility systems.

Reform by Regulation

As much as possible, the welfare reform proposal should be implemented through regulatory changes as opposed to Congressional action. This would particularly apply to changes in program rules such as asset rules in AFDC, food stamps and housing and the 20-hour rule in the AFDC program.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the proposal would be conducted after the time-limited transitional assistance and public work programs had been fully implemented. If it was determined that harm was being done to children, the President would have the authority to modify or eliminate the time limit.

[Evaluation section needs work]

In addition to the child support assurance, non-custodial parent and work support agency demonstrations described earlier

in this paper, a variety of other demonstration projects would be designed:

(1) America Works

A demonstration would be conducted based upon the success of the America Works Corporation in New York and Connecticut. Under this program, the contractor finds jobs in the private sector and prepares welfare clients to obtain these positions. The AFDC check is used to subsidize wages during a six-month trial period, and if the worker performs well, she is permanently placed in the job, and America Works collects a placement fee of about \$5,000;

(2) Incentives to pay child support

A demonstration would be conducted to test the effects of certain incentives for fathers to pay child support. Of particular interest would be whether the amount of child support paid by low-income fathers could be increased; and

(3) School attendance

A demonstration would be conducted to test the effects of various incentives and sanctions in encouraging welfare recipients to attend school in order to complete their high school education.

Cost

The proposal would be deficit neutral and other than the taxation of welfare benefits previously described would involve no additional taxes (with the possible exception of previously submitted proposals involving the extension of social security coverage). Most of the financing would come from tightening eligibility rules for non-citizens receiving welfare payments and other entitlement program changes.

WELFARE REFORM PROPOSAL

The following describes a proposal for reforming the current welfare system based on themes and ideas emerging from the process underway. The proposal includes measures to make work pay, improved paternity establishment and child support enforcement, child support assurance, amendments to the current AFDC program to assist intact families, time-limited transitional assistance and post-transitional work.

The charge to "end welfare as we know it" involves changing the culture of welfare as a way of life to welfare as a temporary "hand up" to families in need. The proposal described below encourages work and self-sufficiency, it provides services and opportunities for those who need assistance to reenter the labor force, it institutionalizes male responsibility, and it strengthens families.

Rationale for Reform

While opinions diverge about how best to reform welfare, there is near universal consensus that the current system simply does not work. Conservatives believe that it destroys initiative and fosters perverse incentives which discourage both work and marriage. Liberals contend that it offers modest benefits while robbing individuals of their dignity and self-esteem. Recipients feel degraded and trapped by a system that offers no reward for their efforts to be self-sufficient and gives them no control over their lives. And lastly, taxpayers decry spending seeming innumerable dollars on a program for which they see little positive result.

While the task of truly reforming our current welfare system looms large, the consequences of inaction are even more extreme. Recent decades have witnessed a sharp rise in single-parent families, which characteristically have a much higher poverty rate than two-parent families. Wages have declined, particularly during the 1980s, such that finding a job that pays better than welfare is extremely difficult. And, for too long we have accepted a system that requires everything of mothers and nothing of fathers.

The whole culture of welfare needs to be changed based on the philosophy of mutual obligation: the Government needs to commit to providing the opportunities, support services and incentives to allow individuals to move toward self-sufficiency; the recipient needs to commit to accepting responsibility for working toward that end. Welfare should be viewed as a "hand

up"--temporary assistance to families in need--rather than a "hand out". Instead of punishing the poor or preaching to them, we need to empower Americans and give them dignity and a sense of control over their own lives. We need to make work a more attractive option than welfare by ensuring that those who work full-time are able to support their families and not be poor.

Further, we need to change the biased nature of our current system which expects one parent to do the work two. Through universal paternity establishment and dramatically improved child support enforcement, we can ensure that both parents fulfill their responsibility to support their children. Only one-third of single parents currently receive any court-ordered child support. By strengthening the child support enforcement system, we can improve the well-being of all children--regardless of whether or not they are on welfare--by ensuring that they receive the support they deserve.

In addition, we must eliminate the requirement that recipients remain single and remove the so-called "marriage penalty" that exists in the current system. The data are clear that children benefit from interaction with two parents, and we need to remove the rules within the welfare system which discriminate against two-parent families. By giving priority to intact families in the public sector work slots and by removing barriers to self-sufficiency for married-couple families, we can encourage families to remain together.

Summary

Under the proposal, the child support enforcement program would be significantly strengthened, and a child support assurance system would be implemented. The programs providing cash or near-cash assistance would be simplified, and cash assistance for those capable of working in the private sector would be time-limited. The custodial parent would receive full APDC benefits for a limited, transitional period during which intensive efforts through a variety of services, education, and training programs should enable the parent to move towards self-sufficiency. After this time period ends, if the recipient has not found a job in the private sector, he or she would be offered a minimum-wage 20-hour public work slot (up to 40 hours at State option). The welfare office would then recompute benefits under the AFDC, food stamp and housing programs, assuming the recipient is working 20 hours (up to 40) at the job provided. Earnings would be reduced proportionately for hours not worked, but any assistance benefits would not be affected. Thus, there would be a direct and immediate relationship between work and economic well-being.

At the end of 18 months, the public sector job would end. Child support, housing and food stamp benefits would continue, but cash assistance would end. The incentive to take a private sector part-time job would be very strong. In addition, recipients working in a public sector job would not be eligible for the earned income tax credit. At all points in time, there would be a large incentive to participate in the child support assurance system.

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Bullet Summary

Make Work Pay

- o Advance payment of the EITC
- o Demonstration of work support agency
- o Child care programs consolidated and funded more generously

Child Support Enforcement and Assurance

- o Universal child support and paternity establishment program
- o Multiple opportunities for consent
- o In-hospital paternity establishment
- o Denial of government benefits across income strata if paternity is not established
- o Regular updating of awards
- o Mandating of universal central registries
- o State enforcement with IRS as Federal backup
- o New hire reporting and mandating of other enforcement tools
- o Establishment of child support assurance program if State meets certain enforcement criteria

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option, demo, 80% collective

AFDC

- o Rules simplified and coordinated with other assistance programs
- o Incentives to work increased through additional State flexibility
- o Barriers to remain as intact families eliminated

Education and Training

- o 100 percent participation required for teen parents
- o \$3 billion of additional funding
- o Consolidation of food stamp and housing self-sufficiency programs into JOBS
- o Counter-cyclical matching rates in JOBS
- o JOBS made available to non-custodial parents, so they can meet child support obligations

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Time Limits

- o 12-month time limit on AFDC payments.
- o Intensive efforts to improve ability to acquire and hold private sector jobs
- o Work opportunities if transitional benefits expire
- o Safety net protected if custodial parent works or has a child support order or both

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Making Work Pay

Numerous policy options could be considered to make work pay, including lowering marginal tax rates through fill-the-gap or AFDC earnings disregard policies adopted by the States, similar health insurance benefits whether working or not, and child care and transportation services.

Advance Payment of the Earned Income Tax Credit

An important element of making work pay is distributing the Earned Income Tax Credit (EITC) on a periodic basis, instead of in a lump sum several months after the end of the tax year. Under the proposal, certain low-income custodial parents who are eligible for the EITC could request to receive payment of the credit more regularly. To prevent overpayments, approximately 60 percent of the credit would be available on an advance basis. There are four options for making the payments:

- (1) The employer would add the EITC payment to the employee's paycheck bi-weekly, monthly or quarterly;
- (2) The food stamp office would administer the credit and give an accounting to the IRS of payments made at the end of each year;
- (3) The unemployment office would make quarterly payments based on quarterly reports from employers;
- (4) The IRS could administer the credit quarterly based on information from the previous year's tax returns and information received from the beneficiary on a postcard verifying earnings information.

Work Support Agency Demonstration

Several small-scale demonstrations would be conducted in 2-4 States to examine the effectiveness of a comprehensive work support agency. Such an agency would serve as a resource center for clients to obtain information on available jobs, would offer classes on resume-writing and other job-related skills, would supervise job search activities, and would provide the necessary

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supports (on-site as much as possible) to enable recipients to successfully attach themselves to the labor force.

Child Care

Under current law, there are three programs under which child care is provided to welfare recipients: Child care under AFDC, Transitional Child Care assistance, and At-risk Child Care. Under the proposal, these three programs would be consolidated into one open-ended entitlement with a Federal match at the Medicaid rate. Eligibility rules would be simplified. This program would be for recipients of welfare, JOBS participants, or for those making a transition to the private sector. In addition, outside of this welfare proposal, the Federally-funded Child Care and Development Block Grant would be expanded to serve only the non-welfare, low- and middle-income population. This program, for the most part, could not be used to fund individuals eligible under the former program. As much as possible, other rules governing these two programs would be standardized. This strategy will need to be reexplored if sufficient dollars cannot be added to CCDBG since otherwise this would reduce available funding for non-welfare families. Efforts to address the quality of child care would include a focus on Head Start for eligible children, linkages between child care and Head Start, consumer education, and technical assistance and training activities. In the public sector work program, efforts would be made to train welfare recipients as child care providers.

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on Paternity

Paternity Establishment

Federal funding would be made available to States to implement a paternity establishment program that expands the scope and improves the effectiveness of current State procedures. States would be required to meet new Federal requirements to ensure that paternity is established for as many children born out of wedlock as possible, regardless of the parents' welfare or income status and as soon as possible following birth. To facilitate this process, States would be required to implement changes based on the successes of other States, including the use of in-hospital paternity establishment and civil procedures that offer multiple opportunities for voluntary consent.

Performance and Measurement Standards

State performance would be measured based upon all cases where children are born to an unmarried mother--not only upon cases within the IV-D (child support) system. Each State would be required, as a condition of receipt of Federal funding for the child support enforcement program, to calculate a State paternity establishment percentage based on annual data for all out-of-wedlock-births and all paternities established for new births, during the same year. The paternity status of all children born

out of wedlock would be tracked throughout the child's first 18 years of life, improving significantly each State's ability to determine precisely how long it takes to establish paternity on each birth.

Each State would be required to meet certain minimal standards of performance for establishing paternity in all cases, based on the percentage of paternities established by the State for children within the IV-D system. Old cases presently in the system in which paternity has not been established would not be counted in the State's paternity establishment percentage, but incentives would be provided for States to work old cases until they are eventually phased out of the system; States would be allowed to double-count old cases (cases at least one year old on the date of enactment) for purposes of meeting both Federal performance standards and funding incentives. In addition, States must, as a condition for receipt of Federal funding, show maintenance of effort in working old paternity cases.

Funding and Incentives

The Federal government would reimburse States for the costs of operating the paternity establishment program, both through Federal funding for State child support enforcement programs (at a rate yet to be determined) and through incentive payments to States based on performance. In addition, Federal funding would be provided at an increased matching rate of 90 percent to support specific paternity establishment functions, including the following:

- (1) staff training for both caseworkers, and hospital and vital records staff;
- (2) laboratory testing for establishing paternity; and
- (3) outreach programs promoting voluntary acknowledgement of paternity.

States would be required to reimburse hospitals and other providers who offer paternity establishment procedures by providing a fee for each paternity established. Federal reimbursement would be capped at \$20 per paternity established. At State option, States could experiment with programs that provide financial incentives for parents to establish paternity, and such programs, upon approval of the Secretary, would be eligible for Federal funding.

Voluntary Acknowledgement

Each State would be required to have in effect laws for the use of a simple, administrative process for the voluntary acknowledgement of paternity, including the establishment of a

hospital-based program for acknowledging paternity as soon as possible following a child's birth. Voluntary consent procedures would include:

- (1) requiring health-related facilities to inform unwed parents about the benefits and the opportunities from establishing legal paternity for their children;
- (2) making blood tests available, if requested by the parents, at the time of the child's birth;
- (3) requiring full participation by hospitals in paternity establishment procedures as a condition for reimbursement for Medicare and Medicaid.

Timeframes for establishing paternity through administrative procedures shall be determined by the Secretary.

Outreach

Outreach efforts at the Federal and State levels would be undertaken, emphasizing that the establishment of paternity is both a parental responsibility and a child's right. The Department of Health and Human Services would take the lead in developing a comprehensive media campaign designed to reinforce both the importance of paternity establishment and the message that child support is a "two-parent" responsibility.

States would be required to implement outreach programs promoting voluntary acknowledgement of paternity, which would be eligible, if approved, for an enhanced matching rate of 90 percent. In addition, States would be required to follow up with all individuals who do not establish paternity in the hospital, providing them with information on the benefits of and procedures for establishing paternity.

Cooperation and Good Cause Exceptions

All mothers with children born out of wedlock would be provided the opportunity to establish paternity for their children. As a condition of eligibility for benefits under AFDC, Federal housing assistance, the dependent care tax credit, child support assurance and for receipt of the tax exemption for children, a mother must cooperate in establishing paternity for her child, provided that she does not meet the good cause exception rules for non-cooperation.

State IV-D workers would be required, within 10 days, to determine whether a mother who wishes to receive Federal benefits has provided sufficient information to locate the putative (alleged) father. Once a determination of cooperation is made, the IV-D worker would inform both the mother and the relevant

programs. Applicants could not be denied program eligibility if the determination of cooperation was not made within the 10-day time period, or while an appeal to a determination of non-cooperation is pending. IV-D agencies would be subject to sanctions if they failed to comply with paternity establishment requirements established by the Secretary.

Good cause exceptions would be granted for non-cooperation on an individual case basis using strict application of the existing good cause exceptions for the AFDC program. State IV-D workers must inform each applicant of the good cause exceptions available under current law and assist the mother in determining if she meets the definition. New standards for cooperation would be established, which would apply to all applications for assistance for women with children born on or after 10 months following the date of enactment.

Applicants for public assistance would be referred immediately to the IV-D office to provide the necessary information before eligibility for AFDC is determined. Those individuals qualifying for emergency assistance, however, could begin receiving benefits before a determination is made. Applicants for AFDC who do not meet the definition of cooperation would lose the mother's portion of the AFDC benefits, but the children's benefits would not be affected. If a mother fails to cooperate and is determined ineligible for benefits, but subsequently chooses to cooperate, Federal benefits would be reinstated.

Contested Paternity Cases

Each State would be required to establish a civil procedure to adjudicate contested paternity cases through an administrative process. The process must be based on one of several models determined by the Secretary, or the State must seek approval from the Secretary for a plan designed by the State. Under the administrative process, each State must refer all contested paternity cases to an administrative law judge (ALJ) through the State agency and allow for the use of courts in paternity cases only in rare instances. Timeframes for paternity establishment for contested cases shall be determined by the Secretary.

Parent Locate Efforts

In addition, each State would be required to improve efforts to locate absent parents by ensuring that the parent locate service has access to requisite State and private records, and that other States have direct access to the State data bases in order to process interstate cases.

Establishment of Child Support Orders

At the time paternity is acknowledged, States must have in place procedures to collect the information necessary to establish a child support order. Such procedures must be used for all cases in which paternity is established through the child support agency. Parents who establish paternity outside the child support agency must, at a minimum, be provided subsequently with information on the benefits of and procedures for establishing a child support order.

States would establish all initial orders through an administrative procedure according to uniform, national guidelines indexed annually for inflation. Orders would be established on all noncustodial parents regardless of current ability to pay. Timeframes for the establishment of child support orders shall be determined by the Secretary.

The Federal government would establish and maintain a national, universal database of all existing orders with current information from the Federal income tax returns of all custodial and noncustodial parents including addresses, and States would be required to use this information to update orders every two years.

Collection and Enforcement of Child Support Orders

Wage Withholding

Under the proposal, States would assume primary responsibility for the collection, disbursement and enforcement of child support payments. Employers would withhold support from wages based on information from a revised W-4 form and would forward all withholdings to the State office. The State office would forward child support payments to custodial parents on a monthly basis, and would include separately any child support assurance amounts.

In addition, all new employees would be required to notify their employer of their child support obligations by filing the Federal W-4 form, which would be revised to collect information regarding the employee's name, address, Social Security number, earnings per period, child support order and health insurance benefits. Employers would forward this information to the Federal government to be verified against the national database of orders. The system would be fully automated, and noncustodial parents would be required to keep the child support office fully informed of any change in address or employer.

Any child support owed by a noncustodial parent at the end of the year in excess of that withheld during the year would be due to the State office and collected via the annual income tax

form. Child support payments would have precedent over Federal tax liabilities. The non-custodial parent would have various choices on how to pay his child support such as automatic withdrawal from a checking account, predated checks, wage withholding or other methods. The choice employed might dictate the necessity of one or two months of advance payments.

Arrearages

The State office, through its administrative law judges (ALJs), would have the discretion to reduce child support arrearages on a case-by-case basis, but only if the office determined that such a reduction would promote the payment of current child support obligations by the noncustodial parent. An ALJ could also reduce arrearages by reducing the present value of Social Security retirement benefits based upon changes in the earnings records of noncustodial parents.

The existing rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit, and no monies would be distributed to States as a result of any change in welfare benefits. Arrearages would be cancelled working backwards from the date of the arrearage payment on an annual basis.

Assured Child Support Benefit

Under the proposal, the Federal government would fund an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent failed to pay. The benefit would be administered by the State and would be determined according to the following schedule indexed to inflation:

a) The amount shown in the schedule below, less any private child support collected:

<u>Number of Children</u>	<u>Benefit</u>
1	\$1,500
2	2,100
3	2,700
4 or more	3,300

Under ~~either~~^{the} option, States would be required to disregard up to \$1,800 of child support and assured benefit payments before calculating the AFDC payment if the State's AFDC payment level was less than or equal to 33 (or 30) percent of the Federal poverty level. Child support payments and the assured benefit would be treated as income to the custodial parent for tax purposes.

Limit to age 18.10 ?

Child support assurance would be phased in slowly, State by State. Before being allowed to pay the assured benefit, States would be required to meet certain criteria. These criteria (to be specified in greater detail) would include having a strong child support enforcement system in place, a fully automated data system, a universal central registry, and meeting certain targets in establishing paternity. Also, as each State implements child support assurance, cost expectations must not be exceeded dramatically, or else further legislative authority must be given.

Social Insurance Programs

Social insurance program benefits based on a noncustodial parent's work history (i.e. disability and survivors' benefits) and received by his or her children, would be deducted from the child support owed by the noncustodial parent. In addition, the child support assurance payment would be reduced dollar-for-dollar. In the Social Security program, the rules governing the calculation of payments among children (particularly if the individual has children in more than one family) would not be altered.

Amendments to the AFDC Program

Under the proposal, changes would be made to the AFDC program as follows:

- (1) Rules for determining eligibility and benefit levels would be simplified and standardized to facilitate coordination among other assistance programs such as food stamps and housing;
- (2) Under current law, when food stamps are calculated, AFDC benefits are taken into account. The AFDC benefit is assumed to be 50 percent for housing and 50 percent for other needs, and housing benefits are calculated assuming one-half of the AFDC check as income. The other one-half reduces the housing subsidy dollar for dollar. Unlike current rules, under the proposal, food stamps would be treated as income for housing subsidy purposes. Calculation of the food stamp benefit would not count the amount of housing assistance received. As an additional option, the fair market rent for section 8 housing vouchers and certificates could be set at 30 percentile;
- (3) The 100-hour rule (which specifies that a parent must work fewer than 100 hours in a month to be classified as unemployed) would be eliminated;

- (4) The quarters of work rule (which specifies that to be eligible for AFDC-UP the principal earner must have worked 6 or more quarters prior to one year before application) would be eliminated;
- (5) In place of the current \$50 per month passthrough of child support, States would be required to increase AFDC benefit levels by \$70 per month for families with a child support order;
- (6) The standard disregard would be raised from \$90 to \$100 per month (with State option to increase up to \$250), the child care disregard would remain the same (20 percent of earnings to a maximum of \$175 per month per child), and an additional disregard of 20 percent of earnings (with State flexibility up to 50 percent) would be added;
- (7) All benefits (including AFDC, housing, food stamps and the assured benefit, as well as child support payments) would be taxable to the custodial parent; and
- (8) Treatment of children in the welfare system would be made consistent with treatment of children in the tax system.

Transitional Assistance

This section describes how the time limits would be administered and what happens if the time limits are exceeded. This is an extremely complicated problem, given cost and capacity constraints. Other options and how these would be phased in are described later in the paper.

Conceptually, the current AFDC program would be divided into five different parts (the eligibility rules under all five parts would be identical, with the possible exception of the emergency assistance program):

- (1) Emergency Assistance--a one- or two-month initial payment for those families desiring only limited assistance. The payment would only be for families who have had recent job experience and would probably be accompanied by a job search requirement. This is an option and is not critical to the overall plan;
- (2) Transitional payments--payments limited to a lifetime maximum of 24 months initially but eventually declining to 12 months when fully implemented. The State might also demand job search along with these payments. There would be some limited ability to earn back months of credit;

once in lifetime

- (3) Parent self-sufficiency payments--these payments are made to parents who are participating satisfactorily in JOBS or working sufficient hours. Participation in this program would be limited by the State on an individual basis. One could not stay in job training or education forever. An overall limit of two years would be imposed by the Federal Government. In only unusual circumstances could this be waived. Another option would be to not time-limit these payments if there is work of 20 to 30 hours per week. Only participation in JOBS would be time-limited.
- (4) AFDC payments--checks as under current law made to any family meeting exemption criteria 1 through 4 below;
- (5) Child support payments--payments as described in the earlier schedule for each child with an order in place or in the process of being established. This is a temporary program designed to give children a safety net. This is only for AFDC recipients and is only in States where a full-fledged child support assurance payment is not available. These payments would not be in any way conditioned upon the behavior of the parent. Actual child support payments would reduce these payments dollar for dollar. The proposal to exempt a portion of this (as described earlier) would also be considered. These payments are not affected by earnings of the custodial parent.

CAP program

Transitional, AFDC and parent self-sufficiency checks are equal to the current AFDC check less child support payments.

Under the proposal, transitional payments would be limited to 12 months initially (24 months), after which (adult) recipients would be expected to work. Recipients would be expected to use this time period productively and intensively to either build attachment to the labor force or increase their human capital, with the overall goal of increasing their long-term self-sufficiency.

Each new applicant to the system, after emergency assistance, would be assigned to a caseworker with whom she would jointly decide on an individual service strategy. A contract would be signed by both parties specifying the mutual obligations on the part of the Government and the recipient: the recipient commits to endeavoring to improve her self-sufficiency during the one-year period, and the Government commits to providing the means and supportive services necessary to fulfill this end. All applicants would be told about the time limitation and about the various education, training, work experience and job search options available to them. The State would have considerable discretion in how these services are delivered, including

determining the definition of satisfactory participation and placing time limits on certain education and training opportunities.

Services would be provided through expanded State JOBS programs. States would be given considerable flexibility, as under current law, as to how recipients move through the system. States would be required to properly inform all recipients of opportunities available to them and of the implications of the time limit.

Consolidation of Education and Training Programs

Under the proposal, States will be given the option to consolidate all education and training programs under the expanded JOBS program. Specifically, States would be allowed to combine funding for JOBS and the food stamp employment and training program and to operate them as a single program. The advantage of such a combination would be to reduce the administrative structure needed to run two separate, but essentially similar, programs. In addition, administrators would be encouraged to use some or all of their funding to buy services from JTPA. Self-sufficiency programs for families with children in housing programs would be coordinated through JOBS. JOBS would also be expanded to include volunteer parenting activities such as Head Start or other sanctioned community service activities (e.g. Michigan).

Funding

Federal funding for the JOBS program would increase by \$3 billion. The Federal matching rate would be raised from the current level to 75 percent. Countercyclical assistance would be provided through an enhanced Federal match of 90 percent if the unemployment rate in a State rises above 7 percent.

Exemptions

Exemption from the obligation to participate in education, training or work activities and from the two-year time limit would apply to a caretaker of an AFDC child who meets one or more of the following conditions. He or she:

- (1) is not a natural or adoptive parent; (this could be a temporary exclusion until all natural mothers are being served by JOBS and there exists enough work opportunities);
- (2) has care of a child under 6 months old (up to 2 years at State option);
- (3) has care of a disabled child or relative;

- (4) has a functional disability or impairment that significantly reduces employability;
- (5) is working more than 20 hours per week (40 hours for both parents). (States could opt to increase to 30 and 60 hours, respectively).

Exemptions 1-4 would result in an AFDC check without time constraints. Exemption 5 would result in a parent self-sufficiency check.

Teenage Pregnancy and Parenting

Under the proposal, teen parents would be subject to the same requirements under the transitional assistance and public work programs as other recipients, with appropriate incentives and sanctions to encourage compliance. Because teen parents are most likely to remain on AFDC for long periods of time, these women would receive the most intensive case management and more comprehensive training. Teen parents would be given priority for service by States, with the goal being complete saturation of the teen parent population. Teen parents who have not completed high school would be expected to participate full-time in an appropriate educational activity, unless participation in work or training activities were determined to be in the best interest of the teen. To the extent possible, educational activities should be combined with work and training activities.

Upon entering the system, teen parents would be assigned to caseworkers specially trained to work with youthful, multi-problem families. These caseworkers would serve as mentors for the teen parents and would, at a minimum, assess their needs and those of their children, help identify appropriate plans of activity, help remove barriers impeding progress, refer them to other service providers as needed, and monitor compliance with participation and other requirements. In addition, the caseworkers would be responsible to work to develop part-time and full-time employment opportunities specifically for teens.

As much as possible, many services for teen parents, including child care, would be provided at a single site. Counseling, peer support groups, and courses on topics such as parenting, self-esteem and life management would also be offered. In addition, health screening and immunizations could be available on-site for the teens and children participating in the program.

To encourage teens to delay subsequent pregnancies, the proposal would also include a program to encourage the voluntary use of Norplant for birth control purposes. The teen parent demonstration project has shown that mothers often desire to

prevent the birth of additional children, but they do not often have the means or the knowledge.

Post-transitional Assistance

When transitional payments are exhausted, able-bodied recipients would be expected to participate in some type of work. Hopefully before reaching the time limit, they would have obtained employment in the private sector. Non-exempt recipients who have reached their time limit without obtaining a private sector job would be assigned in many instances to a public work program slot. Work slots would be designed to improve the employability of participants through actual work experience and training in order to enable individuals to move into regular employment as soon as possible. Intact families would be given priority to receive a job slot over single-parent families.

Even without a work opportunity, at the end of the transitional payments, food and housing benefits, as under current law for certain families, would continue to be available. In addition, child support payments would continue.

The cost of providing post-transitional job slots would be funded at a Federal matching rate of 75 percent. A total of 400,000 half-time (20 hours per week) work slots would be created and 100,000 full-time slots would be created for intact families. States who wish to provide additional work slots or hours per week above the minimum requirements could receive Federal funds at a matching rate of 50 percent. Two hundred thousand of the half-time slots would be for noncustodial parents.

Job slots would be created within local governments and through contracts with private, non-profit employers. Workers would be compensated at the minimum wage, the number of hours required to work would be at least 20 per week (up to 40 hours per week at State option). Work assignments for less than 20 hours per week could be made, if the client has a part-time private sector job such that the combined hours from the private and public sector jobs was greater than 20 per week.

Prioritization of Work Slots

The work slots would be first assigned to teen parents and intact families and then to those recipients most in need of assistance (without housing, without child support, through a waiting list).

Public Work Program Jobs

Public work program jobs would operate like "real" jobs, with clients receiving a bi-weekly paycheck and with normal employer-employee relationships assumed. The welfare department

would assume that the participant is being paid for the hours specified; wages under the work slots would be counted as earnings and benefits calculated respectively. For any required hours that the participant failed to work, wages would be reduced accordingly. If a client fails to perform satisfactorily or does not show up for an extended period of time, he or she could be "fired", which would in effect entail a whole family sanction.

States would have discretion to determine how long clients could remain in the public work program up to a maximum of 18 months. For every year off of AFDC and public sector work, individuals would be able to earn two months of 'credit' for transitional payments.

Public work program jobs would be entry-level jobs which are newly created (as much as possible) in order to minimize displacement of regular workers. They should be useful, genuine work, including positions such as teacher's aides, health aides, office aides, child care workers, Head Start aides, recreational aides, library assistants, as well as clerks in welfare and employment agencies. Allowing AFDC recipients to work in child care centers or be paid to operate their own family day care homes could be particularly beneficial. Outdoor assignments could include gardening, park maintenance, road repair, building repair.

As much as possible, community organizations should be utilized to supervise groups of workers assigned to special projects within their local communities, including youth projects, painting and housing rehabilitation, recycling programs, senior citizens' programs, family day care programs, community beautification and entrepreneurial endeavors.

Treatment of Earnings.

In order to encourage movement into the private sector, earnings from public work would not be counted as income for purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Current law rules for the workers' compensation program and the Social Security program (including payment of the FICA tax) would apply. All benefits would be calculated according to existing rules; this implies that individuals would leave the AFDC program first, the food stamp program second, and the housing program third.

Additional Options

Several additional options exist for implementing the two-year time limit. All of these entail offering some work opportunities, but there is a recognition that many more individuals will exhaust transitional payments than there are

work slots. Some of these options are much more viable than others:

1. Cold turkey

This option would entail simply ending AFDC for all recipients after two years--regardless of whether or not they have found a job in the private sector or not--without offering any public sector work opportunities. To many, cold-turkey time limits not only save money, but they represent a philosophical approach to the welfare conundrum and a plausible interpretation of the promise to "end welfare as we know it." However, time limits without protections for child well-being are repugnant to much of the public and the Congress, and this approach seems highly irresponsible and likely to cause undue harm to low-income families and children.

2. Public sector, part-time, minimum-wage jobs for all who reach the time limit

Under this option, public sector job slots would be granted to every recipient who reaches the time limit. These jobs would continue until recipients were able to move into the private sector labor market. While this option may be desirable in an ideal world, funding and capacity constraints prevent it from being a viable alternative.

Perhaps under very favorable circumstances this option could be made to work. Work slots would be offered to all who exhaust transitional payments. The plan would be phased in slowly: a) with teens, b) by cohort saturated within a given area of a State, c) by State.

If JOBS was very successful, if health insurance was implemented, and if the EITC and other support systems worked well, it might be possible to argue that enough work slots would be created to meet the demand. The number of required job slots would be carefully monitored as the plan was implemented.

Perhaps some version of this option and combined with the preferential option described above might be the optimal plan.

3. Reduce regular or current AFDC payments by 50 percent permanently, or let a reduced AFDC payment continue for another 12 to 36 months.
4. Instead of child support payments, create a small housing benefit for all those who exhaust transitional payments.
5. Like the preferred option except that for those who are not assigned a work slot, AFDC could continue for another 18 months.

6. After serving in a work opportunity slot successfully, one could again get AFDC benefits. (I think this is a non-starter but it does protect the safety net.)

Alternative Work Programs

States would be granted significant flexibility to augment their statewide public work program with smaller-scale strategies, including efforts to subsidize private employers to employ time-limited clients through wage supplementation strategies. These would be of limited duration (probably no longer than the 9 months of AFDC supplemented work under current law), and employers would be expected to offer regular employment to the participants at the end of the wage-supplemented period. Under such programs, the State's share of each client's wage could be below the minimum wage, so long as the total of the State's share and the employer's contribution are at least equal to the minimum wage.

States would also be given flexibility to design programs that offer work and training opportunities simultaneously. However, the Federal public work program funds could only be applied toward those activities which constitute actual work.

To encourage movement into private sector jobs, clients would be expected to participate in supervised job search concurrently while working in the public work program. Job search could be completed on an individual basis or through participation in a job club for a certain number of hours per week. In addition, States could establish a required period of full-time job search either before or after a public work assignment. The Department of Labor's proposed "one-stop shopping" information system could be an important resource for job search activity.

Prevention

A principal factor contributing to risky behavior by adolescents is their perception that they have little to lose if they don't delay becoming parents and little to gain if they do. This view does not entail a belief that adolescents make choices about sexual activity and contraception based upon fine estimates of the present value of future income streams. However, it does assume that, if the desirability of the options at-risk youth see before them could be changed, their childbearing behavior might change as well.

Therefore, the proposal would include various incentives to encourage teenagers to stay in school to complete their high school education and to delay having children. Elements of such a strategy would include making the responsibilities that parents bear more transparent and increasing the opportunities that at-

risk youth enjoy when they avoid becoming parents. States would be given considerable flexibility to design demonstrations to test such ideas based on programs that have shown positive results (such as Learnfare).

Work and Training Requirements for Noncustodial Parents

Under the proposal, one billion dollars would be allocated to conduct several large-scale demonstration projects to evaluate the potential impact of enforcing requirements for and providing services to noncustodial parents. Under these demos, the JOBS program would be modified, and 200,000 additional job slots would be created to accommodate participation by noncustodial parents who have failed to, or are unable to, pay child support. A State administrative law judge (ALJ) could require mandatory participation in job search activities, on-the-job training or work experience courses under the JOBS program for noncustodial parents who willingly fail to pay child support. Noncustodial parents who are unable to pay child support but are not more than two months delinquent would have an opportunity to volunteer for participation in the JOBS program or other specified activities, during which time the current child support order would be waived.

Tax Treatment of Child Support and Benefits

Under the proposal, the household standard deduction would be increased to the level of the joint standard deduction. For 1993, this implies an increase of \$750. Child support payments and the assured benefit would be taxable to the custodial parent, and tax deductible to the noncustodial parent, if the custodial parent receives the personal exemption for the child. If the noncustodial parent receives the personal exemption, child support payments would continue to not be included in gross income to the custodial parent. AFDC benefits, food stamps, SSI and housing benefits would all be counted as taxable income to the custodial parent.

Phasing

For numerous reasons, including capacity and cost constraints, the reform plan will need to be phased in over a period of years. While strong arguments exist for each of the different phase-in strategies, the cohort phase-in may most clearly convey the message that the current system is seriously being reformed. Under the cohort option, States would be required to serve all members of an incoming cohort (e.g. all applicants in a given year, or specific sub-groups within an incoming cohort). States might choose to serve some of the existing caseload but would not be required to do so. As emphasized under the teen pregnancy and parenting section, one specific subgroup that seems especially important to serve is teen mothers.

Sanction Policy

Sanction policy would follow current law with some additional State flexibility. Not participating in JOBS for a given month when required would result in using up a month of transitional payments and at State option up to three months of the adult portion of the AFDC grant.

The penalty for not working the required number of hours in the work slot was described earlier in the document. The penalty for not taking a private sector job when offered could follow current law, or result in the loss of all remaining months of transitional payments, or it could be the same penalty as not taking the work opportunity. The State would calculate the amount of assistance as if the job had been taken and adjust all forms of assistance accordingly. The actual penalty would be at State discretion.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the proposal would be conducted after the time-limited transitional assistance and public work programs had been fully implemented. If it was determined that harm was being done to children, the President would have the authority to modify or eliminate the time limit. Demonstrations and research projects will be determined at a later date.

COST

The proposal would be deficit neutral and other than the taxation of welfare benefits previously described would involve no additional taxes (with the possible exception of previously submitted proposals involving the extension of social security coverage). Most of the financing would come from tightening eligibility rules for non-citizens receiving welfare payments and other entitlement program changes.