

WR-60P

Analysis of House Ways and Means Republican Welfare Reform Proposal

Attached is a section-by-section, in-depth analysis of the Republican proposal drafted by Ron Haskins. Also attached are cost estimates of most of the provisions. The status of all the estimates is summarized below.

Title I: AFDC TRANSITION AND WORK PROGRAM.

These estimates are done

Title II: PATERNITY ESTABLISHMENT

These estimates are done. Note that we have assumed that no states would take up the option in section F which allows states to specifically exempt themselves from all requirements in this title.

Title III: EXPANDED STATUTORY FLEXIBILITY FOR STATES

We are waiting for estimates from UI/TRIM on several of the provisions under this title. (UI's programmers have been tied up doing health care work, but they expect to produce our GOP bill runs at the end of this week.)

Title IV: EXPANSION OF STATE WAIVER AUTHORITY

We think these costs will be very small, since the waiver projects are to be cost-neutral.

Title V: CHILD SUPPORT ENFORCEMENT

These estimates are done.

Title VI: WELFARE RESTRICTIONS FOR ALIENS

These estimates are done.

Title VII: MISC. PROVISIONS

Sections A & C are not estimatable because we don't know how many addicts are on AFDC and SSI. Staff are talking to FNS about sec. B, and staff are working on estimates for sec. D and E.

Attachments

## TITLE I: AFDC TRANSITION AND WORK PROGRAM

### A. AFDC Transition Program

#### CURRENT LAW

##### Assessment

States are currently required to develop an employability plan for each JOBS participant, based on an initial assessment and in consultation with the participant.

##### Services

As part of the JOBS program, states are required to provide the following services: educational activities, job readiness activities, job skills training and job development and job placement. In addition, states must offer at least two of the following four services: group and individual job search, on-the-job training, work supplementation and community work experience.

##### Participation Requirements for Recipients

To be counted as a participant under the JOBS program, an individual must be scheduled for at least 20 hours of JOBS services per week and must attend for at least 75 percent of the scheduled hours during a month.

Educational activities are subject to the twenty-hour standard, defined as time spent in class, with no consideration of time spent on homework. This has been and continues to be a point of considerable controversy.

##### Exemptions

AFDC recipients are currently exempted from JOBS if they are:

- 1) the parent or caretaker relative of a child under three (a few states have opted to exempt only parents of children under one);
- 2) ill, incapacitated, of advanced age;
- 3) a caretaker of an ill or incapacitated family member;
- 4) employed more than 30 hours per week;
- 5) a child who is either under age 16 or attending school full time;
- 6) in the second trimester of pregnancy or
- 7) residing in an area where the program is not available.

##### Sanctions

If a recipient required to participate in JOBS fails to comply, the individual's needs are not considered in calculating the family's AFDC benefits, but food stamp benefits are not reduced

(and would actually be expected to rise, to some degree offsetting the sanction). For AFDC-UP families, the other parent's needs are also not considered in the calculation of the grant, unless he or she is participating in the JOBS program.

### **Supportive Services**

Under current law, recipients are guaranteed child care if it is necessary for them to either work or participate in the JOBS program, and transportation if needed to participate in JOBS.

### **Participation Standards for States**

States are presently required to enroll 15 percent of non-exempt AFDC families in the JOBS program during FY 1994 and 20 percent during FY 1995. The participation standards for AFDC-UP families are 40 percent in FY 1994, 50 percent in FY 1995, 60 percent in FY 1996 and 75 percent in FYs 1997 and 1998.

### **Federal Match**

States are presently reimbursed at a 90 percent rate for JOBS expenditures up to the amount allotted to the state in FY 1987 for WIN (Work Incentive Program). Additional expenditures are reimbursed at the higher of 60 percent and the Medicaid rate for direct costs and personnel costs of full-time JOBS staff and 50 percent for other administrative costs.

### **Targeting**

Under current law, states are mandated to spend 55 percent of their JOBS funds on recipients falling within the target populations. The target groups are 1) families in which the parent is under 24 and has either not completed high school or had no work experience within the past year; 2) families who have received assistance for 36 of the previous 60 months; and 3) families in which the youngest child is within two years of aging out of AFDC. States failing to meet the 55 percent standard face a reduced matching rate of 50 percent (see Federal match section above).

### **Teen Parents**

Under JOBS, custodial parents under 20 who have not completed high school are required to participate in an educational activity.

## **REPUBLICAN PROPOSAL**

### **Assessment**

Under the new Republican welfare reform bill, the state welfare agency and the recipient would arrive at a written agreement, similar to the employability plan required under JOBS, except

that as part of the agreement the recipient, if still on AFDC after 2 years (less at state option), would have to work in exchange for benefits.

### Services

States would provide the same services under the transition program that are currently offered under JOBS: education, job skills, job readiness, job development and job placement, group and individual job search, on the job training, work supplementation and community work experience. The bill does not indicate whether the current distinction between services states are mandated to offer and those that are offered at state option would be maintained.

### Participation Requirements for Recipients

Non-exempt recipients would, under the Republican bill, be required to participate in the transition program for a total of 520 hours during the year, or an average of 10 hours per week, which represents a reduction relative to the JOBS participation requirement of 20 hours per week.

Participation in educational activities is treated separately. Meeting the standard set by the education institution (including degree-granting programs) for full-time enrollment and maintaining passing grades would be considered participation, even if fewer than ten hours per week were spent in class.

The Republican bill allows states flexibility regarding the implementation of the ten-hour requirement. A recipient can meet the standard by participating 40 hours per week for three months, 20 hours per week for six months or 10 hours per week for the entire year. JOBS enrollees are required to participate 20 hours each week. The flexibility permitted in the new bill could present measuring issues, as discussed below.

States are required to assess, at the conclusion of the participant's first year in the transition program, whether he or she is meeting the participation standard. As discussed below, measuring participation at the conclusion of the year could be problematic.

States would have the option of delaying the entry of job-ready recipients into the transitional program for a period of up to one year, a choice not explicitly provided under JOBS, although the much lower participation standards under JOBS enable states, if they choose, to effectively delay the entry of job-ready recipients indefinitely.

### Exemptions

Under the new bill, the number of criteria for exemptions would be sharply reduced. The proposed Republican bill explicitly

preserves only exemptions for disability and for caring for an ill relative. The bill specifically excludes drug and alcohol offenders from coverage under the disability provision. States are, however, permitted to exempt, for up to 12 months, recipients who are enrolled in substance abuse treatment programs.

Perhaps most critically, the bill replaces the current exemptions for mothers of children under three and pregnant women with an exemption during the 6-month period in which the recipient gives birth to the first child born after coming onto the AFDC rolls and exemptions during the 4-month period in which any subsequent child is born while the recipient is on AFDC. The birth exemption periods are to be divided between the pre and post-natal periods according to the recipient's preferences, i.e., exempt from participation requirements for 2 months before the birth and 4 months after, or for 3 months before and 3 months after (first birth while on AFDC).

The bill does add an exemption for a 2-month period in which a child previously removed returns home.

#### **Supportive Services**

The outline of the Republican bill does not address the provision of these support services.

#### **Participation Standards for States**

The participation levels states are mandated to achieve under the proposed Republican bill are substantially higher than the level currently required under JOBS. The new bill calls for states to enroll 30 percent of non-exempt new applicants in the transition program in 1996 and 40 percent in 1997. As of 1998, the participation requirements apply to the entire caseload (not only new applicants). The participation standards are 50 percent for 1998, 60 percent for 1999, 70 percent for 2000, 80 percent for 2001 and 90 percent for 2002.

#### **Sanctions**

Non-exempt recipients who fail to participate as assigned are subject to sanction. The family's combined AFDC and Food Stamp benefits are to be reduced by 25% until the recipient complies or 3 months have passed, whichever is longer. If the recipient does not come into compliance within 3 months, the sanction must be extended for another 3 months (no additional reduction in benefits). If the recipient does not comply within six months, the family's AFDC benefits are eliminated entirely. The family is still eligible for Food Stamps, Medicaid and any other benefit for which they would otherwise qualify.

## Federal Match

While the bill does not address the topic of the Federal match rate for state expenditures on the transition (as well as the work) program, we have been told by Ron Haskins that the Federal match will be the higher of 70 percent or the medicaid match. The cost analysis assumes this rate.

## Targeting

The outline for the new bill does not contain targeting provisions similar to those in current law, although it does encourage states to fulfill the participation standards by focusing on mothers with older children.

## Teen Parents

The new bill requires states to deny AFDC benefits to unmarried parents who are under 19, which marks a shift from current law, under which states can require teen parents to participate in educational activities. Married minor parents would, however, be eligible for AFDC-UP.

## ANALYSIS

### Services

The Republican bill contains no language concerning the selection of services, implying that the choice of services and the assignment of participants to services are to be left to the discretion of states.

The new bill gives the states the option of requiring recipients to participate in work program after less than two years in the transitional program. It is not entirely clear if there is a minimum stay in the transition program (see below), or if states could require all recipients to participate in work activities, without receiving any transitional services. Given the cost of CWEP slots, it is not likely states would be eager to pursue this course of action.

## Participation

Under the new bill, states have, as mentioned above, flexibility regarding how recipients are to meet the 520 hour per year standard, i.e., full-time for 3 months, half-time for six months, etc. Incorporating flexibility into the program might present serious measuring issues. If a recipient could meet the standard by participating a total of 520 hours during the year, rather than a minimum 10 hours each week, compliance could only be determined on an annual basis. A recipient inactive for six months could still meet the standard by participating 20 hours per week for the remainder of the year, and consequently sanctions could only be imposed after the annual review.

1000  
hrs.

The bill sidesteps this issue by not specifying the duration of noncompliance that would trigger the sanction, i.e. failing to average ten hours per week for two weeks, a month, two months, etc.

If a state did choose to take advantage of the new bill's proffered flexibility, it might have to measure participation as the percentage of recipients enrolled in the transition program for a full year who met the 520-hour standard. Under this method, recipients who leave before completing a full year would be ignored in the calculation of the participation rate. Donna Pavetti's data indicates that about 30% of persons entering welfare leave within the same calendar year.

As proposed in the outline, the 520-hour rule does not encourage states to involve recipients in activities as rapidly as possible. Rather, it provides an incentive to delay entry into the transition program or allow transition program participants to remain inactive for the first few months in the hope that they will leave within the year, without costing the state any dollars in services. If a recipient is still on the rolls after six months, half-time participation during the last six months of the year will meet the standard.

The outline of the bill does not specify whether a recipient would be subject to sanction if he or she were cooperating but failed to meet the participation requirement as a result of state failure to conduct the assessment or make referrals to services in a timely manner, or due to a shortage of spaces in appropriate programs. The problem of recipients failing to meet the standard through no fault of their own would probably be less serious if participation were measured on an annual basis only, which would allow recipients to meet the standard by more intensive participation in the later months of the year.

## Sanctions

Sanctions under the new bill would in general be larger than the sanctions under current law, since food stamp benefits would also

be reduced, rather than rising to offset the reduction in the AFDC benefit.

The bill requires sanctions to be imposed for a period of at least 3 months. This provision may have the effect of discouraging caseworkers from employing sanctions as a tool to promote participation, particularly in the case of the final sanction, removal from the AFDC rolls. In a case in which a final sanction was imposed, the family's food stamp benefits would rise to above the pre-sanction levels, offsetting some of the federal savings from eliminating their AFDC benefits.

### **Supportive Services**

Although the bill boosts the participation standards and vastly broadens the mandatory caseload, it earmarks no funding for child care, transportation and other support services, which may exacerbate the funding pressures on states, discussed further below.

### **Targeting**

The proposed bill is ambiguous with respect to treatment of parents with young children. By replacing the exemption for mothers of children under 3 with the 6 and 4-month birth exemptions, the bill appears to require states to serve mothers of young children in the transition program. Elsewhere in the bill, however, states are encouraged to fulfill the participation standards by serving mothers of older children.

The intent of that provision may be to minimize child care costs. Given that (according to New York State data) 40% of AFDC recipients have children under 3, states will not be able to meet the participation standards without enrolling substantial numbers of these mothers. The provision may be a concession to those uncomfortable with requiring mothers of young children to leave the home, placing the children in care.

## QUESTIONS/CONCERNS

*Time Limits.* The Republican proposal gives states the option of requiring some recipients to enter the work program before two years have elapsed. The equity questions and logistical problems associated with assigning different time limits to different individuals need to be addressed both in the context of this proposal and of Administration welfare reform proposals.

The bill does not clarify whether the work requirement comes into effect after two years of AFDC receipt or after two years of participation in the transition program. If the former is the case, a recipient could be enrolled in the work program without having received any transitional services.

The Republican bill does not address the critical question of whether the two-year limit on receipt of cash benefits before the work requirement is triggered is a lifetime limit, a limit on consecutive years of receipt or a renewable limit. The bill is entirely silent regarding the treatment of those who enter and leave welfare within two years and those who leave while in the work program; can they return and, if so, for how long?

In light of Donna Pavetti's work, which indicates that 58 percent of women who leave welfare return within two years and 77 percent return within seven years, this question is absolutely critical, with respect to both the Republican bill and our own welfare reform efforts.

The bill, moreover, does not indicate whether those dropped from the rolls after five years can regain their AFDC eligibility after a period of time has passed or due to a change in circumstances (birth of another child).

*Exemptions.* It is not specified whether the 4 and 6-month birth exemptions, as well as the exemption for enrollment in substance abuse treatment programs, exempts a recipient from participation for the purposes of sanctions only, or for the purposes of the two-year time limit as well.

*Targeting.* The absence of the targeting provisions of the type found in JOBS generates an incentive for states to serve the recipients least in need of services, particularly during the early years of the phase-in period when the participation standards are relatively low. Recipients who enter the program at a young age without either a high school diploma or work experience are among the most in need of services, but under the new bill states would not be encouraged to enroll them in services rapidly. Given that these are the recipients with the longer average stays on AFDC, those least likely to leave before the expiration of the time limit, delays in involving them in services could be particularly serious.

*Match Rate.* The new bill's higher participation rates and broader mandatory caseload may exacerbate the problems states are currently experiencing raising funds for the JOBS program. The savings from the provisions eliminating benefits for noncitizens will be distributed very unevenly across states (California, for example, may experience substantial savings, while states with few noncitizens and/or few SSI recipients may see little or no savings). Even if the bill is revenue neutral on a nationwide basis, it is unlikely to be revenue neutral for individual states.

*Teen UP Participants.* It is not clear whether at least one of the two married minor parents in the AFDC-UP program would have to participate in the work program, or whether a minor parent could substitute school attendance for the work requirement.

*Offsetting Costs.* Under the bill, states are permitted to deny benefits to families who have been enrolled in the work program for 3 years (on AFDC for a minimum of 5 years). These families would, again, be eligible for increased food stamps, as well as increased housing benefits (as a result of the reduction in income).

The elimination of AFDC benefits due to either sanction or reaching the 3-year work program time limit would be accompanied by greater demand for emergency assistance, foster care, homeless services and other locally provided social services, a point that has received some, but may need to receive even greater consideration in the welfare reform process.

## Title I: AFDC TRANSITION AND WORK PROGRAM

### B: AFDC Work Program

#### CURRENT LAW

##### Basic Families (Single Parent)

The JOBS program contains two work programs. The first is the Community Work Experience Program (CWEP) and the second is the Work Supplementation Program. Under current law, States have the option of implementing these programs, they are not required to do so. In FY1991 there were 13,112 slots for CWEP participants and 707 slots for people in work supplementation. Many states do not operate these programs, especially work supplementation. (Administration for Children and Families).

CWEP is designed to provide opportunities for training and work experience for JOBS participants, which will hopefully improve their chances for employment in the private sector. The projects on which they work must "serve a useful public purpose." Participants work a maximum number of hours equivalent to their AFDC benefit divided by the federal (or State if it is bigger) minimum wage. After nine months, the participant cannot be required to work in the position unless his or her hours of work multiplied by the pay rates of others in similar positions at the same site is less than the AFDC cash benefit. | ?

States who adopt work supplementation programs use the money that would have been payable to families as an AFDC benefit to create and pay for a participant to work in a job. States have the option of reducing or eliminating the amount of the earned income disregards for families participating in work supplementation (Green Book 1993). | ?

The current law sanctions and exemptions policy is discussed in the section describing the transitional program.

#### REPUBLICAN PROPOSAL

##### Basic Families (Single Parent)

After two years of AFDC receipt, welfare recipients will have to participate in a work program. States can either run CWEP, work supplementation, a combination of the two, or a completely different program. The latter two options must be reviewed by the Secretary of Health and Human Services before a state can proceed with their proposed plan. A recipient of the AFDC-Basic program will have to participate in a state-run work program for 35 hours per week.

The CWEP component of this bill is the same as that of the JOBS program except for the increase in hours worked to 35 per week.

The work supplementation bill will be changed in the following ways:

- there will no longer be a requirement that all recipient jobs must be new jobs;
- recipients must be paid the equivalent of their AFDC and Food Stamps benefit as opposed to just their AFDC benefit under the JOBS program;
- states can negotiate with employers so that the employers pay part of the salary and the state pays the difference.

Although the transitional program will be operational in 1994 (under the framework of the JOBS program), the work program will not phase in until 1996. In 1994 and 1995, AFDC recipients will participate in the current JOBS program at the participation rates that were mandated by the Family Support Act, 15% in 1994 and 20% in 1995. Therefore, there will be no participants in the work program (and no additional costs to the federal government) until 1996.

Beginning in 1996, any AFDC recipient who applied to receive AFDC before the implementation date of this program (October 1, 1994) will be considered part of the pool of eligible participants in the work program. We will assume that a majority of the caseload will not be exempted from the work requirements because the GOP plan provides for fewer exemptions than there are under the current JOBS program.

The sanctions and exemptions regulations for the work program are the same as those in the transitional program. (See section on transitional program for details). In 1996, 30% of the non-exempt caseload must participate in a work program. The participation rates in future years are the following:

- 40% of new Basic applicants in 1997,
- 50% of new Basic applicants in 1998,
- 60% of new Basic applicants in 1999,
- 70% of the entire Basic caseload in 2000,
- 80% of the entire Basic caseload in 2001,
- 90% of the entire Basic caseload in 2002.

After three years in the work program and five years of receipt of AFDC, states have the option of dropping families from the AFDC rolls. However, the family will continue to be eligible for Medicaid, Food Stamps and other benefits.

#### UP Caseload (Unemployed Parent)

States must also provide work programs for one parent in any two parent family that receives AFDC-UP. Participants in the UP work program must work for 32 hours per week and engage in job search for eight hours. The participant will be paid an amount equivalent to his or her AFDC and Food Stamp benefits after he or

she has completed the work requirement. The participation rates for UP families are as follows:

- 40% of the entire UP caseload in 1994 (current law),
- 50% of the entire UP caseload in 1995 (current law),
- 100% of the entire UP caseload in all subsequent years of the program.

Under current law, many states have the option of imposing a six month time limit on the receipt of benefits by a UP family. This proposal gives all states the right to impose this limit.

### ANALYSIS

This program was designed to put AFDC recipients to work. The hope is that they will receive sufficient training in the transition period to enable them to find private sector jobs. If that is unsuccessful, this bill will fund public sector jobs for both AFDC-Basic and -UP recipients. Recipients are required to work off both their AFDC and Food Stamp benefits.

As stated above, there is no real counterpart to this program in current law. The CWEP and work supplementation programs are not utilized greatly under the JOBS program. According to HHS data, only 3% of JOBS participants were enrolled in CWEP or work supplementation programs, and only 2% of JOBS funds were allocated for these programs. Under the JOBS program, a majority of the Basic Caseload is not required to participate and a majority of the UP Caseload does not participate in JOBS.

Therefore, with fewer exemptions and higher participation rates for mandatory participants, there will need to be a sizable increase in funding for the creation of new positions. There might be a need for as many as 2 million more jobs than were required in the JOBS program in the first five years. If we assume a cost of approximately \$3000 per job slot, we end up with a cost of about \$6 billion for the work component of this bill for just custodial parents.

The issue of the provision of supportive services is not raised in this proposal. We would assume that, as under the JOBS program, state and federal governments would be required to provide child care and transportation subsidies for people participating in this work program. Child care costs would be expected to increase greatly from current levels because there will be more people working for longer hours, and there will no longer be an exemption for parents with children under the age of three. It is possible that child care costs could equal or exceed the costs of the development and maintenance of the work slots.

## QUESTIONS/CONCERNS

It is unclear what the level of non-work is among AFDC recipients. We know that about ten percent of AFDC recipients work either part-time or full-time. Some studies have shown that one-third of AFDC recipients have worked at some time during their period of receipt of benefits (CLASP). This bill contains no specifics about child care, medical coverage, and other supportive services. If recipients are not able to meet these needs, it is not clear that they will be able to participate in a work program.

There is also a question of the equity of the phase-in. If someone comes on to the welfare rolls on September 1, 1994, she will not enter into the transition program until 1998. However, if someone enters the welfare system on November 1, 1994, she could end up going straight into the work program in 1996, without receiving the education, training and job search services that other recipients have received.

## TITLE I: AFDC TRANSITION AND WORK PROGRAM

### D. Work Program for Fathers

#### CURRENT LAW

Presently there is no current federal law governing work experience or requirements for noncustodial parents with arrears for child support payments. However, the Family Support Act of 1988, (Public Law 100-485 October 13, 1988 102 STAT. 2363) includes a provision requiring the "Secretary to permit up to 5 states to provide services under the (JOBS) program, on a voluntary or mandatory basis, to non-custodial parents who are unemployed and unable to meet their child support obligations." This provision is the point of departure for Parents Fair Share.

Under the Downey-Hyde proposal an administrative law judge could have required mandatory participation "in CWEP and job search activities under the JOBS program for noncustodial fathers who willingly fail to pay child support in lieu of or in addition to other penalties." The parent would receive no payment for work in CWEP activities; instead earnings would be transferred to the noncustodial parent. Such CWEP requirements could last for up to six months. The proposal also permitted noncustodial parents who were unable to pay because of unemployment or low income to volunteer to participate in the JOBS program before they had accumulated the equivalent of two months of arrears. If participation was accepted, the child support order would be waived during participation, and if no slot were available, no arrearage would accrue. Participation in other activities after JOBS could also result in waiver of the support order. These other activities must include job search, but could include activities that benefitted the child. Since both the Family Support Act and the proposed Downey-Hyde proposal specify participation in the JOBS program, these provisions probably also relate only to noncustodial parents with children in the AFDC caseload.

#### REPUBLICAN PROPOSAL

Title ID of the Republican proposal mandates participation in the State work program for noncustodial parents with the equivalent of more than 2 months of arrearage, unless noncustodial parents have a court approved repayment plan. The State program must include proper notification of child support arrearage and a 30-day period to respond, followed by a 2-4 week job search program as the initial phase, followed by a 35 hour per week work program (probably CWEP). Within the initial 30-day period, and within 30 days of the beginning of the job search phase, noncustodial parents free themselves from the participation requirement by paying their child support.

States are free to add additional program components, but within these guidelines, they cannot substitute other activities for the work program. The one exception is that the work program

requirement can be reduced to 30 hours per week, if the State's program includes a job search component. States are required to meet program participation requirements for AFDC fathers, so, for example, 30 percent of all fathers with children (of applicants) on AFDC, who do not pay child support must be participating in a program under this section by 1996.

### ANALYSIS

This is potentially a large program but the absence of "earnings" could reduce the cost substantially. The program is highly punitive, and therefore, could have high "smoke out" effects. The benefit of such a program is its ability to distinguish between volition and ability as the barrier to child support payment. The cost of such a program is that when ability is the barrier, the program offers nothing.

The program is potentially costly for two reasons. First, there appears to be no escape clause for this subsection. States with work programs for AFDC applicants must get their partners to pay child support, or have CWEP programs for these partners. Second, meeting the child support obligation (including arrearage, perhaps) is the only way out. There must be a CWEP slot for noncustodial parents who cannot find or keep private sector employment, even after participating in a CWEP program for a period, and for recidivists--those who are likely to fall into arrears again, after paying an earlier child support obligation. This is unlike the Downey-Hide proposal or the Children's 1st CWEP-NCP program in Wisconsin, which both have time limits.

On the other hand, the costs of the program are reduced by the absence of a subsidy, child support or AFDC offset of any kind. Normally, supervision (overhead) costs of basic CWEP jobs are \$1500 per slot. In this case there is no need to add the "earnings" at the minimum wage, because the CWEP slot is unsubsidized. No funds go to defray the AFDC expense and none are counted against the noncustodial parent's pre-program arrearages. This is one reason that the basic program would can "smoke out" hidden earnings so effectively. The only incentive to participation is to avoid more serious sanctions (probably incarceration). However, unless states use their freedom to add additional services, the program will be onerous for those with limited ability to pay.

The only similar experience we have, for which some results are available, is the Wisconsin Children 1st program. That program operated in two counties, one which implemented a basic CWEP program, and another, in Racine, which gave NCP's a full array of JOBS like services. This program was mandatory, both counties found high noncompliance rates, so that participants had to be sanctioned several times before they finally cooperated, arrearages continued to accrue during program participation, although earnings were used compensate for AFDC benefits and most participants completed the program by paying their orders. Finally, both

programs increased child support payments, although the enhanced (Racine) program got higher compliance rates and increases in the amount of child support paid.

Two final odd features of the program should be mentioned. First, the weekly work requirement is unrelated to the value of the child support order. So, fathers with small child support orders (or few children) and those with larger child support orders must all work 35 hours. This is why "earnings" do not compensate for AFDC benefits. However, it also seems to violate the principle, let the punishment fit the crime. Finally, noncustodial fathers may soon figure out that they can escape this work requirement by erratic or partial payments. That is, as long as they stay at two months arrearages or less, the requirement is not imposed. NcP's with smaller support orders or higher incomes can more easily carry out this strategy.

#### QUESTIONS/CONCERNS

Several questions arise about this proposal:

- o Does an ncp free himself of the participation requirement by resuming child support payments or must he make up all arrearage (e.g., the two months arrearage that made him subject to the requirement) to be released?
- o How long is program participation mandated, for as long as the ncp owes child support, arrearage?
- o Are ncp's required to participate in the program every time they accumulate more than 2 months worth of arrears? In other words, are recidivists allowed.
- o Do arrearage continue to accrue while the ncp participates in the program?
- o Will the Federal Government participate in the costs of employment services not mandated under this requirement? In other words can States use Federal funds to support JOBS-like services to ncps.

## TITLE II: PATERNITY ESTABLISHMENT

### CURRENT LAW

Under current law, clients must cooperate with the state in establishing paternity. Regulations specify that identification of the parent is part of the required cooperation. If the mother cooperates, the family is eligible for full benefits based on family size, even if paternity is not established. If the client does not cooperate, her portion of the AFDC benefit will be terminated and payment for the child will be made to a protective payee unless no such payee can be found. The client does not have to cooperate in the establishment of paternity if she can establish "good cause" as determined by the Secretary. The state develops any procedures it feels necessary to confirm allegations that the father is dead or missing, but states must attempt to locate all "missing" fathers through state and federal locate procedures.

Under the new provisions of P.L. 103-66, the Omnibus Budget Reconciliation Act of 1993, states must have procedures in place for a simple civil process for voluntarily acknowledging paternity. Such procedures must include a hospital based program for the voluntary acknowledgement of paternity during the period immediately before or after the birth of a child.

P.L. 103-66 also strengthened the paternity establishment standard which states must meet. States must increase their paternity establishment percentage each year unless their paternity establishment percentage is 75 percent or higher. The increase must be: 3% between 50% and 74; 4% between 45% and 49%; 5% between 40% and 44%; and, 6% if under 40%.

### REPUBLICAN PROPOSAL

Under the Republican proposal, clients must provide the father's name as part of the AFDC application process and cooperate in the establishment of paternity. The family is not eligible for full benefits based on family size unless paternity has been established for all children (needing paternity). If the mother provides the father's name, she is eligible for a reduced benefit based on the number of children with paternity established. The proposal would require that if the client does not provide a name and cooperate in the establishment of paternity, the family would be eligible only for a benefit for any children for whom paternity is not in question. If the mother provides a "false" name, the entire family would be dropped from the rolls.

A mother is exempt from the cooperation requirement if the pregnancy is the result of rape or incest or if the state concludes that pursuing paternity would result in physical harm to the parent or child. The Republican proposal would require States to develop procedures to handle cases in which mothers

claim the father is dead or missing. The burden of proof is on the mother.

The Republican proposal would require States to develop procedures in public hospitals and clinics that facilitate acknowledgement of paternity. It would also require all state officials and employees to inform unwed mothers that they cannot get AFDC unless they name the father and that they need to establish paternity. Additionally, the Republican proposal would increase the State paternity establishment standard to 90 percent.

#### ANALYSIS

The Republican proposal does not go beyond existing law in its requirement for cooperation. The existing statute and regulations already require that an AFDC applicant or recipient provide the name of the father of any child requiring paternity establishment and cooperate in the establishment of paternity. Where the Republican proposal goes beyond current law is in the type of benefit reductions used to induce cooperation. Families would receive a reduced benefit or no benefit (in a one child case) unless the mother named the child's father and would not receive full benefit unless paternity was established for all children in the family. The Republican proposal does not take into account that the lack of paternity establishment may result from the inaction or inefficiencies of the state child support enforcement agency. Once the mother has provided complete information she has little leverage over the "system's" ability to establish paternity.

Currently good cause is defined in the implementing regulations, but not in statute. HHS regulations define good cause as the child conceived as a result of rape or incest, legal proceeding for adoption are under way or the parent is considering relinquishment, or physical or emotional harm might be inflicted by the putative father. The Republican proposal only includes rape, incest and the threat of physical harm, thus limiting the definition of good cause.

The intent of the Republican proposal provision regarding voluntary acknowledgement is unclear. The provision in P.L. 103-66 (and its implementing regulations) require that all birthing hospitals, including public hospitals, have voluntary acknowledgement programs. The Republican proposal mandates that such procedures be in place in public clinics as well. Limited experience with clinic programs have not found them to be very effective at generating acknowledgements.

The Republican proposal increases the required paternity establishment standard to 90 percent, a 15 percent increase over the percentage standard established in Reconciliation. It does not, however, provide any specifics regarding the incremental

increases which states can meet, if they can not yet meet the 90 percent standard.

## QUESTIONS/CONCERNS

### **Non-Cooperation**

Many jurisdictions have reported an unbelievable high rate of "unknown" fathers. This may have resulted in part from the impersonal application process for AFDC benefits, the delayed follow-up by IV-D agencies, and the unwillingness of many AFDC programs to sanction or even threaten sanctions for non-cooperation. Jurisdictions which have instituted a personal child support interview as part of the AFDC application process have reported substantial reductions in the use of "unknown." For example, in one site, Colorado staff indicated a reduction from 25 percent to less than 5 percent of applicants reporting unknown fathers. In a review of paternity establishment in 3 Wisconsin counties, staff indicated that a liberal threat of sanction also served to improve the quality of information provided by the mother.

It appears that it is the "process," not the lack of requirements, which allow AFDC clients to avoid naming the children's fathers. Requiring states (under current law) to have personal child support interview at the time of application could improve performance more than legislating a requirement which already exists in regulation. | ?

### **Reduced Benefits**

There are two situations often cited as affecting the programs ability to establish paternity. One is that there is an on-going relationship with the father that the mother does not want disturbed. The second is that the mother truly does not have sufficient information about the child's father for the system to establish paternity. The New York Child Assistance Program (CAP) demonstration results indicate that even with clients wanting to qualify for CAP participation, many women, especially with older children, could not provide sufficient information for the system to establish paternity and awards. This provision would severely penalize families caught in the "rules" change, because many do not have accurate and complete information about the child's father and his current whereabouts. *new applicants only.*

While this change might result in a reduction in the AFDC caseload, assuming the state will actually use sanctions, it could also result in more homeless families, more abandoned children, or more children in AFDC foster care.

It is also not clear how the mother could prove that the father was either dead or missing. Most people who had proof of paternity and death would be filing for social security survivors benefits, not AFDC. Given the very low percentage of children !

eligible for AFDC because of the death of a parent (2 percent in 1989), claims of parental death do not appear to be a problem.

#### **Good Cause**

There is no indication that current good cause procedures are over-used or abused. Good cause is currently approved in less than 1 percent of AFDC cases. This is a lower incidence than could be expected given the prevalence of domestic violence in low-income populations. There appears to little reason for further restricting the good cause provisions.

#### **Paternity Acknowledgements in Public Clinics**

One state, Delaware, has tried to implement its paternity acknowledgement program at clinic sites. While they think the public information campaign was helpful, it did not result in any actual paternity establishments. Delaware staff believe in order for a clinic program to be effective, there must be hospital-based or other types of follow-up.

#### **Information Dissemination**

Most women who have children out of wedlock are not on AFDC nor do they necessarily ever intend to receive AFDC. Any outreach to change the civic culture around paternity establishment needs to be built on the best interest of the child (and the parents), not some denial of future public assistance payments.

Many states are currently engaged in paternity establishment campaigns. It is unlikely that the most successful conveyors of information regarding the positive benefits of paternity establishment are state employees and officials.

#### **Paternity Establishment Percentage**

Ninety percent is probably not realistic given old cases in the system where contact with the other parent has been lost. If the percentage goal is increased to 90 percent, it should be phased in over time. The rate has to take into account that after a certain number of years, mothers may indeed have lost contact and may not be able to provide sufficient information to pursue the case. One might base the percentages on year of birth, e.g., 90 percent could be used for children born after implementation of hospital-based paternity acknowledgement programs and a lower percentage, perhaps as low as 50 percent, could be used for kids born before 1980.

OK

### Title III: Expanded Statutory Flexibility for States

#### Section A: Rewards and Sanctions for Immunizations and Health Checkups

##### CURRENT LAW

All parents are required to have their children immunized by the time they enter school; there are no specific requirements for AFDC parents.

##### REPUBLICAN PROPOSAL

It is not clear whether it is mandatory or optional for states to implement this section which rewards or penalizes parents for the status of their children's immunizations. If it is mandatory, States could pass a law exempting themselves from this provision.

States would pay parents an extra \$50/month for six months if they have their children immunized and make sure that they receive preventive health services. If the parent does not follow these rules, they could be sanctioned up to \$50/month until they comply.

##### ANALYSIS

This proposal will probably not cost or save a lot of money in benefits for families, because the sanctions presumably will balance out the bonuses. There will be some additional administrative costs for monitoring recipients for compliance. If usage of medical services increases, there will be an increase in Medicaid costs.

There are many theories as to why poor children do not receive immunizations and preventive medicine. One reason is that poor parents do not know about the benefits of these services and therefore do not attach importance to making sure their kids receive them. If this is the motivating factor behind parents' behavior, this provision might induce parents to make sure that their children receive medical services. The fifty dollar bonus could also help parents pay for transportation or child care to get the children to the clinics or doctors. Preliminary anecdotal evidence from a similar Maryland program is that the sanctions are having an effect on encouraging parents to have their children immunized.

However, it is also true that many doctors will not accept Medicaid patients and that it is often difficult for poor parents to take their children to public clinics or hospitals for attention. If these reasons are the factors behind the low immunization rates of poor children, then this regulation will not help improve their health.

## QUESTIONS/CONCERNS

This proposal adopts a demand-side approach to preventive health services. If this proposal is implemented by States, they should have to insure that there is access to preventive services for children. This is the only way to ensure that it achieves its purpose of improving the health of young children. Parents cannot be expected to comply if services are unavailable.

Also, if for some legitimate reason, a parent cannot take the child to get their medical services, the loss of fifty dollars a month will not improve the child's health and well-being.

## Section B: No AFDC for parents under age 19

### CURRENT LAW

Under current law, teenaged parents can apply for AFDC if they meet income and asset requirements. Some teens are heads of their own case and others receive benefits under their parent's case.

### REPUBLICAN PROPOSAL

This proposal would eliminate benefits for any teenager who becomes a single parent and her child. If the teenager marries the father of her child, and they meet the other criteria, the couple can become eligible for the AFDC-UP program. Again, it is not clear if this is a mandatory or optional provision for States.

### ANALYSIS

This goal of this proposal is to discontinue the "rewards" that are attached to becoming a teenage parent. The number of teenage parents is larger today than it was thirty years ago. Also, many of those who remain on AFDC for more than eight years first entered the program as teenagers. This proposal advances the view that if teenage parents cannot receive AFDC, they will not get pregnant (or will not have or keep the child); if they do get pregnant and decide to keep their child, this proposal will force them to move in with their parents or get married.

According to the Alan Guttmacher Institute, higher welfare payments are negatively correlated with teenaged childbearing for blacks and whites. When welfare payments are raised, however, abortion rates rise. One reason for this result could be the correlation within a state between higher levels of AFDC funding and the availability of Medicaid funding for abortions. The authors of this study conclude that welfare payments do not act as an incentive for teenagers to bear children (Family Planning Perspectives, 1986).

The literature also shows that teenagers often do not get pregnant by choice. Some are the victims of sexual abuse. More, however, do not have access to information on contraception, and many who have the information still do not use contraceptive methods correctly. For those who choose to get pregnant and keep their child, the financial incentive does not appear to be the prime motivating factor.

It is also unclear what the effect of this proposal will be on the behavior of young women and men after the pregnancy has occurred. It is possible that more teenagers will move in with their parents instead of establishing their own households. However, the literature does not support the hypothesis that without AFDC, more teenagers would marry the father of their

children. It is also possible that this proposal could increase abortion rates for teenagers.

Therefore, changes in welfare policy do not appear to have a significant effect on whether or not teenagers get pregnant or keep their babies.

#### QUESTIONS/CONCERNS

A significant question is whether these teens can receive AFDC benefits after they turn twenty. If this is the case, then teenagers will still have babies and just wait to apply until they are older than twenty.

This proposal also could increase costs in other areas like foster care, homelessness, food stamps, and Medicaid.

It is also not clear that all teens will be better off living with their parents. The teen could come from an abusive household which is what led her to become sexually active at an early age. Also, it might not be best for her to marry the father of her child if there is a potential for abuse in that situation as well.

This provision does not offer any kind of preventive approach to teenage pregnancy. It also does not try to exert any pressure on the male not to engage in sexual activity.

## Section C: Rewards and Sanctions for School Attendance

### CURRENT LAW

Welfare recipients and their children are currently subject to the same school attendance and truancy rules as are all families. There are States currently testing the issue of rewards and sanctions under waiver demonstrations.

### REPUBLICAN PROPOSAL

This provision builds on the Learnfare model established by Wisconsin, in which children on AFDC were sanctioned if they did not regularly attend school. Families with school aged children would be sanctioned \$75.00 per child per month if that child did not regularly attend school without good cause. The proposal mentions something about a reward of \$75.00 but it is not clear how a family goes about receiving this award.

### ANALYSIS

This program would likely cost more than it would save. After a lawsuit initiated by parents in Milwaukee, the state of Wisconsin had to offer pre-sanction services that protected families' rights to due process before their benefits were terminated. The state had a sanction rate of 3% after these procedures were implemented. Additionally, Wisconsin provided funds for case management and supportive services, which other states would also have the option of instituting (IRP). Finally, this program did not improve attendance rates among AFDC children. One report said that it actually lowered them, although the state of Wisconsin has criticized the methodology used in that report.

Therefore, with low sanction rates and savings and high service costs, this provision would be costly and it is not clear that it would improve attendance among AFDC children.

## Section D: No additional money for more children

### CURRENT LAW

Under the existing AFDC program, recipients receive additional benefits when they have children. The benefit for a median state is approximately sixty dollars a month for each additional child (Green Book 1993).

### REPUBLICAN PROPOSAL

Under this proposal, if an AFDC recipient gave birth to a child ten months after the date of application for AFDC, she would not receive an adjustment in her benefit to account for her child. States could exempt a family if they left AFDC for at least ninety days for a job that was ended for good cause. Also, states could exempt families that remain off of AFDC for at least 12 consecutive months.

### ANALYSIS

This proposal operationalizes the assumption that families on AFDC have additional children in order to increase their AFDC benefits. However, the evidence does not seem to support such a conclusion. The average AFDC family size is 2.9 people. Approximately three-quarters of all AFDC families have two or fewer children. Only, ten percent of families have four or more children (Green Book).

The evidence is that families who live in higher benefit states do not have more children than those in lower benefit states. In 1991, the average number of AFDC children per family in New York (average benefit of \$507.47 for a family of one mother and two children) was 1.8; the average number of AFDC children per family in Mississippi (average benefit of \$119.13 for a family of three) was 2.1. (Data from Administration of Children and Families).

Therefore, it is not clear whether this proposal will have much of a deterrent effect on the number of children born to AFDC mothers. The decision to have additional children is not just a monetary decision; if it were, Mississippi's average family size would be very low and that of New York would be very high.

### QUESTIONS/CONCERNS

Many states have applied for federal waivers that would allow them to implement a proposal like this. Some have been approved and are operational, while most are still pending approval. Before we try a program like this at the national level, we might want to study the outcomes for AFDC children and their mothers in New Jersey, which has implemented this provision already.

This proposal appears to be designed to save money by not supporting additional children and discourage women on AFDC from

having additional children. It is not clear that this proposal will accomplish either goal.

It is not clear whether additional children would be eligible for Medicaid and Food Stamps as well as other benefits, including IV-E Foster Care payments.

If we assume that the decision to bear additional children is not affected by benefit levels, this proposal will not influence the childbearing decisions of women on AFDC. Therefore, it will harm the recipient, the additional child and any other children in the family.

Finally, this proposal could also increase the abortion rates of these recipients. In states without Medicaid funding for abortions, more women could turn to illegal abortion as a last resort.

## Section E: Change work disregards within limits

### CURRENT LAW

Before the Omnibus Budget Reconciliation Act of 1981 changed the rules for earned income disregards, recipients were allowed to keep their first thirty dollars of income and one-third of their subsequent earnings before their AFDC grants were lowered. OBRA 1981 limited the receipt of this disregard to four consecutive months. If a recipient left AFDC and then returned, he or she would not be eligible for the disregard again for twelve months.

In 1984 and 1988, Congress amended this provision to allow states to extend the thirty dollar disregard for an additional eight months after the four month limit for the one-third disregard had elapsed.

### REPUBLICAN PROPOSAL

This provision would allow states to change the disregard standards. The standard cannot exceed the level of a permanent disregard of the first \$200 of earnings and one-half of subsequent earnings.

### ANALYSIS

Some states have applied for, and some have received, waivers that would allow them to change the earnings disregards for welfare recipients. It is not clear how many states would ultimately take advantage of this option, so it is difficult to determine what the federal costs would be for it.

This provision could increase the work effort of recipients by allowing them to combine work with welfare. However, it could also increase the rolls because some people who would have become ineligible for benefits would become eligible.

## Section F. Married Couple Transition Benefit Option

### CURRENT LAW

There is no married couple transitional benefit under current law.

### REPUBLICAN PROPOSAL

Under the Republican bill, an AFDC recipient who married an individual other than the father of their children and would otherwise be ineligible for AFDC (due to higher total household earnings) would be permitted to continue receiving 50% of the pre-marriage AFDC benefit for up to one year, so long as the combined family income is below 150 percent of the poverty level.

AFDC recipients who marry but would be eligible for AFDC-UP can receive either AFDC-UP or the transitional benefit (choice left to the state), but not both.

### ANALYSIS

Any incentive effects from this provision would be largely limited to AFDC recipients who have the option of marrying an individual, not the father of the child, whose income, combined with the recipient's present/expected future earnings, would leave the family above the state's AFDC payment standard but below 150 percent of the poverty line. Recipients who would qualify for AFDC-UP after marriage would generally prefer it to the transitional benefit, given that the average AFDC-UP payment of \$548 is considerably higher than one-half the average AFDC-Basic payment, \$177. A family receiving AFDC-UP would still be eligible for 12 months of transitional benefits if increases in earnings rendered it ineligible for AFDC-UP.

States could exclude newly married families from AFDC-UP in favor of enrolling them in the transitional benefit program, but this would, if anything, serve as a disincentive to marriage.

For AFDC recipients whose post-marriage family income would be between the payment standard and 150 percent of the poverty level, the incentive effect of a payment of \$177 may not be significant, particularly given the unpleasant aspects of remaining on the AFDC rolls. Given that the literature has yet to find a strong relationship between welfare benefit levels and family formation in general, the impact of this particular provision does seem dubious.

The provision might have negligible behavioral effects (recipients make the same decision they would have made in the absence of the benefit) but a nonnegligible take-up rate, in which case introduction of the transitional benefit would boost spending without changing the marriage rate.

## QUESTIONS/CONCERNS

It is not entirely clear why the provision does not cover recipients who marry the father of one of their children. Given the variation in child support awards, full payment of child support could still leave the family below the AFDC benefit standard, particularly if there are children of other, nonpaying fathers in the home.

## Section G. Increased Asset Limit

### CURRENT LAW

Public Law 97-35 currently limits allowable resources, excepting the home and one automobile, to a maximum of \$1,000 equity value (or less, at the discretion of the state). The value of the automobile cannot exceed \$1,500. States are permitted to disregard items essential to daily living, such as clothing and furniture, when calculating countable resources. Current law does not exclude from countable resources capital equipment needed for employment, although about half of the states do disregard farm machinery, livestock, tools and equipment essential for livelihood or income.

### REPUBLICAN PROPOSAL

The proposed bill would allow states, when calculating countable resources, to disregard up to \$10,000 in assets associated with a microenterprise owned by the family. States are also permitted to exclude up to \$10,000 in savings designated for the purchase of a home or for education and training.

### ANALYSIS

A number of states, among them Missouri, Wisconsin and Utah, have approved waivers to raise the limit on allowable resources and/or exempt vehicles. A number of other states, including Iowa and Virginia, have waivers pending. Allowing states to disregard up to \$10,000 placed in a targeted savings account is consistent with encouraging forward thinking.

Disregarding funds associated with a microenterprise would affect relatively few current recipients. The cost impact of the provision is primarily dependent on the number of additional persons made eligible for AFDC by raising the asset limit.

Unlike several of the waiver requests submitted by states, the bill does not boost the equity limit on vehicles. Lifting the limit on the value of cars might permit more AFDC families to own reliable cars and in turn assist recipients in finding employment by expanding the area in which they are able to work.

## Section H. Conversion of AFDC to a Block Grant

### CURRENT LAW

Presently, states participate in the AFDC program at their option, but a state choosing to participate must comply with the requirements of the program and cannot receive its funding in the form of a block grant. Currently all 50 states, the District of Columbia, Puerto Rico, Guam and the Virgin Islands operate AFDC programs.

### REPUBLICAN PROPOSAL

The Republican bill offers states the option of ending their participation in the AFDC program in favor of receiving a block grant equal to the amount of federal reimbursement the state received in 1992, plus a one-time inflation adjustment of 3 percent. States choosing the block grant would be required to present an annual report to the Department of Health and Human Services demonstrating that all block grant funds were spent on poor and low-income families. The provision is similar in form and intent to the welfare reform bill proposed by Jan Meyers in the House of Representatives on March 10, 1993.

### ANALYSIS

Under the provisions of the proposed bill, the block grants would be frozen at the 1992 federal funding level (plus the one-time inflation adjustment), transferring the full risk associated with both increases in the caseload and high inflation rates to the states, seriously limiting the attractiveness of the option.

### QUESTIONS/CONCERNS

Julie Strawn of the National Governors Association indicated that states oppose the Jan Meyers welfare reform bill as essentially an entitlement cap which, given Congressional Budget Office estimates of increases in AFDC caseloads, would shift costs to states. While the provision would give the states the option of saving state dollars by reducing benefit levels, states can already pursue this strategy. At present, however, a \$1 reduction in welfare benefits would only save the state's share of the \$1. If a state elected the block grant provision, a \$1 reduction in benefits would save the state the full \$1, provided the caseload remained constant.

Under the provision a state would be required to submit a report demonstrating that the block grant funds were spent to assist poor and low-income families. Nothing in the proposal, however, mandates states electing the block grant option to continue providing cash support to these families. As the provision is currently written, a state could, for example, deliver the assistance in the form of expanded social services or new low-income housing.

Even states electing the block grant option who continue to provide cash assistance would be under no obligation to make education and training services available to recipients. In some states recipients might have no access to JOBS-type services, which were mandated by the Family Support Act in order to help families on AFDC become self-sufficient.

The block grant provision would also enable states to change the eligibility criteria in order to deny benefits to two-parent or, conversely, to single-parent families.

To summarize, the provision presents very serious equity issues. While at present states vary widely in benefit levels, under the block grant proposal, a poor single-parent family, depending on the state, might be eligible for cash assistance, education and training services, both or neither.

A state can currently decline to participate in the AFDC program and instead implement its own cash assistance program, which would give the state the same freedom as the block grant provision to establish the eligibility criteria and structure of its program. Such a state would not, however, receive federal funding for the program. The provision as currently outlined would allow federal funds to be disbursed in a manner not consistent with either existing Congressional legislation (such as the Family Support Act) or Administration policy in this area.

## Section I. AFDC Benefit Levels for New State Residents

### CURRENT LAW

California and Wisconsin both have approved waiver requests to implement similar provisions. As a result of a pending lawsuit, an injunction is now in place enjoining California from pursuing the policy. The Department has since denied waiver requests along similar lines submitted by Illinois and Wyoming (although Wyoming has not received formal notification).

### REPUBLICAN PROPOSAL

Under the proposed Republican bill, states would be permitted to, for up to one year, provide new residents of the state the same level of benefits as they would have received in the state in which they previously resided.

### ANALYSIS

The provision's intent is to discourage welfare recipients from moving from one state to another in order to receive higher AFDC benefits.

Apart from the constitutionality of this measure, there is the question of potential gains to be realized. Studies on the effect of welfare benefit levels on migration conducted in the late 1960s and early 1970s did not find that welfare recipients were attracted to states with higher benefit levels. More recent work, using newer data and different analytical techniques, does suggest that benefit levels may have an effect on migration. Gramlich and Laren (1984) found that recipients are more likely to move from low-benefit to high-benefit states and Clark (1989) found that low-income female household heads were more likely to move from low-benefit to high benefit states.

Controlling for other factors in the migration decision, however, is problematic. The high benefit states, such as California, Connecticut, Hawaii and New York may be attractive for reasons other than the benefit level. A Gramlich/Laren study that tried to control for these factors yielded mixed results.

Moreover, migration decisions may be determined by long rather than short term expectations, in which case holding benefits at the level of the previous state for one year might have little effect. Data on the duration of post-move stays would be needed to clarify this question.

**Section J. Parenting Classes, Money Management and Moving Residence**

CURRENT LAW

Current law does not explicitly permit states to count attendance at parenting or money management classes as participation in the JOBS program. States are allowed to provide, as part of the JOBS program, education and training activities other than those described in the JOBS regulations. | ✓

There are no state waiver requests, either approved or currently pending, containing restrictions on changing the school district of dependent children (although the outline reads "before changing a dependent child's residence", presumably the provision would only apply to moves that would change the child's school).

REPUBLICAN PROPOSAL

The bill would allow states to require recipients in the Transition program to attend parenting or money management classes, and to count the attendance as participation. States would also be permitted to require recipients to obtain the welfare agency's permission before changing a dependent child's residence during the school year.

ANALYSIS

Counting attendance in parenting and money management classes as participation is consistent with Toby Herr's full participation model for the transition program and, from the standpoint of setting reasonable expectations for welfare recipients, has considerable merit.

The purpose of the provision is most likely to preserve educational continuity for the children of AFDC recipients.

Constitutionality could well be an issue here. Moreover, it is not clear that a nonnegligible percentage of transfers would be blocked by the welfare agency in any event, given that most AFDC recipients who move probably do so for fairly compelling reasons--better housing, better schools, safety.

## TITLE IV: EXPANSION OF STATE WAIVER AUTHORITY

### CURRENT LAW

Currently, specific waiver authority is provided for in the AFDC, food stamps, Medicaid, SSI, and Child Support Enforcement programs. The Secretary of HHS has the authority, under section 1115 of the Social Security Act, to waive state compliance with various provisions of the AFDC, Child Support Enforcement, Medicaid and SSI programs in order to conduct demonstrations judged likely to assist in promoting the objectives of the Act. Child support demonstrations must not disadvantage needy children and must not increase Federal AFDC costs.

The Secretary of Agriculture has the authority, under section 17 of the Food Stamp Act, to conduct experimental food stamp projects to increase the efficiency of the program and improve delivery of food stamp benefits to eligible households. No project may lower the benefit levels of recipients.

Within HHS, ACF and HCFA coordinate the negotiations and final approval of State applications for waiver projects with the principal staff offices, OMB, and staff of the Domestic Policy Council. Every effort is made to secure approvals as expeditiously as possible. Administration policy requires that the demonstrations be rigorously evaluated and that demonstrations involving ACF programs be cost-neutral to the Federal Government.

### REPUBLICAN PROPOSAL

The Republican proposal extends waiver authority to 72 entitlement and discretionary programs, covering public assistance, health and public health services, nutrition programs, housing assistance programs, education, child care and child development, employment, and senior citizen's programs.

All State demonstrations would have as specific objectives to:

- o Help long-term recipients improve their living conditions
- o Help recipients strengthen their families and achieve self sufficiency, or
- o Promote individual initiative and personal behavior consistent with self-sufficiency.

The proposal would put into law the requirement that demonstrations be cost-neutral to the federal government.

The proposal creates an interagency board made up of the Secretaries of the domestic Departments to oversee the approval of state applications for waivers. The board would be chaired by a Presidential appointee who would have the authority to approve the waivers. Agencies would have 45 days to provide to the board their analysis of each state proposal, and the board would have 120 days to notify States whether their waivers are approved.

## ANALYSIS

The Republican proposal re-introduces the Reagan/Bush Administration's proposal to add waiver authority to a broad range of programs and, if passed, would effectively re-establish the Low Income Opportunity Board in the White House.

Since the demonstrations are to be cost-neutral to the Federal Government, we know that the projects would incur no additional federal costs, even if they proved more costly to States. Past practice has been to allow states whose demonstrations do yield federal savings to apply the savings to other projects that we normally wouldn't match. If we continued this practice, there would be no federal savings.

A negligible cost would be the cost of salaries and overhead for the Chairman and staff of the waiver board. Individual agencies would incur costs for staff assigned to monitor the demonstrations.

Evaluation standards for the Republican waiver program are not stated. Generally, the costs of contracting for waiver evaluations are shared by the Federal Government and the States and would be outside the cost-neutrality base.

## QUESTIONS/CONCERNS

The proposal gives States the flexibility to consolidate very different kinds of discretionary funds. Many states might use the waiver authority to streamline multiple programs that provide similar services and/or serve similar client groups, e.g. employment programs or programs for the elderly. The proposal does not explain the extent to which individual program rules could be waived, e.g. could program funds now targeted to children be used for the elderly and vice versa?

It is questionable how appropriate it would be to give States waiver authority in many of the listed programs. Currently, States are not involved in the administration of several of these programs; federal funds go directly to such entities as community based organizations, educational institutions, or local housing authorities. At least one of the listed programs has been repealed.

Obtaining political support for waiver authority in all the listed programs could prove difficult. The programs are under the jurisdiction of 7 House and 6 Senate oversight committees and are championed by numerous advocacy groups.

## TITLE V: CHILD SUPPORT ENFORCEMENT

### CURRENT LAW

#### **Improved Tracking of Absent Parents to Enforce Support/ New Hire Reporting**

Information about employees and their income is currently reported by most employers to State Employment Security Agencies (SESA) on a quarterly basis. Employees are not required by the Federal government to disclose support obligations to their employers or to provide that information on W-4 forms. | ✓

The Family Support Act of 1988 required States to establish a system for immediate wage withholding for all IV-D cases with new or modified orders by November 1, 1990, and for all new non IV-D orders by January 1, 1994, with limited exceptions. To initiate a wage withholding request, States must send the withholding notice to the noncustodial parent's employer.

#### **Improved Tracking of Absent Parents to Enforce Support/ Child Support Registries**

Under current law, States are required to develop automated systems statewide by October, 1995. Once the system is in place, the State will essentially have a registry of all IV-D child support orders within the State. However, the registries only include IV-D cases and do not have to be centralized.

#### **Improved Tracking of Absent Parents to Enforce Support/ Expanded Federal Parent Locator Service (FPLS)**

FPLS was created to assist States in locating noncustodial parents to both secure and enforce child support obligations when a State had exhausted all of its own locate resources.

In addition, OCSE operates the Child Support Enforcement Network (CSENet), a Federal communication network that coordinates information and interstate case data between States. However, there is presently no link between the FPLS and CSENet.

#### **Streamlined Wage Withholding**

The OCSE is currently developing a standardized wage withholding notice to be used by all IV-D agencies in all income withholding cases.

OCSE regulations require IV-D interstate income withholding requests to go to the central registry of the State where the income is derived, and not to be sent directly to the out-of-state employer. Employers are not currently required to honor withholding notices from other States.

## REPUBLICAN PROPOSAL

### **Improved Tracking of Absent Parents to Enforce Support/ New Hire Reporting**

The Republican proposal would establish a nationwide system for reporting and tracking newly hired workers to improve the nation's ability to locate parents and enforce support orders. New employees would be required to report child support obligations subject to wage withholding to employers through revised Federal W-4 forms. Withholding would begin immediately and employment information would be maintained for interstate searches.

### **Improved Tracking of Absent Parents to Enforce Support/ Child Support Registries**

Under the proposal, States would maintain updated registries of support orders to verify new hire withholding information and assist other States with interstate searches.

### **Improved Tracking of Absent Parents to Enforce Support/ Expanded Federal Parent Locator Service (FPLS)**

The Federal Parent Locator System (FPLS) would be expanded to improve access to information nationwide and the Federal Office of Child Support Enforcement (OCSE) would coordinate an information network between States to provide for speedy interstate searches.

### **Streamlined Wage Withholding**

The proposal would streamline the interstate system of wage withholding by establishing uniform notices and requiring employers to honor withholding notices from out-of-state courts.

## ANALYSIS

A national system of new hire reporting, coupled with a child support registry, could greatly improve child support location and enforcement functions. Several States, including Washington State, have implemented new hire reporting programs which have proven to be an effective location and enforcement device.

The proposal is unclear as to whether a national registry of new hires would be created or whether the information would be retained at the State level. If the later is chosen, it is arguably a much less efficient route. Huge volumes of data would have to be processed on a frequent basis, placing a heavy burden on States and their automated systems. States would have to not only broadcast their information to all or selected States regularly, but also would be constantly receiving new hire data from other States and matching the data against their own entire caseload. Some states may not be able to handle this process

given existing automated systems. Also, a tremendous amount of data would be broadcast to States with marginal returns.

Cost estimates done by the Congressional Budget Office (CBO) on the basis of recommendations made by the National Commission on Interstate Child Support Enforcement, suggest that a new hire reporting system would save \$110 million, although CBO reports that they will likely revise this estimate downwards, perhaps considerably.

While the Republican proposal supports individual state registries, it should be examined whether the addition of a national child support registry, along with the state registries, might have more advantages. A national registry in conjunction with the new hire database provides the maximum ability to identify obligors with multiple support obligations and to locate noncustodial parents. In addition, it would result in greater uniformity and simplicity in the interstate process.

While more expensive, the wider scope and frequency of matches is likely to make the use of a national new hire directory and a national registry the most cost effective alternative in the long run.

The standardization of the income withholding order to employers should save employers significant resources now expended on deciphering notices and calculating orders.

The preclusion of direct withholding now results in unnecessary and lengthy delays for interstate withholding requests. The proposal to allow States to send withholding orders directly to employers in other States would eliminate this problem.

#### QUESTIONS/CONCERNS

In general, the proposal to improve tracking by requiring new hire reporting is not unduly controversial and was included as one of the Interstate Commission's recommendations. One objection to a new hire reporting requirement is that it creates an additional burden for businesses, so the fact that the Republicans support this idea mitigates that potential concern.

However, the proposal is unclear as to whether a national new hire database will be created for the collection of information from the revised W-4 forms, or whether the data will be housed separately at the State level. In addition, a number of questions still must be answered. Where will the information be stored and maintained (IRS, ACF data center, State SESAs, State child support agencies)? Where would employers send the new W-4 information? What information would be included in the new hire database?

The state registry concept was also included as a recommendation by the Interstate Commission on Child Support. However, as

mentioned above, the use of State registries rather than the addition of a limited national registry may be less efficient. Important questions must first be answered. Is the registry a centralized state registry that allows easy matching against other state data bases? Does the registry include only cases in the IV-D system? Would the information provided by the noncustodial parent be verified against State registries of support orders on a regular basis and would the matches be made against all or selected registries?

The proposal is very unclear as to how FPLS would be expanded and whether the information network mentioned actually refers to CSENet or to a new entity. However, the basic principle is a good one.

The newly created Uniform Interstate Family Support Act (UIFSA) would legitimize the practice of States sending withholding orders directly to employers in other States. However, unless States adopt UIFSA verbatim, there is no guarantee that every State will adopt this specific provision. Thus, the provision should be mandated to ensure that adoption by all States, regardless of how they treat and adopt UIFSA.

TITLE VI: ANALYSIS OF THE TREATMENT OF ALIENS  
UNDER THE REPUBLICAN WELFARE REFORM PLAN

CURRENT LAW

Generally, AFDC and SSI benefits are available to lawful permanent resident aliens--or regular immigrants--who meet program eligibility requirements. Also, Medicaid is available to individuals who qualify for AFDC and/or SSI. However, some significant conditions are placed on this general eligibility.

One condition is the "sponsor deeming" provision. A sponsored lawful permanent resident alien who applies for AFDC or SSI benefits is evaluated by having the sponsor's income and resources deemed available to the alien for three years from the alien's date of entry. A sponsor is a person who has signed an affidavit of support on behalf of an alien seeking permanent residence. This provision prevents sponsored legal aliens from being eligible for entitlement benefits for three years, unless the sponsor has limited income and resources and the legal alien meets eligibility requirements. The INS does not have data on the number of legal permanent residents for whom affidavits of support have been signed by sponsors. A best guesstimate is that roughly half of all legal permanent resident aliens (i.e., excluding PRUCOL) may have a sponsor. In 1992 this would have represented about 285,000 immigrants.

For the AFDC program, the three-year deeming provisions may also apply to immigrants who were sponsored by a public or private agency or organization, unless the agency no longer exists or is no longer able to meet the alien's needs. Also for AFDC, if a sponsor is not actually supporting the sponsored alien, the sponsor's income and resources will not be counted when determining whether unsponsored members of the alien's family--such as U.S. citizen children--are eligible for AFDC. There are no comparable provisions for SSI or food stamps.

For the SSI program, if the alien is the sponsor's child or spouse, the regular SSI parent-to-child or spouse-to-spouse deeming rules are applied instead of the three-year alien deeming rules. Also, deeming does not apply to aliens who become blind or disabled after admission to the U.S. as permanent residents.

In addition to sponsor deeming, legal permanent resident aliens who have received their immigrant status based on the Immigration Reform and Control Act of 1986 (IRCA) are not eligible to receive AFDC benefits for five years after receiving their temporary status. In general, family members of IRCA immigrants who are granted immigrant status based on their relationship to the IRCA immigrant are also disqualified from receiving benefits for the same period of time as the IRCA immigrant. The five-year disqualification period does not apply for IRCA immigrants if they are: age 65 or over, blind, or disabled; or Cuban/Haitian entrants. As a practical matter, this five-year disqualification

period is due to expire in the near future for most IRCA immigrants (i.e., towards the end of 1993). In some individual cases the disqualification period will extend longer, since the five-year period is determined by when an individual's application has been processed.

Under current law, refugees are eligible for AFDC and SSI benefits upon entry to the U.S. if they meet program eligibility requirements. While refugees are often sponsored by voluntary or other non-profit organizations, they fall under a different category than legal permanent residents for purposes of program eligibility (i.e., they fall under PRUCOL--or aliens "permanently residing under color of law"). Thus, the sponsor deeming provisions do not apply to refugees, nor to other PRUCOL aliens such as asylees and parolees.

Lawful permanent resident aliens can apply for citizenship 5 years after entering the country. Refugees can adjust to permanent resident status one year after entering the country, and can apply for citizenship 5 years after entering the country.

Illegal aliens are not eligible for AFDC or SSI benefits. They are eligible for emergency medical services under Medicaid, and for social security benefits if they qualify.

Also, under current law State AFDC plans must include safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with the administration of the plan, with limited exceptions. The release of information about applicants and recipients to the Immigration and Naturalization Service (INS) is prohibited.

#### REPUBLICAN PROPOSAL

Title VI of the Republican Welfare Reform plan would deny welfare benefits (other than emergency Medicaid) to all non-citizens, except for refugees and certain permanent residents. The exceptions for refugees and permanent resident aliens would be--

- ▶ Refugees who have been adjusted to permanent resident status would be eligible to receive welfare for only 1 year beyond the time limit required for them to apply for citizenship (unless they were over age 70).
- ▶ Permanent resident aliens over age 70 who have been legal residents for at least 5 years would be eligible for welfare benefits.

In addition, State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the INS for all illegal immigrant parents with citizen children.

Any noncitizen who was currently residing in the U.S. and was

affected by any of the above provisions would be exempt from that provision for one year following passage of the bill. Any Federal department that administered welfare programs that served resident aliens would be required to directly notify, or ensure that states notified, all resident aliens affected by the above provisions.

#### ANALYSIS

The most significant overall impact of the proposal would be to deny eligibility for welfare benefits to a substantial number of individuals who are currently eligible for those benefits. For example, roughly 600,000 SSI recipients are non-citizens (although some are over age 70 and may continue to be eligible under the proposal).

In total, INS estimates that in 1993 there are 10.5 million legal aliens in the U.S. The total number of permanent legal aliens entering the country in 1992--excluding IRCA immigrants--was about 810,000. Out of this total, 106,000 were refugees and about 19,000 are over age 70.<sup>1</sup> Even with the most inclusive assumptions, this leaves almost 700,000 legal immigrants--in 1992 alone--that would not be eligible for welfare benefits under any conditions based solely on their immigration status (Of note, this figure reflects the universe of immigrants, and is larger than the number who would apply for benefits. In addition, perhaps as many as one-third of the legal immigrants would currently fall under the sponsor deeming provisions and--depending on the sponsor's income and resources--may not be able to receive benefits for up to three years).

An immigrant is eligible to apply for citizenship after 5 years of residence. Under the proposal, if a legal immigrant became blind or disabled in the first 5 years after entering the country, that individual would not be eligible for any welfare benefits. Immigrants who received a visa on the basis of an employer certifying that a full-time job was available to the immigrant would not be eligible for any benefits if the business went bankrupt or if the job was terminated for any reason.

Refugees are allowed to adjust their status to legal permanent resident after one year in the U.S. Because the proposal states that only refugees that have been adjusted to permanent resident status are eligible for welfare benefits, the proposal appears to disqualify refugees in their first year of residence, which is often the time when resources are most needed by refugees attempting to resettle in a new society. The current level of

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<sup>1</sup>. We have asked SSA to estimate the number of beneficiaries affected by this proposal, and the benefit savings that would result. The numbers provided in this paper should be viewed with caution and are meant solely to provide some general sense of the scale of the proposal.

funding (discretionary) provided for the Refugee Resettlement program is not sufficient to support all refugees entering the country in their first year of settlement (currently it provides about half of all first-year refugees with about eight months worth of cash and medical support). According to the INS, about 90-95 percent of refugees adjust to permanent resident status after their first year.

#### QUESTIONS/CONCERNS

Absent any other major changes in immigration policy (e.g., curtailing substantially immigration), there may be concern that prohibiting access to federally-funded assistance may result in other problems that would need to be addressed (e.g. homelessness, crime, etc.). State and local governments may object to a Federal policy that allows immigrants to enter the country, and then denies federal assistance to meet the immigrants' needs. The result would be that either needs go unmet, or state and local resources must be used to provide assistance to immigrants.

The purpose of the provision requiring State AFDC agencies to share information with the INS for all illegal immigrant parents with citizen children is unclear. One likely purpose is to share the information so that deportation proceedings can begin. However, the children are U.S. citizens and may be eligible for benefits. Requiring information to be shared with INS may discourage parents from applying for benefits for their children. Further, additional public concerns may be raised if the parents are deported and the citizen children are not.

It is unclear whether the prohibition on receiving benefits extends to social insurance programs such as unemployment compensation or social security insurance benefits.

## TITLE VII: PROVISIONS RELATED TO ALCOHOL AND DRUG ABUSE

### A: AFDC

#### CURRENT LAW

There are no comparable provisions in the general AFDC program. In the JOBS program, under current regulations a recipient whose only activity is drug treatment would not be counted towards a state's participation rate. Drug treatment may, however, be provided as a supportive service using JOBS funds should a state choose to do so. Alcohol and drug abuse itself is not grounds for an exemption under JOBS, but a state could use the illness and incapacity exemptions to excuse alcohol and drug abusers.

One component of the Oregon JOBS waiver (approved July 1992) allows the state to require participation in mental health or substance abuse diagnostic, counseling and treatment programs if they are determined to be necessary for self sufficiency.

#### REPUBLICAN PROPOSAL

Recipients who are determined by states to be addicted to alcohol or drugs would be required to participate in treatment.

At state option, those addicted and in treatment may defer work/education participation for one year.

Addicts who do not participate in treatment are expelled from the program for 2 years.

Random drug screens are authorized for those who have participated in drug rehabilitation or have a history of addiction. If an individual refuses a drug screen they are expelled from the program. No mention is made of what happens if a drug screen comes up positive, but it is presumed that they would be expelled too.

#### ANALYSIS

##### **Number of Persons Affected**

It is not possible to provide an accurate estimate of the number of persons on AFDC who are addicted to alcohol or other drugs. We do have estimates of the number of AFDC recipients who have recently used illicit drugs and alcohol, but that is not the same thing as addiction, which requires a medical diagnosis. SAMHSA does have an algorithm they use to estimate the need for treatment, but it is not based on the medical definition of addiction, and the system of estimation is complex and controversial. We are, however, exploring the possibility of using the algorithm to make estimates of the treatment needs of the AFDC population.

Data from a recent ASPE/NIDA study estimate that 678,000 persons over 12 years of age in households that receive AFDC (392,200 of them mothers) have used an illicit drug in the past month. This count includes such illicit drugs as cocaine, heroin, and LSD, as well as marijuana and use of prescription drugs without a physician's direction. Because this data is the result of self report, it is frequently criticized as being an undercount. It is also important to note that many of those who use drugs would not meet the medical definition of addiction. However, there are negative consequences associated with frequent drug use independent of addiction (e.g. increased incidence of family violence, absenteeism in employment and training, increased health problems).

### Costs/Savings

There will be savings as a result of expelling recipients from the program, but there will also be significant costs to provide assessment and treatment (although those costs will not necessarily show up in the AFDC budget).

The proposal says that states will determine who the addicts are. It is not clear how they would do this (and indeed each state might choose to do so differently or may choose not to identify addicts at all). Screening and assessing each AFDC recipient would be costly. In addition, random drug testing of those known to be addicted would also pose significant costs (see the cost discussion under the SSI provision).

Treatment costs would be substantial, but would be more likely to appear in the Medicaid budget than in AFDC. Drug treatment currently ranges in cost from \$5500 per treatment "slot" for outpatient services to \$19,000 for residential treatment. Roughly 2.5 persons per year are treated in each slot. The vast majority of treatment is provided through outpatient services.

The proposal might also have cost implications for the child welfare and foster care programs. If families whose benefits are cut can no longer adequately care for their children, those children may end up in foster care. Lack of benefits may also prevent reunification of some families whose children have been removed.

### QUESTIONS/CONCERNS

#### Conceptual Questions

Overall, it is unclear what policy goals the drug and alcohol provisions are designed to accomplish - i.e. rehabilitation or punishment. The mandatory treatment provisions offer an aspect of a rehabilitation goal. Yet as currently structured the proposal is punitive and sets families up for failure, imposing conditions and standards which would be extremely difficult to meet. Particularly problematic is that it seems to be designed

to punish parents with no consideration given to the children's needs.

Furthermore, these provisions run counter to the public health view that addiction is a chronic, relapsing disease one characteristic of which is inability to discontinue use even in the face of negative consequences (like the proposed sanctions).

There are several issues that arise in regard to the drug testing provisions. In the past, drug testing has been used to screen individuals in order to provide treatment services and to discourage casual use of drugs. Neither is the case here where testing is instead used to impose sanctions. There are potential legal issues surrounding attempts to do such testing and assessment which need to be explored. Initial discussions with the Public Health Service indicate there are potential legal and constitutional questions that arise relating to drug testing of beneficiaries (the phrase "unreasonable search and seizure" has been mentioned repeatedly). We will explore these issues further with both PHS and GC.

#### **Administrative Questions**

In addition to the legal issues, there are administrative difficulties in how the drug testing has been proposed. It appears in this proposal that the welfare office has the responsibility for administering drug tests. Yet that office may only see an individual every six months, and testing in these circumstances would not be random. Drug testing in connection with employment or training programs, where you had contact with the individual on a regular basis, would make more administrative sense. It should also be recognized that urine drug toxicologies detect only the use of drugs in the past 24 - 48 hours or so.

The proposal does not specify how alcohol and drug screening would take place and how addiction (a medical diagnosis) would be determined, except that states would make the determinations. If screening is conducted on the basis of subjective criteria the provisions are likely to be applied unjustly. For example, administrative costs may prompt the targeting and sanctioning of populations with higher prevalence (i.e. blacks) more frequently than is consistent with the prevalence rate.

While participation in alcohol or drug treatment is required, the proposal does not specify who is responsible for assuring treatment is obtained and available, or what happens (as is often the case) that treatment is unavailable? For instance, many states place severe limits on Medicaid coverage for drug treatment services, and some provide virtually no drug treatment services at all. If a state limits coverage to 30 days of detoxification and chooses not to pay for rehabilitative services, what happens to participants who are required to be in treatment? We would be creating requirements participants could not fulfill. In addition, many programs do not treat pregnant

women and few provide child care and other ancillary services women with children need in order to participate.

While the abuse of both alcohol and illicit drugs have similar negative consequences for family functioning and job readiness, there may be a need to differentiate between the two since the use of alcohol, even to the point of addiction, is not illegal. In the context of rehabilitation, taking steps to encourage individuals to seek treatment for alcohol and drug problems makes sense. However, in the context of sanctions, it is not clear on what grounds benefits could be denied for alcohol use, which is legal.

Most of the language in the proposal talks about alcohol and other drugs on an equal basis, but sanctions are imposed primarily on the basis of drug screens which generally do not detect alcohol use. Indeed, in the SSI drug and alcohol provisions it is explicitly stated that benefits will be terminated only for use of illegal drugs. In the context of a rehabilitation oriented policy, alcohol and other drugs should be treated equally because of their impact on employment and self sufficiency. If rather it is the illicit nature of drug use that is of concern, even here it should be noted that in other cases where federal benefits are denied because of drug use (e.g. in the cases of student loans and public housing) it is only the conviction of an individual for a drug related crime and not use of drugs per se that is the basis for denial of benefits.

#### Technical Questions

It is not clear whether the proposal intends to cut off the whole family's benefits for noncompliance with treatment or whether the sanctions would apply only to the parent's portion of the benefits.

The proposal makes no provision for an appeals process, and sets no standards for drug testing programs. Both would be needed in order to implement provisions of this nature. Further, there is some question as to whether differential treatment on the basis of a history of addiction (as opposed to a current medical condition) is allowed under the Americans for Disabilities Act. The proposal authorizes random drug screens for either addicts or those with a history of addiction.

B: SSI

#### CURRENT LAW

All SSI recipients whose disabilities would not exist if they were not abusing alcohol or other drugs are required to have a representative payee and be in treatment. (A representative payee is a third party who receives the beneficiary's check and controls the disbursement of funds.)

## REPUBLICAN PROPOSAL

SSA would be required to conduct random periodic drug testing of SSI recipients whose disabilities relate to drug abuse. If they are found to be using illegal drugs, benefits are terminated permanently. (Note here a distinction is made between alcohol and illicit drugs. For the AFDC proposal all references are to alcohol or other drugs.)

## ANALYSIS

### **Number of Persons Affected**

As of June 1993 the SSI program had just under 66,000 recipients on "current pay" status whose disabilities relate to the abuse of alcohol and other drugs. A total of just over 75,000 so called "DA&A" (drug addict and alcoholic) recipients are on the rolls altogether.

### **Costs/Savings**

The costs and savings of this provision depend on how it is implemented and how many people are expelled from the program. For instance, how often would each recipient be tested? Federal agencies that do random drug testing test between 4 and 100 percent of their pool of potential testees in a given year.

Random drug testing of federal employees in sensitive positions in 1991 cost an average of nearly \$75 in direct costs per test over a volume of nearly 117,000 tests conducted. These costs are for urine toxicologies in the workplace. Administrative costs of such a system in the field are likely to be higher. In addition, urine drug toxicologies detect only very recent drug use (past 24 - 48 hours). While there are other more sensitive tests, their cost would be considerably higher.

From both an administrative practicality and cost standpoint, implementation of drug screening would be difficult and expensive given the low number of individuals involved and their geographic dispersion. The administrative burden and screening costs potentially could exceed any savings which might be gained.

## QUESTIONS/CONCERNS

### **Administrative Questions**

This provision would be very difficult to administer. Random or "for cause" drug testing is typically used in connection with employment or drug treatment. In both cases you know where the individual is for much of the time, and having them show up to give a urine sample is feasible. SSI recipients, however, are only seen for recertification every 12 to 36 months and it is often very difficult to locate them even then. Testing in

connection with recertification would not be random, and would be difficult even so.

Mandatory guidelines issued in 1988 for federal workplace drug testing programs set scientific and technical standards for drug testing which are the "gold standard" for good practice in drug testing and are generally used in both the public and private sectors. An SSI drug testing program would almost certainly be required to adhere to these standards. There is a significant burden in doing so. For instance, these federal guidelines require that there be a designated collection site and that it be secure, permitting entry only of authorized personnel. In addition, the guidelines require strict chain of custody -- i.e. documentation to account for the identity and integrity of each urine specimen from point of collection to final disposition. Field offices are not likely to be able to comply with standard drug testing guidelines and chain of custody requirements.

#### Technical Questions

The proposal notes that if use of illegal drugs is detected the participants SSI benefits are permanently terminated. It is not clear whether this is intended to preclude their returning to SSI for a disability unrelated to drug use.

## TITLE VII: OTHER PROVISIONS

### REPUBLICAN PROPOSAL

#### Eligibility for Food Stamps

To qualify, an adult must be:

- o receiving UI, AFDC, SSI, DI, workers compensation, or social security; or
- o in the last month of pregnancy or within two months of giving birth; or
- o participating in the Food Stamp work program; or
- o able to show proof of incapacitation or current employment.

If an adult in a Food Stamp household is disqualified, the children will still qualify for benefits (household will be reduced by 1 person).

#### Evaluation of Education and Training Programs

HHS must examine impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one study must have three groups to which AFDC adults are randomly assigned as specified and followed for 5 years.

#### Initial AFDC Applicant Job Search

States must require AFDC applicants to participate in job search while the application is being processed. They will be reimbursed for child care and transportation expenses. Emergency aid may be provided for emergencies defined by the States. States can, however, pass a law to exempt themselves from this provision.

#### Demonstrations on Fraud and Administrative Efficiency

HHS is authorized to conduct demonstrations on EBT. Within 5 years HHS must write a report to Congress about the studies and make recommendations. HHS is required to appoint a commission to determine the cost and feasibility of creating an inter-state system of Social Security numbers of all welfare participants for purposes of identifying fraud.

House Republican Welfare Reform Bill  
Shaw/Grandy  
BUDGETARY IMPACT OF THE PROVISIONS  
(Federal Budgetary Impact in Millions)

SEC. NO.	PROVISION	Effective Date	Programs	FISCAL YEARS					5-YR TOTAL
				1995	1996	1997	1998	1999	
<b>I. AFDC TRANSITION AND WORK PROGRAM</b>									
	AFDC Transition and Work Program (Sections A, B, C, & D)	Enactment	AFDC Costs	0	0	1,500	2,100	3,400	7,000
			AFDC Saving	0	0	100	130	170	400
			Food Stamps						
			NET	0	0	1,400	1,970	3,230	6,600
<b>II. PATERNITY ESTABLISHMENT</b>									
A. & B.	Requirements to name the father to get full benefits & cooperate with CSE	Enactment	AFDC	(225)	(450)	(900)	(900)	(900)	(3,375)
			Food Stamps	125	250	500	500	500	1,875
			NET	(100)	(200)	(400)	(400)	(400)	(1,500)
C.	States required to inform unwed women about CSE requirements & develop hospital procedures for paternity establishment	Enactment	CSE	0	0	0	0	0	0
D.	States required to develop procedures when father dead or missing	Enactment	CSE	0	0	0	0	0	0
E.	Exemption for mothers for rape, incest, etc.	Enactment	CSE	&&	&&	&&	&&	&&	&&
F.	States required to follow provisions above unless specifically exempt themselves	Enactment	CSE	[Effects of this provision included in above estimate					
G.	State paternity establishment percentage increased to 90%	Enactment	CSE	%%	%%	%%	%%	%%	%%
<b>III. EXPANDED STATUTORY FLEXIBILITY FOR STATES</b>									
A.	Rewards & sanctions for immunization and/or health checkup	Enactment	AFDC	5	5	5	5	5	25
B.	No AFDC for parents under 19	Enactment	AFDC						
C.	Rewards & sanctions for school attendance	Enactment	AFDC	115	115	120	120	130	600
D.	No add'l money for more children	Enactment	AFDC						
E.	Change work disregards within limits	Enactment	AFDC	260	270	275	285	295	1,385

F.	Married couple transition benefit option: keep half of AFDC after marriage with time & income limit	Enactment	AFDC						
G.	Increase asset & other limits up to \$10,000 for certain purposes	Enactment	AFDC	0	5	5	5	5	20
H.	State option to convert AFDC to block grant	Enactment	AFDC						
I.	State option to pay benefits at level of state of last residence	Enactment	AFDC						
J.	State option to require classes on parenting or money management, or permission to change child's residence	Enactment	AFDC						
<b>IV.</b>	<b>EXPANSION OF STATE WAIVER AUTHORITY</b> (All provisions)								
			AFDC	&&	&&	&&	&&	&&	1
			CSE						
			Food Stamps						
			NET	0	0	0	0	0	1
<b>V.</b>	<b>CHILD SUPPORT ENFORCEMENT</b>								
A.	Improved tracking of absent parents enforce support:								
1.	New hire reporting (W-4 Reporting)		AFDC	0	(20)	(45)	(45)	(45)	(155)
			CSE	0	0	0	0	0	0
2.	Child support registries &		CSE	10	10	2	2	2	26
3.	Expanded FPLS								
B.	Streamlined wage withholding		CSE	0	0	10	37	(1)	46
C.	Improved paternity establishment (This is current law now)		CSE	0	0	0	0	0	0
<b>VI.</b>	<b>WELFARE RESTRICTIONS FOR ALIENS</b> (All provisions)								
			AFDC	(1)	(1)	(1)	(1)	(1)	(5)
			CSE						
			SSI	(79)	(1,966)	(2,140)	(2,304)	(2,463)	(8,952)
			Food Stamps						
			NET	(80)	(1,967)	(2,141)	(2,305)	(2,464)	(8,957)
<b>VII.</b>	<b>MISCELLANEOUS PROVISIONS</b>								
A.	AFDC recipients & drug addiction	Enactment	AFDC	??	??	??	??	??	??
B.	Eligibility for food stamps	Enactment	Food Stamps	??	??	??	??	??	??

C.	Random drug testing of addicts getting SSI disability benefits	Enactment	SSI	??	??	??	??	??	??
D.	Evaluation of education & training programs	Enactment	AFDC	??	??	??	??	??	??
E.	Initial AFDC applicant job search	Enactment	AFDC	??	??	??	??	??	??
F.	Demos on fraud & administrative efficiency	Enactment	AFDC	??	??	??	??	??	??

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TOTALS	AFDC	(226)	(471)	454	1,024	2,284	3,066
	CSE	10	10	12	39	1	72
	SSI	(79)	(1,966)	(2,140)	(2,304)	(2,463)	(8,952)
	Food Stamps	125	250	500	500	500	1,875
	NET	(170)	(2,177)	(1,174)	(741)	322	(3,939)

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NOTES:

- All estimates are rounded.
- && Less than \$500,000.
- ?? Not available yet
- %% Indeterminate, but small.

Title III - Section A - Rewards and Sanctions for Immunizations and/or Health Check Up

Assumptions

- For the purposes of this estimate, we assumed that a sufficient number of states to comprise half of the AFDC caseload will implement this proposal.
- Most of the costs for this program will be in Medicaid or the new funds for immunization in the President's FY94 budget.
- The costs of the bonuses and the savings from the sanctions will offset each other.
- Increased AFDC costs will therefore be only administrative costs. Maryland assumed that they would need approximately 10 additional staff people to run the program. In order to determine the number of workers needed for all the states, we multiplied 10 workers by a ratio of the AFDC caseload in Maryland (72,900) over the national caseload (4.8 million) for 1992. (Green Book 1993).
- In the Maryland waiver proposal, there is a ratio of nine front line workers to every one supervisor. Maryland priced a front line worker at \$20,000 per year and a supervisor at \$50,000. We used these unit costs and then inflated them by a factor of 2.8% over five years.
- We assumed a cost of one million per year for equipment.
- We assumed that states with one half of the national caseload will exempt themselves from implementing this proposal, so we multiplied the totals by one-half.

Title III - Section C - Rewards and Sanctions for School Attendance

**Assumptions**

- It is estimated that there will be approximately 9.5 million children on AFDC in 1994, rising to 9.9 million in 1998 (Green Book 1993). In Wisconsin's Learnfare program, which applied to all teens, the sanction rates for young teens (between the ages of 13 and 14) were only 2%. This implies that the rates for children under 13 would be negligible. Therefore, we only estimate the costs of sanctioning or rewarding teenagers between the ages of 13 and 18. This estimate is also limited to teenaged recipient children, and it does not include teen heads of families who would be ineligible for AFDC under the GOP proposal. 17.1% of all children on AFDC are between the ages of 13 and 17.
- For the purposes of this estimate, we assumed that states with half of the caseload will exempt themselves from these provisions.
- We assume that there will not be any short term effects of teens who will leave the caseload because they are already in school.
- The model used for this estimate is based on Ohio's LEAP program which sanctioned or rewarded AFDC teenagers based on their school attendance. In this program more students received bonuses than were sanctioned. The ratio from LEAP, and used in this estimate, is approximately 1.2 bonuses to every sanction per teenager per year. Under the Republican plan, the sanctions and bonuses will be \$75.00.
- Costs for this program resulted from bonuses and administrative costs. The LEAP program cost \$330 per teen for the eighteen months of the evaluation. This is equivalent to a yearly cost of approximately \$250. We assumed that ten percent of the states will have this kind of program already and that their costs will be half of the rest of the states that implement this program. Therefore, the administrative cost will be about \$240 per teen per year.

## GOP Transition and Post Transition Work Program

### Summary

The following discussion explains our cost estimate for the transition and post-transition sections of the Republican welfare reform proposal. The federal cost for the first five years of this program is estimated to be approximately \$7 billion. The education, training, and work portions of this bill will cost about \$4.4 billion; the child care costs will be approximately \$3.6 billion. There will be federal savings of approximately \$400 million. The net federal cost will be about \$6.6 billion over five years.

The model we used does not take into account behavioral assumptions about the numbers of people who will leave welfare because of this program. There is also no accounting for a smoke-out effect brought on by the implementation of a two-year limit.

### Assumptions

#### Cohort model

- Annual case openings are 60% of the total average monthly caseload.
- The cohort model was developed using probabilities of AFDC duration developed by June O'Neill and modified by John Tapogna of CEO. The following are the probabilities
  - 71% chance of being on AFDC for six months
  - 57% chance of being on AFDC for one year
  - 31% chance of being on AFDC for two years
  - 21% chance of being on AFDC for three years
  - 13% chance of being on AFDC for four years.By taking the average of these numbers, we take account of the monthly movement on and off of AFDC during the year.
- Using this framework, by 1998, the percentage of the caseload that entered before October 1, 1993 and is still on AFDC will be about 21%. This estimate is in line with ACF data on the duration of welfare spells.
- The cohort model tracks when applicants will hit the two-year time limit. In the third year of a cohort's receipt of AFDC, only half will hit the time limit because we started to measure them at six months.

#### Definitions

- There are four groups of participants in this program.
- **Group 1:** People who entered the Basic AFDC program before the effective date of October 1, 1993. These people will participate in the JOBS program until 1998 when they will enter the transition period.
- **Group 2:** New applicants who entered the Basic AFDC program after October 1, 1993 but who have not hit the time limit in 1996. These people will participate in the transition

program until they hit their two-year limit and will then enter the work program.

- **Group 3:** New applicants who entered the Basic AFDC program after October 1, 1993 but hit the time limit in 1996. These people will go directly to the work program when it is implemented in 1996.
- **Group 4:** UP participants. These people will participate in the JOBS program until 1996. Then they will go directly to the work program. There will not be a transition period for UP participants.

#### Exemptions

- In 1994 and 1995, before the GOP plan is phased in, approximately 50% of the Basic caseload will be exempt from participation because of the exemption rules specified in the Family Support Act of 1988. Since most of the UP cases are mandatory, only 10% will be exempt from the transition program.
- The percentage of recipients who will be exempt from participation will decrease under the GOP proposal, mainly because there will no longer be an exemption for parents with children under the age of three (or one at State discretion).
- Starting in 1996, 30% of the caseload will be exempt from participation. Therefore, even though recipients are not required to participate in the GOP plan until 1996, they will be subject to the higher participation rates. We feel that this is a realistic assumption because it is unlikely that states would follow two different exemption requirements. There will be no exemptions for UP participants in the work program.

#### Participation Rates

- Participation rates in the transition program for non-exempt members of Group 1 are spelled out in the JOBS legislation and the GOP proposal. I assume that the actual participation rates for the JOBS portion will be 22% of the caseload in 1994 through 1997. In 1998, 50% of Groups 1, 2, and 3 will participate in the transition program. UP recipients (Group 4) will participate in the JOBS program at rates of 40% and 50% in 1994 and 1995, respectively. After 1996, there will be no transition period for UP participants.
- The participation rates for non-exempt members of Groups 2 and 3 in the transition program will be 30% in 1996 and 40% in 1997.
- Participation rates in the Basic post-transition work program for those who are not exempt are in the GOP proposal. They are as follows: no participation in 1994 and 1995, 30% of Group 3 in 1996, 40% of Groups 2 and 3 in 1997 and 50% of Groups 2 and 3 in 1998. The participation rates for Group 4 will be 100% starting in 1996.

### Benefits/Savings

- We assume federal AFDC savings of approximately \$400 million.
- We assume a status quo AFDC benefit of \$388, the median state benefit in 1992 (Green Book).
- Savings will come from reductions in benefits for two reasons: employment and sanctions.
- While in the post-transition period, recipients will either be employed in CWEP jobs or in private sector employment. Based on studies of GAIN and SWIM, we believe that 95% of the participating caseload will need CWEP jobs and 5% will be able to find private sector employment.
- We assume that there will be a 50% benefit reduction if participants find private sector employment. However, since this model does not account for behavioral effects, we assume that people who find jobs will still qualify for some benefits and all of the program services.
- There will be a 25% reduction in AFDC benefits for sanctions in the transition or post-transition program. There will also be a 25% reduction in Food Stamp benefits, but those savings are not included in this cost estimate.
- We have no way of knowing what the sanction rate will be in this program. The teenage parent demonstration program workers used sanctions more aggressively than JOBS workers. The teen parent demo had a sanction rate of 30%. This figure refers to the rate over the entire course of the experiment. Therefore, I felt that a 10% sanction rate would be more realistic for the purposes of this estimate. This number is very tentative and subject to change after further examination of ACF data.

### Costs

#### Overall

- The net cost for this proposal was determined by subtracting what we are currently spending on the JOBS program from the new costs imposed by this proposal. The five year total federal cost will be \$7 billion. The net five year federal cost will be \$6.6 billion.
- JOBS baseline expenditures were computed by Manny Helzner of ACF.
- The costs for this program (when not provided by ACF) were adjusted for inflation using the state and local deflator of 2.8%. (Used by CBO).

#### Average

- The average costs of the transition were determined by using JOBS data for the costs of components. The JOBS program assumes participation of 20 hours per week. However, the average participation rate is really more like 15 hours per week. The average costs for this program were provided by Helzner.
- The costs for the new transition programs were scaled to represent the costs of a 10 hour week for the transition

program. We felt that multiplying the JOBS costs by 75% would account for the different variable costs for a 10 hour and 20 hour slot.

- The fixed costs of a CWEP job are \$400 per year. In order to adjust the CWEP figures upwards to reflect the cost of a 35-hour-per-week job as opposed to a 20-hour-per-week job, I multiplied the variable costs of \$1900 by 125%. (Original estimation by Rebecca Maynard and adjustment by John Tapogna of CBO).
- Child care costs were based on estimates by ACF about the monthly cost of child care by the number of hours of participation for each client (ACF data).
- The child care numbers were multiplied by 55% to reflect the fact that not every parent would use paid child care. Currently, there is approximately a 46% usage rate for child care by JOBS participants. There was a 70% percent usage rate in the teen parent demonstration program which had fewer exemptions. Therefore, the 55% figure represents a guess based on these two bounds.

#### Federal Share

- I assumed that the federal share for benefits and savings would remain at 54%.
- The match rate for the services provided in the new proposal was not specified. It is believed that it will be somewhere between the old match rate of 57% and a complete match of 100%. Therefore, the match rate for services used in this estimate is 70%.

## Title V Child Support Enforcement

New hire reporting on W-4 forms:

CBO's estimate for the Interstate Commission report was \$80 million in AFDC savings. We assumed the federal share would be about 55% or \$45 million. This estimate does not include food stamp savings or any benefit avoidance savings for the non-AFDC population.

Child support Registries and Expanded Federal Parent Locator:

There will be up front costs for developing the software and systems needed for these two proposals that are over and above the current CSENet costs. We do not anticipate seeing any savings within the first two years. We estimate that initial development costs for both systems combined will be around \$10 million a year for two years. Thereafter, we estimate that annual operating costs will be around \$2 million for both systems.

Streamlined wage withholding

This estimate assumes that the proposal entails adoption of the model Uniform Interstate Family Support Act (UIFSA).

WR-60P

Date: 03/07/94 Time: 15:42

## Senate Republicans' Bill Would Shift Welfare Programs To States

WASHINGTON (AP) States would control welfare programs and the federal government would pay a greater share of Medicaid costs under a swap proposed Monday by a group of Republican senators.

The lead sponsor, Sen. Nancy Kassebaum of Kansas, said the proposal would unshackle states from federal restrictions, giving them the freedom to design welfare programs that work for them.

Under the proposed swap, within five years the states would assume full responsibility for Aid to Families with Dependent Children, food stamps and nutritional assistance for Women, Infants and Children programs.

During the phase-in, state and federal governments would be required to maintain current levels of funding for welfare programs, and the federal government would pick up more state costs of Medicaid.

Kassebaum said her plan wasn't intended to reduce the federal deficit. "This isn't designed as a cost savings. It's designed to make it work better," she said. She also acknowledged the Democrats that control Congress probably won't support her proposal.

APNP-03-07-94 1542EST

COMPARISION OF 9/13/93 SENATE AND 8/93 HOUSE REPUBLICAN WELFARE REFORM PROPOSALS

TITLE I: AFDC TRANSITION TO WORK AND WORK PROGRAM

A. AFDC Transition Program

- 1. The program outline is identical to House Republican bill except that the Senate bill starts off with applicant job search provisions. The House version has identical provisions in a different part of its bill.
- 2. Sanctions: For the first offense, the family's combined AFDC and food stamp benefit is reduced by 50% (compared to 25% under the House bill). After the third offense, payments to the parent ends for at least one year and payments to the children are to be made through vendor payments for housing or to representative payees. (Under the House bill, the whole family is sanctioned after the third offense.)

PROVISIONS that are identical in the House and Senate bill:

- 3. Exemptions: Identical to House bill.
- 4. Participation Requirements: Identical to House bill

B. AFDC Work Program/Voucher Program:

The Senate Republican bill gives families who have not found a job after 2 years three months to find a private sector job with a voucher. The voucher would supplement wages at the value of the family's combined AFDC and food stamp benefits. To hire recipients, employers must certify that they will pay the employee at least twice the value of the voucher. After one year, the wage replacement value of the voucher would be reduced by half and, after two years, wages would no longer be supplemented. Employers may also participate in TJTC for this employment.

If the recipient fails to find a private sector job after three months, she must participate in the AFDC work program. If she finds a private sector job, thereafter, she can use the wage replacement voucher.

COMMENTS: It is unclear how recipients will be supported during the 3 months that they are job hunting with a voucher. There is no requirement that employers agree to hire recipients as regular employees once the wage supplement value declines or disappears. Without such guarantees,

employers may find it advantageous only to hire recipients during the period of maximum wage supplementation.

PROVISIONS that are identical in the House and Senate bills:

- B.1. AFDC Work Program/Program Outline
- B.2. Sanctions
- B.3. Exemptions
- B.4. Participation Requirements
- C. Work Program for Two-Parent Families
- D. Work Program for Fathers

TITLE II: PATERNITY ESTABLISHMENT

A. Initial Eligibility for Benefits

Same as House bill except only denies benefits to the mother for non-cooperation. The House version would make the child ineligible for benefits as well.

B. Cooperation in Establishing Paternity

If man named is not the father the mother's portion of the benefit will be denied and payments for the children will be made as vendor payments or to a representative payee. House bill would drop mother and child from the rolls.

C. Information Dissemination

Upon application for Medicaid-only benefits, mother would be advised she is not eligible for AFDC unless she identifies father and that she should take steps to establish paternity. House bill requires all public officials to provide such information.

PROVISIONS that are identical in the House and Senate bills:

- D. States must Develop Paternity Acknowledgement Programs in Public Hospitals and Federal funded Health Centers
- E. Burden of Proof on Mother for Death or Missing
- F. Good Cause Exemptions

- G. Undue Hardship Provisions
- H. State can Exempt Itself by Law
- I. Paternity Establishment Standard Increased to 90 Percent

TITLE III: EXPANDED STATUTORY FLEXIBILITY FOR STATES

B. Rewards and sanctions for school attendance

As in the House bill, States are allowed to reward or sanction school age children based on whether or not they meet school attendance standards. Senate version is written more clearly.

C. No additional money for more children

As in the House bill, States can impose a family cap denying benefits to children born 10 months after date of application for AFDC. Same exceptions apply. Under the Senate version, States can opt out of the policy more easily. Under the House version States can only opt out of the policy if they pass laws exempting themselves. The Senate version makes the policy a State option.

G. Parenting classes, money management and moving residence

Identical to House except that the Senate version does not give states ability to require AFDC families to seek permission to move their children's residences during the school year.

PROVISIONS that are identical in the House and Senate bills:

- A. Rewards and sanctions for immunization and/or health checkup
- D. Change work disregards within limits
- E. Married couple transition benefit option
- F. AFDC benefit levels for new state residents

PROVISIONS in House Bill that are not in Senate bill:

- o State option to deny AFDC benefits to single teen parents and their children.
- o State option to increase asset limit up to \$10,000

- o State option to convert AFDC to block grant

#### TITLE IV: EXPEDITED STATE WAIVER AUTHORITY

##### A. Office of Waiver Coordination

Whereas the House Republican bill created a White House office and extended waiver authority to 72 programs, the Senate bill coordinates waiver review within HHS and does not extend waiver authority beyond current law. The Senate bill provides for the creation of an office within HHS to coordinate AFDC, Medicaid, Child Support and ABD waivers. The functions of the office would include:

- o Technical assistance to States that wish to conduct or renew waiver demonstration projects.
- o Development of a standard application process to obtain 5-year waivers.
- o A uniform reporting form to be filled by States with waiver projects every 3 years.

As in the House bill, agencies would have 45 days to provide their analysis of each state proposal. Within 120 days, the Director would be required to notify states whether or not their request had been approved or they would be automatically approved.

The Director of the office would be responsible for coordinating with the Secretary of Agriculture on waiver requests that involved the Food Stamp program.

#### TITLE V: CHILD SUPPORT ENFORCEMENT

##### A. Improved Tracking of Absent Parent to Enforce Support

Adds a provision to the House proposal that requires states to recognize and enforce interstate orders and in cases of dispute to place jurisdiction in the state where the child lives.

PROVISION that is identical in the House and Senate bills:

##### B. Streamlined Wage Withholding

PROVISION that is in the House bill and not in the Senate bill:

- o Hospital-based Paternity Establishment

TITLE VI: WELFARE RESTRICTIONS FOR ALIENS

PROVISIONS are identical in the House and Senate bills

TITLE VII: MISCELLANEOUS PROVISIONS

PROVISIONS that are identical in the House and Senate bills:

- A. AFDC Recipients and Drug Addiction:
- B. Eligibility for Food Stamps
- C. Evaluation of Education and Training Programs
- D. Demonstrations on Fraud and Administrative Efficiency

PROVISION in House Bill that is not in Senate bill:

- o SSI and Addicts

**SUMMARY OF WELFARE REFORM LEGISLATION  
SPONSORED BY HOUSE REPUBLICANS\*  
Fall, 1993**

**I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE**

***CAUSE 1: NONWORK***

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

***THE SOLUTION: MANDATORY WORK***

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional \$10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

***CAUSE 2: ILLEGITIMACY***

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

***THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS***

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work.

\*Members of Republican Welfare Reform Task Force: Rick Santorum, Tom DeLay, E. Clay Shaw, Dave Camp, Michael Castle, Gary Franks, Fred Grandy, Wally Herger, Tim Hutchinson, Bob Inglis, Nancy Johnson, Joe Knollenberg, Jim Kolbe, and Marge Roukema.

## **II. SLASHES WELFARE FOR NONCITIZENS**

### ***THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS***

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

### ***THE SOLUTION: STOP WELFARE FOR NONCITIZENS***

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

## **III. EMPHASIZES PARENTAL RESPONSIBILITY**

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

## **IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS**

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends SSI benefits for those testing positive for illegal drugs

## **V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT REDUCES THE DEFICIT BY \$20 BILLION OVER 5 YEARS**

- The training and mandatory work provisions of the bill cost nearly \$12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about \$31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost \$20 billion over 5 years.

CHR

THE WHITE HOUSE  
WASHINGTON

November 12, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
SUBJECT: House Republican Welfare Reform Plan

Earlier this week, House Republicans announced their welfare reform plan, which is based on your campaign pledge to require welfare recipients to work after 2 years. A summary is attached.

**I. Elements of the Plan**

The Republican plan includes the following major provisions:

**1. Work:** Requires AFDC recipients to work at the end of two years. Provides \$10 billion over 5 years to states to set up CWEP work programs. Phased in over 10 years, starting with 30% of new applicants in 1995. Gives states the option to drop recipients after 3 years in the work program (and a total of 5 years on AFDC). Also requires fathers of children on AFDC to pay child support or take part in a work program.

**2. Parental Responsibility:** Requires mothers to identify the father in order to qualify for welfare benefits. Requires teen mothers to live at home. Prohibits additional benefits for additional children born while on welfare. Includes other incentives for school attendance, immunization, parenting classes.

**3. How to Pay for It:** The Republicans raise about \$10 billion by eliminating SSI and other welfare benefits (except emergency Medicaid) for most non-citizens. They raise another \$20+ billion by capping entitlement programs (EITC, AFDC, SSI, Section 8 housing, Food Stamps) at inflation plus 2% -- and by cutting all food and nutrition programs (Food Stamps, WIC, etc.) by 5% and block granting the money to the states. These measures allow them to spend \$2 billion on training and \$10 billion on work programs, and still claim \$21 billion in deficit reduction over 5 years.

## II. Pros and Cons

We intend to welcome the Republicans' contribution to the debate, applaud their emphasis on work, responsibility, and your two-year time limit, and pledge a bipartisan effort to pass a welfare reform plan.

If asked, we will express some concerns about the entitlement cap -- it's ridiculous to cap a powerful work incentive like the EITC -- and the across-the-board cut in nutrition programs. We expect the NGA and even some Republican governors to criticize this apparent effort to shift the burden of welfare spending onto the states. We think it's unrealistic to claim that welfare reform can lead to massive deficit reduction in the short run. The Republican plan also doesn't do as much as it could to improve child support collection, or to provide employment and training services to support people in work.

But there is much in the Republican plan that we can work with. We are considering recommending many of the same parental responsibility measures for our own plan, such as requiring mothers to name the father in order to qualify for benefits and no longer giving welfare benefits to teenagers who want to live on their own. The Republican work program is a serious, \$10 billion effort to provide community service jobs -- and they phase in the program at a reasonable pace.

In fact, if they dropped the entitlement cap and block grant provisions, the Republicans would still have a revenue-neutral plan that invests \$12 billion over 5 years -- which is not a bad starting point for the debate.

The Administration's welfare reform working group has just completed a series of regional hearings in California, Tennessee, Chicago, and New Jersey. We will present a series of options to you next month for consideration in the FY95 budget, and develop legislation for introduction early next year.

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(OVER)

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- The training and mandatory work provisions of the bill cost nearly \$12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about \$31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost \$20 billion over 5 years.



# CENTER ON BUDGET AND POLICY PRIORITIES

WR-GOP

November 12, 1993

TO: Mary Jo Bane  
David Ellwood  
Ron Haskins  
Rich Hobbie  
Wendell Primus  
Carol Rasco  
Bruce Reed  
Belle Sawhill

FROM: Bob Greenstein

---

Yesterday's *Post* story on the Republican welfare reform bill gave a seriously misleading impression of what I said to the *Post* because it included only sentence fragments from what I said. It gave the impression I had said that *nothing* in the bill promoted work or responsibility. Since this is a complex, 156-page bill which I have yet to analyze in detail, I obviously am in no position to reach any such conclusion — and didn't do so.

What I did say was the three specific features in the bill "do nothing to promote work or responsibility": the food assistance block grant, the denial of benefits to children in cases where the mother has supplied the father's name and is trying to establish paternity but state bureaucracies or courts are moving slowly, and the provision allowing states to deny benefits after three years of community work experience to families that are willing to work but cannot find employment.

We plan to prepare an analysis of the bill and I will send it to you when it is completed. At first glance, I am quite troubled by a number of the provisions in this bill as they are described in the summaries I have seen.

Distribution: Carol Rasco  
Bill Galston  
Kathi Way  
George S.  
David Gergen  
Jody Greenstone  
DeeDee Myers  
Mark Gearan  
Howard Paster  
Maggie Williams  
Bill Burton  
John Podesta

November 9, 1993

MEMORANDUM FOR CIRCULATION

FROM: BRUCE REED

SUBJECT: Talking Points on House GOP Welfare Reform Plan

On Wednesday, November 10, House Republicans will hold a press conference to announce their welfare reform plan, which is based on the President's campaign pledge to require welfare recipients to work after 2 years. The Administration's reaction is spelled out in the attached HHS press release. The key points to stress are:

**1. Welfare reform is a bipartisan issue, and we welcome the Republicans' effort to help the President pass a plan.** Many elements of the Republican proposal are consistent with the President's vision, including their emphasis on parental responsibility and a two-year time limit followed by work. There is widespread consensus across party, class, and racial lines that the current welfare system is broken. We look forward to working with members of Congress and governors in both parties to fix it.

**2. The President has laid the groundwork to make good on his promise to end welfare as we know it.** His economic plan included a dramatic expansion in the Earned Income Tax Credit, which will move people off welfare by rewarding work and make good on another campaign promise -- that no one who works full-time with a family at home should live in poverty. The Administration's health reform plan will remove the incentive in the current system for people to stay on welfare in order to keep their health benefits.

The Administration has granted welfare reform waivers on a bipartisan basis to several states, including Iowa, Georgia, and Wisconsin. The Administration's Welfare Reform Working Group has held a series of hearings around the country (including one this week in Memphis) with state and local leaders, people in the welfare system, experts, and citizens who support reform. The Working Group will present policy options to the President later this year, with reform legislation likely early next year.

**3. Many elements of the Republican plan are consistent with the President's approach; other elements raise some concerns.** We want to do everything we can to reward work, family, and responsibility. Some provisions in the Republican plan raise concerns -- such as capping the EITC, a powerful work incentive with bipartisan support. Moreover, while we believe that welfare reform can save money over the long run by moving people into independence, we are concerned that some of the savings claimed in the Republican plan could shift considerable spending to the states. Finally, we would like to do more in the area of child support enforcement. But we are confident that we can work together with leaders in both parties to develop a welfare reform plan with bipartisan support.

If you have any questions, feel free to call me at 456-6515.

## DRAFT STATEMENT RESPONDING TO REPUBLICAN PLAN

Mary Jo Bana, David Ellwood and Bruce Reed, co-chairs of President Clinton's Working Group on Welfare Reform, issued the following statement today in response to the release of the welfare reform legislation by House Republicans:

"We are pleased that the Republicans in the House of Representatives have entered the debate on welfare reform. We will certainly be looking closely at their legislation in the weeks ahead as we work with Congress and the states and localities to continue the development of the Administration's plan. Many of their proposals address the President's vision for reform, which stresses work, family, opportunity and responsibility.

Clearly there is broad consensus throughout the country and across party lines for fundamental change in the welfare system. The emphasis in the Republican plan on work and parental responsibility is very much in keeping with the President's goals.

While we applaud their emphasis on work, some elements of the plan concern us, such as the cap on the EITC - a powerful work incentive which has bipartisan support - and the across-the-board cuts in cost-effective nutrition programs which are likely to shift costs to the state. Much more can and should also be done to crack down on parents who fail to pay child support. Most importantly, we want a plan that focuses both on opportunity and responsibility, to ensure that Americans can and do work and become self-sufficient in the work force. As the President said in his February 17 address to Congress, "in the end, we want people not to need us any more."

We look forward to working with Congress on a bipartisan basis to develop a plan which fulfills the President's vision of a welfare system which truly helps people to work and become self-sufficient."

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**SUMMARY OF WELFARE REFORM LEGISLATION  
SPONSORED BY HOUSE REPUBLICANS  
Fall, 1993**

**I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE**

***CAUSE 1: NONWORK***

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

***THE SOLUTION: MANDATORY WORK***

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional \$10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

***CAUSE 2: ILLEGITIMACY***

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

***THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS***

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

(OVER)

## **II. SLASHES WELFARE FOR NONCITIZENS**

### ***THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS***

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

### ***THE SOLUTION: STOP WELFARE FOR NONCITIZENS***

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

## **III. EMPHASIZES PARENTAL RESPONSIBILITY**

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

## **IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS**

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends SSI benefits for those testing positive for illegal drugs

## **V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT REDUCES THE DEFICIT BY \$20 BILLION OVER 5 YEARS**

- The training and mandatory work provisions of the bill cost nearly \$12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about \$31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost \$20 billion over 5 years.



DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

**Melissa T. Skolfield**

Deputy Assistant Secretary for Public Affairs

Phone: (202) 690-6853

Fax: (202) 690-5673

To: Bruce Reed

DPC, White House

Fax: 456-7739 Phone: \_\_\_\_\_

Date: 11/9/93 Total number of pages sent: 4

Comments:

Final, revised statement to be released by this office when the Republican plan is announced. (tomorrow, we think, at 10:30 a.m.)

Please note that it's February, not January, in third paragraph. Thanks!

WR-GOP

Republican Plan  
11/4 Strategy Meeting  
Agenda

1. Overall Strategy

-- general approach

\*\* generally welcome Republican involvement in the issue  
\*\* stress hope for a bipartisan approach and sense that broad consensus exists on need for fundamental change to a transitional system.

\*\* HOWEVER make point that we do not share the vision in this plan that welfare reform should shift burden of social programs to the states or (2) attempt to balance the budget on the backs of the working poor or legal immigrants

-- review specific talking points, who should speak, etc.

2. Outreach To State and Local Officials

-- review attempts to identify governors, state/local officials to comment on plan

3. Advocacy Groups

-- review feedback from groups on their reactions and advice

4. Congress

-- what outreach should be done on the hill regarding this plan

Talking Pts

- \* This plan doesn't do enough to make people self-sufficient  
it cuts work incentives, support for working families.
- \* Not enough on CSE

The following questions and answers are provided as guidance to Working Group members and their representatives in answering questions from the media about the Republican plan. As a general rule, we are recommending that the Working Group provide no comment on the plan to the press, other than referring them to the statement issued by the chairs and to Avis LaVelle, the group's spokesperson at 690-7850. You may also talk to Avis' deputy, Melissa Skolfield.

However, if further comment is required the following are some additional questions and answers which should be used as guidance when responding:

Q: Do you think this plan bears any resemblance to what you will be proposing?

A: The President has made no decisions on the nature of his welfare reform plan. We appreciate the Republicans' interest in helping the President carry out his campaign pledge.

Our approach will be based on the four values of work, family, opportunity and responsibility, and we're encouraged by the degree to which the Republican plan mirrors those goals. However, we seek a plan which emphasizes, rather than limits, efforts to make work pay such as the Earned Income Tax Credit. We believe much more can be done to crack down on parents who do not pay child support. Most importantly, we want a plan which does more to help people become self-sufficient.

Q: Do you think you will be able to work with the Republicans to create a bipartisan consensus in light of this plan?

A: We are optimistic that we will be able to gather support from members on both sides of the aisle for a plan that promotes the basic values the President has put forward: work, family, opportunity and responsibility.

Q: How do you react to such suggestions as family caps, an end to benefits for immigrants, or mandatory paternity establishment?

A: The Working Group has not reached any conclusions or presented any options to the President on any specific aspects of the plan. It will be a while before we will be able to comment specifically on any such proposals.

Q: The Republican plan estimates that welfare reform will save \$30 billion over five years. Will the Clinton plan save money?

A: Because no final decisions have been made, it is too early to say. We want to take a particularly close look at the extent to which the Republican claims of cost saving may be illusory because they simply shift costs from the federal government to the states. We are also concerned that across-the-board cuts in cost-effective food and nutrition programs may actually cost money in the long run.

Q: Why hasn't the Working Group come forward with its plan yet?

We are continuing our work according to our original timetable, and will have proposals ready for the President's consideration later this year. President Clinton has been a leader in welfare reform for almost a decade, and we want to present a bold, comprehensive plan that will truly end welfare as we know it. Already, we have taken two important steps with the expansion of the EITC and the introduction of health reform legislation.

We also believe it is important to consult with governors, members of Congress from both parties, people within the welfare system, and others before we make any final decisions. We have just completed a series of five regional hearings in Chicago; Washington, D.C.; Cranford, New Jersey; Sacramento; and Memphis.

Q: As you know, the Republican plan includes a 5 percent reduction in Food Stamps, WIC, and other nutrition programs serving children and the elderly. It also caps spending on the EITC, AFDC, SSI, and public housing programs. Do you really intend to consider these proposals?

Some elements of the plan do concern us, and there will clearly need to be further discussion about aspects of their proposal. For example, across-the-board cuts of that magnitude may be counterproductive and could simply shift burdens to the states. We are also concerned that cuts in cost-effective food and nutrition programs may actually cost money in the long run.

11/10/93  
2:30 p.m.

NOTE TO WELFARE CO-CHAIRS:

According to the four reporters I've spoken to so far, the Republican press conference was attended by only about 20 members of the press. Several members spoke, including Newt Gingrich, Dick Arney, Nancy Johnson, Clay Shaw, Rick Santorum and Gary Franks. One reporter told me he was struck by how surprisingly nonpartisan the remarks were. Lots of "want to work with the Administration."

They appear to have stressed time limits, "deadbeat dads" and benefits for aliens. Some of the rhetoric was decidedly anti-welfare recipient, i.e. "our tax money is going to drug addicts" and the like. The quote of the day seems to belong to Newt Gingrich, who said that we would never be strong as a nation "as long as 12-year-olds are getting pregnant, 15-year-olds are buying guns, and 17-year-olds are getting diplomas they can't read."

AP plans to do a brief, NYT is doing a story, and CQ and Gannett are the only unsolicited calls I've gotten.

Lynn Woolsey has put out a statement, and I understand that Harold Ford plans to put one out also, but I haven't seen these. (maybe ASL could try to get them?) CBPP has apparently made several calls. NYT plans to call Govs. Carper and Jones.

More later

Melissa

FOR IMMEDIATE RELEASE  
10 NOVEMBER 1993

CONTACT: Amy Tucci 225-4021  
Trish Brink 225-5951

## HOUSE REPUBLICANS UNVEIL WELFARE REFORM PACKAGE

House Republicans today introduced a sweeping package of welfare reforms that save taxpayer dollars while empowering welfare recipients to become self-sufficient. The legislation would prepare mothers and fathers on welfare for the workplace, require parents to return to work after a maximum of two years of receiving benefits, establish tough paternity standards to assist in child support enforcement, and end welfare benefits for most alien U.S. residents.

"The Republican Task Force on Welfare Reform chaired by (U.S. Reps.) Tom DeLay and Rick Santorum deserves a lot of credit for tackling the difficult problems of welfare reform and providing a tough but compassionate approach to controlling burgeoning welfare rolls and costs," said House Republican Leader Bob Michel.

"Candidate Clinton promised to end welfare as we know it by requiring work. But he has done little to deliver on his promise. Our bill gives him an opportunity to get the reform process moving," said House Republican Whip Newt Gingrich.

The legislative package, co-sponsored by 160 House Republicans, was designed by a leadership-appointed task force of 14 Members, including several from the House Ways and Means Committee. The package was approved by the full House Republican Conference on October 13, making it the official policy position of House Republicans.

"This bill emphasizes the view that the majority of people now on welfare want to support themselves and their families and will do so if given the proper encouragement and support," said U.S. Rep. Rick Santorum (R-PA), co-chair of the task force. "Republicans want to provide the needed balance between new benefits to support the transition to the workplace and new requirements for benefits to motivate some welfare recipients."

"We are anxious to learn how President Clinton will back up his promise to end welfare as we know it," added U.S. Rep. Tom DeLay (R-TX), task force co-chair. "This legislation goes a long way toward helping provide those who are trying to work their way out of the system an opportunity to develop a sense of self-worth and dignity."

U.S. Rep. E. Clay Shaw (R-FL), a senior member of the task force, compared the politics of welfare reform to the politics of NAFTA. "Because a majority of Democrats are almost certain to oppose serious reform," said Shaw, "the President will

need overwhelming Republican support if he wants to actually do something about the welfare tragedy."

**Highlights of the bill:**

- o Requires 90% of those who receive Aid to Families with Dependent Children (AFDC) for two years or more to work for their benefits. This provision attacks long-term welfare dependency while promoting self-sufficiency and self-worth;

- o Emphasizes the responsibility of fathers to support their children. These provisions include new standards for paternity establishment, requirements for job search by unemployed fathers, and mandatory work;

- o Establishes tough new standards to combat illegitimate births. The bill encourages states to refuse welfare to unmarried parents, requires unmarried minor mothers who do not receive welfare to live with their parents, and reduces federal payments to states that do not achieve high rates of paternity establishment;

- o Ends welfare for most non-citizens. The bill offers a one-year grace period after which most resident aliens receiving benefits from AFDC, food stamps, Medicaid, Supplemental Security Income (SSI) and other welfare programs would be dropped from the rolls.

- o Establishes a more effective welfare system that costs less while providing education, work-skills training, work experience, and job search programs for needy parents;

- o Accomplishes and pays for the reform measures outlined above while saving \$20 billion over 5 years.

#####

Republican Welfare Reform Co-Sponsors  
November 10, 1993

Robert Michel  
Newt Gingrich (GA)  
Rick Santorum (PA)  
Tom DeLay (TX)  
E. Clay Shaw (FL)  
Nancy Johnson (CT)  
Fred Grandy (IA)  
Dave Camp (MI)  
Michael Castle (DE)  
Wally Herger (CA)  
Tim Hutchinson (AR)  
Bob Inglis (SC)  
Joe Knollenberg (MI)  
Jim Kolbe (AZ)  
Marge Roukema (NJ)  
Wayne Allard (CO)  
Bill Archer (TX)  
Dick Armey (TX)  
Spencer Bachus (AL)  
Bill Baker (CA)  
Richard Baker (LA)  
Cass Ballenger (NC)  
Bill Barrett (NE)  
Roscoe Bartlett (MD)  
Joe Barton (TX)  
Herbert Bateman (VA)  
Helen Delich Bentley (MD)  
Doug Bereuter (NE)  
Michael Bilirakis (FL)  
Thomas Bliley (VA)  
Peter Blute (MA)  
John Boehner (OH)  
Henry Bonilla (TX)  
Jim Bunning (KY)  
Dan Burton (IN)  
Stephen Buyer (IN)  
Sonny Callahan (AL)  
Ken Calvert (CA)  
Charles Canady (FL)

William Clinger (PA)  
Howard Coble (NC)  
Michael Collins (GA)  
Christopher Cox (CA)  
Phil Crane (IL)  
Michael Crapo (ID)  
Duke Cunningham (CA)  
Jay Dickey (AR)  
John Doolittle (CA)  
Robert Dornan (CA)  
David Dreier (CA)  
John Duncan (TN)  
Jennifer Dunn (WA)  
Bill Emerson (MO)  
Terry Everett (AL)  
Thomas Ewing (IL)  
Harris Fawell (IL)  
Jack Fields (TX)  
Tillie Fowler (FL)  
Bob Franks (NJ)  
Gary Franks (CT)  
Elton Gallegly (CA)  
Dean Gallo (NJ)  
George Gekas (PA)  
Wayne Gilchrest (MD)  
Benjamin Gilman (NY)  
Bob Goodlatte (VA)  
Bill Goodling (PA)  
Porter Goss (FL)  
Rod Grams (MN)  
James Greenwood (PA)  
Steve Gunderson (WI)  
Mel Hancock (MO)  
Jim Hansen (UT)  
J. Dennis Hastert (IL)  
Joel Hefley (CO)  
David Hobson (OH)  
Peter Hoekstra (MI)  
Martin Hoke (OH)

Stephen Horn (CA)  
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Michael Huffington (CA)  
Duncan Hunter (CA)  
Henry Hyde (IL)  
James M. Inhofe (OK)  
Ernest Istook (OK)  
Sam Johnson (TX)  
John Kasich (OH)  
Jay Kim (CA)  
Peter King (NY)  
Jack Kingston (GA)  
Scott Klug (WI)  
Jon Kyl (AZ)  
Rick Lazio (NY)  
James Leach (IA)  
David Levy (NY)  
Jerry Lewis (CA)  
Tom Lewis (FL)  
Jim Lightfoot (IA)  
John Linder (GA)  
Bob Livingston (LA)  
Alfred McCandless (CA)  
Bill McCollum (FL)  
Jim McCrery (LA)  
Joseph McDade (PA)  
John McHugh (NY)  
Scott McInnis (CO)  
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Alex McMillan (NC)  
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Jack Quinn (NY)  
Jim Ramstad (MN)  
Arthur Ravenel (SC)  
Ralph Regula (OH)  
Thomas Ridge (PA)  
Pat Roberts (KS)  
Harold Rogers (KY)  
Dana Rohrabacher (CA)  
Toby Roth (WI)  
Edward Royce (GA)  
Jim Saxton (NJ)  
Dan Schaefer (CO)  
Jim Sensenbrenner (WI)  
Bud Shuster (PA)  
Joe Skeen (NM)  
Lamar Smith (TX)  
Nick Smith (MI)  
Robert Smith (OR)  
Gerald Solomon (NY)  
Floyd Spence (SC)  
Cliff Stearns (FL)  
Bob Stump (AZ)  
Don Sundquist (TN)  
Jim Talent (MO)  
Charles Taylor (NC)  
Craig Thomas (WY)  
William Thomas (CA)  
Peter Torkildsen (MA)  
Fred Upton (MI)  
Bob Walker (PA)  
Jim Walsh (NY)  
Curt Weldon (PA)  
Frank Wolf (VA)  
Bill Young (FL)  
Don Young (AK)  
William Zeliff (NH)  
Dick Zimmer (NJ)

Outline of Republican Welfare Reform Bill  
November, 1993

Outline of Bill

Title I: AFDC Transition and Work Program  
Title II: Paternity Establishment  
Title III: Expansion of Statutory Flexibility for States  
Title IV: Expansion of State and Local Flexibility  
Title V: Child Support Enforcement  
Title VI: Welfare Restrictions for Aliens  
Title VII: Controlling Welfare Costs  
Title VIII: Consolidated Block Grant to States for Nutrition Assistance  
Title IX: Miscellaneous

Title I: AFDC Transition and Work Program

A. AFDC Transition Program (first 2 years on AFDC)

1. Program outline. At the time of AFDC enrollment, families are referred to the AFDC Transition Program in which they are expected to work or prepare for work:
  - a. at state option, participation in the AFDC Transition Program can begin after 1 year for some or all recipient families defined as job ready by states;
  - b. recipients and the welfare agency create a written plan describing what each must do so the parent can prepare for work; the written plan must include the statement that after 2 years (or less at state option) parents who have not secured paid employment must work in exchange for their AFDC benefit;
  - c. states, in consultation with the Secretary, establish the guidelines by which participation is defined; states can set their own guidelines within the following framework:
    - 1) the general rule, to which education is an exception (see below), is that families must participate at least 520 hours per year, although states have flexibility in how the 520 hours is achieved (e.g., 100% time for 3 months, 50% time for 6 months, or 25% time for 12 months fulfills the requirement);
    - 2) within 12 months of enactment, the Secretary must publish rules about how education hours are counted; the guiding principle should be that meeting whatever a given educational institution (including certified professional training schools and certified degree-granting programs) considers full-time enrollment, and maintaining at least minimum passing evaluations, counts as participation;
    - 3) in two-parent families, at least one parent

- must meet participation requirements; states have the option of requiring participation by both parents;
- 4) parents can use the 6-month birth exemption (see below) only one time; if a subsequent child is born while the parents are on AFDC, only the 4-month exemption is in effect;
  - d. all the programs authorized in section 482(d) of the Social Security Act (education, job skills, job readiness, job development and placement, group and individual job search, on-the-job training, work supplementation, community work experience) count as participation under the AFDC Transition program.
2. Sanctions. Participants who fail to meet the criteria for participation are sanctioned as follows:
- a. for the first offense, the combined value of the family's AFDC benefit and Food Stamp benefit is reduced by 25% until the parent complies and at least 3 months have elapsed; if 3 months elapse and the recipient has not complied, then the recipient is deemed to have started the second offense period;
  - b. the sanction for the second offense is similar to the first except that in addition to complying with the criteria, at least 6 months must elapse before benefits are restored; if the recipient has not complied within 3 months, then the recipient is deemed to have entered the third offense period;
  - c. for the third offense, the family is dropped from AFDC altogether;
  - d. when families are dropped from AFDC, they retain Medicaid, Food Stamps, and any other benefit for which they are otherwise eligible.
3. Exemptions.
- a. incapacitated, as currently defined in regulations (not including drug and alcohol offenders);
  - b. at state option, those enrolled in drug and alcohol abuse programs (with a 12-month limitation);
  - c. during a 6-month period in which a recipient gives birth to the first child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
  - d. during a 4-month period in which a recipient gives birth to the second or subsequent child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
  - e. during a 2-month period following the return home of a child who had been removed from the home;

- f. during the period in which full-time care is provided for a disabled dependent.

4. Participation Requirements.

- a. participation standards are computed separately for the Transition Program and the Work Program;
- b. new participation standards apply to applicants for FY 1996 and 1997; the standard for 1996 is 30 percent; the standard for 1997 is 40 percent;
- c. beginning in 1998, participation standards apply to the entire caseload (not just applicants); the standard in the Transition Program is 50 percent in 1998, 60 percent in 1999, 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
- d. to the extent possible, states are encouraged to fulfill their participation standards by focusing their efforts on mothers with school-age children.

- B. AFDC Work Program. If parents have not found a job after two years, they must participate in a work program established by the state

1. Program Outline.

- a. most states now conduct a Community Work Experience Program (CWEP) in which parents work, usually in a public sector job, for the number of hours equal to their AFDC benefit divided by the minimum wage; the current CWEP hours requirement is rewritten to mandate that recipients work for 35 hours per week;
- b. states can also require participation in the Work Supplementation program in which the AFDC benefit is used to subsidize a private sector job;
- c. reforms to the Work Supplementation program include:
  - 1) elimination of the requirement that all jobs must be new jobs;
  - 2) creation of new financial incentives for states to use the program:
    - recipients participating in the Work Supplementation program must be paid a salary at least equal to their AFDC plus food stamp benefits;
    - states can negotiate arrangements with employers to pay enough of the salary that some part of the value of the AFDC benefit will not be required to reach the AFDC plus Food Stamp minimum; in these cases, states can continue to request the federal share of the AFDC benefit as if the entire benefit were still being paid by state funds (this provision has the effect of allowing states to keep the entire amount by which the

employer-provided salary "buys out" the AFDC benefit);

- d. states can create a new work program, subject to approval by the Secretary, that combines features of CWEP and Work Supplementation or uses entirely new approaches developed by the state;
  - e. after 3 years of participation in the work program (and a total of 5 years on AFDC), states have the option of dropping recipients from the AFDC rolls; recipients would continue to be eligible for Medicaid, food stamps, and other benefits.
2. Sanctions. Same as above
  3. Exemptions. Same as above
  4. Participation requirements.
    - a. the Work Program begins for applicants in 1996; states must include at least 30 percent of their nonexempt caseload in their Work Programs in 1996;
    - b. the participation standard for applicants then increases to 40 percent in 1997, 50 percent in 1998, and 60 percent in 1999;
    - c. beginning in 2000, participation standards apply to the entire caseload (rather than just applicants); the standards are 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
    - d. the denominator for this calculation for each fiscal year is the number of nonexempt participants who have been on AFDC for at least 2 years on the first day of the fiscal year.
- C. Work Program for Two-Parent Families. At least one parent in two-parent families on AFDC must be required to work 32 hours per week and engage in job search for 8 hours per week. States are required to pay the combined AFDC-Food Stamp benefit in cash and only after the completion of the work requirement for any given period. If the work requirement has been only partially met, states must proportionately adjust the AFDC-Food Stamp payment level.
- D. State Option to Limit AFDC Two-Parent Program. Some states currently have the option of providing the AFDC Two-Parent program to qualified families for only 6 months in a given 12-month period; this option is extended to all states. (Current law prohibits about half the states from using the 6-month option).

- E. Work Program for Fathers. Fathers of children on AFDC must either pay child support or participate in a work program:
1. Fathers who are the equivalent of 2 months in arrears on their child support, unless they are following a court-approved plan for repayment, must participate in this program.
  2. States can design their own programs, but their program must include at least the following three elements:
    - a. initial contact with the father must include a letter that informs him he must pay child support, that he should contact the child support office, and that he is subject to fines and penalties if he does not cooperate;
    - b. if the father does not pay child support within 30 days he must be enrolled in a job search program for between 2 and 4 weeks;
    - c. if the father still does not pay child support within another 30 days, he must be enrolled in a work program for at least 35 hours per week (30 hours if the program also requires job search).
  3. The work program participation standards outlined above for the Transition and Work Programs apply to the work program for fathers; the denominator for calculations is the number of fathers with children on AFDC who do not pay child support.
  4. Only incapacitated fathers are exempt.

Title II: Paternity Establishment

- A. If the paternity of any dependent named on an AFDC application has not been legally established, the mother must provide the name of the father or fathers to AFDC officials as part of the application process:
1. if the mother does not provide a name, her family is not eligible for AFDC benefits for that child; if there is only one child, then the family will be denied all AFDC benefits;
  2. if the mother is not certain who the father is, she must name all the men (but not more than 3) she thinks could be the father;
  3. in the case of families with one child, once the mother has provided the father's name, the family is eligible for an AFDC cash benefit for a 1-person family;

4. in the case of families that have at least one child for whom paternity has been established and at least one child for whom paternity has not been established, the family will receive an AFDC benefit equal to the size of family that includes only the child or children for whom paternity has been established.
- B. After giving the father's name, the mother must cooperate with the state child support enforcement agency to establish paternity:
1. once paternity is legally established, the family is eligible for the full AFDC benefit for a family of that size;
  2. if the child support agency finds that the man named by the mother is not the father, the mother and children are dropped from the rolls until paternity is established;
  3. in the case of a family with more than one child at least one of which has paternity established, a false name will still result in the entire family being dropped from the rolls.
- C. States must require all officers and employees of the state, upon first recognizing that an unwed woman is pregnant, to inform her that:
1. she will not be able to receive AFDC benefits until she identifies the father, and
  2. she should do whatever is necessary to get the father to acknowledge paternity as soon as possible.
- States are encouraged to develop procedures in public hospitals and clinics that facilitate the acknowledgment of paternity.
- D. States must develop procedures, in consultation with the Secretary, to handle cases in which mothers claim the father is dead. State procedures should be based on the principle that the burden of proof is on the mother.
- E. The mother is exempt from these requirements if her pregnancy was caused by rape or incest or if the state concludes that pursuing paternity will result in physical harm to the parent or child.

- F. States are required to follow the provisions outlined above unless the state passes a law specifically declaring that the state wants to exempt itself.
- G. The state paternity establishment requirement of 75 percent in current law is increased to 90 percent. States under 90 percent must increase by 6 percent each year if their percentage is over 50 percent and 10 percent each year if their percentage is under 50 percent.

Title III: Expansion of Statutory Flexibility for States

- A. States can convert AFDC to block grant. States have the option of taking the amount of federal reimbursement they received under Title IV-A in 1992, plus a one-time inflation adjustment of 3 percent, as a fixed annual cash payment rather than continuing in the current AFDC program. States electing this option must present an annual report to the Department of Health and Human Services showing that all the money from the block grant was spent to help poor and low-income families.
- B. No AFDC for minor parents under age 18. States may refuse AFDC benefits if the mother or father of the dependent child is a minor as defined by state law. If minor parents are married, they can qualify for the state AFDC program for 2-parent families. States can decide not to follow this provision by passing a state law specifically exempting themselves.
- C. AFDC benefit levels for new state residents. States have the option of providing new residents of their state with the same level of AFDC benefits as provided by the state from which the residents moved. This level of benefits can be provided for no more than 1 year.
- D. Sanctions for school attendance. Families with school-age children who attend school less than some state-established minimum without good cause can be subject to a sanction of up to \$75.00 per child per month. Good cause is defined by states in consultation with the Secretary. Minor parents receiving AFDC who have not graduated from high school are also subject to this provision.
- E. No additional money for more children. States are not required to pay any additional benefits for children born 10 months after the date of application for AFDC. States can, but are not required to, allow exceptions for families: a) that leave AFDC due to earnings for at least 90 days if employment is terminated for good cause, and/or b) that remain off AFDC for 12 consecutive months. States

can decide not to follow this provision by passing a law specifically exempting themselves.

- F. Change work disregards within limits. States are permitted to replace the current Federal rules for disregarding income in setting AFDC benefit levels. The current 4-month \$30 and 1/3 rule can be changed as a state wishes but the changes can be no more generous than the equivalent of permanently disregarding the first \$200 of family earnings plus 1/2 of the remainder.
- G. Married couple transition benefit option. States are permitted to allow AFDC recipients who marry someone who is not the parent of their child, and who would become ineligible for AFDC, to keep up to 1/2 of their current benefit for up to one year as long as their combined family income is below 150% of the poverty level. Couples who marry and are eligible for the AFDC two-parent program in the state may receive either two-parent AFDC or the state's new "married couple" transition benefit, but not both.
- H. Increase asset limit up to \$10,000. States can disregard, for a maximum period of 2 years, up to \$10,000 of assets associated with a microenterprise owned by a family for purposes of determining AFDC eligibility and calculating AFDC benefits; states may also disregard up to \$10,000 of savings placed in a special account to be used for purchase of a home or for education or training. The disregard for business-related costs, income, and resources associated with a business of five or fewer employees will be increased from \$1,000 to \$10,000 per family.
- I. Parenting classes, money management, and moving residence. States have the option of requiring AFDC parents to participate in parenting classes and classes on money management during the Transition Program. Such participation counts toward fulfillment of state participation requirements. States can also require parents receiving AFDC benefits to receive agency permission before changing a dependent child's residence during the school year.

#### Title IV. Expansion of State and Local Flexibility

- A. Interagency Waiver Request Board. Waiver requests from states, localities, and other program operators are considered by an interagency board composed of the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, Interior, Justice, and the Office of Management and Budget. The Board is headed by a chairperson appointed by the President.

B. Goals of Reform Waivers. The Chairman and Board must insure that all waivers meet one or more of the following goals:

1. helping elderly and disabled individuals who need long-term assistance meet basic human needs or improve their living conditions,
2. helping able-bodied individuals and their families, on a temporary basis, meet basic human needs and improve their living conditions while--
3. acquiring the experience and skills necessary to improve their living conditions, maintain and strengthen family relationships, and attain or retain the capability for self-support and independence,
4. promoting individual initiative and personal behavior consistent with progress toward self-sufficiency and a strong family life.

The Chairman and Board must also insure that granting the requested waiver would not unnecessarily affect individuals or families adversely.

C. Application for Waivers. Any entity eligible to receive Federal funds may submit a waiver application to the Board specifying, explaining, and justifying the particular provisions of statute or regulation the entity wants to change. All applications must aim to help long-term welfare recipients improve their living conditions, help recipients strengthen their families and achieve self-sufficiency, or promote individual initiative and personal behavior consistent with progress toward self-sufficiency. Applications must contain written assurances that implementing the proposal will not result in additional costs to the federal government.

1. Any entity has the option to submit a streamlined express application to implement an assistance plan reforming three or fewer programs. The entity may request that the chairperson authorize the applicant to implement the plan and waive the application of any Federal statutory or regulatory requirement to the extent necessary to enable such implementation.
2. Entities wishing to reform such programs may submit an application for an integrated assistance plan. Applicants must include in their applications the geographic area and recipients to be affected; objectives and performance criteria; federal programs that will be improved by implementation; fiscal control policies for plan; consent of qualified organizations; and approval of state and local agencies (affected by the proposal).

- D. Agency Approval. The Chairman, after considering the proposal and making any written comments she thinks appropriate, forwards the proposal to the agency or agencies with jurisdiction over the programs. Within 45 days the agency must provide the Chairman with views on whether the proposal meets the goals of reform waivers outlined above. If more than one federal agency is involved in the waiver request, the chairman must take steps to assure that all agencies are informed of the others' involvement. The Chairman must reach a decision on the waiver request and notify the state within 90 days; if the state waiver request has not been approved or disapproved within 90 days from the date of receipt, the request is deemed to be approved.
- E. Eligible Federal Programs. Programs are deemed eligible for waivers if, directly or indirectly, they provide cash assistance, education, employment training, health, housing, nutrition, or social services to individuals or families.

#### Title V: Child Support Enforcement

- A. Improved Tracking of Absent Parents to Enforce Support. Establish a nationwide system for reporting and tracking newly hired workers to improve the nation's ability to locate parents and enforce support orders. The system would include a current address, source of earnings, and record of support obligations. This proposal is based on three specific reforms:
1. New employees would be required to report support obligations subject to wage withholding to employers via new W-4 tax forms. Withholding would begin immediately and employment information would be maintained for interstate searches.
  2. States would maintain updated registries of support orders to verify new hire withholding information and assist other states with interstate searches.
  3. The Federal Parent Locator service would be expanded to improve access to information nationwide; the Federal Office of Child Support Enforcement would coordinate an information network between states to provide for speedy interstate searches.
- B. Streamlined Wage Withholding. Streamline the interstate system of wage withholding by establishing uniform withholding notices and by requiring employers to honor

withholding notices from out-of-state courts.

- C. Improved Paternity Establishment. States would establish hospital-based programs to encourage voluntary paternity establishment at the time of birth and provide for administrative processes for establishing parentage.

Title VI: Welfare Restrictions for Aliens

- A. All welfare benefits (other than emergency Medicaid) are eliminated for non-citizens, except for refugees and certain permanent residents as defined below.
- B. Exceptions for refugees and permanent resident aliens:
1. Refugees who have been adjusted to permanent resident status can receive welfare for only 1 year beyond the time limit required for them to apply for citizenship (unless they are over age 75);
  2. Permanent resident aliens over age 75 who have been legal residents for at least 5 years are eligible for welfare benefits.
- C. State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the Immigration and Naturalization Service for all illegal immigrant parents with citizen children.
- D. Any noncitizen who is currently residing in the U.S. and is affected by any of the above provisions is exempt from that provision for 1 year following passage of the bill; any federal department that administers welfare programs that currently serve resident aliens must directly notify, or ensure that states notify, all recipients affected by the provisions outlined above.

Title VII: Controlling Welfare Costs

- A. Annual outlay growth in the Aid to Families with Dependent Children, Supplemental Security Income, Public housing and Section 8 housing, Food Stamps, and Earned Income Tax Credit (EITC) programs is capped at 2% plus inflation. If spending in any year exceeds the cap, each of the six programs is reduced by the percentage necessary to bring aggregate spending in line with the cap. Each program is reduced by the same percentage amount.
- B. The concurrent budget resolution includes an aggregate outlay figure for all six capped programs and for each program individually; each figure equals the previous year's outlays plus inflation plus 2%. Committee

allocations for Ways and Means, Banking, and Agriculture reflect the caps. The President's budget also contains the same aggregate and individual outlay figures that are found in the budget resolution.

- C. Five days after Congress adjourns to end a session, OMB calculates both an estimated outlay figure for each capped program for the previous fiscal year as well as the 2% plus inflation cap.
- D. Fifteen days after Congress adjourns to end a session, each of the capped programs is reduced by sequestration, if necessary, by the uniform percentage required to achieve the spending limit imposed by the cap.

Title VIII: Consolidated Block Grant to States for Nutrition Assistance

- A. The consolidated block grant combines 10 food and nutrition programs into a single, discretionary block grant to states. The 10 programs are: Food Stamps, Nutrition Assistance for Puerto Rico, Special Milk Program, State Child Nutrition Program, Special Supplemental Food Program for Women, Infants, and Children (WIC), Commodity Supplemental Food Program, Food Donations Programs for Selected Groups, The Emergency Food Assistance Program, Administration on Aging/Nutrition Services, and Food Program Administration.
- B. Spending on the block grant is controlled by imposing a ceiling on the spending each year. The first-year ceiling is 95% of the total spending from the individual programs; in subsequent years spending is adjusted to take into account population growth and food price inflation.
- C. The block grant is apportioned among states in accord with the percent of the poverty population that resides in each state. Money from the block grant must be spent by states providing nutrition programs to families with incomes below 70% of the Lower Living Standard Income Level published by the Department of Labor.
- D. Restrictions on State Spending:
  - 1. States cannot spend more than 5% of their grant on administration.
  - 2. States must spend at least 12% of their allocation on the Special Supplemental Food Program for Women, Infants, and Children (WIC); this amount will bring WIC benefits to all eligible children and mothers.

3. States must spend 20% of their funds on nutrition programs in child care and public school facilities; spending must be targeted on school children meeting the eligibility criteria for free and reduced price school meals..
- E. The program authorization expires after 5 years. The initial authorization includes funding for the first and second years; the intent of this provision is to provide transitional assistance for programs with a funding cycle at variance with the fiscal year. Following the transition period, the block grant will be forward-funded.
  - F. The block grant generates savings through elimination of benefit overlap, reduction of middle class subsidies, and slashing administrative duplication. The federal government will cease direct purchase of agricultural commodities for the purpose of distribution to food programs; states can directly purchase agricultural commodities held by the federal government as part of farm surplus reduction programs.

Title IX: Miscellaneous

A. AFDC Recipients and Drug Addiction

1. AFDC applicants and recipients determined by states to be addicted to alcohol or drugs must participate in addiction treatment if it is available.
2. Failure of addicts to participate on a satisfactory basis as defined by the state will result in expulsion from AFDC for 2 years.
3. States may waive participation requirements during the transition program for up to 1 year if AFDC recipients are participating in addiction treatment programs; however, states must continue to include all addicted recipients in the denominator for calculation of participation standards.
4. States are authorized to use random and unannounced drug tests with recipients who have participated in drug rehabilitation programs or have a history of addiction; refusal by the recipient to submit to drug testing will result in termination of the entire family's cash AFDC benefit for 2 years.

- B. Supplemental Security Income & Addicts. The Social Security Administration is directed to identify all SSI participants whose disability was caused by addiction to illegal drugs and to test them periodically, on a random

schedule, to determine whether they are using illegal drugs. If use of illegal drugs is detected by the tests, or if recipients refuse to submit to testing, their SSI benefits are permanently terminated.

- C. Evaluation of Education and Training Programs. The Department of Health and Human Services is required to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one of the studies must involve three groups to which AFDC adults are randomly assigned: a control group not required to participate in any special activity, a group required to participate in education or job training programs, and a group required to participate in job search or job search and work experience. Participants must be followed for at least 5 years.
- D. Initial AFDC Applicant Job Search. States must require AFDC applicants to participate in job search while their welfare application is being processed. Applicants must be reimbursed for transportation and child care expenses. States can provide emergency aid when payment cannot be delayed. States retain considerable flexibility in defining such emergencies, although they must include in their state plan the general guidelines they will follow. States can decide not to follow this provision by passing a state law specifically exempting themselves.
- E. Demonstrations on Fraud and Administrative Efficiency.
1. HHS is authorized to conduct demonstrations in several states to determine whether providing welfare benefits (including AFDC, Food Stamps, Medicaid, housing, etc.) by use of electronic cards and automatic teller machines will reduce administrative costs and fraud; within 5 years HHS must write a report to Congress summarizing the results of the studies and making recommendations about whether and how more states might be required to use electronic funds transfer programs.
  2. HHS is required to appoint a commission composed of cabinet officials, outside experts, and state administrators to determine the cost and feasibility of creating an interstate system of Social Security numbers of all welfare participants for the purpose of ensuring that no adults or children are participating in welfare programs in more than one state.
- F. Work Incentive in Housing Programs. Local public housing authorities must disregard FICA taxes and income taxes from

earned income for purposes of calculating rent for 2 years after recipients begin employment. Public housing authorities may exclude from earned income, for a maximum of 2 years, additional earnings resulting from employment of a previously unemployed household worker over age 18. Both of these provisions are subject to funding approval by the Appropriations Committee.

G. Required Immunizations for Children.

1. Families with children under age 6 must present verification from a physician that the children are receiving regular pediatric checkups and required immunizations.
2. States must conduct education and outreach activities designed to increase public awareness of the importance of preschool health checkups and to advertise the availability of free or reduced price immunizations.
3. Children attending facilities supported by the Child Care and Development Block Grant must present evidence from a physician that they are following the recommended schedule of pediatric immunizations; providers must present parents with written information about required immunizations; parents must be given between 30 and 45 days to obtain the required immunizations or the child must be removed from the facility.
4. The Surgeon General must issue recommendations for the schedule of immunizations to be followed by children under 6 years of age.

October 26, 1993

MEMORANDUM

To: Group

From: Wendell Primus

Re: Attached House Republican plan materials

Attached is a summary of the House Republican legislation, as well as a Dear Colleague from the Republican Conference task force on welfare. According to these documents, the bill will cost nearly \$12 billion over 5 years and will save about \$31 billion over 5 years. Therefore, almost \$20 billion will be available for deficit reduction.

I believe our press strategy for responding to the release of the Republican plan needs to change as a result of these new facts. Because welfare reform will inevitably cost money--NOT save money--we should express serious reservations and disbelief about the amount of savings generated. Otherwise, this will become the expectation, and we will be forced to defend why our plan does not yield significant cost savings. At the same time, we should praise various aspects of the plan.

I am told that the House Republican bill will be introduced on Monday, November 8th. Please keep the summary confidential.

## SUMMARY OF WELFARE REFORM LEGISLATION SPONSORED BY HOUSE REPUBLICANS Fall, 1993

### I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE

#### **CAUSE 1: NONWORK**

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

#### **THE SOLUTION: MANDATORY WORK**

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional \$10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

#### **CAUSE 2: ILLEGITIMACY**

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

#### **THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS**

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff

penalties

- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

(OVER)

Jan Meyers will offer a bill of her own that, among other things, caps spending in the AFDC program and turns the program over to the states. We think this approach is equivalent to punting in football. It's greatest failing is that it does nothing to require work. It also leaves governors holding the bag because they will have a fixed number of welfare dollars that will be eaten away over the years by inflation. Republican Governors are strongly opposed to this proposal.

In addition, if House Republicans adopt the Meyers approach of simply cutting benefits and dumping people off the rolls, we will open ourselves to the charge that while the President is daring to challenge liberals by requiring welfare parents to work, Republicans are up to their old tricks of simply cutting benefits for destitute women and children.

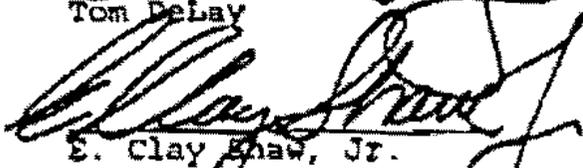
By contrast, the Task Force bill defines welfare reform for Congress, President Clinton, and the nation as more work, less spending, more flexibility for states, and no welfare for aliens.

VOTE NO ON THE MEYERS AMENDMENT; VOTE YES ON THE TASK FORCE BILL.

Sincerely,

  
Tom DeLay

  
Rick Santorum

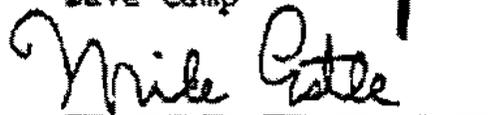
  
E. Clay Shaw, Jr.

  
Ted Grandy

  
Nancy Johnson

  
Dave Camp

  
Bob Inglis

  
Michael Castle

  
Joe Knollenberg

# Congress of the United States

## House of Representatives

Washington, DC 20515

October 12, 1993

Dear Republican Colleague:

For the past several months, a task force of Republicans has been drafting a welfare reform bill. At tomorrow's meeting of the Republican Conference, you will have a chance to vote for the product of our efforts.

Our objective has been to produce a tough welfare reform bill before President Clinton can produce one of his own. The current predicament of Republicans on health care reform shows that there are clear risks in allowing the President to define what reform means. On welfare, we intend to do that for him.

Both during the election and since, President Clinton has promised to "end welfare as we know it". Of course, the President has spared the nation the details of his proposal. The only thing we know is that his proposal will somehow involve work.

Rather than vague promises, our bill requires adults on welfare to work after 2 years (or less at state option) of job preparation and job search. When our 90% work standard is fully implemented after 8 years, 63% of all adults who have been on welfare for 2 years or more will be required to work.

We also include stiff sanctions on both individuals and states if they fail to meet the work requirements. In fact, if adults do not meet the work standard, they are subjected to a series of penalties that culminate in outright expulsion from the welfare rolls.

Nonwork is not the only underlying cause of welfare. The second underlying cause is illegitimate birth. As illegitimacy continues to skyrocket in America, federal and state governments must spend more and more money just to stay in place in the battle against poverty.

The Task Force has come up with several provisions to attack illegitimacy. The most important is that we require mothers to give the name of the child's father when they first sign up for welfare -- no father's name, no welfare. If the man named by the mother is shown not to be the father, the family is excluded from the Aid to Families with Dependent Children Program.

Our bill also requires minor unwed mothers to live at home, and allows states to refuse AFDC payments to children with parents who are under age 18.

The Task Force bill contains a host of other provisions designed to reduce welfare dependency. These will be described in detail at Wednesday's Conference meeting.

CBO estimates that the work requirements of our bill will cost \$12 billion over 5 years. Our Task Force operated on the principle that the nation already spends enough money on welfare. Whatever else reform does, it should not require more welfare spending.

Thus, we found three sources for capping or cutting current welfare spending. The first and smallest is the paternity establishment section of our bill which saves \$1.6 billion over 5 years. We also included a cap proposal carefully crafted by the Budget Committee and sponsored by Mr. Kasich and Mr. Kolbe. This proposal would combine 11 programs that provide food subsidies into a single block grant, reduce the funding by 5%, and give states complete

... billion per year. Unlike other proposals to

control over nearly 300 billion per year  
money -- \$8.3 billion over 5 years.

The third funding provision of the bill opens a new chapter in the welfare debate. Several members of our group were concerned about welfare spending on noncitizens. As we delved into this problem, we found shocking abuses of taxpayer dollars. CBO worked with us trying to estimate how much welfare money is spent on various categories of noncitizens. We were amazed to find that at least \$8 billion per year is spent on welfare benefits in just four programs -- Food Stamps, Aid to Families with Dependent Children, Supplemental Security Income, and Medicaid. By eliminating welfare payments to noncitizens after a 1-year grace period, we will save \$21.3 billion over 5 years.

The bottom line is that the Task Force bill reduces the deficit by \$19.5 billion over 5 years.

Page 2

## II. SLASHES WELFARE FOR NONCITIZENS

### ***THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS***

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

### ***THE SOLUTION: STOP WELFARE FOR NONCITIZENS***

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

## III. EMPHASIZES PARENTAL RESPONSIBILITY

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

## IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends

**V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT  
REDUCES THE DEFICIT BY \$20 BILLION OVER 5 YEARS**

- The training and mandatory work provisions of the bill cost nearly \$12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about \$31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost \$20 billion over 5 years.

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# Hudson Briefing Paper

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## Welfare Policy: Is There Common Ground?

By Anna Kondratas

~~Welfare~~  
→ EDA / future  
→ Working to  
opportunities  
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Welfare policy has been one of the most hotly debated issues since President Johnson declared "war" on poverty in the mid-1960s. Early in the debate the lines were drawn quite clearly. Liberals emphasized the need for the federal government to help less fortunate members of society. Conservatives emphasized the high costs of welfare both for taxpayers and recipients.

The war on poverty failed. In fact, it coincided with a vast increase in numbers of poor people across the country. By the 1980s, in response to mounting evidence that federal welfare programs had failed both taxpayers and recipients, the two sides of the debate began to find a number of points on which they had common ground. Both sides agreed that too many people were on welfare; that the goal of welfare should be to help recipients become independent of the state; that development of good character among recipients is crucial; and that welfare recipients should be required to work if possible.

Hence a bipartisan drive for welfare reform came into being. In the 1980s various states began implementing work programs, and the federal government affirmed the trend in the Family Support Act of 1988, which made welfare receipt contingent on participation in employment and training programs. Unfortunately, saying that recipients should work proved much easier than making it happen, because the vast majority of welfare recipients are single women with children. These reforms were immediately followed by a huge increase in welfare caseloads, which rose by more than 25 percent in the late eighties and early nineties.

As it became clear that work programs alone would not decrease welfare dependency, states began to pass reforms intended to solve behavioral problems such as having children out of wedlock, neglecting to obtain prenatal care, and failing to ensure that one's children attend school. More than half the states have proposed or enacted programs designed to change lifestyles and life expectations of those on welfare. These programs are likely to be more successful than work programs alone, but not much more so. Policymakers are becoming increasingly aware of the need to treat the social and economic factors that help create welfare dependency.

Empowerment and asset-based welfare reform comprise the latest approach. Both Right and Left agree that the government should use welfare to empower people to take control of their lives. Grass-roots activism is an important element of the effort. If the Clinton administration remains committed to such an approach, the nation will enjoy an unprecedented opportunity to bring on "the end of welfare as we know it."

The Cultural Policy Studies Project

December 17, 1993

File:  
wfr - Republicans

**PRESIDENT CLINTON'S COMMITMENT  
TO WELFARE REFORM:  
THE DISTURBING RECORD SO FAR**

**INTRODUCTION**

President Bill Clinton has promised to "end welfare as we know it," and his Administration is drawing up proposals for Congress which, the White House claims, will deliver on that promise. In making this bold commitment, the President acknowledges that the War on Poverty has failed. America today is spending seven times as much in constant dollars on means-tested welfare as it was when the War on Poverty started in 1965. Overall the U.S. taxpayers have spent \$5 trillion on welfare since Lyndon Johnson launched his "war," an amount greater than the cost of defeating Germany and Japan in World War II.

President Johnson declared his "war" would be a great investment which would return its cost to society manyfold, and the average American household has already "invested" around \$50,000 in taxes in fighting the War on Poverty. But in many respects the fate of lower-income Americans has become worse, not better, in the last quarter-century.

A key reason is that welfare has caused a collapse of the low-income family. Today, one child in eight is being raised on welfare through the Aid to Families with Dependent Children (AFDC) program. When the War on Poverty began, roughly one black child in four in the United States was born out of wedlock. Today two out of three black children are born out of wedlock. Rapid increases in illegitimacy are occurring among low-income whites as well; the illegitimate birth rate among low-income white high school drop outs is 48 percent. Overall 30 percent of children in the U.S. are now born to single mothers.

One reason why this trend is so destructive is that single-parent homes dependent on welfare are poor environments for raising children. Children brought up in such circumstances have limited prospects for succeeding in mainstream society. They are far more likely to fail in school. They are more likely to get caught up in crime. And they are more likely to end up on welfare themselves as adults. June O'Neill of Baruch College, in New

tual ability by one-third when compared with nearly identical low-income children not on welfare.<sup>1</sup>

Single-parent families also impose staggering social costs on the communities around them. Young black men raised without fathers on average commit twice as much crime as young black men raised in similar low-income families with both a father and mother present.<sup>2</sup> The threat of violence that makes most Americans afraid to walk at night in major U.S. cities is a direct result of family disintegration engendered by the welfare state.

It is indeed, as the President maintains, vital to end welfare as we know it. The centerpiece of President Clinton's reform proposal does give the appearance of changing the system, at least in part. The President proposes to require those parents in the AFDC program who have received welfare for over two years to perform community service work (workfare) in exchange for continued AFDC benefits. However, despite the conservative rhetoric, the actions of the Clinton Administration during its first year in office have gone in exactly the opposite direction. The Clinton Administration has in fact sought to expand conventional welfare programs and to undermine existing work requirements for welfare recipients.

Specifically, the Clinton Administration thus far has:

**Proposed a huge increase in conventional welfare spending.** After promising to end welfare, the Clinton Administration in its first budget proposal asked for \$110 billion over five years in expanded spending for existing welfare programs, such as Food Stamps, the Women, Infants and Children Food Program (WIC), public housing, and energy assistance.

**Ignored funding for workfare.** Despite its pleas for an additional \$110 billion for conventional welfare spending, Clinton's proposed budget did not seek one extra dime for expanding workfare programs. But all experts agree that if the government is to require welfare recipients to work in exchange for benefits, extra funds must be provided to administer such work programs.<sup>3</sup>

**Postponed long-term work requirements.** By avoiding any real commitment to expanding workfare up to the present time, the Clinton Administration has ensured that its efforts to "end welfare as we know it" cannot even commence until fiscal year 1995. This very late start makes it unlikely that more than four or five percent of all parents enrolled in the AFDC program actually will be required to work in exchange for welfare benefits by the time President Clinton seeks re-election in 1996.

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- 1 M. Anne Hill and June O'Neill, "The Transmission of Cognitive Achievement Across Three Generations," paper prepared for the RAND Conference on Economic and Demographic Aspects of Intergenerational Relations, Santa Monica California, March 1992.
  - 2 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, August 1993, research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services
  - 3 Requiring large numbers of welfare recipients to perform community service work may reduce total welfare costs by encouraging welfare recipients to leave the rolls. However, even if this occurs, the amount of money specifically devoted to operating the work programs must be increased.

**Attempted to reduce current work requirements.** Far from promoting workfare programs, the Clinton Administration has spent most of 1993 seeking to undermine the few work requirements in existing law. It has even gone so far as to advise states to violate the current law in order to reduce the amount of work that welfare recipients would be required to perform.

The history of welfare is littered with the rhetoric of politicians who have claimed they were overhauling the system while little or nothing was changed. The Clinton Administration is perfectly poised to join in this venerable tradition. Even worse, despite passing references in a few speeches, Clinton seems determined to avoid serious policies dealing with the core welfare problem: how to reduce illegitimacy and encourage marriage.

## **LESSONS FROM THE PAST: THE LEGACY OF BOGUS REFORM**

The history of the U.S. welfare system is marked by a complete disconnect between political rhetoric and public policy reality. For instance, in launching the War on Poverty, President Lyndon Johnson confidently declared "the days of the dole are numbered." But then he greatly expanded the number of welfare programs and the number of Americans receiving welfare.

Just five years ago, Americans were told that the welfare system had been dramatically overhauled with the passage of the Family Support Act of 1988. The public was told that most welfare recipients would be required to work in exchange for benefits. Senator Patrick Moynihan (D-NY) declared of the reforms, which he championed, "For 50 years the welfare system has been a maintenance program. It has now become a jobs program."<sup>4</sup> Welfare spending, supporters said, would be dramatically trimmed as child support payments from absent fathers replaced government-funded welfare benefits for most single mothers. The claim was eerily similar to today's declarations.

The 1988 reforms, it was alleged, would require millions of welfare mothers with young children to work. This claim had ramifications in other areas of public policy; over the next two years, it gave a major impetus to efforts to fund a national government day care system through the Act for Better Childcare. Proponents of this legislation argued that the 1988 welfare reforms demonstrated that the idea of mothers in general caring for children in the home was passé. Thus, a new government day care infrastructure would be required not only for the children of welfare mothers who would allegedly be sent to work, but also for children of the general population.

But in the five years since the 1988 "welfare overhaul," the only noticeable change in the welfare system has been a dramatic surge in spending. Welfare spending by federal, state, and local governments in 1988 was \$217 billion—by 1992, spending had surged to \$305 billion (both figures are in constant 1992 dollars).

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4 Bureau of National Affairs, Inc. *Daily Labor Report*, March 21, 1988.

Table 1

**Percentage of Adult AFDC Recipients Participating in  
Mandatory Job Search, Community Service Work, or Training: FY1992**

Alabama	7.2%	Montana	15.1%
Alaska	3.8%	Nebraska	31.5%
Arizona	2.8%	Nevada	9.0%
Arkansas	9.6%	New Hampshire	9.8%
California*	4.8%	New Jersey	8.9%
Colorado	11.1%	New Mexico	7.6%
Connecticut	14.6%	New York	6.8%
Delaware	8.0%	North Carolina	5.1%
District of Columbia	6.0%	North Dakota	13.0%
Florida	3.8%	Ohio	9.6%
Georgia	4.7%	Oklahoma	24.6%
Hawaii	0.7%	Oregon	10.4%
Idaho	8.4%	Pennsylvania	5.9%
Illinois	6.6%	Rhode Island	10.9%
Indiana*	1.2%	South Carolina	5.4%
Iowa	3.8%	South Dakota	8.6%
Kansas	9.2%	Tennessee	4.2%
Kentucky	5.1%	Texas	5.2%
Louisiana	4.0%	Utah	30.0%
Maine	5.2%	Vermont	7.4%
Maryland	4.6%	Virginia	6.7%
Massachusetts	16.5%	Washington	11.2%
Michigan*	6.9%	West Virginia	6.9%
Minnesota	5.1%	Wisconsin	18.1%
Mississippi	2.5%	Wyoming	11.7%
Missouri	3.8%	<b>Nationwide Average</b>	<b>6.9%</b>

**Source:** Office of Family Assistance, Department of Health and Human Services. All data are monthly averages of recipients who participated in programs more than 20 hours per week.

\*—data represent participants as percentage of full AFDC caseload for 1991.

While Americans were told that the 1988 reforms required most welfare recipients to work for benefits, by 1992 only one percent of all AFDC parents were actually required to perform community service work (workfare) in exchange for welfare assistance.<sup>5</sup> A slightly greater number were required to search for a job or undertake training. Overall, as table 1 shows, during the average month in 1992, only 6.9 percent of AFDC parents were required to work, search for a job, or participate in education and training for more than 20 hours per week.

When pressed to explain the dismal results of the 1988 legislation, the conventional excuse is a shortage of funding for the Job Opportunities and Basic Skills (JOBS) program contained in the Act. Under the provisions of the legislation, this program operates workfare, job search, and training activities for welfare recipients. This convenient explanation is misleading, however. The real problem of the 1988 reforms was that very few AFDC recipients were in fact required to participate in any JOBS activity. Since the Act required only six percent of the AFDC caseload to participate in job search, training, or community service work, most states met these requirements using only part of the allocated federal JOBS funds.<sup>6</sup> There was a shortage of requirements, not a shortage of money.

Significantly, Congress poured billions of dollars into expanding the coverage of conventional welfare programs after passing the Family Support Act.<sup>7</sup> Since 1988, expansions in Medicaid and housing programs alone would have been far more than sufficient to fund work programs for all AFDC parents. The simple fact is that Congress, after telling the American public that it was going to require welfare recipients to work for their benefits, did everything but that. What Congress actually did was to limit workfare programs while expanding conventional welfare dramatically.

Congress has followed the traditional pattern in welfare policy over the last five years. Lawmakers talk tough about workfare, but Congress keeps the actual number of recipients who are required to work as low as possible, and expands spending on conventional welfare programs. Unfortunately, during its first year in office, the Clinton Administration has shown every indication that it intends to follow this well-worn path.

### **Clinton's Reform Rhetoric**

As candidate and as President, Bill Clinton has spoken often about the need to reform welfare. At times his rhetoric has been stirring; in *Putting People First: How We Can All Change America*, Clinton pledged to "honor and reward people who work hard and play by the rules." Welfare reform, and more specifically his pledge to "end welfare as we know it" was invoked often and with great effect during the campaign, and played a key role in Clinton's strategy of portraying himself as a "New Democrat."

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5 These figures represent the total number of AFDC recipients who were required to work in a given month, not merely the additional number who were required to work as a result of the 1988 act.

6 There is a specific cap for federal JOBS funding for each state; below this cap, federal funds equal a percentage of the state's spending on JOBS.

7 Part of the apparent shortage of state funding after 1988 was due to the vast amounts of state money required to pay for the expansions in Medicaid coverage mandated by the federal government.

The centerpiece of President Clinton's reform proposal is to end welfare as a long-term one-way hand-out. Adult welfare recipients in the AFDC program would receive normal welfare for only two years. If they remained on welfare for over two years they would be required to perform community service work in exchange for benefits. In *Putting People First*, which laid the foundation for recent policy pronouncements, Clinton states the government should:

After two years, require those who can work to go to work, either in the private sector or in community service: [the government should] provide placement assistance to help everyone find a job, and give the people who can't find one a dignified and meaningful community service job.<sup>8</sup>

With this statement, Clinton adopted rhetorically the workfare policy advocated by Ronald Reagan and other conservatives for over twenty years, but opposed by liberal majorities in Congress.

Yet Clinton's proposal was not limited to creating new responsibilities for welfare recipients. In addition to the "stick" of required work, he proposed new "carrots" or incentives to "honor and reward those who work hard and play by the rules." These incentives include an expansion of the Earned Income Tax Credit (EITC) and government-funded health care for low-income working parents.

Earlier this year, in an address to the National Governors Association, Clinton repeated his "carrots and sticks" theme of welfare reform. "We must provide people on welfare with more opportunities for job training," he declared, "with the assurance that they will receive the health care and child care they need when they go to work, and with all the opportunities they need to become self-sufficient. But then we have to ask them to make the most of these opportunities and to take a job."<sup>9</sup>

While Clinton's rhetorical commitment to requiring welfare recipients to work and to rewarding families who strive to be self-sufficient is commendable, it is also strangely limited. Despite having an entire chapter devoted to children and another to the family, *Putting People First* never mentions illegitimacy or marriage.<sup>10</sup> By ignoring the need to reduce illegitimacy and to promote marriage Clinton evades the core problem of the welfare state and the root of many of America's social problems.<sup>11</sup> Insisting that welfare

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8 Governor Bill Clinton and Senator Al Gore, *Putting People First: How We Can All Change America* (USA: Times Books, 1992), p. 165.

9 William J. Clinton, "Remarks to the National Governors Association," February 2, 1993, *Weekly Compilation of Presidential Documents*, Monday February 8, 1993, Volume 29-Number 5, pp. 125-128.

10 In a speech on November 13, 1993, in Memphis, Tennessee, President Clinton finally did acknowledge that family disintegration was a major cause of crime in the inner city. However, the President made no linkage between illegitimacy and welfare, and his speech, while containing many policy proposals, contained none to reduce illegitimacy or promote marriage.

11 One surprising side effect of serious work requirements for single AFDC mothers is that the policy would, perhaps unintentionally, reduce the number of illegitimate births. Welfare serves as an alternative to work and marriage; placing work requirements on single mothers on AFDC reduces the economic utility of welfare. Thus serious work requirements would encourage women to sidestep the trap of welfare dependence by avoiding having children out of wedlock in the first place. Work requirements would also increase the marriage rate of those on welfare. However, work requirements are not a sufficient strategy for reducing illegitimacy. And it is clear that the Clinton Administration has not developed its workfare

mothers work at community service jobs will do little to reduce welfare costs or to improve society as long as the illegitimate birth rate remains at 30 percent and rising.

## **THE CLINTON RECORD TO DATE**

As disturbing as the lack of commitment to tackling illegitimacy is the widening chasm between Clinton's welfare reform rhetoric and his actions. The record thus far suggests that Bill Clinton intends to deliver on all of the "carrots" of welfare reform, such as expanding the Earned Income Tax Credit, and providing government-funded health care to millions of Americans, but deliver on few or none of the "sticks," such as work and personal accountability.

### **A Disturbing Appointment**

In his first concrete action on the welfare reform front, President Clinton appointed Donna Shalala as head of the Department of Health and Human Services (HHS). The choice was odd because Shalala had served for years on the Board of Directors of the Children's Defense Fund, a Washington-based organization which has taken the lead in opposing work requirements for welfare recipients. Shalala actually served at the Children's Defense Fund during a period when the organization opposed the minuscule work and job search requirements in the 1988 Family Support Act. In her lengthy confirmation testimony Shalala mentioned welfare reform in only one vague sentence. Upbraided by Senator Moynihan for her lack of interest in reform, Shalala promised merely to create yet another task force to look into reform.

### **Revealing Budget Proposals**

An even greater disappointment to those who trusted in Clinton's promise to "end welfare" was the President's proposed budget submitted in the spring of 1993. The President's budget asked for \$110 billion in expanded welfare spending over the next five years. Welfare spending was already projected to grow at a baseline rate of roughly 50 percent over five years, before the proposed spending increases. Thus Clinton was proposing \$110 billion in new spending above an already rapidly expanding baseline.

True, some \$26 billion of this new welfare spending was to expand the Earned Income Tax Credit. By supplementing the earnings of low-wage working parents, the EITC does help to "make work pay" relative to welfare. It is one of Clinton's "carrots" to reward constructive behavior and should be considered part of his welfare reform package. But the other spending increases sought by Clinton were largely for conventional welfare programs invented in the earlier years of the War on Poverty: Food Stamps, public housing, energy aid, community development grants, and Head Start, among others. A complete list of Clinton's proposed welfare spending increases is included in the Appendix.

Some might attempt to justify this expansion of conventional welfare programs on the grounds that welfare was cut back during the Reagan and Bush years. In reality, federal, state, and local welfare spending (measured in constant 1992 dollars) grew by more than 50 percent in the Reagan-Bush period, rising from \$195 billion in 1980 to \$305 billion in

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proposals with this objective in mind.

1992. And as a percentage of GNP, welfare spending climbed from 4.2 percent when Ronald Reagan took office to 5.2 percent when George Bush left. So the claimed "reduction" of funding during this period cannot justify Clinton's proposed increases.

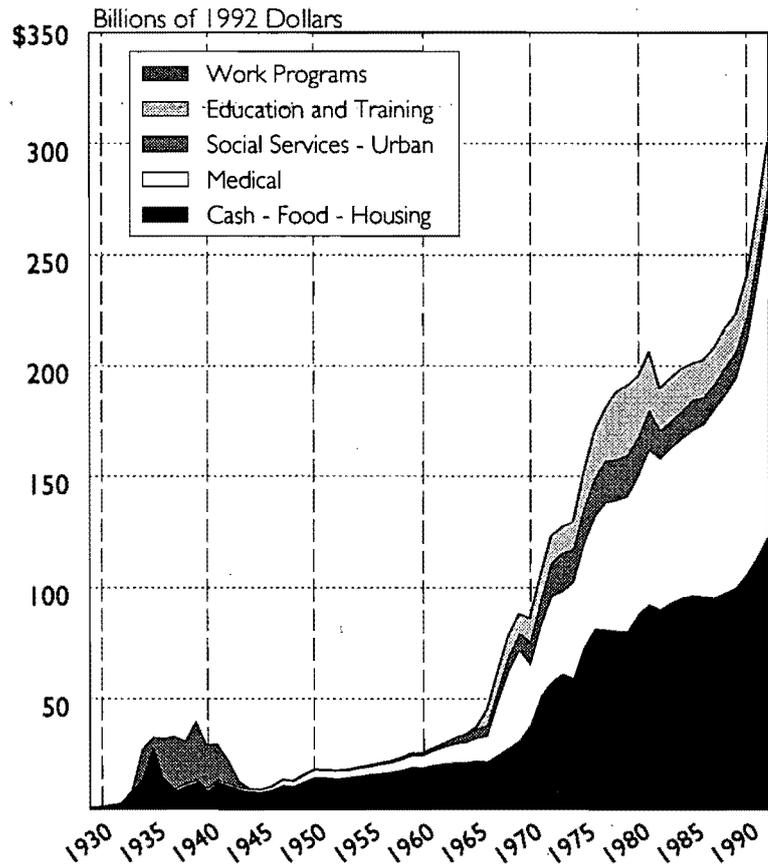
### No Workfare Funding

Still, the dramatic spending increases for conventional welfare proposed by Clinton are only part of the picture. The most devastating fact about Clinton's budget is that the \$110 billion in proposed new welfare spending did not contain one thin dime for expanding workfare. If large numbers of wel-

fare recipients are to be required to work, total welfare costs may fall as recipients leave the rolls, but the amount of money specifically devoted to operating work programs must be greatly increased. The funds for administering workfare for welfare recipients are currently included under the JOBS program created by the Family Support Act of 1988. In his address to the National Governors Association in February, Clinton said that the JOBS program had been highly successful but had been hampered by a lack of funds. However, his budget released a few weeks later contained no increase in JOBS/workfare funding.

Some might argue that Clinton could not increase workfare funding until all the details of his welfare reform could be worked out. But when Clinton ultimately unveils his reform, it will contain work programs similar to the workfare program (Community Work Experience program) which exists in current law and is already operated on a small scale as part of JOBS. If the intent is to "end welfare as we know it" the Clinton Administration should have begun by vastly increasing as soon as possible the number of recipients required to participate in existing workfare programs. It was not necessary to wait until every detail of its final workfare plan had been developed. It is also worth noting that the

## U.S. Welfare Spending: 1929-1992



Source: Heritage calculations based on U.S. government data.

Heritage DataChart

Clinton budget contained emergency funding requests for other initiatives such as National Service, even though the details of those programs had not been worked out.

If the Clinton Administration was serious in its plan to require workfare, it would have asked for supplemental appropriations for workfare in 1993 and, say, a quadrupling of JOBS funding for 1994. Instead Clinton sought aggressively to expand conventional welfare not workfare. The money for the proposed expansion of the Food Stamp program alone could have quadrupled future funding for JOBS/workfare.<sup>12</sup> By procrastinating on its commitment to workfare, the Clinton Administration ensured that its campaign to end welfare would not even begin until Fiscal Year 1995.

While not all the President's spending initiatives were approved by Congress, the proposed budget presents a dramatic statement of presidential priorities. The message is clear. The President has promised a welfare reform of both carrots (positive incentives for constructive behavior) *and* sticks (sanctions or limits on negative behavior). Following the pattern which has become almost habitual, the carrots have appeared promptly but the stick is nowhere in sight.

The Administration's budget story has a final hypocritical twist. A few months after Clinton proposed \$110 billion in increased spending, mainly for conventional welfare programs, Clinton political appointees at HHS began suggesting that it might be necessary to scale back Clinton's welfare reform plan because the government lacked funds to pay for it.<sup>13</sup> Thus Clinton appointees sought to build a case for renegeing on Clinton's workfare policy by citing a lack of funds at the same time the Administration was proposing vast increases in conventional welfare spending.

### **The War Against Workfare**

The Clinton Administration has not merely ignored its commitment to workfare; it has actually spent most of 1993 attempting to roll back existing work requirements.

Under the 1988 Family Support Act, only one group of welfare recipients was actually required to work in exchange for benefits. That group was fathers in two-parent families receiving benefits from the Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) program. According to the Family Support Act, fathers in AFDC-UP families would be required to work in community service programs for sixteen hours per week. Congress limited this requirement to only 40 percent of AFDC-UP fathers and postponed the effective date of the work requirement until FY 1994. Note the minimal nature of this requirement: two-parent AFDC-UP families are 9 percent of the AFDC caseload, so 40 percent of 9 percent means only 3.6 percent of the total AFDC caseload faced a real work requirement. Even that requirement to work for a few hours per week was delayed until FY 1994, six years after the Act's passage.

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12 Federal JOBS funding in future years is capped at roughly one billion per annum under current law. Clinton's proposed expansions to the Food Stamp program were \$2 billion in FY1995 and \$3 billion in each subsequent year. JOBS funding totals are from Congressional Budget Office, *August 1993 Baseline*, p. 290. Figures on the proposed Food Stamp expansion are provided in Executive Office of the President, *A Vision of Change for America*, February 17, 1993, p.137.

13 Jason DeParle, "Clinton Aides See Problem with Vow to Limit Welfare," *The New York Times*, June 21, 1993, p. A1.

The Clinton Administration's actions with regard to this minimal work requirement have been unequivocal—it has repeatedly attacked it. During the debate on the Omnibus Budget Reconciliation Act, the Clinton Administration sought to postpone the AFDC-UP work requirement effective date from FY 1994 to FY 1996.<sup>14</sup> Since all the work provisions of the AFDC program undoubtedly will be completely rewritten before 1996, the Clinton Administration effectively was proposing to kill the only real work provision in existing law.<sup>15</sup> The Administration claimed lamely that it was trying to postpone work requirements on AFDC-UP fathers because there were no funds to operate such workfare programs. Even assuming this dubious argument is correct, there were no funds to implement these workfare programs in FY 1994 precisely because the Clinton Administration requested none.

While the House of Representatives went along with Clinton's plan to roll back the AFDC-UP work requirements during the congressional debate on the budget, the Senate rebelled at this effort to gut the only work requirement in existing law. Led by Senator Moynihan, the Senate rejected the Clinton plan. The Senate then prevailed over the House in conference and the modest AFDC-UP work requirements were maintained unchanged.

After the Clinton Administration failed in its legislative efforts to eliminate work requirements for AFDC-UP fathers, it adopted a back-door strategy: If it could not wipe out the law, the Administration proposed to neuter it by permitting and encouraging an open violation of the law by state governments. This September, a few days before the AFDC work requirements were to take effect, Clinton's HHS issued a new regulation which greatly weakened the requirements.<sup>16</sup> Whereas the law requires participating AFDC-UP fathers to perform community service work at least sixteen hours per week, the Clinton regulations cut this to only eight hours per week.<sup>17</sup>

Since these proposed regulations deliberately and clearly violated the law, they drew a firestorm of protest. Among the critics, Senator Alfonse D'Amato (R-NY) declared, "Now that they can't delay any longer, the Administration is trying to water down these requirements. It is clear that this Administration is evading welfare reform."<sup>18</sup> Faced

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14 David E. Rosenbaum, "Delay Sought in Law Meant to Trim Welfare Rolls," *The New York Times*, May 5, 1993, p. B9.

15 The Clinton Administration has attempted to justify its attempts to weaken the AFDC-UP work requirement by arguing that the number of AFDC-UP parents who were required to work was technically a subset of the total number of welfare parents (both AFDC and AFDC-UP) who were required to participate in the JOBS program. Thus even if the AFDC-UP work requirements were abolished, the combined total of AFDC and AFDC-UP parents who would be required to participate in the JOBS program would not be affected. But the JOBS program is not a work program; state governments have the option to put JOBS participants in less demanding training and "job search" activities. As a result few participants in JOBS actually work for benefits. By contrast the AFDC-UP work program, which the Clinton administration sought to abolish, actually requires, for the first time, a definite number welfare parents to work for their benefits. By "postponing" the AFDC-UP work requirement, the Clinton administration would have permitted states to put recipients in much less demanding "job search" programs rather than real work programs. The bottom line is simple: the Clinton administration sought to do away with the only provision in current law that makes even a tiny number of welfare recipients actually work.

16 The AFDC-UP work requirements were scheduled to take effect at the beginning of fiscal year 1994, which commenced October 1, 1993.

17 "Clinton Backs Away from Plan to Weaken Welfare Work Rules," *The Wall Street Journal*, September 27, 1993.

with vocal opposition in the Senate and press articles calling attention to the contradiction between Clinton's rhetoric and policy, HHS quickly rescinded its regulations.

### State Experimentation and Waivers

The only area of the Clinton record that suggests even the slightest momentum toward genuine reform has been waivers granted to state governments. In keeping with his "New Democrat" theme, President Clinton has acknowledged that all wisdom may not reside in Washington, D.C. He has thus proposed to foster state experimentation in welfare policy by granting state governments waivers from federal law in operating some welfare programs.<sup>19</sup>

In addressing the National Governors Association, President Clinton repeated his campaign pledge to promote state experimentation:

We need to encourage experimentation in the states...I do not want the Federal Government, in pushing welfare reforms based on [my] general principles, to rob [state governors] of the ability to do more, to do different things.... My view is that we ought to give you more elbow room to experiment.<sup>20</sup>

Clinton explained that serious support for experimentation must permit the states to undertake initiatives which go beyond federal reform policies and do things which he, the President, might not personally approve of. In order to foster experimentation, he pledged to "approve waivers of experiments that I did not necessarily agree with.... If we didn't disagree on anything, what would be the need for experiments? That is the nature of the experiment, is that one person has an idea different from another person."<sup>21</sup>

However, to date, few of the waiver requests submitted to the Clinton Administration have proposed significant reforms. The key exception was the waiver request submitted by Wisconsin Governor Tommy Thompson for an experiment in two counties. In those counties, the Governor planned to convert the AFDC program into a program of temporary aid. AFDC recipients could receive benefits for two years, after which their AFDC benefits would be terminated. In contrast to President Clinton's national reform proposal, Thompson's experimental plan did not guarantee community service jobs to those who stayed on welfare over two years.

The response of Clinton's HHS was predictable. Despite the President's explicit pledge to grant waivers for policies he did not fully agree with, HHS attempted to crush the Wisconsin waiver request. HHS demanded that the Governor eviscerate his proposal by guaranteeing all AFDC recipients who remained on AFDC over two years the right to

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18 *Ibid.*

19 Contrary to common conceptions the U.S. welfare system is almost totally federal, consisting of over 75 federal programs. State governments merely contribute funds to these federal programs and operate them subject to federal law and regulation. At the request of a state government, the federal government may "waive" federal law and regulation governing a particular welfare program within the state in order to permit policy experimentation.

20 Clinton, *op. cit.*

21 *Ibid.*

community service jobs. This would have converted the Thompson proposal from a unique experiment into a mere clone of what Clinton was proposing to do nationally.

Governor Thompson refused to yield to HHS pressure. HHS then sought to cripple the proposal by requiring the Wisconsin government to entangle itself in thousands of dollars of "due process" litigation each time an AFDC case was actually terminated. Despite months of resistance, it was HHS rather than Thompson that finally buckled, and the waiver request was granted without crippling modifications.

The Wisconsin waiver will initiate a bold experiment, but its scope is limited. The experiment is restricted to only two counties and does not begin until January 1995. Welfare benefits will not be terminated for any recipients until two years later, in January 1997.

Reviewing the overall record of the Administration, the lesson is plain. The Clinton record on workfare has been a disaster. After campaigning on the theme of "ending welfare" and requiring welfare recipients to work, Clinton has expanded conventional welfare spending, requested no funds for workfare, and sought to abolish the only real work requirement in existing law. This is scarcely an auspicious start for "ending welfare as we know it."

## **PRINCIPLES OF REAL REFORM**

The welfare system desperately needs reform. Real reform would convert welfare from a one way hand-out into a system of mutual responsibility in which welfare recipients would be given aid but would be expected to contribute something back to society for assistance given. A reformed system also must strongly discourage dependency and irresponsible behavior and encourage constructive behavior. It must firmly control soaring welfare costs, which are slowly bankrupting the nation. Finally, and most important, welfare reform must seek to reduce the illegitimate birth rate in the U.S. and promote the formation of stable two-parent families. Any "reform" which does not dramatically reduce the illegitimate birth rate will not save money and will fail to truly help America's children and society.

With these objectives in mind, real reform must be based on the following eight principles:

### **1) Establish serious workfare requirements.**

The key to successful workfare is the number of welfare recipients who are required to participate. Following the pattern of the 1988 reforms, it is likely that the Clinton plan will be quite complex, appearing to require large numbers of recipients to perform community service work when in reality few are. Real reform would require all fathers in the AFDC-UP program to perform community service work forty hours per week in 1994. It would also require able-bodied single persons in the Food Stamp program to work. And it should require half of all single mothers on AFDC to perform community work service for benefits by 1996.

## **2) Establish sensible workfare priorities.**

Workfare programs should be efficient and low-cost. Workfare should be established first for those persons who have the least justification for being out of the labor force. Therefore workfare requirements should be imposed initially on able-bodied, non-elderly single persons on welfare, followed by fathers in two-parent families on welfare and absent fathers who fail to pay child support. After workfare has been put in operation for these groups, those single mothers on AFDC who do *not* have pre-school children should be required to work.<sup>22</sup>

High day care expenses mean that putting a single mother with a young child to work in a community service work program costs roughly two to three times as much as requiring a mother with older child to work. Because work programs inevitably operate within fixed budgets, an emphasis on workfare participation by mothers with younger children leads to a sharp reduction in the total number of persons who will be required to work. One little-understood aspect of the workfare debate is that liberals often attempt to focus workfare programs on mothers with very young children precisely because they understand this will quickly soak up available funds and thereby limit the number of recipients required to participate. Liberal welfare advocates also would like to undermine the general concept of workfare by showing that all workfare programs cost more than they save—so they promote the least cost-effective workfare programs (namely, those with a heavy emphasis on mothers with young children).

About half of AFDC single mothers do not have any pre-school children under age five. Workfare should be imposed on single mothers with younger children under five only after most mothers with older children have been required to work. However, if an AFDC mother gave birth to an additional child after her initial enrollment in AFDC, that child should not exempt her from work requirements. (This rule is needed to prevent mothers from having additional children to escape the work requirement.)

## **3) Limit welfare given to unwed teen mothers.**

By paying young women to have children out of wedlock, the current welfare system encourages them in a course of action that, in the long term, proves self-defeating to the mothers and harmful to both the children and society. Placing millions of single mothers in work and training programs will have little positive effect for society as long as the illegitimate birth rate remains over 30 percent.

Congress must go to the heart of the dependency problem by seeking to reduce the number of illegitimate births. It has been a tragic mistake for the government to pay money to fourteen-year-old girls on the condition that they have children out of wedlock. The government should begin to address the illegitimacy problem by ending the disastrous present policy of giving AFDC cash payments to unmarried teen mothers.

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<sup>22</sup> There should be no blanket two-year exemption from work requirements. Work requirements which are imposed when a recipient first enrolls in welfare are likely to have the strongest possible effect in reducing welfare rolls because they dissuade individuals from enrolling in welfare in the first place. Thus serious work requirements mandated at the time of initial welfare enrollment are likely to be the most cost-effective workfare programs.

As *Washington Post* journalist Leon Dash has shown in his book *When Children Want Children*, most unmarried teen mothers both conceive and deliver their babies deliberately rather than accidentally.<sup>23</sup> While young women do not bear unwanted children in order to gain a welfare income, they are very much aware of the role which welfare will play in supporting them once a child is born. Thus, the availability of welfare bolsters the decision to become pregnant. Refusing to pay young unwed mothers direct cash benefits would certainly result in a sharp and substantial drop in teen illegitimacy.<sup>24</sup>

Those federal AFDC funds, which currently are given directly to unwed mothers under age 21 should be converted into block grants to the states. State governments could use the funds to develop innovative new policies for assisting those teenagers who continue to have children out of wedlock. Such policies could include supporting the mothers in tightly supervised group homes or promoting adoption. But federal funds could no longer be used to simply give cash welfare to teen mothers.

#### **4) Do not provide increased AFDC and Food Stamp benefits to mothers who bear additional children while already enrolled in the AFDC program.**

Under the current system, if a mother enrolled in AFDC bears additional children she receives an automatic increase in her AFDC and Food Stamp benefits. No other family in U.S. society receives an automatic increase in its family income if it has more children. There is no reason to provide expanded welfare benefits to single mothers who have additional illegitimate children after they are already dependent on welfare.

A limitation of this sort has already been put in effect in the state of New Jersey by black Democratic Assemblyman Wayne Bryant. Although available evidence is limited, early data suggest that the policy will significantly reduce the number of out-of-wedlock births. State officials call attention to a 16 percent drop in births among welfare recipients in the first two months following the change in policy.<sup>25</sup>

#### **5) Require paternity establishment for children receiving AFDC.**

Current law requires that an AFDC mother must make a "good faith" effort to identify the father of the child in order to receive AFDC. This law is routinely ignored. The government should require, for children born after January 1994, that the mother

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<sup>23</sup> Leon Dash, *When Children Want Children: An Inside Look at the Crisis of Teenage Parenthood*, Penguin Books, 1989.

<sup>24</sup> There is clear evidence that welfare affects the illegitimate birth rate. For example, Dr. June O'Neill found the dollar value of monthly welfare benefits in a state has a dramatic affect on whether women will have children out of wedlock. Holding constant a wide range of other variables such as income, parental education, and urban and neighborhood setting, O'Neill found that a 50 percent increase in the monthly value of AFDC and Food Stamp benefits led to a 43 percent increase in the number of out of wedlock births over the study period. The study also found that higher welfare benefits increased the number of women who left the labor force and enrolled in welfare. A 50 percent increase in monthly AFDC and Food Stamp benefit levels led to a 75 percent increase both in the number of women enrolling in AFDC and in the number of years spent on AFDC. In other words increases in benefits' value will cause dramatic expansion in welfare caseloads. Source: M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, August 1993, research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services.

<sup>25</sup> Kimberly J. McLarin, "Trenton Welfare Changes Being Felt," *The New York Times*, December 5, 1993 pp. 49,56.

identify the father of the child in order to receive AFDC, public housing, or Food Stamps.<sup>26</sup> Exceptions to this rule in a few hardship cases could be given but the exceptions should not exceed 10 percent.

Modern DNA testing permits government officials to determine the child's real father with absolute confidence. Once the mother has identified the father and paternity has been established, the father can be required to pay child support to offset welfare costs. If the child support paid does not equal half the cost of the AFDC and Food Stamps received by the mother and child, the remainder should become a debt which the father must repay at a future point.

If the father claims he cannot pay any child support because he cannot find a job, the government should require community service work from him to fulfill his obligation. Experiments with this approach in Wisconsin have led to surprising improvements in the ability of absent fathers to locate private sector employment and pay child support. Moreover, the definite expectation among young men that they will be identified as fathers and required to pay child support for their children may put an end to the ethos in some communities where young men assert their masculinity by fathering children they have no intention to support.

#### **6) Reduce welfare's marriage penalty.**

The current welfare system heavily penalizes marriage between a mother and a working man. This marriage penalty should be reduced by creating a tax credit for lower-income parents who are married and who are working rather than living on welfare.

#### **7) Provide increased funding for abstinence education.**

Scientific experiments have shown that strong sexual abstinence curricula substantially change teenagers' attitudes toward early sexual activity. Among girls taking abstinence courses, pregnancy rates have been reduced by over 40 percent when compared with girls who have not taken the sex abstinence classes.<sup>27</sup> By contrast, programs promoting contraception may increase pregnancy rates.

#### **8) Cap the growth of welfare spending.**

No matter how frequently official Washington proposes to "end welfare," the costs of welfare continue to rise. Welfare absorbed about 1.5 percent of GNP when Lyndon Johnson launched the War on Poverty in 1965; it had risen to over 5 percent by 1992. With a \$305 billion price tag, welfare spending now amounts to \$8,300 for each poor person in the U.S. Worse still, Congressional Budget Office figures project total welfare costs to rise to half a trillion dollars, or about 6 percent of GNP, by 1998.<sup>28</sup> Pre-

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<sup>26</sup> For children born years ago it often is impossible to locate the father. The paternity establishment rule should therefore be applied prospectively: the mother should be required to establish paternity in order to receive welfare for children born in 1994 and after.

<sup>27</sup> U.S. Department of Health and Human Services, Office of Adolescent Pregnancy Programs, *Final Report O.A.P.P. #000816-05, 1985-1990*, p. 8.

<sup>28</sup> These figures represent estimated federal, state and local spending on means-tested welfare programs and aid to

dictably, the Clinton Administration maintains that half a trillion dollars is not enough; "ending welfare" for the Clinton Administration means adding on even more spending.

The long history of bogus welfare reforms, all of which were promised to save money but did not, leads to one obvious conclusion. The only way to limit the growth of welfare spending is to do just that: limit the growth of welfare spending. The welfare system must be put on a diet. The future growth of federal means-tested welfare spending should be capped at, say, 3.5 percent per annum.<sup>29</sup> Individual programs would be permitted to grow at greater than or less than 3.5 percent according to congressional priorities, provided aggregate spending fell within the 3.5 percent ceiling. By slowing the outpour from the federal welfare spigot, the cap gradually would reduce the subsidization of dysfunctional behavior: dependency, non-work, and illegitimacy. The cap also would send a warning signal to state welfare bureaucracies. Cushioned by a steady and increasing flow of federal funds in the past, most bureaucracies have found no need to grapple with the tough and controversial policies needed to really reduce illegitimacy and dependency. With a cap on future federal funds, state governments would, for the first time, be forced to adopt innovative and aggressive policies which would reduce the welfare rolls.

## CONCLUSION: THE COMING BOGUS REFORM

Clinton's promise to "end welfare as we know it" was a focal point of his 1992 election campaign. Clinton aides admit that welfare reform is pivotal to Clinton's effort to define himself as a "New Democrat." By claiming that he will require welfare recipients to work for the benefits they get, Clinton has seized a very popular issue; nearly 90 percent of the public believe that able-bodied welfare recipients should be required to "do work for their welfare checks."<sup>30</sup>

But Clinton's actions in his first year in office indicate strongly that he intends to expand rather than end welfare. While Clinton no doubt will boldly embrace the symbols of reform, there is very little indication that he will actually seek substantial changes in the current system. All the evidence suggests that Clinton will duplicate the meaningless welfare reform debate of 1988. As in 1988, the public again will be told that America has achieved a revolutionary change in welfare when in fact little or nothing has been altered.

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economically disadvantaged communities. The Congressional Budget Office estimates only future federal spending. Future state and local spending figures were estimated separately by assuming that the ratio of federal spending to state and local spending on specific programs would remain unchanged. This is a reasonable assumption since the required state contribution to most federal welfare programs is legislatively established at a fixed percentage of federal spending on that program. These percentages change little over time.

<sup>29</sup> Medicaid could be exempted from the cap.

<sup>30</sup> For example, a Gallup poll conducted between March 30 and April 5, 1992 found that 88 percent of adults polled favored "a law requiring all able-bodied people on welfare, including women with pre-school children to do work for their welfare checks." Many polls by other organizations show almost identical results.

Using the 1988 reform and the first year Clinton record as prognosticators, it seems likely that President Clinton will propose a new round of bogus reform which will have the following features:

- ✓ Any proposed legislation will have tough language about requiring work, but the actual work provisions will be technical and complex. Few on Capitol Hill will read and understand them.
- ✓ While the Administration will claim that vast numbers of welfare recipients will be required to perform community service work under its proposed legislation, few will actually be required to work. The percentage of AFDC recipients who are actually required to perform community work service work will probably be under 10 percent in 1996.
- ✓ The workfare programs established will be inefficient and unnecessarily expensive. The costs of operating these programs will exceed any savings they achieve by encouraging welfare recipients to leave the rolls. The Clinton Administration will claim vaguely that the programs will save money "in the long run."
- ✓ The Clinton Administration will call for a heavy new investment in education and training programs for welfare recipients despite the compelling evidence that such programs are ineffective in raising the wage rates of welfare recipients.
- ✓ The false notion that huge numbers of welfare mothers have been required to work will be used to justify creating a federal day care system for middle class families.
- ✓ The central problem of high illegitimacy rates will rarely be mentioned; no effective policies to reduce illegitimacy and promote marriage will be adopted.
- ✓ Means-tested welfare spending will continue to soar after the "reforms" and will almost certainly top \$500 billion by 1998.
- ✓ The entire Clinton reform will be swaddled in tough, conservative rhetoric.

The bogus welfare reform of 1988 simply perpetuated a social disaster. By creating a facade of illusory change, the 1988 Family Support Act stalled serious reform efforts for a half decade. Accumulating evidence indicates the 1988 process is about to be repeated.

But American society cannot afford another round of bogus welfare reform. The welfare state is out of control and growing rapidly. Insidiously, welfare creates its own clientele; by undermining work ethic and family structure, the welfare state generates a growing population in "need of aid." This is why welfare spending has risen from 1.5 percent of GNP when Lyndon Johnson launched the War on Poverty in 1965 to 5 percent today. Spending will rise to 6 percent of GNP within few years, and there is no end in sight. Moreover, by promoting illegitimacy and family disintegration, welfare is a leading cause of crime and other social problems.

The only way to end this expensive and destructive pattern is to enact true reform—reform that controls costs, reduces dependency, and above all, reduces illegitimacy.

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# APPENDIX

## Proposed Expansions for Welfare Programs from "A Vision for Change for America" The Clinton Administration Budget Proposal, FY 1994

The following is a list of spending increases in means-tested welfare programs and related programs for low-income persons and communities proposed by the Clinton Administration in its initial budget submitted to Congress on February 17th of this year. While not all of these spending increases were enacted by Congress, the list does give a clear indication of the priorities of the Clinton Administration.

All figures are taken directly from the Appendix to the President's budget summary, *A Vision of Change for America*.<sup>31</sup> Most figures represent proposed spending increases over a five-year period from fiscal year 1994 through fiscal year 1998. However, "Summer of Opportunity" figures generally represent short-term spending initiatives of one or two years. Some programs are listed more than once in the budget, receiving multiple increases from separate initiatives. For example, the Clinton Administration proposed to increase WIC funding as part of the "Summer of Opportunity" and again as part of "Life-long Learning." In these cases, the total proposed increase for the program is the sum of all the increases listed separately in the budget.

### Proposed Increases in the FY 1994 Budget Request

#### "Summer of Opportunity"

WIC Supplemental Feeding Program: Expand food benefits to women and children.	<b>Cost: \$75 million</b>
Emergency Food Assistance Program: Provide added federal money to purchase food for food banks.	<b>Cost: \$23 million</b>
Chapter 1, Summer School Program: Expand funding for summer school programs for children in poor neighborhoods.	<b>Cost: \$500 million</b>
Chapter 1, Census Supplemental: Expand education funding for schools in disadvantaged areas.	<b>Cost: \$235 million</b>
Head Start Summer Program: Expand Head Start through the summer months.	<b>Cost: \$500 million</b>

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31 Executive Office of the President, Office of Management and Budget, *A Vision of Change for America* (Washington D.C.: U.S. Government Printing Office, February 17, 1993).

HHS/Head Start Childcare Feeding: Pay for meals of children attending the expanded Head Start summer program.	<b>Cost: \$56 million</b>
Immunization: Buy vaccines for low-income children.	<b>Cost: \$300 million</b>
Summer Youth Employment: Finance more than 700,000 summer jobs for low-income youths.	<b>Cost: \$1,000 million</b>
Worker Profiling: Provide funds to identify workers that need job placement help.	<b>Cost: \$29 million</b>
Community Service Employment for Older Americans: Provide added funds to expand participation of senior citizens in community service projects.	<b>Cost: \$26 million</b>
Extend Unemployment Compensation:	<b>Cost: \$4,000 million</b>
National Service Program: Pay "volunteers" to perform community service.	<b>Cost: \$15 million</b>

### **Urban Development and Housing Initiative**

Accelerate Public Housing Modernization: Accelerate a "backlog" of funding for improving public housing.	<b>5-year cost: \$1,035 million</b>
Community Development Block Grants: Funding for previously unfunded projects like street and bridge work, building rehabilitation, painting and resurfacing, and other "public service projects" in disadvantaged areas.	<b>5-year cost: \$2,536 million</b>
Supportive Housing: Expand funding for homeless shelters.	<b>5-year cost: \$423 million</b>

### **Environment/Energy**

Increase Weatherization Grants: Expand grants to encourage state weatherization programs for low-income people.	<b>5-year cost: \$47 million</b>
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### **Rebuild America—Infrastructure**

Business and Community Initiative: Provide federal assistance to low-income rural residents to raise their standard of living.	<b>5-year cost: \$1699 million</b>
Increase Weatherization Grants: Provide more federal money for low-income people to insulate their homes.	<b>5-year cost: \$375 million</b>

Community Development Block Grant: Provide more funds for low- and moderate-income residents to improve their communities.	<b>5-year cost: \$430 million</b>
Enterprise Zones (tax incentive): Invest in "enterprise zones" in poor areas.	<b>5-year cost: \$4,119 million</b>
Community Development Banks: Create banks that would provide government loans for business and housing purposes in low- and moderate-income areas.	<b>5-year cost: \$468 million</b>
Housing Vouchers: Expand housing subsidies to more Americans.	<b>5-year cost: \$1,370 million</b>
Preservation and Restoration of Assisted Housing: Provide funds to upgrade government rental housing.	<b>5-year cost: \$1,377 million</b>
Supportive Housing Program: Increase funds for homeless.	<b>5-year cost: \$424 million</b>
Distressed Public Housing: Increase funds to repair and restore public housing.	<b>5-year cost: \$373 million</b>
HOPE Youthbuild: Provide added spending on young people.	<b>5-year cost: \$106 million</b>
<b>Lifelong Learning</b>	
WIC (Special supplemental food program for women, infants, and children): Expand food aid to families with young children.	<b>5-year cost: \$3,634 million</b>
Parenting and Family Support: Provide funds to government programs to teach low- and moderate-income parents how to raise children.	<b>5-year cost: \$1,450 million</b>
Head Start: Increase Head Start funding.	<b>5-year cost: \$13,846 million</b>
National Service: Employ "volunteers" for community service.	<b>5-year cost: \$9,430 million</b>
Worker Training Initiatives: Add to funding for training low-income workers.	<b>5-year cost: \$14,910 million</b>
<b>Rewarding Work</b>	
EITC: Expand refundable tax credits to low-income working families with children.	<b>5-year cost: \$26,787 million</b>
Unemployment Extension:	<b>5-year cost: \$2,400 million</b>

## Health Care

### Food Stamps:

Provide funds to expand the Food Stamp program. **5-year cost: \$12,000 million**

### Low-income Home Energy Assistance Program:

Increase funding to pay utilities bills for low- and moderate-income families. **5-year cost: \$2,945 million**