

COMMENTS ON MEMO FOR THE PRESIDENT

Base -
KATHI
WR PLANS -
+ IN APRIL
Comments on the
new

We have the following comments on the April 12 draft of the Confidential memorandum:

- Descriptions of the Tables in first paragraph don't correspond to what is actually on the tables.
- Is cost sharing at 80/20 only for certain parts of the package? P. 3 indicates federal share of working poor child care would be \$500 of \$750 million (66%). Also, Table 2 bottom lines do not look like 80/20 - so discrepancy should be explained.
- P. 2 - description of phase in indicates that 35 percent of the caseload would be in mandatory education or training. The description of what they are doing should be "engaged in structured activities designed to find or prepare for work."
- P. 2 - why is deferral group 29%? Of 89 percent not off welfare, wouldn't only 25 percent of them be deferred? Wouldn't that be 22%?
- P. 2 - ~~if there is no JOBS-Prep money, why eliminate the program? Aren't we only eliminating the monitoring money? Why wouldn't we continue the mandatory activities, but with self-reporting at minimal cost, a la Michigan?~~
Eliminating JOBS Prep does not change the fact that everybody will be expected to do something
- P. 3 - as mentioned above, child care cost sharing does not match between Package 1 and 2.
- P. 3 - description of Teen Pregnancy Grants should be revised to reflect the possibility that this money could go to a bold, new national initiative aimed at at-risk youth in at least 1,000 of the country's poorest schools.
- P. 4 - the IDA and microenterprise programs appear to have been cut more than any of the other demos from their original budgeted amounts. The numbers on the tables in the back are not consistent. Package 1 leaves these at roughly 15 percent of their original funding which is too low to do meaningful demonstrations. The cuts among demos should be allocated evenly.

If you
give
me
your
I can
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final for
A. W.
JBA

We should
eliminate
the program

They
FIXED
THIS



JBA -
LET'S JUST KILL
THE MEMO TO BC.
NO POINT GOING THROUGH
THE EXERCISE.
BR



AMERICAN PUBLIC WELFARE ASSOCIATION

WP-Plans

Kevin W. Concannon, President
A. Sidney Johnson III, Executive Director

MEMORANDUM

To: Mary Jo Bane, David Ellwood, Bruce Reed
Co-chairs, Welfare Reform Working Group

From: A. Sidney Johnson III, Executive Director

Subject: APWA's Welfare Reform Proposal

Date: November 2, 1993

We look forward with interest to presenting and discussing APWA's Welfare Reform Proposal with you at our meeting Tuesday, November 23, 1993 at 3:00 pm.

In order to provide you with a preview of our recommendations, I am attaching a summary for your review.

Given our decision to discuss our proposal with you before circulating it in the Washington community or releasing it publicly, I would ask you to respect their confidentiality.

Bruce, I look forward to working with you on these welfare reform ideas.
Ad

APWA Task Force on Self-Sufficiency SUMMARY OF RECOMMENDATIONS

**Prepared for State Human Service Commissioners and Secretaries
September 27, 1993**

Introduction

This document provides an update on the progress of the Task Force on Self-Sufficiency in developing APWA's recommendations for next steps in welfare reform.

Background on the Task Force on Self-Sufficiency

Immediately following last November's presidential election and in anticipation of a national debate on welfare, APWA appointed a 17 member task force comprised of state and local human service administrators and program administrators to review current policy and program options and develop our own recommendations. (The list of task force members is attached.)

The Task Force first met in December 1992 at the winter meeting of the National Council of State Human Service Administrators in San Diego. The Task Force has met each month since then. In that time the Task Force has met with experts in welfare policy, representatives from the new administration, congressional staff, and advocacy groups. Task Force members shared information about their own programs and experiences and reviewed volumes of research and policy data.

Purpose, Principles, and Priorities

The Task Force began its process by developing a purpose statement, a set of guiding principles, and a list of policy priorities for welfare reform.

The purpose statement, which is included as an attachment to this document, outlines the goal of our work as human service administrators--*to promote policies that not only reform the welfare system and related systems, but reduce poverty as well.*

The principles were developed to guide the development of the specific recommendations. These principles include:

- Work is valued;
- Both parents are financially responsible for their children;
- There is a mutual responsibility on the part of government and the family *with self-sufficiency as the goal*; and
- A service delivery system must be effective and efficient.

From these principles six policy priorities have been developed: (1) self-sufficiency through work; (2) improving the creation of jobs in the private sector; (3) increased federal funding for the JOBS program; (4) improving child support enforcement; (5) making work pay; and (6) improving simplification of AFDC, food stamp, and Medicaid policies.

These priorities are interrelated and should not be viewed in isolation. For example, we cannot hope for self-sufficiency through work without ensuring that there are jobs. When AFDC parents go to work it is important that going to work pays and that AFDC parents have sufficient income and supports to enable them to leave and remain independent of welfare. As part of that income support we need to improve the collection of child support.

Priority #1: Self-Sufficiency Through Work

Our proposal is based on the belief that a majority of welfare recipients want to work and that government has the responsibility to ensure they are provided every opportunity to do so. To demonstrate this mutual goal, everyone who makes an application for AFDC would have to enter into an Agreement of Mutual Responsibility. The agreement would include a requirement that the parent and the agency participate in an assessment and development of an employability plan. The employability plan would be completed within 90 days of eligibility determination.

To achieve the goal that every parent receiving AFDC should and can participate in some activity, we propose a three-part Job Opportunities and Basic Skills (JOBS) Training program in which, within 90 days of eligibility determination, all AFDC parents will be expected to begin to participate.

The program would consist of:

1. JOBS preparation for a limited number of AFDC recipients;
2. JOBS career-focused education and training; and
3. JOBS mandatory work, in which AFDC parents who complete the second phase would be required to work in an unsubsidized private or public sector job, with community work experience programs (CWEP) available as a last resort. This requirement becomes effective for all phase II participants after two years of participation in education and training.

JOBS preparation would include those who have severe or multiple barriers to employment--parents typically exempt under current rules and pregnant and parenting teens who are expected to complete school. Individuals may participate as volunteers in their community, attend remedial education programs, or both. Our proposal does not require all AFDC parents to participate in a "structured" program activity. For some the employment plan may spell out their responsibility to care for a disabled child or other adult member in the household. The goal for participants in this phase is to move into the career-focused education and training phase and/or employment. States would be required to meet an outcome-based "graduation rate" representing movement from JOBS preparation into education and training. In addition, the welfare agency would be required to impose a reasonable time limit on each individual's participation in this phase.

The *career-focused education and training phase* is designed for those parents whom states determine to be employable or who volunteer for placement in this phase. States would be required to offer education, skills training, job readiness, and job development and placement and all of the components under JOBS that are currently optional: job search, on-the-job training, work supplementation, and CWEP. Participation in post-secondary education would be permitted but limited to no more than two years.

After two years in this phase, parents who cannot find employment will be required to work as a condition of continued eligibility for financial assistance and support services. Placement in unsubsidized private and public sector jobs would be the highest priority. The Task Force recommends that, only as a last resort, those not working in subsidized employment be placed in CWEP. Individuals working at least 20 hours per week would meet the mandatory work requirement.

The intent of the proposals is that AFDC parents will never reach the two-year limit.

All states would be required to establish JOBS programs and provide child care and support services as federal and state resources permit. If funding is not available to serve all participants in these activities, states would still have the option of establishing community service programs for parents who wish to volunteer in their community. The provision of child care and other support services may be provided by the state for these volunteers.

Participants who fail to participate in the Agreement of Mutual Responsibility or any phase of the JOBS program, refuse to accept employment, terminate employment or reduce earnings without good cause would face a 25 percent reduction in the family's AFDC grant and food stamp benefits.

Other provisions:

- Case management will be available to all participants.
- Child care, support services, transportation and work related costs would be provided.
- Transitional child care and medical assistance would be provided for 12 months and an additional 12 months at state option. States may provide case management for those leaving AFDC for work for up to 12 months.
- States would be allowed to supplement earnings by expanding the earned income deduction or other methods to reduce the ratable reduction in AFDC. States would be allowed to implement such changes by amending their AFDC state plan.
- The program would be funded as an entitlement with 90/10 funding available for the amounts expended over a state's FY 92 expenditures.

- If employment or family circumstances change, former recipients will be allowed to return to AFDC mandatory work or JOBS under specific conditions. If the parent is determined to be employable, he or she would face the mandatory work requirement. Individuals could participate in JOBS only if they were determined not to be immediately employable, had time left on their two-year limit, or were determined to have experienced a drastic negative change in employability.

Priority #2: Job Creation

Our proposal recognizes that the goal of self-sufficiency for the welfare system's clients cannot be achieved through the intervention of the welfare system alone. It emphasizes the need for employment that results in family self-sufficiency as the successful end-point for both client and agency efforts. It underscores our preference for jobs in the private sector—the primary source for economic growth and development.

To help develop private sector jobs and ensure that they will be available to our clients, we recommend three strategies:

1. Expanding the use of on-the-job-training, work supplementation, the Targeted Jobs Tax Credit, and other existing private sector incentives. These are proven methods for increasing the role of the private sector in hiring welfare recipients. Work supplementation, while currently utilized in only limited ways by states, could be a greater resource if we drop the requirement that such jobs must be newly created and vacant positions. This requirement makes it difficult for our offices to find such positions for clients. The Task Force proposal strongly endorses such a change.
2. Creation of a new, adequately funded job development/job creation strategy that would target 75 percent of its employment opportunities to JOBS graduates and 25 percent to the working poor. This new money would not be used to create a new program *if* the expansion and further targeting of already existing programs—like the TJTC and enterprise zones—would fulfill the purpose. We propose discussions with business representatives, economic development and employment agencies, labor unions, and others to determine how best to use the new appropriation; and

3. Enactment of the National Service Act as a viable employment and education option for AFDC recipients. This program provides education awards of \$4,725 per year for a maximum of 2 years of service in human services, education, environment, or public safety. It would mean that people age 17 or older, including AFDC recipients, could perform community service before, during or after their post-secondary education.

Policy #3: Increased Funding for the Current JOBS Program

The Task Force believes that some mechanism must be created to increase the investment in the current JOBS program and that this step can and should be taken while discussion continues on the next steps in welfare reform. The Task Force on Self-Sufficiency urges the administration and Congress to provide an immediate increase of federal funds for JOBS to enable states to fully and effectively implement the program during the interim.

The Task Force on Self-Sufficiency recommends that this be done by:

- Decreasing state matching requirements for both program and administrative costs under the JOBS program;
- Simplifying the state match requirement; and
- Increasing the capped entitlement amount authorized in the Family Support Act (currently set at \$1 billion and increasing to \$1.1 billion in FY '94 and \$1.3 billion in FY '95 then decreasing to \$1 billion in FY '96 and thereafter).

Priority #4: Child Support Enforcement

The Task Force believes that a more effective child support system is a critical part of welfare reform. Both the custodial and non-custodial parent must accept primary responsibility for the support of their children. Despite recent improvements by the states, the current system is still not working very well. States do not have the tools or the resources to run a truly effective system. Only 60 percent of eligible women have child support orders and only half collect the full amount. This means that 75 percent of custodial parents entitled to child support either lack support orders or do not receive the full amount due under such orders.

We propose a three-part solution:

1. Improve paternity establishment by

- requiring states to develop procedures for voluntary parentage acknowledgment both in hospitals and through an administrative process operated by the state IV-D agency.

2. Improve the establishment of the child support orders by

- requiring states to provide uniform rules for jurisdiction of orders through the Uniform Interstate Family Support Act (UIFSA) and
- establishing national support guidelines

3. Improve enforcement and collection by

- requiring employers to report new hires within seven days to the state via a copy of the W-4 form.
- ensuring that children receive adequate health care coverage by mandating that federal and state laws provide for access to coverage for all eligible children regardless of their residence or the marital status of their parents.

We also have three other top priorities:

1. Ensuring adequate resources through funding reform and simplification of the funding mechanism for child support enforcement.
2. Reforming the child support audit process by changing from a process-oriented system to an outcome oriented system.
3. Establishing a limited number of demonstration projects of child support assurance that are fully federally funded.

We believe these recommendations will produce a more effective child support system in which both parents accept responsibility for the support of their children.

Priority #5: Making Work Pay

When an AFDC recipient leaves welfare for work today and earns a wage that still keeps her poor, has a job that does not provide health care coverage, and lacks access to affordable child care, it is highly probable she will eventually return to welfare. Previous attempts at welfare reform, including the Family Support Act, have not adequately addressed strategies to "make work pay" to help alleviate the high rate of multiple spells on welfare. The Task Force strongly believes that unless the following strategies and recommendations are adopted and in place, the goal of reducing poverty and increasing self-sufficiency among poor families will not be realized.

Health Care Reform

National policy must assure access to health care for America's poor families and children. As stated in APWA's 1988 report, *Access*, assuring the availability of health care for poor children and their families is a matter of equity and economic necessity. Health care is critical to strong, stable, self-sufficient families. It is critical for children to grow and thrive. We must reform the nation's health care system to make basic health care services available to all citizens regardless of economic status. Individuals and families have a responsibility to pursue self-sufficiency through employment. Success in attaining self-sufficiency requires that health care needs are met.

Expansion of the Earned Income Credit

The Task Force's guiding principles call for federal policies to support families to move toward the greatest possible self-sufficiency. A major step toward meeting this goal is the recent expansion of the Earned Income Credit enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. The five-year, \$21 billion expansion will mean that families with a full-time worker and two or more children would receive a \$4 wage supplement for every \$10 of the first \$8,425 they earn. A family of four with full-time minimum wage earnings would receive a credit of \$3,370 which—assuming the family receives food stamps and the minimum wage is indexed to inflation—would lift such working families to the federal poverty line.

The Task Force also believes that more can be done to improve outreach efforts to both recipients and employers. First, we support a requirement that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the Earned Income Credit upon application for and termination from these programs. Second, we support a

requirement that all employers offer the advance payment to all new employees at the time of hiring.

Other Considerations

As part of the administration's making work pay strategy for welfare reform, President Clinton has proposed raising and indexing the value of the minimum wage--that is, adjusting the minimum wage each year for inflation. The Task Force believes that a combination of increasing the minimum wage and expansion of the Earned Income Credit represents a shared burden between the public and private sectors in helping to make work pay. While we favor raising the minimum wage level eventually, however, concern about the current weakened economy, continued job loss, and U.S. competitiveness in the global economy make it unrealistic for us to propose a change at this time.

Child Care

The Task Force believes expanding quality child care options for low-income families, especially those leaving AFDC, as an essential part of making work pay. Ultimately, quality child care should be provided principally through the private sector, with publicly financed care available on a sliding fee scale to all families who need it. The goal is to eliminate any incentive for working poor families to apply for welfare in order to receive child care assistance.

While we seek a universal child care system, we acknowledge that goal is a long-range one due to budget constraints and capacity issues. Appropriate first steps can nonetheless be taken now to ensure that the system more rationally, and successfully, supports family efforts to move from welfare to work. An important initial step is to make the Child and Dependent Care Tax Credit fully refundable.

We recommend that state be allowed:

- To provide Transitional Child Care (TCC) for at least 24 months;
- To provide At-Risk and TCC during a job search period;
- To have greater flexibility in developing requirements for unregulated care;

- To have more flexibility in determining market rates and allow multiple statewide limits;
- To have greater flexibility in the use of CC&DBG funds for administrative costs; and
- To set differential payment rates within a category of care for CC&DBG;

The Task Force also recommends increasing funding for the At-Risk Child Care program and reducing state matching requirements under the program.

Priority #6: Program Simplification and Coordination

Simplification and coordination of public assistance programs has been a goal of administrators and program advocates for a long time. The need for simplification has grown even more acute in the last three years as national AFDC and food stamp caseloads have experienced unprecedented growth and state budgets have been unable to keep pace—taking their toll on many welfare offices. Program complexity and incompatibility also make it difficult for those of us who deliver state social services to make referrals and perform other case management tasks—activities that we know are necessary for successfully helping recipients access services that may move them toward self-sufficiency.

Many of the 57 recommendations developed previously by the NCSHSA for simplification and coordination are low or no cost, and several even generate savings. Among the more critical recommendations, which should be implemented in law or regulation as quickly as possible, are the following:

1. Streamline collecting and processing application information, such as:
 - Simplifying the food stamp program and conforming it to AFDC by removing current detailed food stamp requirements.
 - Adopting a policy allowing states to deny an application if the household does not provide requested verification within ten days.
 - Simplifying both AFDC and food stamps by allowing states to choose what information to verify.

2. Simplify changes and budgeting policies in AFDC and food stamps.

To simplify how our offices track changes in a family's wages, family composition, and expenses, we have various recommendations. We include several that would conform AFDC to food stamp policy, for example, regarding the effective date of changes and supplemental benefits to new members. APWA also recommends conforming AFDC to food stamp policy to allow retrospective budgeting of non-monthly reporters and to eliminate the 10-day reporting requirement for monthly reporters.

3. Changes in income and deductions policies in AFDC and food stamps.

Because this issue is so complex, APWA has proposed a number of specific recommendations. Briefly, the proposals would make the following changes:

- Completely exclude several types of income now counted in one or both programs;
- Conform the two programs in the many detailed areas where they now differ;
- Disregard all educational assistance; and
- Conform the programs with respect to dependent care expenses and the incentive disregards for holding a job.

4. Recertification and redetermination of eligibility.

To coordinate the recertification/redetermination process for a given family, we propose allowing an open-ended approval of benefits for all families in both AFDC and food stamps, with required reviews of cases at least every 24 months.

5. Counting resources.

Because different rules for both amounts and allowable types of resources create timely and costly problems for both staff and participants, APWA recommends common definitions of excluded property such as the value of insurance and burial plans, and the same cash-on-hand limit. We support the recent policy change for food stamps contained in OBRA 1993, which provided for an increase in the allowable value of vehicles toward the food stamp resource limit (\$5,000 in October 1996), and urge Congress to enact a similar change for AFDC.

6. Employment and Training.

Due to the overlap in clientele in JOBS and the Food Stamp Employment & Training program, most states are now finding it best to coordinate these two work programs. However, a multitude of differences in AFDC and food stamp policy hampers these efforts. Therefore, the Task Force recommends that HHS and USDA, in consultation with the states, coordinate as many elements of these two work programs as possible. At a minimum, the areas to be coordinated should include:

- design of program components,
- funding,
- criteria for participation,
- penalties for nonparticipation,
- standards to be met, and monitoring systems.



AMERICAN PUBLIC WELFARE ASSOCIATION

Kevin W. Concannon, President
A. Sidney Johnson III, Executive Director

APWA Task Force on Self-Sufficiency

TASK FORCE MEMBERS

Chair

Larry Jackson, Commissioner
Virginia Department of Social Services
730 East Broad Street
Richmond, Virginia 23219-1849
Telephone: (804) 692-1900 FAX: (804) 692-1949

Human Service Administrators

Kevin Concannon, Director
Oregon Department of Human Resources
Human Resources Building
500 Summer Street, NE
Salem, Oregon 97310-1012
Telephone: (503) 378-3033 FAX: (503) 378-2897

Michael Dowling, Commissioner
New York Department of Social Services
40 N. Pearl Street
Albany, New York 12243
(518) 474-9475 FAX: (518) 474-7870

Marva Hammons, Manager
Denver Department of Social Services
2200 W. Alameda Avenue
Denver, Colorado 80223
Telephone: (303) 727-2970 FAX: (303) 727-2329

Gary Stangler, Director
Missouri Department of Social Services
Broadway State Office Building
P.O. Box 1527
221 W. High Street
Jefferson City, Missouri 65102
Telephone: (314) 751-4815 FAX: (314) 751-3203

Gerald Whitburn, Secretary
Wisconsin Department of Health and Social Services
1 W. Wilson Street, Room 650
Madison, Wisconsin 53707-7850
Telephone: (608) 266-9622 FAX: (608) 266-7882

Program Administrators

Elaine Archangelo, Chief Administrator, Financial Services
Delaware Department of Health and Social Services
Administration Building
1901 N. Dupont Highway
New Castle, Delaware 19720
Telephone: (302) 577-4429 FAX: (302) 577-4405

Charlotte Brantley, Unit Supervisor, Child Care Services
Client Self-Support Services Division, MC E-311
Texas Department of Human Services
P.O. Box 149030 or 701 W. 51st Street
Austin, TX 78714-9030 Austin, TX 78751
Telephone: (512) 450-4179 FAX: (512) 450-3864

Gretchen Evans, Program Administrator
Arizona Department of Economic Security
P.O. Box 6123, Site Code 739A
1837 W. Jefferson Street
Phoenix, Arizona 85007
Telephone: (602) 542-4016 FAX: (602) 542-6530

October 1, 1993

POST-TRANSITIONAL WELFARE
DESCRIPTION OF ONE OPTION

Preface

This Post-Transitional Work Option assumes that intensive efforts have been made during the transitional period to get AFDC clients employed or ready for employment. It is assumed that most of those who have substance abuse problems that prevent their employability will have been "smoked out" and either have successfully undergone a treatment program or failed to cooperate and were sanctioned. It is assumed that clients who have disabilities that prevent them from working will be supported by another program. It is assumed that remediable barriers to employment, such as minor health problems, would have been addressed in the transitional period.

It is assumed that there would be some criteria for delaying the time limit for certain people. This could be in association with a phase-in strategy that targeted certain subgroups for the program and temporarily exempted others. There could also be temporary exemption criteria associated with age of youngest child, enrollment in a not-yet-completed vocational program, etc.

Nature of the Assignment

Able-bodied AFDC clients who have reached a transitional assistance time limit will be assigned to job search for up to 6 weeks. Those who do not find work will be given OJT vouchers to find work in the private sector for another 3 weeks. Those who are unable to find work either on their own or with a voucher would be assigned to Public Work Program slots.

Entry into the entire program would be voluntary, but individuals who do not participate can only get food stamps, and, perhaps, (child support insurance) and housing assistance. In order to stay in the Public Work Program, participants would have to comply with its rules. These could be administered either by State Welfare Departments or State Departments of Labor. -

The OJT vouchers would provide a 50% wage subsidy to employers on up to the first \$10,000 of wages paid to the employee. This job subsidy would be limited to 1 year, with expectation that the employer would continue to employ the employee on a continuing basis. OJT vouchers will be targeted towards occupations with projected high job growth such as retail sales, medical aides etc. (see Attachment A) Total compensation to the employee would be at the prevailing market wage.

Public Work Program Jobs

Job slots will be created within local governments and through contracts with private, non-profit employers. Workers will be compensated at the federal or state minimum wage, whichever is higher. Each job will be for a set number of hours per week.

States and local governments have the discretion to contract for job slots ranging from 20 to 40 hours per week. No work assignments of less than 20 hours per week would be acceptable unless the client had a part-time private sector job. Ten hour PWP job slots would be allowed if the enrollee has a part-time private sector job and the two jobs together added up to 20 or more hours.

Workers will continue to be eligible for food stamps based on current rules.

PWP jobs should operate like real jobs with clients receiving a biweekly paycheck on a pay for performance basis. With a minimum 20 hour per week assignment paid at the minimum wage, workers in low benefit states will be earning more than the benefits that they would have gotten under AFDC.

States with higher AFDC benefit levels have the option of establishing longer work assignment hours and/or supplementing the minimum wage pay with employment subsidies to reach what the family would have gotten as a maximum AFDC benefit.

Adult clients who consistently fail to perform in their jobs satisfactorily will be "fired," in effect a whole family sanction. It is assumed that the children would continue to receive benefits under a child support assurance system. If no such system is in place, efforts would have to be made to ensure that families about to be sanctioned would have access to other services such as drug counseling or child welfare services.

Good | To encourage movement to regular jobs, clients will also be expected to spend a portion of their time doing supervised job search either on an individual basis or through participation in a job club. States can set up job search before and after each time limited PWP assignment or set aside a number of hours each week for clients to do job search in addition to their PWP job. The time spent doing job search could be included as part of each participant's regular work assignment. The Department of Labor's proposed One-Stop Shop information system could be an important resource for this activity.

Maybe, but probably not

OK | Employment in the low-wage sector is unstable. Many individuals who leave transitional assistance or post-transitional public jobs for private sector jobs risk losing these jobs and needing temporary support while looking for their next private sector

job. These individuals would be able to go into or return to the PWP program.

Counseling and Case Management

Participants in the PWP program will have access to counselors or case managers. To stress that this is a different program, this will be a different set of staff from those in the transitional program. Many former transitional assistance recipients will also have unstable situations regarding their families, their jobs, and their health. Therefore, at least a minimal amount of counseling or case management will continue to be available even after recipients find private sector jobs.

Alternative Work Programs

Yes States also have the option to augment their PWP program with smaller-scale strategies, including efforts to subsidize private employers to employ time-expired clients through wage supplementation strategies. These would be of limited duration, probably no longer than the 9 months of AFDC supplemented work permitted under current law and employers would be expected to offer regular employment to the participants. Under the work supplementation program, the States' share of each client's wage can be below minimum wage so long as the combination of the government's share and the employers contribution is at least at the minimum wage level.

Type of Work

The employment will be entry-level work compensated at the minimum wage. As designed, these are not jobs that are meant to compete with private sector work. At the same time they should be useful, genuine work and not make-work. Displacement provisions such as the provisions found in the National and Community Service Act (see Attachment B) could be adopted.

Normal employer-employee relationships would be expected.

Using past CWEP and public service employment as examples, the types of jobs would include social service positions such as retail workers, teacher's aides, health aides, office clerks, home health aides, child care and Head Start workers¹, recreational aides, library assistants as well as clerks in welfare and employment agencies. Outdoor assignments could include gardening, park maintenance, and road repair.

1. See "Training Welfare Recipients to be Child Care Workers," by the Child Care Issue Group.

Where community organizations have the resources to supervise, groups of workers will be assigned to special projects within their own communities, including youth projects, painting and housing rehabilitation, recycling programs, senior citizen's programs, setting up and running a family day care program, community beautification, and entrepreneurial endeavors. Participants would be encouraged to see their work as service to their communities.

In addition to helping the community, programs would be expected to focus their efforts on developing work positions in the occupations noted earlier for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

States can structure some programs that offer work and training opportunities simultaneously. Clients who work in health and day care programs, for example, might be able to pursue more advanced training and education leading to certification in the nursing and day care fields. States could also offer concurrent basic education and employment similar to the CET model. However the PWP program only will fund those activities that are actually work and the work hours must be at least 20 hours a week.

If Work Slots are Not Available

Good | If States do not create enough PWP slots for time-limited clients who have not found other jobs, clients would be assigned to do supervised job search. Measures would be taken to ensure that serious job search efforts were made. There would be standards for the minimum number of employer contacts and interviews that would have to be made. (Some state now only require 4 employer contacts a week under JOBS.) So long as they are satisfactorily doing job search, clients would receive job search benefits at a level equivalent to 20 hours a week at the minimum wage.

The federal match rate for this activity would be lower than the match rate for PWP activities to give States incentives to create more work positions.

Non-Custodial Parents

Maybe | Each State must allocate 10 or 15% of their PWP funding to creating work slots for non-custodial parents who owe child support. At States' discretion, the funds could be distributed evenly throughout the State to reach non-custodial parents over a wide area or they could be used to establish separate programs for non-custodial parents in limited parts of the State.

Issues Still to be Decided

o Treatment of Earnings

No

Should employees in PWP jobs qualify for EITC and unemployment benefits? Some issue group members believe that EITC should be denied to give participants greater incentives to move into private sector employment. Other group members believe that the difference between the minimum wage and market wages will be sufficient incentives for people to move on and that people in PWP jobs should have a right to EITC. There is agreement that current law rules for workers' compensation and the Social Security program (including payment of FICA tax) should apply.

o Design of work program

Community service
let market decide

Some group members believe that PWP jobs should be restricted to high growth occupations identified by BLS e.g. nursing aides, child care workers, gardeners, teacher aides, home health aides. This is to provide for a natural transition to private sector employment. Other group members believe that there should be more emphasis on community service and that there should be more local discretion to identify locally available PWP opportunities.

o Match Rate

Need state match/ begin

Some issue group members believe federal PWP funds should be allocated to the states without any state match requirement. That way we would not be leaving funding of this job program to state legislatures which, if they put less state money in, draw down less funding overall for the program.

Good

Others believe that there should be matching and that rates of matching should be varied to influence state behavior. For example, federal match rates might be decreased if an individual has been in the PWP program for a year or more. This might induce states to work harder to get PWP participants into private sector jobs. On the other hand, it might encourage states to "dump" their clients.

Good question

The funding issue also raises questions about whether or not the public work program is an entitlement for the population that does not find private sector jobs after transitional assistance ends. Will States be required to provide slots for everyone that is eligible or will they only be required to provide a certain number of PWP positions, exempting everyone else from the requirement? There is no consensus within the issue group on this issue.

DESIGN OF POST-PROGRAM EMPLOYMENT PROGRAM

It is expected that large numbers of women and men will continue to require income support when they reach the AFDC two-year time limit. In general, the current plans are to put these individuals into community work experience positions. These work experience slots would pay the minimum wage, and would vary depending on the needs of the individual from 20 to 40 hours a week. One concern with this plan is that a fair proportion of women and men receiving AFDC may have little prospects of finding private sector employment, and may need to stay in work experience positions for several years. This would result in a large and costly public employment program.

A way of addressing this concern would be to limit work experience positions to occupations in which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years. There are several occupations in the U.S. which pay low wages and have high turnover, but in which a person can fairly readily find work once they have some experience. Such occupations include retail salespersons, cashiers, office clerks, child care workers, nursing aides, and home health aides. With national health insurance, the Earned Income Tax Credit, and a minimum wage increase, people will be able to make a living out of these occupations.

If we train and place AFDC recipients in these occupations we will not necessarily be displacing other low-skilled persons. The labor market for jobs in these occupations can be seen as a game of musical chairs. A person seeking work in these occupations may be temporarily unemployed, but eventually will be able to find a job. For example, there currently are 2.7 million office clerks in the economy, 1.3 million nursing aides, 875,000 gardeners, and 725,000 child care workers. Training 100,000 AFDC recipients in each of these occupations will not displace an equivalent number of workers. It will simply increase the time it takes persons to find jobs in the occupations.

Projections from the Bureau of Labor Statistics (BLS) of occupations with the largest job growth over the next 12 years include the following which are relevant to the AFDC population (with current employment levels in parentheses):

- retail salesperson (3.6 million)
- registered nurses (1.7 million)
- cashiers (2.6 million)
- office clerks (2.7 million)
- truck drivers (2.4 million)
- janitors and cleaners (3.0 million)
- nursing aides, orderlies, and attendants ((1.3 million)
- food counter workers (1.6 million)
- waiters and waitresses (1.7 million)
- receptionists (900,000)
- food preparation workers (1.2 million)
- child care workers (725,000)
- gardeners and grounds keepers (875,000)

guards (885,000)
teacher aides and educational assistants (800,000)
licensed practical nurses (640,000)
home health aides (300,000)
restaurant cooks (615,000)
maintenance repairers (1.1 million)
secretaries (3.0 million)
short order cooks (750,000)
stock clerks (1.2 million)

Yes Training could be provided for all of the above occupations during the two-year period while individuals are on AFDC. Work experience in the post-AFDC period would be difficult to provide in occupations geared exclusively to the private sector--retail sales, cashiers, waitresses, food counter workers, truck drivers, janitors and cleaners, and food preparation workers. However, it would be possible to use on-the-job training vouchers to get women trained and placed in these occupations during the post-AFDC period.

The occupations for which work experience could appropriately be provided during the post-AFDC period include office clerks, receptionists, secretaries, nursing aides, child care workers, gardeners and groundskeepers, teaching aides, and home health care aides.

Community-based organizations, local governments, hospitals, and public schools would be the sponsoring agencies for the clerical, nursing aid, gardening and grounds keeping, and teaching aide positions. Home health care is provided through a variety of deliverers, including hospitals, not-for-profit agencies, visiting nurse associations, State agencies, and proprietary firms. Work experience slots could be sponsored by any of these deliverers except proprietary firms.

Where to place the child care slots is more open to question. Several people have promoted the idea of having child care work experience slots serve the dual purpose of providing child care for the AFDC women in job training or at work. This may mean creating a new agency to operate these child care programs.

If we limited work experience slots to the above occupations, it would be a relatively smooth transition for individuals to move into regular private sector or public sector jobs. Job placement and job clubs would be offered as part of the work experience, and the higher wages in regular jobs would be incentive enough for people to want to move on to find such jobs. Case management and child care would need to be continued throughout the work experience period, and then on into the period when enrollees are working on their own.

MODEL NON-DISPLACEMENT LANGUAGE

Advocacy groups have recommended that under post-transitional employment, we adopt the nondisplacement language found in the National and Community Service Act. Nondisplacement language is found in section 177(b) of the National and Community Service Act of 1990, amended by the National and Community Service Trust Act of 1993. The provisions read as follows:

SEC. 177

(b) NONDISPLACEMENT. --

(1) IN GENERAL. - An employer shall not displace an employee or position, including partial displacement such as reduction in hours, wages, or employment benefits, as a result of the use by such employer of a participant in a program receiving assistance under this title.

(2) SERVICE OPPORTUNITIES. - A service opportunity shall not be created under this title that will infringe in any manner on the promotional opportunity of an employed individual.

(3) LIMITATION ON SERVICES. -

(A) DUPLICATION OF SERVICES. - A participant in a program receiving assistance under this title shall not perform any services or duties or engage in activities that would otherwise be performed by an employee as part of the assigned duties of such employee.

(B) SUPPLEMENTATION OF HIRING. - A participant in any program receiving assistance under this title shall not perform any services or duties, or engage in activities, that-

(i) will supplant the hiring of employed workers;

(ii) are services, duties or activities with respect to which an individual has recall rights pursuant to a collective bargaining agreement or applicable personnel procedures.

(C) DUTIES FORMERLY PERFORMED BY ANOTHER EMPLOYEE. - A participant in any program receiving assistance under this title shall not perform services or duties that have been performed by or were assigned to any -

(i) presently employed worker;

(ii) employee who recently resigned or was discharged;

(iii) employee who -

(I) is subject to a reduction in force;

or

(II) has recall rights pursuant to a collective bargaining agreement or applicable personnel procedures;

(iv) employee who is on leave (terminal, temporary, vacation, emergency, or sick); or

(v) employee who is on strike or who is being locked out.

In addition, section 131 of the Act requires that applications for assistance include assurances that the program will:

SEC. 131 (c)

(2) prior to the placement of participants, consult with the appropriate local labor organization, if any, representing employees in the area who are engaged in the same or similar work as that proposed to be carried out by such program to ensure compliance with the nondisplacement requirements specified in section 177;

WR Plans

September 28, 1993

To: David
Mary Jo
Bruce

From: Wendell

Attached is a State-by-State table illustrating some of the impacts of the hypothetical proposal for a mother with two children.

Column

- A Current law disposable income (AFDC and food stamps) for a family with no income.
- B AFDC and FS under the proposal. No child support order.
- C AFDC and FS under the proposal but with an order and therefore with the \$70 per month pass-through and the child support assurance amount.
- D-F Corresponds to A-C with 20 hours of work per week at minimum wage. Disposable income includes earnings, less Federal income and payroll taxes, less work expenses. No child care expenses are assumed.
- G-I Corresponds to D-F with 40 hours of work per week at minimum wage.
- J Number of hours needed to work at minimum wage in order to earn AFDC benefit.
- K Number of hours needed to work at minimum wage in order to earn AFDC and FS.
- L-M Corresponds to J-K, but child support is added.
- K'-M' Disposable income if recipient works 20 hours per week in a public work slot, without and with child support, respectively.
- SNF The safety net, which is equal to the larger of 80 percent of combined AFDC and FS less child support assurance amounts, or 60 percent of the poverty level (\$6,712 in all States except Alaska and Hawaii).
- A Column A from previous page repeated.
- N Disposable income after exhaustion of payments and work slot (food stamps only).
- O Same as N with child support.
- P-Q Corresponds to N-O but assumes 20 hours of work per week in the private sector.

DISPOSABLE INCOME, ONE-PARENT FAMILY OF THREE PERSONS, JANUARY 1993

OPTION	A Current Law	B 9/2/93 Proposal	C 9/2/93 Proposal	D Current Law	E 9/2/93 Proposal	F 9/2/93 Proposal	G Current Law	H 9/2/93 Proposal	I 9/2/93 Proposal
Hours Worked	0	0	0	20	20	20	40	40	40
EITC	X	X	X	X	X	X	X	X	X
Child Support	-	-	X	-	-	X	-	-	X
AFDC	X	X	X	X	X	X	X	X	X
Food Stamps	X	X	X	X	X	X	X	X	X
Alabama	5,508	5,508	6,996	8,720	8,720	10,106	12,906	12,906	14,382
Alaska	13,848	13,758	14,258	15,060	16,208	16,708	16,950	17,788	18,288
Arizona	7,200	7,296	7,884	9,206	10,004	10,592	12,906	12,906	14,382
Arkansas	5,886	5,886	6,996	8,720	8,720	10,198	12,906	12,906	14,382
California	9,624	9,624	10,212	11,624	12,332	12,920	12,906	14,034	14,622
Colorado	7,368	7,368	8,184	9,726	10,328	11,144	12,906	12,906	14,382
Connecticut	10,092	10,092	10,600	12,092	12,800	13,308	13,182	14,502	15,085
Delaware	7,212	7,212	7,600	9,824	9,832	10,520	12,906	12,906	14,382
District of Columbia	7,812	7,812	8,400	9,812	10,520	11,108	12,906	12,906	14,382
Florida	6,024	6,024	7,612	8,924	9,832	10,196	12,906	12,906	14,382
Georgia	6,732	6,732	8,532	9,944	10,652	11,240	12,906	12,906	14,382
Hawaii	12,912	12,912	13,463	14,924	15,413	15,912	16,014	16,923	17,492
Idaho	7,020	7,020	7,608	9,032	9,728	10,316	12,906	12,906	14,382
Illinois	7,524	7,524	8,112	9,524	10,232	10,820	12,906	12,906	14,382
Indiana	6,792	6,792	7,380	8,720	9,512	10,196	12,906	12,906	14,382
Iowa	7,956	7,956	8,544	9,956	10,664	11,252	12,906	12,906	14,382
Kansas	6,184	6,184	8,772	10,196	10,892	11,480	12,906	12,906	14,382
Kentucky	8,276	8,276	8,862	9,872	10,256	11,492	12,906	13,074	14,382
Louisiana	5,820	5,820	6,996	8,720	8,720	10,196	12,906	12,906	14,382
Maine	8,184	8,184	9,612	11,024	11,732	12,320	12,906	13,434	14,382
Maryland	7,548	7,548	8,136	9,548	10,256	10,844	12,906	12,906	14,382
Massachusetts	8,904	8,904	9,492	10,904	11,612	12,200	12,906	13,314	14,382
Michigan (Washtenaw Co.)	8,484	8,484	8,672	10,484	11,192	11,780	12,906	12,906	14,382
Michigan (Wayne Co.)	8,232	8,232	8,820	10,232	10,940	11,528	12,906	12,906	14,382
Minnesota	8,844	8,844	9,432	10,856	11,562	12,140	12,906	13,254	14,382
Mississippi	4,980	4,980	7,404	8,176	9,596	10,772	12,906	12,906	14,382
Missouri	6,828	6,828	7,416	8,840	9,536	10,196	12,906	12,906	14,382
Montana	7,656	7,656	8,244	9,656	10,364	10,952	12,906	12,906	14,382
Nebraska	7,440	7,440	8,028	9,440	10,148	10,736	12,906	12,906	14,382
Nevada	7,296	7,296	7,884	9,308	10,016	10,604	12,906	12,906	14,382
New Hampshire	6,712	6,712	9,300	10,712	11,420	12,008	12,906	13,122	14,382
New Jersey	8,028	8,028	8,616	10,028	10,736	11,324	12,906	12,906	14,382
New Mexico	7,104	7,104	7,692	9,104	9,812	10,400	12,906	12,906	14,382
New York (Suffolk Co.)	10,476	10,476	11,064	12,476	13,184	13,772	13,566	14,886	15,412
New York (N.Y.C.)	9,420	9,420	10,008	11,400	12,128	12,716	12,906	13,600	14,382
North Carolina	6,660	6,660	7,980	9,836	10,184	11,516	12,906	13,194	14,382
North Dakota	7,752	7,752	8,340	9,752	10,460	11,048	12,906	12,906	14,382
Ohio	7,296	7,296	7,884	9,296	10,004	10,592	12,906	12,906	14,382
Oklahoma	7,104	7,104	7,692	9,104	9,812	10,400	12,906	12,906	14,382
Oregon	8,604	8,604	9,252	10,676	11,372	11,960	12,906	12,906	14,382
Pennsylvania	7,920	7,920	8,508	9,920	10,628	11,216	12,906	12,906	14,382
Rhode Island	9,492	9,492	10,080	11,492	12,200	12,788	12,906	13,674	14,382
South Carolina	6,060	6,060	7,500	9,368	9,704	11,060	12,906	12,906	14,382
South Dakota	7,776	7,776	8,364	9,776	10,484	11,072	12,906	12,906	14,382
Tennessee	5,760	5,760	7,992	9,856	10,280	11,252	12,906	12,906	14,382
Texas	5,748	5,748	6,596	8,720	9,720	10,196	12,906	12,906	14,382
Utah	7,752	7,752	8,712	10,352	10,880	11,828	12,906	13,206	14,382
Vermont	9,012	9,012	10,500	11,912	12,620	13,208	13,002	14,322	14,610
Virginia	7,356	7,356	7,944	9,356	10,064	10,652	12,906	12,906	14,382
Washington	9,276	9,276	9,864	11,276	11,984	12,572	12,906	13,578	14,382
West Virginia	6,408	6,408	7,056	8,720	9,176	10,196	12,906	12,906	14,382
Wisconsin	8,724	8,724	9,312	10,724	11,432	12,020	12,906	13,134	14,382
Wyoming	7,404	7,404	7,992	9,404	10,112	10,700	12,906	12,906	14,382
Average	7,852	7,850	8,652	10,146	10,747	11,460	13,000	13,281	14,561

Note: Under the provisions of Title RA (1982), monthly benefit calculations for AFDC & Food Stamps are rounded down to the nearest dollar.

DISPOSABLE INCOME, ONE-PARENT FAMILY OF THREE PERSONS, JANUARY 1993

OPTION	J 9/2/93 CWEP	K 9/3/93 CWEP	L 9/2/93 CWEP	M 9/2/93 CWEP	K' 9/2/93 CWEP	M' 9/3/93 CWEP	Safety Net Floor	A Current Law	N 9/2/93 ACWEP	O 9/2/93 ACWEP	P 9/2/93 ACWEP	Q 9/2/93 ACWEP
Hours Worked	Calc	Calc	Calc	Calc	20	20	0	0	0	0	20	20
ETC	-	-	X	X	-	X	-	-	-	X	X	X
Child Support	-	-	X	X	-	X	-	-	-	X	-	X
AFDC	X	X	X	X	X	X	X	X	X	-	-	-
Food Stamps	-	X	-	X	X	X	X	X	X	X	X	X
Alabama	8	24	7	22	8,952	8,428	5,505	5,508	3,540	5,640	8,720	10,196
Alaska	40	40	40	40	14,440	14,940	11,087	13,848	4,856	6,758	10,064	11,912
Arizona	18	33	13	26	8,236	8,824	6,712	7,266	3,540	5,640	8,720	10,196
Arkansas	11	27	7	22	8,952	8,428	5,900	5,908	3,540	5,640	8,720	10,196
California	33	40	28	36	10,564	11,152	7,701	9,624	3,540	5,640	8,720	10,196
Colorado	19	33	15	27	8,590	9,378	6,712	7,358	3,540	5,640	8,720	10,196
Connecticut	36	40	31	38	11,032	11,820	8,077	10,002	3,540	5,640	8,720	10,196
Delaware	18	32	12	25	8,184	8,752	6,712	7,212	3,540	5,640	8,720	10,196
District of Columbia	22	35	16	28	8,752	9,340	6,712	7,812	3,540	5,640	8,720	10,196
Florida	18	31	10	24	7,864	8,428	6,712	6,924	3,540	5,640	8,720	10,196
Georgia	15	30	17	29	8,884	9,472	6,712	6,732	3,540	5,640	8,720	10,196
Hawaii	37	40	31	40	13,645	14,144	10,338	12,912	5,904	8,004	11,312	12,908
Idaho	17	31	11	24	7,660	8,548	6,712	7,020	3,540	5,640	8,720	10,196
Illinois	19	34	14	27	8,464	9,052	6,712	7,524	3,540	5,640	8,720	10,196
Indiana	15	30	9	23	7,744	8,428	6,712	6,792	3,540	5,640	8,720	10,196
Iowa	23	36	17	29	8,896	9,484	6,712	7,856	3,540	5,640	8,720	10,196
Kansas	23	37	17	30	9,124	9,712	6,712	8,184	3,540	5,640	8,720	10,196
Kentucky	12	29	14	26	8,488	9,124	6,276	6,276	3,540	5,640	8,720	10,196
Louisiana	10	26	7	22	8,952	8,428	5,820	5,820	3,540	5,640	8,720	10,196
Maine	24	37	24	33	9,964	10,552	6,712	8,184	3,540	5,640	8,720	10,196
Maryland	19	34	13	27	8,488	9,076	6,712	7,548	3,540	5,640	8,720	10,196
Massachusetts	29	40	23	33	9,844	10,432	7,129	8,904	3,540	5,640	8,720	10,196
Michigan (Washtenaw Co.)	28	38	20	31	9,424	10,012	6,760	8,484	3,540	5,640	8,720	10,196
Michigan (Wayne Co.)	24	37	19	30	9,172	9,760	6,712	8,232	3,540	5,640	8,720	10,196
Minnesota	28	40	23	33	9,784	10,372	7,082	8,844	3,540	5,640	8,720	10,196
Mississippi	6	22	10	24	7,828	9,004	4,980	4,980	3,540	5,640	8,720	10,196
Missouri	15	30	10	24	7,768	8,428	6,712	6,828	3,540	5,640	8,720	10,196
Montana	21	34	15	27	8,596	9,184	6,712	7,856	3,540	5,640	8,720	10,196
Nebraska	19	33	14	26	8,380	8,968	6,712	7,440	3,540	5,640	8,720	10,196
Nevada	18	33	13	26	8,248	8,836	6,712	7,298	3,540	5,640	8,720	10,196
New Hampshire	28	39	22	32	9,552	10,240	6,975	8,712	3,540	5,640	8,720	10,196
New Jersey	23	36	17	29	8,968	9,556	6,712	8,028	3,540	5,640	8,720	10,196
New Mexico	17	32	11	25	8,044	8,632	6,712	7,104	3,540	5,640	8,720	10,196
New York (Suffolk Co.)	38	40	32	40	11,416	12,004	8,384	10,479	3,540	5,640	8,720	10,196
New York (N.Y.C.)	31	40	25	35	10,360	10,948	7,637	9,420	3,540	5,640	8,720	10,196
North Carolina	14	30	13	26	8,416	9,148	6,689	6,660	3,540	5,640	8,720	10,196
North Dakota	21	35	16	28	8,692	9,280	6,712	7,752	3,540	5,640	8,720	10,196
Ohio	18	33	12	26	8,236	8,824	6,712	7,266	3,540	5,640	8,720	10,196
Oklahoma	17	32	11	25	8,044	8,632	6,712	7,104	3,540	5,640	8,720	10,196
Oregon	24	39	19	32	9,604	10,192	6,938	8,694	3,540	5,640	8,720	10,196
Pennsylvania	22	35	17	28	8,860	9,448	6,712	7,920	3,540	5,640	8,720	10,196
Rhode Island	30	40	24	36	10,432	11,020	7,598	9,492	3,540	5,640	8,720	10,196
South Carolina	11	27	10	24	7,936	8,362	6,060	6,060	3,540	5,640	8,720	10,196
South Dakota	21	35	16	28	8,716	9,304	6,712	7,776	3,540	5,640	8,720	10,196
Tennessee	10	28	13	26	8,512	9,104	5,780	5,780	3,540	5,640	8,720	10,196
Texas	9	28	7	22	8,952	8,428	5,748	5,748	3,540	5,640	8,720	10,196
Utah	21	35	16	29	9,119	10,060	6,712	7,752	3,540	5,640	8,720	10,196
Vermont	35	40	30	38	10,852	11,440	7,936	9,812	3,540	5,640	8,720	10,196
Virginia	19	33	13	26	8,296	8,884	6,712	7,356	3,540	5,640	8,720	10,196
Washington	29	40	23	35	10,216	10,804	7,424	9,276	3,540	5,640	8,720	10,196
West Virginia	13	29	7	22	7,408	8,428	6,476	6,468	3,540	5,640	8,720	10,196
Wisconsin	28	39	22	32	9,664	10,252	6,962	8,724	3,540	5,640	8,720	10,196
Wyoming	19	33	13	26	8,344	8,932	6,712	7,404	3,540	5,640	8,720	10,196
Average	21	34	17	29	8,979	9,712	6,891	7,852	3,606	5,706	8,764	10,279

WR Plan

3-6 Search
12-18 JOBS
3-6 Search
JOB
CWEP
Child's Allowance

Title III. Transitional Employment Assistance

Primary Goal is Private Sector Work. The central aim of the transitional system is helping adults to find private sector employment. Long periods of non-employment for able-bodied adults are harmful in terms of lost income, lost economic activity, lost social security investments and--most importantly--lost opportunity to provide a positive example for children of self-support through work. With health coverage, food stamps, and the EITC, a minimum wage job is adequate for adults to go to work and support children. If an individual is interested in moving up to better opportunities, he or she can continue to study at home, through adult school, or through on-the-job training and promotion.

● **Job Search First.** For those parents who are able to work the first step should be an all out effort for job search. A mandatory, supervised job search requirement will help a proportion of people who simply need a little extra help with finding a job. If the initial inexpensive strategies like job clubs and resume prep do not work, the state should plan to escalate the job search effort. Job development, interview training, placement bounties, even out-of-town job search should be included in a ladder of services to get everyone to work. America Works provides one possible model for stepping up the job-search effort in a cost-effective, performance-based manner. OMB indicates that such an alternative might score as deficit reduction based on substantial research indicating the efficacy of job search assistance. Dollars spent on quality job-search programs show much better results than short-term training programs. Experience with a wide range of inexpensive, employment programs indicates that 30 to 40 percent of the participants will probably find employment. Using additional approaches such as relocation and placement fees should increase the success rates.

How Long?
3-6?
Paycheck

It may be that some parents will be in the midst of a crisis and will need some time to get back on their feet. States can use the Emergency Assistance program to assist parents before they enter the transitional program.

● **Assessment, Long-term Training, or Work Experience as a Last Resort.** Rather than spend valuable resources on assessment for everyone up front, we can postpone it until after a concerted effort to find a job. After approximately six months of continuous, intensive job search, a skills assessment or development of an in-depth employment plan may be appropriate. At this major checkpoint, counsellors may require enrollment in a training program in order to continue receiving income support. Alternatively, states may prefer to offer work experience programs or a combination of work and training. Work experience at this point in the program should only be offered on a pay per hour basis to flush out those who may have difficulties with such an arrangement.

If training is the preferred option, it should be of a certain kind. Only training programs which require a high school degree or which lead to a high school degree should be eligible in order to avoid many low quality programs. As Larry Katz at the Labor Department has recommended in other policy arenas, we should stop investing in short-term training programs which show limited short-term results and zero long-term impact. Tuition for longer term training (12-18 months) should not be funded through AFDC or JOBS, but rather Pell grants, loans or other training programs. Continued income support during these

Expensive
good

programs should be contingent upon satisfactory progress toward completion--not just participation.

Individuals who cannot benefit from job search or stay abreast of a demanding educational or work program would not be allowed to stay in a program for re-employment. Drop-outs would receive more intensive social services as described below in the section "After the time limit." 10% limit

● Job Search Last. Individuals who complete their course or reach the end of their two years on AFDC should become eligible for another period of mandatory or supervised job search up to two months.

Title IV. Post Transition: Jobs and Child Insurance

The number of able-bodied parents who do not find a job before, during or after succeeding in a reputable training program or a pay per hour work experience, is likely to be extremely small. Few parents would reach the time-limit even if training had no effect since we eliminated about two thirds of the caseload to start, and used job search, bounties and other methods to place most of the able bodied parents left. Those who have family problems or emotional problems that prevent work would be unlikely to complete rigorous training or work programs. A substantial number of adults may be potential dropouts. However, the number of families who actually graduate from the two year program and do not find a job is likely to be well under 5 per cent of the current caseload.

● Temporary Jobs Pool For this group, we recommend creating **small pools of temporary (up to one year) jobs based on public-private consortia** at the local level. Utilizing the private sector and community groups as employers as much as possible will create better job experiences and reduce overheads relative to public sector employment. Their administrative overheads can be minimized by pooling resources for hiring, screening, and providing initial orientation level training. Subsidies through grant diversion may also be used to encourage employer participation. These *temporary* (one year) jobs can be offered to create a checkpoint as to whether the individual is really willing to work. Only a very small number will be needed because most welfare recipients will have already entered the private sector and because the jobs will only be offered on a temporary basis. In addition, only individuals who have had *satisfactory performance* in demanding training or work activities should be offered these "real jobs" at the end of the time-limit: the America Works model could serve this function at the end of the time-limit in addition to being used in the initial job-search phase. Those who have dropped out, entered counselling, and possibly dropped out again, should not be sent to private sector employers without first demonstrating their ability to perform reliably in training or work experience. Income support with a work requirement (CWEP) may be a last resort, but real jobs are not. Private sector employers should not be asked to take those who have refused to participate in everything else. In this "real job" through the consortia, the individual will gain work experience, earn income tax credits, and accrue credits for unemployment insurance. This temporary, consortium job should provide an entry into the private workforce.

Children's Allowance

● Private Sector Jobs. After the time limit parents would be still eligible for earned income tax credits, healthcare, and child support payments.

● Child Insurance. There will be some people who are ^(re-hire) not able to complete the two year program or who come to the end of the program and still do not find work. Transitional assistance focused on helping the adult get into the labor market has failed. At this point, the program should be more concerned about the welfare of the child than the needs of the parent.

For the child, a full package of in-kind assistance should be made available. Food stamps and health care are already covered for children with no income. After the time limit, the federal and state funds previously paid for cash income support could be used to cover the unmet needs for housing assistance. A voucher (for example, at the 20th percentile of fair market rents) could be offered to those families without housing assistance. Thus, even after the time limit, all children would retain a full allowance for food, shelter and health. Parents would not be allowed to collect a cash income from the federal government. Other needs, such as clothing or entertainment, would have to be met through odd jobs or charity.

The net impact on parents would be relatively small and vary by state. [In some states the in-kind package might actually be higher than the current, benefit level.] In the average state, the package would be worth 70 or 80 percent of the average benefits received. Parents who already have housing assistance will see the largest reduction since they will lose their cash income offset only by an increase in food stamps. Parents without housing assistance will be primarily affected by the conversion to in-kind assistance. In all cases, federal money will be limited to the well being of the child after the time limit. A work requirement, imposed periodically, may also be appropriate since recipients will still be receiving between \$5,000 and \$10,000 per year after the time limit.

NO

50%

Not a dime for the parent.

Parents who are in the midst of brief unemployment periods could be permitted to cash-out the child insurance as a form of unemployment assistance. This would allow parents who play by the rules and support their children through work to receive special recognition even if their transitional assistance is exhausted. Cash-out of the child insurance would only be allowed for a brief period after leaving a job.

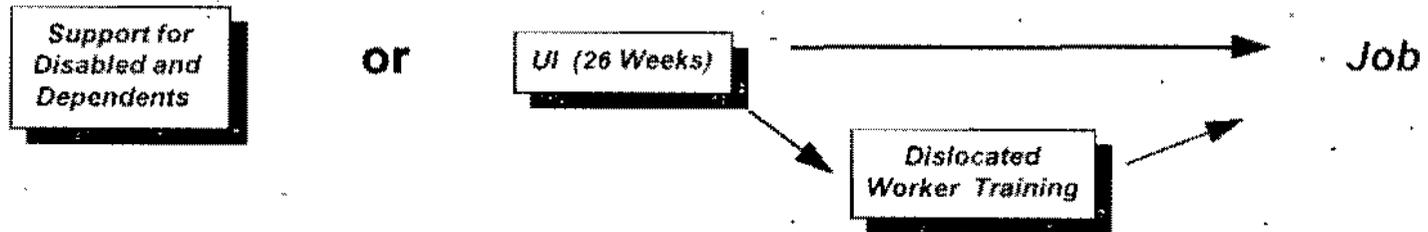
??

● Social Services In addition to an in-kind package for children, states may opt to use the federal match and invest in social service assistance for those who have not completed the two-year transitional program. At a minimum, states may want to have a caseworker monitor the well-being of children in the child insurance program.

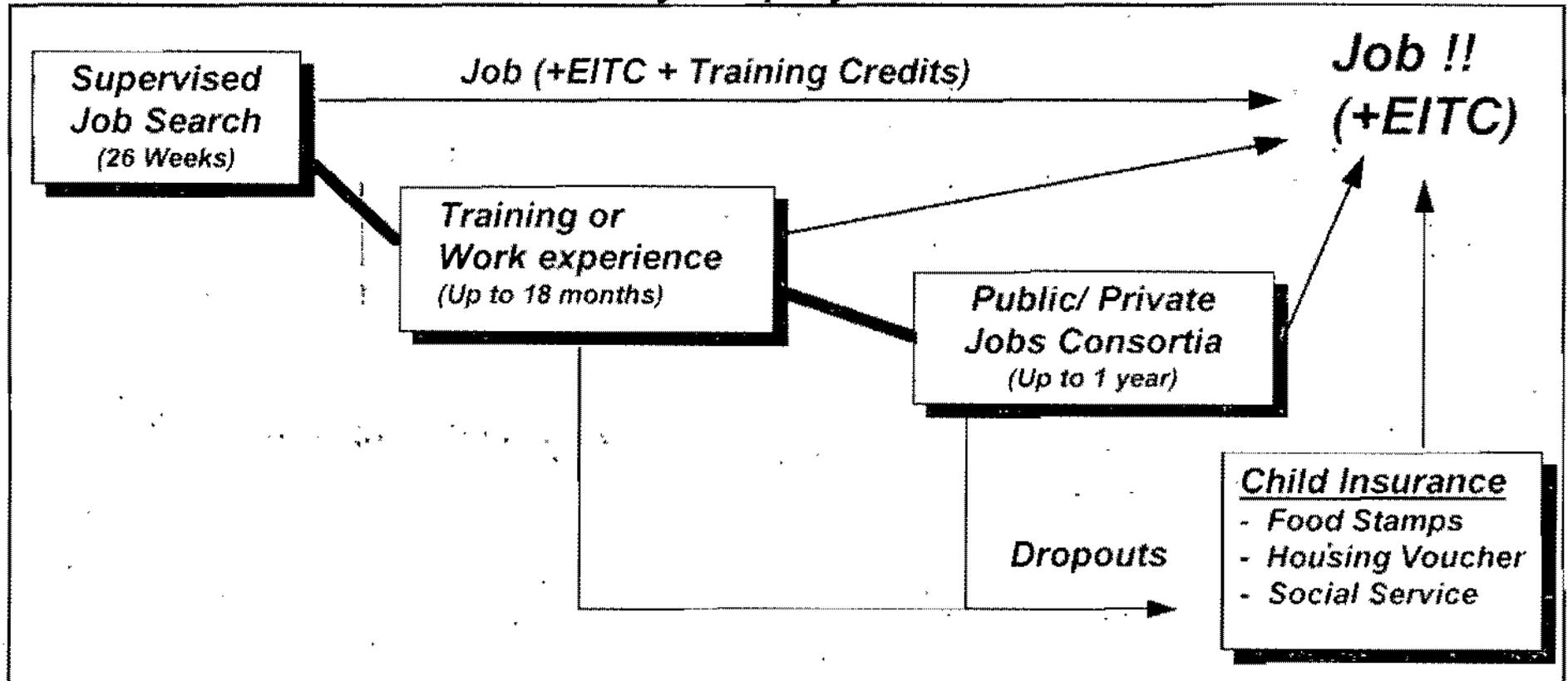
Re-assessment for physical or mental disabilities, learning disabilities or other problems should be offered. Intensive social services such as comprehensive family counselling or a supervised, residential program may also be appropriate when employment services fail. Projecting the costs of such a program will be doubly difficult. The per person costs will be high and the margin of error will be large. It will be difficult to know in advance whether this group is nearer to 3 percent or 15 percent of the current caseload. There will be tough decisions concerning this population: How much time and resource should be invested to help them? Should it count against the time limit? Clearly, reserving these expensive services as a last resort option will direct them to those who need them most. Those who need intensive social services will identify themselves by dropping out of the central re-employment track.

?

Outside the Welfare system



Welfare transformed into Family Employment Transition Assistance



WR-Plans

Summary Outline
JOBS Plus
October 15, 1993

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, drug treatment, parenting classes, community service, deferred childbearing, and work. *high school*

TITLE II: PARENTAL RESPONSIBILITY

1. Child Support

(a) paul's reforms, but not 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 benefits, ~~including access to health insurance.~~

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. ~~Good cause exceptions will be permitted.~~

3. Parenting: States will have the option to require parents on welfare to take parenting classes, attend parent-teacher conferences, and ensure that their children are immunized. *(use HIPPY funds??)* *ensure* *fulfill their parental responsibility such as:*

4. ~~Test~~ Pregnancy Prevention *based on school-linked times*

a. ~~All~~ schools receiving Chapter I concentration grants will be required to establish school-based health clinics that provide counseling, health screening, and family planning services to adolescents. *(including adolescent children)*

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 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 in every out-of-wedlock birth.

b. We ~~will expect~~ *for should not be set a goal of* 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 have the option to *est. establish family caps to limit on* reduce benefits, increase work

requirements (on both parents), or shorten time limits for parents who have additional children while on AFDC.

Title III: JOBS PLUS

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 will be available in special cases during that period. (States have the option to relax asset rules for emergency cases.)

support services and child care

2. After 90 days of job search, applicants may receive benefits, but everyone must do something in return -- education, training, job search, work, community service, etc. The definition of activities can be loose, but mandatory participation is essential. Benefits will be paid in the form of a paycheck for hours of activity; the number of required hours will be benefits divided by the minimum wage. Additional JOBS funds will be provided in the form of a higher match to states that meet high participation targets. Job search and placement will be available at any time.

for 20 hours a week

States can choose their own models, such as including

- ① Work or training with
- ② Work before training, earning training credits

[Phase in ... new applicants??]

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.)

[Training - HS reqs.]

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 exemption from health care mandate (or increased small-business subsidy) for any new employee 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.

subsidy

ECON. DEVELOPMENT AND COMMUNITY EMPLOYMENT

new expanding small business

Microenterprise grants to entrepreneurs willing to commit to hire half or more of their employees off of welfare.

- Use public housing money to fund other soc. servs

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 the entire 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: Throughout the process, sanctions will be imposed on the whole family. In cases where this endangers children, they will be placed in foster care or in group homes. Anyone who can work who refuses to work at the end of the time limit -- or refuses to show up for required activities during the two-year period will no longer receive cash benefits. They will still 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

EBT anti-fraud

* Welfare simplification

* Performance incentives. Move to performance-based system.

* Require % of money to go into community

* Waiver ideas - consolidation of employ./TRAIN/JOBS RESOURCES

adopt APWA regulatory & legislative proposals: Including application, Redetermination, and reporting streamlining (ONE INCOME/ASSET/VERIFICATION REQUIREMENT)

Title VI: Financing

* Existing funding streams: Title XX, JTPA, Pell, etc.

* Welfare for aliens

* Prop school crackdown

RATE OF TEEN BIRTHS.
- fully-employed, off welfare
- % children immunized
- EITC pay-outs

EXPAND EBT TO INCLUDE AFDC PAYMENTS/MATCH PROVIDED STATES AGAINST W-4 TECHNOLOGY WAGE WITHHOLDING

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 entire 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.

or reaches the end of the public job program
5. Sanctions/Refusals: ~~Throughout the process, sanctions will be imposed on the whole family. In cases where this endangers children, they will be placed in foster care or in group homes.~~ Anyone who can work who refuses to work at the end of the time limit ~~or~~ refuses to show up for required activities during the two-year period will no longer receive cash benefits. They will still be eligible for an in-kind Children's Allowance -- food stamps and a housing voucher which together represent no more than 50-~~50%~~ ⁷⁵ (state option) of their pre-sanctioned benefits. ₆₆

Title IV: Reinventing Government

- * EBT anti-fraud
- * Welfare simplification
- * Performance incentives. Move to performance-based system.
- * Require % of money to go into community
- * Waiver ideas

Title ~~V~~ VI: Financing

- * Existing funding streams: Title XX, JTPA, Pell, etc., *Family Preservation*
- * Welfare for aliens
- * ~~Prep school-crackdown~~

Mary Jo Bane
June 1, 1993

OUTLINE OF WELFARE REFORM PROPOSAL

I. Making Work Pay

Earned Income Tax Credit: IRS to develop procedures for employers to use in advancing credit when requested, including advance payments to employers if necessary.

HHS to develop comprehensive informational and educational campaign and materials to ensure that knowledge about the EITC is widely available. HHS to develop and make available materials that explain benefits of working relative to welfare under new EITC.

States required to make available information on benefits of working.

States are required to count EITC dollar for dollar against AFDC grants. Limited exceptions to this for state demonstrations.

Work Support Agencies: States may elect to establish Work Support Agencies separate from welfare agencies to provide services to low income working families. Services provided must include information on the EITC and on the benefits of working. Services may include case management etc. States may limit jurisdiction of WSAs to folks working a certain amount, folks working at all or folks engaged in serious preparation for work at state option.

✓ HHS and/or DOL to issue guidance on good models for work support agencies. Feds will reimburse for costs of WSAs at the matching rate. Enhanced matching rate for states following certain models. HHS/DOL to conduct study of the operation, costs and benefits of Work Support Agencies.

Work incentives within welfare: States may elect to provide work incentives within the welfare system. HHS to develop several alternative models of disregards, fill-the-gap etc. that states may incorporate at their option, with full financial participation. Options may include differential treatment of EITC.

II. Child Support Enforcement and Insurance

Paternity establishment. States required to have established paternity for 50 percent of out-of-wedlock births by 1995 etc. HHS to provide program models and

technical assistance to states in achieving the goals. HHS to collect and publish data on performance. Financial penalties of some sort at some point.

HHS to contract with ABA or somebody to develop model legislation and to provide education to state legislatures and judiciaries.

Child support awards. States required to have established child support awards for x percent of AFDC caseload by y. HHS role as above.

Child support insurance. HHS authorized to fund up to 10 state-wide demonstrations of child support insurance. Financial incentives for demonstrations that meet certain criteria.

Three year review of demonstrations. If warranted, authorization for up to 15 more of more-or-less standard model. Nation-wide at some point.

III. Improvements in JOBS

States encouraged to develop plans for no exemptions/ 100 percent participation JOBS programs. Enhanced federal match for states with reasonable plans. Continued federal match for states that are making decent progress.

States encouraged to develop JOBS programs that focus on early employment rather than placement in education or training. States may develop "voucher" type programs to encourage education or training after initial employment. *

HHS to develop tracking systems for JOBS programs and make available to states at no cost. ?

IV. Transitional Welfare

By 199x, states must have chosen one of three models for replacing their current welfare system.

One model is a 100 percent participation JOBS model, which limits non-participation to a set number of months and also limits participation in educational and training activities to a set number of months.

A second model is work-for-welfare after a set number of months or sequence of activities.

The third model is work instead of welfare after a set

number of months.

Feds provide financial incentives for states who choose one of these early and have good plans.

POST-TRANSITIONAL WORK ISSUES

WHEN INDIVIDUALS EXHAUST THEIR TIME LIMIT WITHOUT FINDING A PRIVATE SECTOR JOB, SHOULD A PUBLIC WORK SLOT BE CREATED?

WHAT KIND OF WORK SHOULD IT BE?

Make work, entry level, or other.

HOW MANY HOURS OF WORK PER WEEK SHOULD BE ASSIGNED?

Part time or full time. Hours determined by dividing benefits by a wage rate or a set number of hours.

WHAT SHOULD THE WAGE RATE BE?

Sub minimum wage, minimum wage or prevailing wage.

HOW LONG SHOULD PARTICIPANTS BE ABLE TO REMAIN IN PUBLIC EMPLOYMENT?

Short term or permanent.

IF PUBLIC WORK IS OF LIMITED DURATION, WHAT HAPPENS AFTERWARDS?

Job search program, partial benefits, cold turkey

HOW LONG SHOULD PARTICIPANTS BE ABLE TO REMAIN IN EACH SPECIFIC WORK SLOT?

WHAT HAPPENS IF NO PUBLIC WORK SLOTS ARE AVAILABLE?

Should participants be enrolled in Job search with the same benefits as if they were working for 20 hours a week?

WHAT OTHER SERVICES SHOULD PARTICIPANTS BE ELIGIBLE FOR ?

ES services, job search, continuation of transitional services such as job counseling, job development services, child care and transportation?

SHOULD PARTICIPANTS HAVE ACCESS TO EDUCATION, TRAINING AND OTHER ACTIVITIES TO INCREASE EMPLOYABILITY

Reward or credit after a period of working?

SHOULD AFDC BENEFITS BE USED TO SUPPLEMENT WAGES IN HIGH BENEFIT STATES?

Should the program operate with uniform wage levels or should income supplements be provided in high benefit states to bring income of part-term workers to levels of current benefits?

HOW WOULD EARNINGS BE TREATED?

Are they subject to payroll and income taxes, EITC ?

WOULD THESE WORK EXPERIENCE SLOTS BE ACCESSIBLE TO OTHER POPULATIONS?

Should these jobs be available to non-custodial parents, individuals on transitional assistance, former AFDC recipients who have lost regular jobs, other low wage workers who have lost jobs?

WHAT KIND OF SANCTIONS SHOULD BE EMPLOYED?

Pay only for hours of work or AFDC-type sanctions.

HOW WOULD EARNINGS BE TREATED AS PARTICIPANTS MOVE INTO REGULAR JOBS?

Should income be disregarded? Should there be offsets for work and child care expenses?

WHAT FEDERAL AGENCY WOULD ADMINISTER THESE PROGRAMS? IS IT THE SAME AS THE SYSTEM THAT WOULD ADMINISTER THE TRANSITIONAL PROGRAM?

HHS, DOL, both as in WIN?

WHAT INCENTIVES ARE NEEDED TO ENCOURAGE STATES TO MAKE WORK SLOTS AVAILABLE? HOW MUCH FLEXIBILITY SHOULD STATES BE GIVEN IN DESIGNING THESE PROGRAMS?

HOW WOULD DISPLACEMENT BE MINIMIZED?

~~CONFIDENTIAL~~ /MS

→ WHAT ARE EITC (H.C.) COSTS IF PEOPLE ACTUALLY LEAVE AFDC?

Wendell Primus
6/11/93
Revised 7/14/93

WR-Primus

WELFARE REFORM PROPOSAL

The following describes the author's proposal for reforming the current welfare system. The proposal includes improved child support enforcement, child support assurance, amendments to the current AFDC program, and a time limit with corresponding education, training and CWEP.

The proposal definitely meets the charge to "end welfare as we know it". It institutionalizes male responsibility, it provides opportunities for both custodial and noncustodial parents to help support their children, and it promotes parental responsibility. Its primary focus is the child, and it is based on the assumption that child poverty should be reduced and income stabilized through a strong child support enforcement and assurance system.

Summary

Under the proposal, the programs providing cash or near-cash assistance are simplified, and a consistent time limit is applied across all programs. The custodial parent can receive AFDC, food stamps and housing benefits for a limited 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, the recipient is offered a minimum-wage 20-hour work slot. During this time period, the welfare office recomputes benefits under the three assistance programs assuming the recipient is working 20 hours at the job provided. Earnings are reduced proportionately for hours not worked, but any assistance benefits are not affected. Thus, there is a direct and immediate relationship between work and economic well-being.

At the end of one to two years, the job ends. The recipient is then assumed to be working in the private sector 3/4 time (30 hours per week) at minimum wage, and assistance benefits are determined accordingly. Depending upon state AFDC benefit levels, AFDC has probably ended. Food stamps and housing benefits would be reduced significantly but not eliminated. The incentive to take a part-time job at that point would be very strong, as benefits would be calculated assuming half-time work, and the recipient would actually receive the wages. At all points in time, there would be a large incentive to participate in the child support assurance system. The details of the proposal are described below.

*

Paternity Establishment

The paternity establishment component of the proposal is very similar to the design of the Downey/Hyde proposal, with the goal of developing a system which facilitates universal compliance. Under the proposal, Federal funding would be made available to each State to implement a paternity establishment program that meets certain Federal requirements and guidelines. The goal of the Federal requirements is 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.

Under its paternity establishment program, each State would establish simple, nonadversarial procedures for the voluntary acknowledgement of paternity shortly after birth, preferably in the hospital through an administrative process. Each State would be required to establish a civil procedure to adjudicate contested paternity cases through a judicial or administrative process. 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.

The Federal government would reimburse States for seventy percent of the cost of establishing and operating the paternity establishment program. An increase in the reimbursement rate would be based on performance, relative to other States.

For children born after January 1, 1996, custodial parents who had not established paternity or who had not been granted a good cause exception would be unable to claim the personal tax exemption for each child for whom paternity had not been established. *

Establishment of Child Support Orders

Under the proposal, 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 regarding of current ability to pay, by assuming they would work full time at minimum wage. 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

This section includes many recommendations from the report of the Interstate Commission on Child Support and existing

papers. It is similar to the new Federal-State model (option 3) described in the paper on child support enforcement restructuring options. 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 the 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.

Under the proposal, 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 State office, through its administrative law judges, would have the discretion to reduce child support arrearages on a case-by-case basis, but only if the office determines that such reduction will 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 rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit. 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.

The entire system would be universal and proactive, as opposed to reactive. It would be fully automated, and noncustodial parents would be required to keep the child support office fully informed of any change in address and employer. The noncustodial 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. ?

Assured Child Support Benefit

Under the proposal, the Federal government would provide (finance) an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent fails to pay. The benefit would be administered by the State and would be determined according to either of the following two options and 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	\$2,000
2	3,000
3	3,500
4 or more	4,000

This option may also be accompanied by allowing the non-custodial parent to receive EITC. The details of this must still be worked out so as to not encourage family break-up, and in order to be fairly easy to understand and be limited by the amount of child support actually paid.

- b) Fifty percent of the child support order, plus a bonus payment of 40 cents per dollar paid by the noncustodial parent up to a maximum of \$100 per month. This option may be phased out according to the size of the order.

States must disregard up to \$1,000 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 40 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.

Advance Payment of the Earned Income Tax Credit

Certain low-income custodial parents who are eligible for the earned income tax credit (EITC) could request to receive payment of the credit on a regular basis along with their child support payment. The EITC would be administered by the State child support agency.

Amendments to the AFDC Program

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

- a) 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;

- b) 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. The fair market rent would be set at 30 percentile, and housing benefits would not vary with actual rents;
- c) 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;
- d) 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;
- e) 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;
- f) 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 40 percent) would be added. 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
- g) Treatment of children in the welfare system must be consistent with treatment of children in the tax system.

Time Limit

Under the proposal, welfare receipt (including AFDC, food stamps, and housing) would be limited to 12 months. Exemption 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:

- a) is not a natural or adoptive parent;
- b) is working more than 20 hours per week (40 hours for both parents). (States could opt to increase to 30 and 60 hours, respectively);
- c) has care of a child under age 2. (This could be limited to one child, and States could opt to decrease qualifying age to 6 months);
- d) has care of a disabled child or relative;
- e) is making satisfactory progress in secondary school or GED program;

- f) is participating and making satisfactory progress in a rehabilitation, training or parenting program (including Head Start);
- g) has a functional disability or impairment that significantly reduces employability;
- h) has insufficient child care arrangements; or
- i) has three or more children. However, birth of an additional child on welfare would eliminate the exemption, and the birth of a third child would not reinstate the exemption.

Education and Training

Under the proposal, 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.

This proposal envisions the continuation of current State JOBS programs. As under current law, States would be given considerable flexibility as to how recipients move through the system. States would be required to properly inform all recipients of the implications of the time limit, including opportunities and obligations at various points in time. States must limit the length of time for which participation in education or training activities would qualify as an exemption from the time limit.

All individuals under age 20 and those under age 25 without previous work experience must be mandatory participants. These individuals would have first priority to JOBS services and would be required to participate immediately.

Post-transitional Assistance

All other individuals not exempt from the time limit would be offered a 20-hour work slot after the time-limit expires. Work slots must 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. The cost of providing these job slots would be funded at a Federal matching rate of 75 percent. A total of 500,000 half-time (20 hours per week) work slots would be created for single parents, 200,000 of which would be for non-custodial parents. In addition, 100,000 full-time (40 hours per week) jobs for intact families would be created. If a work slot is unavailable at the time an individual is expected to work, regular benefits would continue until a work slot becomes available. 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.

Individuals would be required to work 20 hours per week (30 hours at State option), at the Federal minimum wage. Participants would be paid an hourly wage equal to the minimum wage, and for purposes of benefit calculation, 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. For any required hours that the participant failed to work, wages would be reduced accordingly."

Earnings would not be counted as income for purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Child care would be guaranteed. Current law rules for the workmen's 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.

Participation in these job slots would be limited, after which individuals would be expected to move into a full-time minimum wage job. The maximum length of time in a work slot would be one year if unemployment is less than 6 percent, 18 months if unemployment is between 6 and 8 percent, and two years if unemployment is greater than 8 percent. For every year off of AFDC, housing benefits, and CWEP, individuals would be able to earn two months of 'credit' in the welfare system for future use.

After the period of transitional assistance and after the end of the work slot, individuals are assumed to be working in the private sector 3/4 time (30 hours per week) at the minimum wage. All assistance benefits are calculated assuming earnings equal to 30 hours at minimum wage, regardless of whether the individuals are actually working or not.

Teenage Pregnancy and Out-of-Wedlock Births

It is necessary to develop a proposal to address the issue of teenage pregnancy and out-of-wedlock childbearing. The author would recommend a program which would 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.

Work and Training Requirements for Noncustodial Parents

Under the proposal, the JOBS program would be modified and expanded to accommodate participation by noncustodial parents who have failed to, or are unable to, pay child support. One billion dollars would be allocated to non-custodial parents. A State administrative law judge (ALJ) could require mandatory participation in job search activities 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. Certain noncustodial parents would be eligible for the 20-hour work slots.

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.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the program would be conducted after the CWEP program and the time limit 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.

IMPACTS

- o Reduced child poverty
- o Paternities established on 400,000 additional children each year
- o Increased parental responsibility
- o ~~Transfer-of-an~~ additional \$20 billion in child support
- o Reduction in AFDC caseload
- o Increased ability for parents to support their children
- o Improved child outcomes

BENEFIT CALCULATIONS FOR A MOTHER & TWO CHILDREN: SELECTED STATES

No child support award established

	Current Law			Work-Pays-Plan			CWEP	After CWEP
	0	20	40	0	20	40	20	n/a **
ALABAMA								
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$6,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	0	0	0	0	0
AFDC (net cost to government)	1,968	0	0	1,968	0	0	0	0
Food Stamps	3,504	3,252	2,198	3,528	3,276	2,220	3,276	2,748
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	339	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$5,472	\$7,097	\$11,471	\$5,498	\$8,671	\$12,875	\$6,918	\$2,748
CALIFORNIA								
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$6,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	0	0	0	0	0
AFDC (net cost to government)	7,488	4,500	0	7,488	4,908	1,368	4,908	3,144
Food Stamps	2,064	1,908	2,198	2,088	1,812	1,812	1,812	1,800
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	338	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$9,552	\$11,153	\$11,471	\$9,576	\$12,116	\$13,835	\$10,360	\$4,944
PENNSYLVANIA								
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$6,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	0	0	0	0	0
AFDC (net cost to government)	5,952	2,064	0	5,952	2,472	0	2,472	708
Food Stamps	2,798	2,640	2,198	2,820	2,532	2,220	2,532	2,532
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	338	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$7,848	\$9,449	\$11,471	\$7,872	\$10,399	\$12,875	\$8,644	\$3,240

* Fully phased in.

** No actual work-income assumed for purposes of benefit calculation only.

NOTES:

- Under CWEP, child care expenses are assumed to be zero in calculating the AFDC & Food Stamp benefits.
- Child Care expense is set equal to 0% of income in calculating benefit levels in all programs in these examples.
- No housing subsidy is assumed but an excess shelter cost deduction of \$100 used to calculate the Food Stamp benefit.
- The Current Law examples use a work-related expense deduction of \$120 in calculating AFDC benefit levels.
- The Work Pays Plan assumes a work-related expense deduction of \$100 in calculating AFDC benefits.
- The Work Pays Plan conditions AFDC benefit levels on whether maximum AFDC benefit is less than or equal to 40% of the federal poverty level.
- The Work Pays Plan reduces AFDC countable income by 20% in calculating AFDC benefit levels.
- The Work Pays Plan calculates after-CWEP benefit levels assuming 30 hours of work.

BENEFIT CALCULATIONS FOR A MOTHER & TWO CHILDREN: SELECTED STATES

Child support award established

Current Law

Work-Pays-Plan

ALABAMA

	Current Law			Work-Pays-Plan			CWEP	After CWEP
	0	20	40	0	20	40	20	n/a **
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$8,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	3,000	3,000	3,000	3,000	3,000
AFDC (net cost to government)	1,968	0	0	1,200	0	0	0	0
Food Stamps	3,504	3,252	2,198	3,084	2,376	1,320	2,376	1,648
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	338	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$5,472	\$7,897	\$11,471	\$7,284	\$10,771	\$14,975	\$9,916	\$4,848

CALIFORNIA

	Current Law			Work-Pays-Plan			CWEP	After CWEP
	0	20	40	0	20	40	20	n/a **
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$8,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	3,000	3,000	3,000	3,000	3,000
AFDC (net cost to government)	7,488	4,500	0	5,928	3,348	0	3,348	1,584
Food Stamps	2,064	1,908	2,198	1,856	1,380	1,320	1,380	1,368
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	338	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$9,552	\$11,153	\$11,471	\$10,584	\$13,123	\$14,975	\$11,368	\$5,952

PENNSYLVANIA

	Current Law			Work-Pays-Plan			CWEP	After CWEP
	0	20	40	0	20	40	20	n/a **
Hours worked	0	20	40	0	20	40	20	n/a **
Wage Earnings	\$0	\$4,420	\$8,840	\$0	\$4,420	\$8,840	\$4,420	(\$8,630)
Child Support Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Assured Benefit	0	0	0	3,000	3,000	3,000	3,000	3,000
AFDC (net cost to government)	5,052	2,064	0	3,492	912	0	912	0
Food Stamps	2,796	2,640	2,198	2,388	2,100	1,320	2,100	1,648
Housing	0	0	0	0	0	0	0	0
EITC *	0	1,105	1,995	0	1,755	3,375	-	-
Fed Income Tax	0	0	0	0	0	0	0	-
Fed Payroll Tax	0	338	676	0	338	676	338	-
Work Expense	0	442	884	0	442	884	442	-
Child Care Expense	0	0	0	0	0	0	0	-
"Disposable" Income	\$7,848	\$9,449	\$11,471	\$8,880	\$11,407	\$14,975	\$9,652	\$4,848

* Fully phased in.

** No actual work-income assumed for purposes of benefit calculation only.

NOTES:

- Under CWEP, child care expenses are assumed to be zero in calculating the AFDC & Food Stamp benefits.
- Child Care expense is set equal to 0% of income in calculating benefit levels in all programs in these examples.
- No housing subsidy is assumed but an excess shelter cost deduction of \$100 used to calculate the Food Stamp benefit.
- The Current Law examples use a work-related expense deduction of \$120 in calculating AFDC benefit levels.
- The Work Pays Plan assumes a work-related expense deduction of \$100 in calculating AFDC benefits.
- The Work Pays Plan conditions AFDC benefit levels on whether maximum AFDC benefit is less than or equal to 40% of the federal poverty level.
- The Work Pays Plan reduces AFDC countable income by 20% in calculating AFDC benefit levels.
- The Work Pays Plan calculates after-CWEP benefit levels assuming 30 hours of work.

May 7, 1993

Note to Reviewers

FROM: Ann Burek

In the one-page outline we wrote summarizing the charge to the Transitional Welfare group (see Attachment 2), we agreed to do three 3-5 page papers further developing three options for a transitional welfare program. However, in drafting these papers, it became clear to us that some of the issues were common to more than one option. To avoid a lot of duplication, we consolidated the discussions of these joint issues at the front of the paper. Detailed discussion of the three options follows.

Attached at the end of the paper (as Attachment 1) is a page of very preliminary data on the AFDC caseload and JOBS participation. The numbers can provide a sense of the implications of different exemption and participation policies. Because of time constraints, they were pulled from existing printed materials. They need updating and more detailed explanation.

We have also done some preliminary work on estimating disability levels, but the information is not ready for sharing yet. We also understand that an analysis of welfare dynamics is proceeding.

If you give the go ahead on these basic options (hopefully with some guidance about how we should proceed on certain issues), the next step would be to: 1) work with the modeling group on a work plan; and 2) consider setting up some subgroups or new groups to work on the three new assistance systems which replace welfare for non-working families. (The replacing AFDC option, in particular, overlaps a great deal with the work of other groups.) We understand that decisions on how to proceed will depend in part upon the discussions at next week's steering committee meeting with respect to working papers that need development.

You may have concerns that the discussion strays across group lines into the jurisdictions of other groups. We have some of the same concerns, but had difficulty conceptualizing some transitional issues without addressing both the need for services while on assistance and the availability of post-transition employment opportunities. If some guidance could be provided on whether work for the non-job-ready should be treated as a transition issue or a post-transition issue, that would be helpful to a number of groups.

TRANSITIONAL WELFARE: THREE OPTIONS

This paper outlines three options for a transitional welfare program. In order of complexity, these options are:

A Two-Year Entitlement: Under this option, recipients would be unconditionally entitled to cash assistance for two years. They would face no participation requirements.

Immediate Employment: This option assumes that the current AFDC program would not be substantially changed, but would mandate participation in activities geared toward employment; and

Replacing Welfare: This option would replace AFDC with a series of four programs whose assistance is geared to the needs of their target populations.

There are some issues which transcend the individual options. These are discussed below.

Time Limit Issues

Start of the Clock

When does the two-year time limit begin?

One option would be to have the two-year period start at the same time for all participants, such as at the beginning of AFDC receipt. The obvious drawback to this approach is that the time limitation could run out for those with larger skill deficiencies before they became job ready.

Another option would be to begin the time-limited period at different points for different groups of recipients, based on their assessed needs.

A third option would be to begin the time period only when participants have reached some degree of job readiness. In this latter approach the individual would have two years after becoming job ready before cash assistance would be terminated, but could face requirements about finding a job during that two-year time frame. For example, the individual might be required to go to job interviews during this period. This last option could result in continued long spells of AFDC receipt. Further, it would not work well in a voluntary program because it would provide such strong disincentives to program participation. As an alternative, in a voluntary program, the start of the clock could be delayed for the most disadvantaged families based on a judgment of how much time would be sufficient for them to become job-ready--if they were to pursue that goal with some diligence.

Under this third option, a key question then is: at what point do individuals who participate in required activities possess the minimum amount of skills necessary to be considered "job ready?"

One possibility would be to use a standardized test of basic skills or literacy, as is used in the GAIN program.

A second possibility would be to use the subjective judgement of the caseworker.

Another possibility would be to base job readiness on the individual's work history. Those with work histories would be classified as job ready on the basis of prior work experience and skills. Those without any work experience could be placed in community work experience or on-the-job training to establish their job readiness.

All of these choices carry some risk because only the market can determine who is job ready. Also, the likelihood is high that all three of these approaches would result in classification of vast portions of the caseload as not job ready.

Another question is to what extent local economic conditions should or could create differences in "job readiness" determinations-- even when there are no objective differences in the ability of a recipient to work?

Both the second and third options would benefit those individuals who have greater obstacles (a high school dropout who needs ESL, for example) and who need more time to prepare for the work force.

Like other issues, this issue cannot be resolved in isolation. If services are available to meet the needs of the most disadvantaged, if extensions are available when individuals are cooperating and making reasonable progress, and if appropriate accommodations can be made in their work assignments, the rationale for delaying the start of the clock largely disappears. At the same time, it might be easier to administer a delay in the start of the clock than to accommodate clocks that are running at different speeds for different categories of recipients.

Suspension of the Clock

Within the two-year time limit, are there circumstances where the clock would be extended or suspended?

NO
!! Except under the last option above, where the two-year time limit would begin only after recipients have reached some degree of job readiness, a strict two-year limit might not allow all recipients sufficient time to prepare for work. Therefore, it might be appropriate to extend the time limit for some recipients or "suspend" their time limit based upon participation in certain activities or for other reasons. Examples of circumstances where an extension or suspension of the time limit might be appropriate include: receipt of drug or alcohol treatment; attending English as a second language classes; caring for an infant; lack of available services; or a lengthy illness of the recipient or a family member. In these cases, recipients could be reassessed periodically to determine whether extensions or suspensions should continue. If someone were getting an extension because of participation, the clock would resume any time the individual was inactive or not participating in an activity.

Extensions for pregnant women present a special problem. One possible policy would be to give pregnant women a one-time-only exemption.

Extensions granted when individuals are participating would reward cooperation, but could also encourage individuals to prolong their program participation and thus run counter to the goal of getting people into the labor force quickly. Also, participants could delay participation until the expiration of their time limit was looming, knowing that benefits would be continued from that point.

? | One solution could be to offer extensions on a case-by-case basis only for approved activities. Activities might be approved only for individuals who were making satisfactory progress on an employability plan and needed additional time to complete an activity or reach job readiness.

A second solution would be to provide extensions to participants on less than a month-for-month basis. In this case, individuals receiving education and training would get less than two "free" years, and those postponing participation would be severely disadvantaged.

A third solution would impose a maximum limit on the number of months credit a recipient could earn.

A fourth solution would provide bigger credits for actual work or participation in "preferred" activities (i.e., those deemed more likely to be effective) and lesser or zero credits for activities of questionable value. This latter option, while appearing to be more prudent, would substantially complicate the program.

✓ Extensions would permit an easier phase-in of the guaranteed jobs part of the proposal, spreading out entry into those jobs and reducing the overall number of recipients needing job placement in the first few months. However, they would also defer potential welfare savings. Furthermore, they could substantially increase the administrative burden and automation demands on the programs.

Getting a New Clock

Would recipients be allowed multiple time limits? The options here are numerous.

YES
2 every 10 yrs.
The most restrictive would allow one two-year period of receipt total over a lifetime. This option would contain Federal spending and perhaps provide an incentive for individuals to receive AFDC only when absolutely necessary.

A second option would allow a new two-year limit every four or five years. This approach would allow for the reality of some return spells, but be reasonably easy to administer. It would provide a safety net for the large number of individuals who may have difficulty maintaining employment. However, it would also create a disincentive for someone to keep a job, especially if it is low paying. One way to alleviate this latter problem would be to limit subsequent spells to shorter periods of time (e.g., six months or one year).

Why not use US?
Under a third option, recipients could earn credit toward a new time period for work or time away from AFDC, much in the way that unemployment insurance works. For example, for every six months employed, an individual could return to AFDC for three months in order to stabilize their life and find another job. The advantage to this option is that, for any period beyond the two-year limit, it would clearly tie cash assistance to work. It would also help those individuals who are successful in getting jobs, but have not yet developed a stable work history. However, it would also require a more sophisticated tracking system.

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Under each option, there may be a need to allow for unforeseen circumstances that prevent work and may require the need for cash assistance. An emergency assistance program could take care of short-term needs, but would be less helpful for situations like a lengthy illness.

Exemptions

How strict should exemption criteria be when excusing individuals from work or participation obligations? For the purpose of delaying the start of the clock or for providing extensions, who would be considered unable to work or participate?

For both purposes, the exempt population could consist of those with short-term obstacles to employment and participation, as well as permanent impairments. Those with permanent, or long-term problems (such as a disabled child) could be exempt from participation (although they could volunteer) and could receive indefinite cash assistance. Those with short-term impairments--such as substance abuse problems, pregnancy or housing difficulties--could also be included. Individuals in this group would not face a time limitation, but would be re-evaluated on a recurring basis (e.g., every six months) and could lose their exempt status on the basis of the re-evaluation.

Broad exemption criteria might result in a relatively small number of individuals participating in activities. They thus would help limit the need for greatly expanding education, training, and child care slots. However, with approximately 60 percent of AFDC recipients currently exempt from JOBS, large numbers of people could avoid the work requirement and time limits for many years. They would likely lead to criticism that the program failed to "change welfare as we know it."

✓ A program with narrower exemption criteria could follow the Project Match model, of "everyone does something." Those individuals with short-term impairments might not face an immediate time limitation, but would be required to participate in activities tailored to their situation. One example would be substance abusers, who would be required to attend treatment programs. Women with very young children could be required to volunteer at Head Start or attend parenting skills classes. ✓ Although this approach would eliminate the problem of wholesale exemptions, it also would create increased demand for services that might already be in short supply in local communities. Further, it greatly increases the need for case managers and participant tracking.

At one extreme, the program could include all the existing exemptions, with more liberal exemptions for teen parents and others with very young children.

Start of no exemptions ✓ At the other extreme, it could include few, if any, exemptions. In this latter case, all recipients would be facing the clock.

Alternatively, it could build upon the current exemption system, but seriously consider modifications or more

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structured policies for the following categories of recipients: teen parents and pregnant teens; other teens; remote individuals; individuals for whom services, activities, or work is unavailable; individuals with substance abuse problems; individuals requiring family support services.

Entitlement to Services

Should there be an entitlement to any specific services during the two-year period? If so, what would they be? What would be the consequence of their not being there?

It is assumed that child care would be provided or paid for individuals in required activities or work. Otherwise, it would seem that services (i.e., education, training, employment, child care and support services) could be provided on an entitlement or "as available" basis. As long as a guaranteed job and child care were there at the end, and the work was not too onerous, either approach might work.

However, certain policy options (such as extensions of time limits for those who participate in activities) could make it more difficult not to provide services on an entitlement basis. Recipients denied services could claim that they were also denied an equal opportunity to receive the cash assistance to which they are entitled.

No New entitlement
If an entitlement to services were established, programs would be more vulnerable to legal challenge regarding: 1) their decisions about what services would be available as entitlements (in particular, with respect to how much education and training would be provided); 2) their policies governing who receives which services; and 3) any failure to deliver services to which families were entitled. As a result, entitlement programs might need a stronger basis for their service rules and more comprehensive case management and tracking systems.

Further, if there is an entitlement to services within the system that does not generally exist, the system might experience significant "entry effects" (see Moffitt, 1992). Incentives for participation might also cause entry effects.

Post Time-Limit Issues

What happens to recipients who do not successfully transition to work at the end of their two-year time period, including those who do not or cannot participate in public service employment or other post-welfare work programs?

The concept of a time limit implies a strict and enforceable "sanction" authority -- that is, some sure knowledge that the

government's financial support is temporary and will, at some point, be terminated. Without such authority, there may be little more incentive to move off of welfare than there is under the present system, and "time-limited" welfare will have no "teeth". However, any system that terminates financial support after some pre-determined (and, arguably, arbitrary) cut-off period, will raise concerns about increasing homelessness and destitution among families, forcing children into the foster care system because their parents can no longer meet their basic needs, and "visiting the sins of the parents upon their children."

It will be a challenge to create a transitional program that is stringent enough to provide a motivation to progress, yet flexible enough to deal with the exceptions that will necessarily have to be considered. The time limitation system (or the post-transitional system) must acknowledge that some individuals will fall through the cracks and reach the expiration of benefits without being in a position to sustain employment indefinitely.

① This issue of benefit termination will need to be dealt with regardless of the specific structure of the program. Will new assistance programs be created for people with certain needs, such as people with disabilities? Will such things as infant care or drug treatment be allowable activities that qualify recipients for a stipend or some form of cash assistance? What happens to the children in the household?

TRANSITIONAL WELFARE
A TWO-YEAR ENTITLEMENT

THE BASIC APPROACH

Under this approach, the two-year time limit would be treated as an entitlement period. All persons eligible for assistance could draw benefits for that period unconditionally; they would not be required to participate in any education, training, or employment-related activities or to accept family support services.

While not required to participate in any programs, at their option, clients could take advantage of available programs and/or services which meet their needs and make them better prepared to support themselves. At the end of the two years, the clients' benefits would be terminated, and they would have to accept a job regardless of how ready they are to do so.

DISCUSSION

This basic concept is straightforward and would be fairly easy to administer. However, it raises a number of concerns.

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- o First, it is not easily reconciled with the President's statements that individuals would get assistance for two years after they complete education and training.
 - o Second, its laissez-faire approach towards work obligations seems politically vulnerable. If the public feels participation in education, training, or other activities is efficacious, it may not be willing to delay participation requirements. Similarly, if entry-level jobs are available (and work pays), the public may be unwilling to postpone the entry of employable recipients into the labor market.

At the same time, the public may find this model more acceptable for some groups than others. For example, it might not accept two-year deferrals for two-parent families with recent work histories, but find such deferrals appropriate for families in serious crisis.

- o Thirdly, this model seems biased towards welfare recipients who are most "on-the-ball." Resources might tend to flow to the most advantaged recipients, while highly disadvantaged recipients float in limbo for two years and then face a job market for which they are totally unprepared.
- o A two-year horizon might be too distant for some recipients.

- o Given our understanding of caseload dynamics and welfare-to-work programs, we fear this model could leave an enormous need for work slots in the post-transitional phase. Furthermore, those needing guaranteed jobs might include a disproportionate number of recipients who could not successfully perform in the work place. When they fail at their jobs, they might have no residual safety net.
- o If recipients opt to "use up" their two years, the cost-effectiveness of certain work programs might be reduced.
- o For the most job-ready recipients, this approach could increase dependency.
- o This voluntary approach might encourage more entry into the welfare system--especially if generous services are available.
- o Because of the voluntary nature of this approach, participation might be weighted towards more costly education and training activities rather than to work-oriented activities like job search. There is also some concern that it might necessitate making more program slots available than would be fully utilized--especially if program services are viewed as an entitlement.

Possible Refinements To address these concerns, refinements could be built into the basic structure to change the incentives facing recipients and to promote desired behaviors. The following refinements could be adopted individually or in combination:

- 1) Ensure that strong orientations and on-going counseling of applicants and recipients encourage participation and early entry into the labor force. Discussions would focus on the importance of reserving some safety net and the rewards of working;
- 2) Provide incentives to participate in appropriate activities or to enter work. These could take the form of:
 - a) credits which would extend the two-year-time-limit;
 - b) vouchers for future education and training services;
 - c) stipends or other financial rewards; or
 - d) eligibility to progress to an alternative, more exalted assistance system (e.g., a work support system).

- 3) Reserve or target the "better" job opportunities at the end of the time-limit for those individuals who have earned them through participation and/or work; and
- 4) Be very clear and very strict about enforcing the two-year limits.

To reduce the need for guaranteed jobs, it would seem necessary to mandate job search near to or at the end of the time limit. If job search were mandated at the conclusion of the limit, cash assistance might need to be extended for at least two-to-three months to reduce the need for public jobs. If job search were mandated within the two-year limit, the assumption of a two-year unconditional program is violated. This problem could be mitigated, however, by allowing some limited extension of time on a month-for-month basis as an incentive to participate in voluntary job search (see item 2a above).

TRANSITIONAL WELFARE:
IMMEDIATE EMPLOYMENT

THE BASIC APPROACH

In this option the current AFDC system would not be substantially changed. However, recipients of cash assistance would be expected to move quickly toward work and supported self-sufficiency. This option would attempt to move people into employment, even low paying employment, as soon as possible. Time-limited cash assistance would be viewed as a last resort for those who are not able to become self-sufficient through employment. Participation in activities leading to job readiness would be mandatory, but appropriate exemptions would be available.

This option assumes a more restrictive Federal policy regarding the design of welfare-to-work programs and therefore implies less State flexibility than currently exists under JOBS.

DISCUSSION

The Immediate Employment option would emphasize getting AFDC recipients into jobs quickly and developing a work history for future employability. Unlike many JOBS programs, this option would not prioritize education as a first placement. It is supported by prior experience with welfare-to-work programs which suggests that an approach emphasizing employment might have more success in getting AFDC recipients off welfare. For example, in the Project Match program, recipients who chose GED as a first activity frequently dropped out, not seeing the link between education and work until they experienced low paying jobs. In the GAIN program, participants in basic education activities had low completion rates.

This approach would allow the job market to sort out which individuals are "employable." Non-exempt recipients would be placed first in a job search component even if, by some measure, they need skills training or basic education. For those not finding employment, work-oriented activities would be emphasized, such as job readiness and community work experience. In addition, extensive job development services would be available in order to locate jobs for participants. Supervised work experience activities would be available for those without previous work histories. Use of job placement standards for caseworkers would underscore the emphasis on quick job entry.

One advantage to this option is that it would move recipients into jobs quickly, so that they would not use up their time-limited cash assistance. Further, it would minimize the number of people who would reach the two-year time limit. It thus might minimize cost, as fewer people would need to be placed in either

public service jobs or subsidized employment in the private sector.

This option of transitional welfare was developed under the assumption that a combination of part-time work, the expanded EITC, health insurance, increased child support, and perhaps food stamps would make it easier for people to leave welfare. However, the Project Match experience indicates that many individuals will have difficulty maintaining even part-time employment and will return to AFDC.

* Therefore, for the Immediate Employment option to be successful in helping people become self-sufficient, education and training activities, as well as child care and other support services, would have to be available for those who need additional skills to succeed in the job market. Enrollment in basic education or vocational skills training could be tied to simultaneous participation in job readiness workshops or job search. This connection would reflect the theory that education or training is more effective when an individual is participating in the labor market. Similarly, education and training activities could be reserved for individuals who had recent exposure to the world of work.

The following are several issues that would need to be resolved in this model of transitional welfare.

Issue 1 -- Exemptions from Job Search: In the Immediate Employment option, appropriate exemptions from participation requirements would be available. A key question is how an individual would be identified as exempt from job search.

It might be desirable to identify the exempt population as soon as possible in order to conserve services. Using this approach, all recipients might have an initial assessment, including a skills assessment, as soon as they receive cash assistance. Those who are evaluated and considered exempt would not face immediate time-limitation requirements. Those who are not exempt would then be required to participate in job search. A disadvantage to this approach is that using an interview to identify potential disabilities runs into the "self-reporting problem." According to the OIG study on functional impairments, many AFDC and JOBS managers thought that assessment was an incomplete tool to identify impairments; they believed that participation in a JOBS activity was more likely to reveal an impairment.

25 | Another possibility would be for all recipients of cash assistance to go through an initial job search process before any kind of assessment is done. This process would identify those who have obstacles to immediate employment

and those who should be assessed for disabilities or other causes for exemption. Those who could not find a job after job search, but who are not exempt, would have a skills assessment.

Why? | Issue 2 -- Mandatory Participation: The Immediate Employment option would require that AFDC recipients participate in activities leading to job readiness. Since the program would be mandatory, recipients would be entitled to any supportive service that allows them to fulfil their participation requirement.

However, there are many ways that the mandatory requirement could be interpreted.

One possibility would be for all non-exempt individuals to be required to participate. This interpretation would greatly expand the number of people who would need services and would have serious cost and implementation implications.

Another alternative would be an interpretation similar to that of the JOBS program, where States would be subject to participation and target group requirements, but not all AFDC recipients would be served.

? { Another possibility would phase in the mandatory requirement only for new recipients of cash assistance.

In deciding which interpretation would be best, several factors would need to be considered--not the least of which would be the budgetary implications and how access to or receipt of services affects the ticking of the clock.

Issue 3 -- Sanctions and Incentives: Apart from the two-year limitation, the program could use other incentives or sanctions to motivate people toward employment.

No One possibility would be to force individuals to "face the clock" when they refused to participate or failed to make progress in becoming "job ready." If the clock's start was tied to "job readiness," such individuals could merely be reclassified as "job ready."

A second possibility would be to reduce the assistance check by the caretaker's amount, similar to what occurs in the JOBS program. Such a sanction action would have no effect on the clock's movement.

? A third possibility would be to provide financial incentives to people who participate in their required activities. An example would be awarding bonuses to those who made progress in their assigned activity.

WR - Time Limits

TRANSITIONAL WELFARE:
REPLACING WELFARE

THE GENERAL APPROACH

The basic idea for this option would be to develop an appropriate set of time-limited policies for a new series of assistance programs created to replace AFDC. These assistance programs would include: 1) a work support system for working individuals; 2) a stipend system for those in education and training; 3) a categorical assistance program for individuals with disabilities; and 4) a categorical assistance program for teen parents. The cash assistance and services provided through these programs would be geared to the needs of their respective client populations. The goal would be to achieve full participation under each program, with all "adult" recipients involved in some activity as a condition of receipt of receiving assistance. While those in the work support and stipend systems would be doing JOBS-types activities (work, training, and education), those in the categorical programs might be doing something less demanding and less directly related to the world of work. For example, disabled recipients might be involved in rehabilitation activities and teen parents in a combination of parenting and basic skills activities.

Work Support System

The work support system would provide financial support, child care and other supportive services, case management, job search and job placement services which would enable recipients to keep their jobs or to get new jobs when they become unemployed. The goal would be to keep working and "work-capable" individuals out of the welfare system. Its financial support and other benefits would be generous enough that those who could work would aspire to be part of this system. There would be no time limits for the assistance to working families in this system. There would be time limits and/or dollar limits to any assistance provided during periods of job search or transition between jobs. There could also be time limits on job placements which were publicly supported or subsidized.

Under this system, no work expense or other disregards would be needed because even part-time employment would make the family better off than they would be on cash assistance. Its wages, EITC, food stamps, and its child support or child support assurance payment would be sufficient.

In the spirit of guaranteeing jobs, the work support system would be responsible for guaranteeing jobs or other types of work assignments for low-income families who could not find work and could not qualify for either of the two categorical programs.

There would be no specific sanction or exemption policy developed for this program; participation would be entirely voluntary. However, no assistance would be available to individuals (or their families) if they failed to work. If they failed to keep a "guaranteed" job, but were cooperating and performing as best they could, less demanding work opportunities (which might also pay less) would be offered.

This paper does not get into the nature and level of assistance or the administrative structure for providing it since both the Making Work Pay and the Other Support Services Groups are looking at those questions.

Stipend System

Individuals enrolled in education and training programs would qualify for stipends which would help cover their family's living expenses while they were in school. They would also be eligible for child care and case management services during that period. The assistance could be administered through a Work Support Administration, another non-welfare agency, or the education and training programs themselves. If eligibility was restricted to would-be welfare recipients, it might be appropriate to make a State agency responsible for an initial authorization of assistance. However, if the stipends were available on a general basis to low-income families, perhaps enrollees could work directly with their programs rather than a State agency. 17

Individuals would qualify for benefits as individuals. Multiple members of a family could therefore qualify, but to prevent fraud and duplication of benefits, individuals might have to provide proof that they had children living with them or had responsibility for their support (i.e., met the IRS test). Benefits could be tracked using something like a smart card.

Stipends would be time-limited and conditional upon the recipients' making satisfactory progress in their programs. The length of time that stipends would be authorized could be a fixed period of time or tailored to the skills deficiencies of the recipient. For example, all low-income individuals could qualify for two years of vouchers in any ten-year period; the more disadvantaged individuals could qualify for additional time; or the short baseline period could be shortened (e.g., to one year or less), but eligible for extension when individuals gain work experience or earn other credits.

The amount of the stipend would be adjusted for family size, but would not exceed the amount available to veterans. It would be computed based on the family's status at the time of enrollment; eligibility and stipend amounts would be redetermined at the beginning of each new term. Stipends would not be adjusted for modest changes in the family's income or resources. There would

be little, if any, administrative activity except at redeterminations.

Individuals who failed to make satisfactory progress would expect to have their stipends terminated or suspended. However, there could be a good cause appeal system set up that would allow reinstatement of eligibility in cases where the failure was due to something like illness. Also, consultations would be scheduled for individuals put on academic probation or otherwise determined to be at risk of failure, and case managers could authorize short-term interventions which might prevent such failures. Those who had payments suspended, but did not get reinstated, could use any remaining stipends after an interim period of work.

The stipends would be in addition to any educational assistance that is otherwise available through Federal, State, local, private or institutional sources. Stipends would not cover education or training costs (including tuition) unless alternative sources of support were not available.

To the extent that the education and training programs were responsible for administration of the stipend payments and the provision of counseling, case management, and related services, they could receive reimbursement for their administrative costs.

There would be no specific sanction or exemption policy specifically related to this option; participation would be entirely voluntary. However, no assistance would be available to individuals (or their families) if they failed to meet standards of progress.

Disability Assistance

The disability program would provide assistance to those who have emotional, physical, or mental problems which prevent their entry into the labor force or their successful participation in education and training activities. Those whose problems are short-term (e.g., expected to last less than three months) would not be brought into the system, but could qualify for cash assistance on an emergency basis. Individuals with a substance abuse problem that prevents them from working might be temporarily assigned to a disability program while receiving suitable treatment; however, they could be disbarred from receiving cash payments if and for so long as they failed to cooperate. Alternatively, they could be offered assistance for a limited, fixed period of time to give them an opportunity to address their problem (e.g., six months), but lose eligibility after that point. Similar policies could be adopted for other categories of recipients (such as the grossly obese).

In general, the disability program would have no time limits. Eligibility could be extended for so long as a qualifying disability existed. Also, individuals could requalify if they faced a recurrence in their condition or a new problem. However, in cases where a disability is treatable, and/or the individual could find employment if they cooperated in rehabilitation activities and/or education, training, and employment programs, assistance (at least to the adult) through this program could be terminated if they failed to cooperate. In addition, for any recipient in this system, it might be appropriate to require acceptance of certain types of family support services. At least the adult share of the assistance payment could be thought of as a stipend for doing the required activity; as long as satisfactory progress is made, the stipend would be paid.

Stipends for cooperating individuals would cover the needs of the disabled adult and other family members who lived with them. This approach would work like the current AFDC system of assistance to single parent cases and to two-parent incapacity cases. However, the system could be less rigorous than the current AFDC program in terms of budgeting and redeterminations, with greater tolerance for income fluctuations and accumulation of resources. However, in light of participation expectations, it might not be appropriate to make long-term commitments to assistance.

This paper does not attempt to develop detailed policies for a disability program (e.g., defining disability), with the expectation that another group would be assigned that responsibility if we decide to pursue this course further.

Assistance to Teen Parents

Cash assistance would be provided to pregnant and parenting teens conditioned upon their participation in appropriate employment, education, training, and family support activities (such as parenting). This assistance would be available until the teen finishes high school or reaches the age of 20. A system of sanctions and bonuses would be developed to encourage participation in appropriate activities. Intensive case management would also be available, and agencies would be encouraged to explore innovative ways of providing educational and support services--including alternative educational programs, on-site case management and payment issuances, two-parent parenting classes, home visits, tutoring, and joint parent-child programs. They could also explore alternatives to education.

The issues of teen pregnancy and pregnancy prevention will be coordinated with activities of the Surgeon General. Coordination is also needed with a number of other issue groups with respect to the provision of services.

DISCUSSION

If this multi-program proposal is to succeed, a number of serious problems need to be addressed. These include:

Basic Eligibility--How do you define the eligible programs and families so the system is not duplicative and covers the entire needy population which deserves cash assistance?

It is difficult to divide the welfare population into a discrete number of groups with discrete service needs. In this four-program, it seems that some needy families might be neglected, while others might qualify under a number of programs. For example:

Some might not be able to work or participate in education and training, but also not fit into either of the two categorical programs (e.g., a parent who is temporarily out of work because of a broken arm or a pregnant 20-year-old).

Some needy families might be covered by more than one system at a time (e.g., those who are disabled or working, but also in education or training; and two-parent families with one disabled and one working parent).

Some needy families might need transitional assistance while moving from one system through another (e.g., temporary assistance while looking for or securing a job).

Some might have temporary setbacks which the four systems are not designed to accommodate.

Administrative Structure--How can you design the administrative structures for these four programs so that can successfully serve their own target populations and, at the same time: 1) ensure that needy families do not fall through the cracks as they make transitions from one assistance system to the next; 2) prevent inappropriate duplication of services; 3) ensure that those whose needs cross program lines can still receive appropriate services; and 4) not be too cumbersome for families wanting to become self-sufficient.

A Work Support Administration might be an appropriate service structure for working individuals and those in education and training, but an alternative structure might be more appropriate for teen parents and the disabled if that agency is focused on the job ready. For teen parents, a school-based system might prove most-effective. However, we would need to take care that teen parents were not too removed physically or psychologically from the world of working individuals.

Benefit Levels--How do you set benefit levels so that families that are able to work have the appropriate incentives, but that other categories of needy families can have their basic needs met? Further, to what extent would the benefit levels in the proposed programs have to recognize the current variations in AFDC benefits?

Disability--Is the concept of disability concrete enough that a it makes sense to develop a separate system? Where would the line be drawn (given in part that the measure of employability would be different depending upon the mix of services available and how accommodating work sites are for disabled individuals)? Is the Administration prepared to require acceptance of medical treatment? In light of the mainstreaming movement and the Americans with Disabilities Act, is this an appropriate direction to go? How can such a system get set up without getting bogged down in a morass of medical determinations, appeals, and hearings? Do we know enough about diagnosis and treatment of substance abuse, mental illness, and behavioral problems that we could feel comfortable with making eligibility determinations, terminating eligibility, and designing a service system for these problems? Would we need to establish criteria for defining what "reasonable accommodation" this program should make in securing appropriate services and employment for recipients? How should the program be administered, including post-transition work opportunities? Do disabled individuals move to the other systems when they become job ready? Should benefits under this system be limited to families with children? What program assists families with disabled children served?

Education and Training Stipends--Should stipends be available for all levels of education and training? Should programs have to be credentialed? Should stipend recipients have discretion in choosing their education and training programs (both the type of program and the specific institution)? Which administrative structure would work best? If assistance is provided through the education and training programs, is there greater risk of individuals engaging in inappropriate or unproductive activities? Would such programs be capable of providing adequate child care assistance and case management? Should the concept of this stipend system be broadened to serve more disadvantaged individuals in need of family support services and job readiness activities? Should any stipends be available for non-adults? Where and how do you draw the line between work and training? Can additional time or funds for stipends be earned based on work?

Other Questions

Should non-parents be eligible for assistance (through the foster care program or otherwise) if they do not work or participate in education and training? At what level?

If AFDC as we know it is gone, do we still have guaranteed jobs?
For whom?

Which systems, if any, provide financial support to families
looking for work? On what terms?

Can flexibility be built into the system so that families with
short-term disruptions can receive emergency assistance rather
than being bounced to another system?

Preliminary Background Data

(In millions)	AFDC	UP
Ave. monthly caseload	4.375	.267
Ave. monthly recipients	12.596	1.148
Ave. adult recipients	4.081	

 New applications approved in 1991: 2.56 million

Cases approved where deprivation is due to incapacity: 3.6%

Percent of cases with prior welfare receipt: 41.2%
 (42.9% have no prior receipt and 15.9% are unknown)

270,000 cases with mothers aged 11-19*

459,000 families with no adult in the case

280,000 families with two or more adults

97.2% of the adult recipients are parents, .3% are stepparents,
 1.5% are grandparents, .3 percent are siblings, .6 percent are
 other relatives, and .1 percent are non-relatives*

Percent of casesAge of Youngest Child

2.4	unborn
9.0	under one
29.9	1-2
21.1	3-5
23.0	6-11
9.4	12-15
3.4	16-18
1.9	unknown

*These figures reflect the status of adults vis-a-vis the
 youngest child in the unit. Of the teen mothers, 47.1% of are
 age 19; 31.9%, age-18; 10.5%, age 17; 3.9%, age 16

JOBS Data Reporting

For FY91 (4.5 million cases):

1.747 million recipients would be required to participate by
 Federal law (denominator) in an average month

501,000 participating at some level in average month

263,000 counted as participating for participation rate purposes

TIME-LIMITED WELFARE--GROUP CHARGE

On Friday, April 23, the group had a meeting with Mary Jo Bane to obtain further guidance about the direction of its efforts. The participants agreed that the group should pursue three alternative models in more detail.

1. The first would assume that AFDC as we know it has been replaced by a series of programs whose assistance was geared to the needs of its target population. Working individuals would have income support and a variety of other work supports available to them. Individuals seeking education and training would have stipends available on a time-limited basis. The disabled would have income supports and services appropriately tailored to their capabilities. Finally, there might be a group of cases (such as parents with very young children) who receive cash assistance, but have most, if not all, of their participation requirements deferred for a period of time.
2. The second would assume that the current AFDC system is not substantially changed. It would assume no entitlement to two years of AFDC, but attempt to move recipients quickly towards work and supported self-sufficiency. Participation in activities would be mandatory, but appropriate exemptions would be available.
3. The third would treat the two-year time limit as essentially an entitlement. While education, training, and support services would be available during this period, participation in them would be voluntary. Then, at the end of the two years, recipients would face work requirements.

Over the next two weeks, the work group will develop these options more fully and work with the modeling group to develop some preliminary numbers to associate with them. (Among other issues, the papers will explore how different populations would be treated and whether a no-exemption policy would be feasible.) The goal is to present a 3-5 page paper on each of the three alternative approaches for review by Friday, May 7.

In the meantime, Jeremy will assist in circulating a list identifying the various "clusters" and working groups that have been formed and listing the members of each group. Also, the initial set of issue papers and subsequent products from each group will be generally circulated to the team leaders. Due to this broad circulation, team leaders must exercise discretion in developing their materials.

June 11, 1993

MEMORANDUM

To: HSP Staff
From: Wendell
Re: Attached welfare reform proposal

Attached is the initial draft of my proposal to reform the welfare system. These are preliminary ideas, and in some cases the proposal is not fully developed. The proposal ought to be treated as **VERY confidential**. One of the primary reasons for circulating it is to understand our data analysis needs and capabilities. If we can estimate the cost of a proposal such as this, it will give us a good understanding of what is involved in analyzing various options. I would greatly appreciate your feedback and comments.

WELFARE REFORM PROPOSAL.

The following describes the author's proposal for reforming the current welfare system. The proposal includes improved child support enforcement, child support assurance, amendments to the current AFDC program, and a time limit with corresponding education, training and CWEP.

The proposal definitely meets the charge to "end welfare as we know it". It institutionalizes male responsibility, it provides opportunities for both custodial and noncustodial parents to help support their children, and it promotes parental responsibility. Its primary focus is the child, and it is based on the assumption that child poverty should be reduced and income stabilized through a strong child support enforcement and assurance system. Under the proposal, the programs providing cash or near-cash assistance are simplified, and a consistent time limit is applied across all programs. The custodial parent can receive AFDC, food stamps and housing benefits for a limited 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, the recipient is offered a minimum-wage CWEP job where the earnings (and hence hours) are limited by the amount of assistance previously received. During this time period, the welfare office recomputes benefits under the three assistance programs assuming the recipient is working the required number of hours at the job provided. Earnings are reduced proportionately for hours not worked, but any assistance benefits are not affected. Thus, there is a direct and immediate relationship between work and economic well-being. At the end of two years, the CWEP job ends. The recipient is then assumed to be working in the private sector full-time at minimum wage, and assistance benefits are determined accordingly. Depending upon state AFDC benefit levels, AFDC has probably ended. Food stamps and housing benefits would be reduced significantly but not eliminated. The incentive to take a part-time job at that point would be very strong, as benefits would be calculated assuming half-time work, and the recipient would actually receive the wages. At all points in time, there would be a large incentive to participate in the child support assurance system. The details of the proposal are described below.

Paternity Establishment

The paternity establishment component of the proposal is very similar to the design of the Downey/Hyde proposal, with the goal of developing a system which facilitates universal compliance. Under the proposal, Federal funding would be made available to each State to implement a paternity establishment

program that meets certain Federal requirements and guidelines. The goal of the Federal requirements is 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.

Under its paternity establishment program, each State would establish simple, nonadversarial procedures for the voluntary acknowledgement of paternity shortly after birth, preferably in the hospital through an administrative process. Each State would be required to establish a civil procedure to adjudicate contested paternity cases through a judicial or administrative process. 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 State have direct access to the State data bases in order to process interstate cases.

The Federal government would reimburse States for seventy percent of the cost of establishing and operating the paternity establishment program. An increase in the reimbursement rate would be based on performance, relative to other States.

For children born after January 1, 1996, custodial parents who had not established paternity or who had not been granted a good cause exception would be unable to claim the personal tax exemption for each child for whom paternity had not been established.

Establishment of Child Support Orders

Under the proposal, 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 regarding of current ability to pay, by assuming they would work full time at minimum wage. 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

This section includes many recommendations from the report of the Interstate Commission on Child Support and existing papers. It is similar to the new Federal-State model (option 3) described in the paper on child support enforcement restructuring options. 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 the 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.

Under the proposal, 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 State office, through its administrative law judges, would have the discretion to reduce child support arrearages on a case-by-case basis, but only if the office determines that such reduction will 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 rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit. 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.

The entire system would be universal and proactive, as opposed to reactive. It would be fully automated, and noncustodial parents would be required to keep the child support office fully informed of any change in address and employer. The noncustodial 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.

Assured Child Support Benefit

Under the proposal, the Federal government would provide (finance) an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent fails to pay. The benefit would be administered by the State and would be determined according to either of the following two options and 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	\$2,000
2	3,000
3	3,500
4 or more	4,000

This option may also be accompanied by allowing the non-custodial parent to receive EITC. The details of this must still be worked out so as to not encourage family break-up, and in order to be fairly easy to understand and be limited by the amount of child support actually paid.

- b) Fifty percent of the child support order, plus a bonus payment of 40 cents per dollar paid by the noncustodial parent up to a maximum of \$100 per month. This option may be phased out according to the size of the order.

States must disregard up to \$1,000 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 40 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.

Advance Payment of the Earned Income Tax Credit

Certain low-income custodial parents who are eligible for the earned income tax credit (EITC) could request to receive payment of the credit on a regular basis along with their child support payment. The EITC would be administered by the State child support agency.

Amendments to the AFDC Program

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

- a) 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;
- b) 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;

- c) 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;
- d) 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;
- e) 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; and
- f) The standard disregard would be raised from \$90 to \$100 per month (with State option to increase to more than \$100), 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) would be added. All benefits (including AFDC, food stamps and the assured benefit, as well as child support payments) would be taxable to the custodial parent.

Time Limit

Under the proposal, welfare receipt (including AFDC, food stamps, and housing) would be limited to 12, 15 or 18 months, based on the unemployment rate in each urban and rural area. For regions with an unemployment rate less than 6 percent, the time limit would be 12 months, for 6-9 percent, 15 months, and for greater than 9 percent, 18 months. Exemption 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:

- a) is not a natural or adoptive parent;
- b) is working more than 20 hours per week (40 hours for both parents). (States could opt to increase to 30 and 60 hours, respectively);
- c) has care of a child under age 2. (This could be limited to one child, and States could opt to decrease qualifying age to 6 months);
- d) has care of a disabled child or relative;
- e) is making satisfactory progress in secondary school or GED program;
- f) is participating and making satisfactory progress in a rehabilitation, training or parenting program (including Head Start);
- g) has a functional disability or impairment that significantly reduces employability; or
- h) has insufficient child care arrangements.

Education and Training

Under the proposal, 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.

This proposal envisions the continuation of current State JOBS programs. As under current law, States would be given considerable flexibility as to how recipients move through the system. States would be required to properly inform all recipients of the implications of the time limit, including opportunities and obligations at various points in time. States must limit the length of time for which participation in education or training activities would qualify as an exemption from the time limit.

Transitional Assistance

All other individuals not exempt from the time limit would be required after the time-limit outlined above to 'work off' their welfare benefit in a CWEP-type program. CWEP programs must 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. States would be required to offer a CWEP job within 90 days of when an individual goes on AFDC, if the individual so requests. The cost of providing CWEP would be funded at a Federal matching rate of 75 percent. States who wish to provide additional CWEP above that which is specified in the proposal could receive Federal funds at a matching rate of 50 percent.

Individuals would be required to work the number of hours derived by dividing the total amount of their welfare benefit (including AFDC, food stamps and housing) by the Federal minimum wage, up to a maximum of 40 hours per week. Participants would be paid an hourly wage equal to the minimum wage, and for purposes of benefit calculation, the welfare department would assume that the participant is being paid for the hours specified. Wages under CWEP would be counted as earnings. For any required hours that the participant failed to work, wages would be reduced accordingly.

Earnings would not be counted as income for purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Child care would be guaranteed. Current law rules for the workmen's 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.

Participation in CWEP would be limited to two years, after which individuals would be expected to move into a full-time minimum wage job. For every year off of AFDC, housing benefits,

and CWEP, individuals would be able to earn two months of 'credit' in the welfare system for future use. why?

Teenage Pregnancy and Out-of-Wedlock Births

It is necessary to develop a proposal to address the issue of teenage pregnancy and out-of-wedlock childbearing. The author would recommend a program which would 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.

Work and Training Requirements for Noncustodial Parents

Under the proposal, the JOBS program would be modified and expanded 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 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. Certain noncustodial parents would be eligible for public service employment (PSE) jobs administered by the State. States would be entitled to receive additional Federal funds to administer the JOBS program and to provide 50,000 public service employment jobs. Intact families would be given priority over separated families for the PSE slots.

Under the expanded JOBS program, States would face a reduced Federal match unless 30 percent of JOBS funds was spent on services to assist noncustodial parents. The current law requirement that 55 percent of JOBS funds must be spent on certain target populations would be reduced to 35 percent.

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.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the program would be conducted after the CWEP program and the time limit had been fully implemented. If it was determined that harm was being done to children, the President would have the authority to eliminate the time limit. Demonstrations and research projects will be determined at a later date.

IMPACTS

- o Reduced child poverty
- o Paternities established on 400,000 additional children each year
- o Increased parental responsibility
- o Transfer of an additional \$10 billion in child support
- o Reduction in AFDC caseload
- o Increased ability for parents to support their children
- o Improved child outcomes

*File
WR-plans*

To: Bruce Reed
Kathi Way

From: David Ellwood *DJE*
Mary Jo Bane *WJB*

Re: Attached draft briefing material

Date: June 16, 1993

Here's our draft.

We'd appreciate having a chance to comment on the final document if it is significantly changed from this one.

Thanks a lot.

DRAFT**ISSUE #1: REFORMING VERSUS REPLACING WELFARE**

The President has called for an "end to welfare as we know it." Most of the work done by the working group to date is based on the notion that the goal is to find a genuine alternative to welfare. A major focus has been on insuring that people can adequately support themselves outside of the AFDC system--focussing on work *instead of* welfare. Thus there is a heavy emphasis on non-welfare supports connected to work. A second emphasis is on moving people off the welfare system as quickly as possible, rather than encouraging them to work while on welfare. These two emphases are different from what one sees in most state welfare reform efforts--either in their implementation of the JOBS program, or in their waiver requests for state demonstrations.

Under all scenarios, the working group anticipates considerable flexibility in state direction and implementation. But ultimately we will have to face the question of how much of the basic culture and focus will come from the federal government. The Bush administration followed a policy of "welfare reform through state waivers," a policy which many state officials would like to see as the centerpiece of this administration's welfare reform. Our experience with recent and current waiver requests suggests that this route is unlikely to end welfare as we know it. State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and on providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic of the state' proposed demonstrations are not oriented to getting people off welfare quickly and supporting them outside the welfare system when they work. Partly this is because it is hard for states to envision genuine alternatives to the welfare system, and hard for them to develop programs--like a large-scale EITC--necessary to replace welfare for substantial numbers of people.

The Working Group is operating on the assumption that the goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More moderate reform would call for expanding and enriching the JOBS program, or relying on state-generated reform approaches. The more moderate strategy has the potential for genuinely improving the welfare system. The leadership of the Working Group believe that it is possible and desirable to be much bolder, to fashion an approach that focuses on quickly moving people off welfare and helping them stay off through a series of work supports. If this could be done, time limits in the welfare system itself would be much more reasonable, since we would expect many fewer people to hit whatever time limit was imposed.

ISSUE #2: THE DILEMMA OF SINGLE PARENTS--CHILD SUPPORT ENFORCEMENT AND INSURANCE

No problem is more important or more vexing in welfare reform than that posed by the rapid increase in single parents, especially children born out of wedlock. Though divorces have leveled off, the number of children born to unmarried mothers continues to rise dramatically. A major part of our effort must be to try and reduce the formation of single-parent families.

DRAFT

but the question remains of what one does about the single-parent families that have been formed.

The dilemma is straightforward: single parents are in an extremely difficult position. They are expected to both nurture and provide for their child alone--or go onto welfare. Many believe that some mothers, especially those with very young children and from highly disadvantaged backgrounds, are not in a position to carry the entire burden of support, even with policies in place to make work pay. They argue that single parents and their children need some additional economic support to be able to fulfill their responsibilities. But if supports are offered to help protect single parents, it could appear that we are encouraging the formation of single-parent families.

The obvious place to look for additional economic support is the absent parent. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents and is a major focus of welfare reform. Moreover, since money paid to the mother comes from the father, such a system strongly reduces incentives for fathers to form single-parent families.

The question is what should be done when the government is unable to collect money from the absent parent due to his unemployment or active avoidance. One strategy would be to create a child support enforcement and insurance system.

This element is controversial. Proponents argue that it truly makes work feasible and legitimizes a genuinely time-limited welfare system. Critics see it as distracting the government from genuine child support enforcement efforts and perhaps simply providing welfare by another name.

A child support enforcement and insurance (CSEI) program would seek to both dramatically improve child support enforcement and provide some protection to single parents by providing a government guaranteed minimum child support payment (say \$2,000 or \$3,000) even when collections from the absent father fall below the minimum. Minimum child support payments would only be provided to custodial parents with an award in place. Moreover, any insured child support payments would be counted as income for welfare purposes and welfare benefits would be reduced dollar for dollar. A woman on welfare is thus no better off, she receives some guaranteed child support but correspondingly less welfare. But if she went to work, she could keep her child support. Thus the only people who would benefit from the ensured benefit would be working single parents since unlike welfare, the money is not lost when people go to work.

Advocates argue that a CSEI plan would create a strong work incentives, make it much easier to leave welfare for work, and significantly increase incentives for mothers to help get awards in place. In addition, the insured benefit could be seen as an unmet obligation of the father, who could be legally compelled to participate in training or work programs in lieu of the

DRAFT

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE**BRIEFING FOR THE PRESIDENT****DRAFT**

18 June, 1993

Members of the Working Group on Welfare Reform, Family Support and Independence have been working for several months to develop specific options consistent with the four themes that the President has consistently emphasized regarding welfare reform. In working on these issues, we have identified three issues that are particularly important: reforming versus replacing welfare; the dilemma of single parents and child support enforcement and insurance; and structuring a time-limited welfare and work.

This memo starts by briefly summarizing the basic themes. It then outlines the three issues. We have also attached a brief progress report on the staff issue teams that are supporting the Working Group.

FOUR THEMES

Make Work Pay -- The critical starting point for helping people off welfare is to insure that people who work are not poor. Two central elements are already moving forward: an expanded Earned Income Tax Credit (EITC), and health reform. Child care will be a critical element as well. Other steps designed to really make work work for low income families are being considered.

Dramatically Improved Child Support Enforcement -- Over half of children born in the U.S. will spend time in a single parent home. The obvious starting point for supporting these children is to look to both parents. Only one third of single parents currently receive any court-ordered child support today. There are many changes to be made, ranging from paternity establishment in the hospital to a central clearinghouse for all collections and a much greater role for the Federal government. A major question is whether to adopt or experiment with some form of child support enforcement and insurance.

Better Training and Support -- The Family Support Act of 1988 started a process of improved employment and training services for welfare recipients. We should build on the lessons of the JOBS program and insure that those on welfare have access to the education and training services they need to escape welfare. Major issues involve how to integrate training for welfare mothers into the larger system of education and training.

Transitional Time-Limited Welfare and Work -- The ultimate goal is to make welfare truly transitional for those who are healthy and able to work. If the other steps make it feasible for single mothers to support themselves and nurture their families, then one can and should expect people to find private work, or to work in some form of community or public service. Issues of particular concern include how strict the time limit should be, and how much and what kind of work can be generated for those who reach the time limit.

payment. It would clarify that a portion of the support for the child should be coming from the absent father. Finally, such a system would protect women of all economic classes, rather than targeting poor single parents as welfare does.

Critics regard such plans skeptically. If single parents are assured a child support payment, they worry that states will have little reason to track down payments from fathers. This plan has been labelled "welfare by another name" because it goes to single parents and offsets welfare payments for those who do not work. Some argue that it could encourage the formation of more single-parent families.

Both critics and supporters agree that unless a plan of child support enforcement and insurance was coupled with a radically improved child support system, and unless a significant majority of custodial parents are receiving what is paid by the absent parent rather than a minimum benefit, the minimum benefit could be perceived as a new income support system for single parents rather than a base of protection built into the child support enforcement system.

ISSUE #3: STRUCTURING TIME-LIMITED WELFARE AND WORK

The principle of time-limiting welfare, of ensuring that welfare does not in fact last forever, had enormous appeal in the campaign and resonates positively with a broad range of people, including welfare clients. If supports for work are in place, if we have dramatically increased child support, and if we have improved education and training, then it seems reasonable to insist that after some period of time, traditional welfare ends and some sort of work begins. Moreover, everyone agrees there is meaningful work to be done: libraries are closed because communities cannot afford staffs, community organizations have dozens of ways to use new workers, child care programs need more help, just to name a few.

But significant questions arise: how many people can reasonably be expected to work and how does one mount a massive job effort that might be needed.

The complexity of people's lives, the characteristics of the caseload, and the difficulty of mounting a massive work program lead many to believe that a time limit should only be applied to a modest portion of the caseload, at least at first. The vast majority of recipients start welfare with a child under 3. Many have little work experience. Some are ill or have sick children. Some simply have trouble coping with their lives. Moreover, requiring work of even half of the caseload on for more than 2 years could require the creation of 1.5 million jobs or more.

Inevitably critical questions involve cost and capacity. We would all like to see a system of 100 percent participation in work or work preparation activities by those on welfare. The x% of welfare recipients with pre-school children could not reasonably be required to work if day care were not provided. Education and training services, though usually funded outside the

welfare system, are not free, nor is capacity unlimited. Community service slots also require investment in planning, teaching, equipment, and supervisory time.

The JOBS program currently spends about \$800 million nationwide, and enrolls about 7 percent of recipients. Even the best-performing states currently serve only about 15 percent of recipients. Only in a very few places--Riverside, California being the best known example--has the JOBS program substantially affected the way the welfare system operates. Just moving all the states toward a program like Riverside would be a major task, especially if more mandatory work was expected. No state now relies on mandatory work for more than a small proportion of clients. Attempting to reach everyone and ultimately requiring work would thus be a gigantic leap, and an expensive one. And some worry about what will happen to the "walking wounded" on welfare now.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and provide some time for lessons regarding the magnitude and solutions to cost, capacity, and implementation. The challenge will be how to manage costs while at the same time being bold enough to meet our commitment to real change.

A second big issue is the consequences of non-compliance. For a system of required participation and work to be perceived as a genuine end to welfare as we know it, there would have to be serious penalties for non-participation. But current practice includes strong due process protections, penalties affecting adults only, and extremely low sanction rates of any sort.

Serious consequences for non-participation are crucial to the integrity of a new system. However, both the moral legitimacy and the feasibility of strict expectations and time limits on cash aid will derive from the existence of supports and opportunities to make work work. Because all of the elements must develop together, the management of a phased-in approach is crucially important.

It is important to realize that both the moral legitimacy and the feasibility of a reasonable strict time-limited welfare system hinge critically on the magnitude and nature of supports for work outside the welfare system. The easier it is for people to support their families through work outside of welfare, the fewer people will reach any time limit on cash aid and need to be placed in public or community jobs. With a rich array of non-welfare supports -- including the expanded EITC, child care, improved child support enforcement and perhaps child support insurance -- a woman could be better off than welfare even working half time. Half-time work seems feasible even for mothers with very young children and those from highly distressed backgrounds. It would also reduce the cost of child care and job creation. Thus a final question which will need to be explored is the extent to which spending more on supports outside the welfare system will reduce the need for and cost of providing work for people who reach the end of a time-limited support program.

For discussion purposes only

WELFARE REFORM PROPOSAL

Child Support Enforcement and Assurance

Paternity Establishment

The paternity establishment component is very similar to the design of the Downey/Hyde proposal, with the goal of developing a system which facilitates universal compliance. Under the proposal, Federal funding would be made available to each State to implement a paternity establishment program that meets certain Federal requirements and guidelines. The goal of the Federal requirements is 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.

Under its paternity establishment program, each State would establish simple, nonadversarial procedures for the voluntary acknowledgement of paternity shortly after birth, preferably in the hospital through an administrative process. Each State would be required to establish a civil procedure to adjudicate contested paternity cases through a judicial or administrative process. 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 State have direct access to the State data bases in order to process interstate cases.

The Federal government would reimburse States for seventy percent of the cost of establishing and operating the paternity establishment program. An increase in the reimbursement rate would be based on performance, relative to other States.

For children born after January 1, 1996, custodial parents who had not established paternity or who had not been granted a good cause exception would be unable to claim the personal tax exemption for each child for whom paternity had not been established.

Establishment of Child Support Orders

Under the proposal, 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 regarding of current ability to pay, by assuming they would work full time at minimum wage.. 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

This section includes many recommendations from the report of the Interstate Commission on Child Support and existing papers. 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 the 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.

Under the proposal, 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 State office, through its administrative law judges, would have the discretion to reduce child support arrearages on a case-by-case basis, but only if the office determines that such reduction will 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 rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit. 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 provide (finance) an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent fails to pay. The benefit would be administered by the

State and would be determined according to either of the following two options and 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	\$2,000
2	3,000
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4 or more	4,000

- b) Fifty percent of the child support order, plus a bonus payment of 40 cents per dollar paid by the noncustodial parent up to a maximum of \$100 per month.

States must disregard up to \$1,000 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 40 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.

Advance Payment of the Earned Income Tax Credit

Certain low-income custodial parents who are eligible for the earned income tax credit (EITC) could request to receive payment of the credit on a regular basis along with their child support payment. The EITC would be administered by the State child support agency.

Amendments to the AFDC Program

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

- a) 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;
- b) 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;
- c) 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;
- d) In place of the current \$50 per month passthrough of child support, States would be required to increase AFDC benefit levels by \$50 per month for families with a child support order. This would not be counted in the food stamp or housing programs;
- e) The standard disregard would be raised from \$90 to \$100 per month, 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 would be added.

Time Limit

Under the proposal, welfare receipt (including AFDC, food stamps, and housing) would be limited to 12, 18 or 24 months, based on the unemployment rate in each urban and rural area. For regions with an unemployment rate less than 6 percent, the time limit would be 12 months, for 6-9 percent, 18 months, and for greater than 9 percent, 24 months. Exemption 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:---

- a) is not a natural or adoptive parent;
- b) is working more than 20 hours per week (40 hours for both parents);
- c) has care of a child under age 2;
- d) has care of a disabled child or relative;
- e) is making satisfactory progress in secondary school or GED program;
- f) is participating and making satisfactory progress in a rehabilitation, training or parenting program (including Head Start);
- g) has a functional disability or impairment that significantly reduces employability; or
- h) has insufficient child care arrangements.

Education and Training

Under the proposal, Federal funding for the JOBS program would increase by \$3 billion. The Federal matching rate would be raised from the current level to 80 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.

Transitional Assistance

All other individuals not exempt from the time limit would be required after one year to 'work off' their welfare benefit in a CWEP-type program. CWEP programs must be designed to improve the employability of participants through actual work experience and training in order to enable individuals to move into regular employment after one year. Caseworkers would approve participation with the goal of moving individuals toward self-sufficiency within one year. States would be required to offer a CWEP job within 90 days of when an individual exhausts the one-year limit. Individuals would be required to work the number of hours derived by dividing the total amount of their welfare benefit (including AFDC, food stamps, and housing) by the Federal minimum wage, up to a maximum of 40 hours per week. Participants would be paid an

good

for soft

the time limit spelled out above

Time limit on job

also on AFDC

requirement that 55 percent of JOBS funds must be spent on certain target populations would be reduced to 35 percent.

Child support payments would be deductible from gross income for Federal tax purposes if the custodial parent receive the personal exemption.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the program would be conducted after the CWEP program and the time limit had been fully implemented. If it was determined that harm was being done to children, the President would have the authority to eliminate the time limit. Demonstrations and research projects will be determined at a later date.

Financing

The proposal would be financed through the following:

- a) Welfare savings from implementation of the time limit;
 - b) Taxation of AFDC, food stamps, SSI, housing, child support payments and assured benefit;
 - c) Subject student earnings above \$1,000 annually to FICA taxes;
 - d) Elimination of Social Security benefits for children of retirees;
 - e) Increased taxation of alcoholic beverages;
 - f) Increased taxation of handguns and semi-automatic weapons; and
 - g) Elimination of the Low-Income Energy Assistance Program (LIHEAP).
- good*

MAJOR COMPONENTS OF WELFARE REFORM PROPOSAL
(Fiscal year 1999, in billions of dollars)

Additional child support enforcement	1.0
Paternity establishment	0.5
Increased funding for JOBS	3.0
CWEP (above welfare savings) 1/	0.5
Child care	1.0
Welfare savings (time limit)	(3.0)
Child support assurance (net)	3.0
Taxation of AFDC, food stamps, SSI, housing, child support payment, child support assurance to custodial parent; deduction of child support for noncustodial parent	(1.0)
Program simplification and improvement	1.0
Elimination of LIHEAP	(1.5)
Taxation of student earnings	(0.7)
Elimination of Social Security benefits for children of retirees	(0.6)
Taxation of alcoholic beverages	(2.7)
Increased excise tax on handguns and semi-automatic weapons	(0.5)
	<hr/>
Total cost	0.0

1/ Most of the cost of CWEP (including the bonus) would be offset by reduced participation. The cost shown includes some CWEP for noncustodial parents.

Note: Bracketed numbers indicate revenues. These numbers are guesstimates and in many cases a hoped-for result. They should not be taken seriously, except as a guideline on what a given policy will cost or save.

IMPACTS

- o Reduced child poverty
- o Paternities established on 400,000 additional children each year
- o Increased parental responsibility
- o Transfer of an additional \$10 billion in child support
- o Reduction in AFDC caseload
- o Increased ability for parents to support their children
- o Improved child outcomes