

**KEY DIFFERENCES  
MAJOR WELFARE REFORM PLANS**

DRAFT

**WORK**

- Admin.: Phase-in 24 & under -- 400,000 in work program by year 2000  
 Work for wages: people get paid based on # of hours worked  
 Ultimate cutoff: 6-month sanction for those who refuse to look for work or turn down private sector job.
- House GOP: Faster phase-in -- 1+ million in work program by year 2000  
 Work for welfare: people work 35 hrs/wk. for same welfare check  
 State option to cut off entire family after 2 years on welfare. States must cut off adult portion after 5 years on welfare.
- Block Grant: GOP gov. want flexibility, no performance standard.  
 House GOPs want 20% of caseload (1 million) working by 2002.  
 GOP gov. want no ultimate time limit; House GOPs want 5 years.
- Mainstream: Same phase-in as House GOP.  
 Work for wages  
 Cut off adults after 4 years on welfare, but state option to grant extensions to certain % (probably 20%) of caseload.
- Progressives: No individual time limits or work requirements  
 Increased participation rates for states -- 25% in work activities by 2000

**CHILD SUPPORT ENFORCEMENT**

- Admin.: Mother must cooperate in paternity establishment to get AFDC  
 Central state registries, mandatory W-4 reporting  
 Take away drivers licenses; report to credit bureaus  
 State option to require work/training of fathers
- House GOP: No benefits for child until paternity established, even if mother cooperates  
 Work programs for fathers.  
 Few other provisions in Contract, but Shaw has now agreed to work with us to include toughest possible child support in whatever welfare bill they pass
- Block Grant: Does not deal with child support programs
- Mainstream: Same as Administration.
- Progressives: Same as Administration.

## TEEN PREGNANCY / PARENTAL RESPONSIBILITY

- Admin.:** Minor mothers must live at home and stay in school  
State option to impose family cap  
Prevention grants to schools with highest teen pregnancy rates
- House GOP:** Children born to unwed mothers under 18 permanently denied benefits  
Mandatory family cap  
Savings from denying benefits to out-of-wedlock children go to states for orphanages, foster care, group homes
- Block Grant:** GOP govts oppose mandatory family cap; House GOP support it  
GOP govts oppose cutoff of unwed teen mothers; House GOP support it.  
[Note: Dole says this provision "isn't going to happen"]
- Mainstream:** Mandatory family cap, but states can opt out of it.
- Progressives:** Minor mothers live at home  
No family cap

## STATE FLEXIBILITY / FINANCING

- Admin.:** State options on many things which now require waiver, such as family cap  
Major financing provision requires families of legal immigrants to take responsibility by deeming for 5-10 years before benefits  
Maintains individual entitlement
- House GOP:** Mandates family cap, cutoff of unwed teens  
Bars legal immigrants from AFDC, SSI, school lunch, immunization  
[Note: Gingrich said he prefers our approach -- deeming -- but Shaw says House will go forward with cutoff anyway]  
Nutrition block grant would cut food stamps by 12%, cost 200,000 jobs  
Ends individual entitlement. Block grant formula would have cut federal AFDC aid to states by 26% if in place over the last 5 years.
- Block Grant:** GOP govts oppose mandatory cutoff of legal immigrants; House GOP supports  
GOP govts want capped entitlement; House GOP wants discretionary block grant
- Mainstream:** Last year's bill paid for by ending benefits to legal immigrants. We're trying to convince them to do less of that this year.
- Progressives:** No financing specified. Prefer to cut "welfare for the wealthy"

WR - Side by Side

**COMPARISON OF ADMINISTRATION'S WORK AND RESPONSIBILITY ACT  
AND HOUSE REPUBLICAN'S PERSONAL RESPONSIBILITY ACT**

	<b>Work and Responsibility Act</b>	<b>Personal Responsibility Act</b>
<b>WORK</b>		
<b>Job Search/ Training Requirements</b>	Employable recipients required to participate in job search, education, and training activities immediately.	None. State option.
<b>Work Requirements</b>	Work required of ALL employable persons after 2 years.	Eventually, 50 percent of all recipients must be in workfare or other work activity.
<b>Sanctions and Benefit Cut-offs</b>	No benefits for persons who refuse to work in subsidized job or who refuse a private sector job offer. Persons willing to work who cannot find a private sector job can get help, but only if willing to work for benefits.	No benefits for persons who refuse to work or who refuse a private sector job offer. All adults permanently cut off after 5 years even if they are willing to work but can't find a job, or unable to work due to disability. State option to cut off entire family after 2 years, if family already has been offered work slot for a year.
<b>Protections for People with Disabilities or Temporarily not Employable</b>	Persons with disabilities or parents caring for disabled child or very young children exempted until able to work.	None.
<b>Funding</b>	Additional capped entitlement funding for states to expand JOBS and establish WORK program. Higher and simpler Federal match. Expands in a national recession.	Additional discretionary funding for work program. Higher Federal match rate, but structure is not simplified.

	Work and Responsibility Act	Personal Responsibility Act
<b>RESPONSIBILITY</b>		
<b>Child Support Enforcement</b>	Dramatic and comprehensive improvements in child support including central state registries, license revocations, etc.	Few child support provisions and a cap which would actually reduce resources for enforcement (child support bill promised later.)
<b>Paternity Establishment</b>	No AFDC benefits until state certifies applicant has cooperated fully in paternity establishment. State then required to locate father within 1 year.	No AFDC benefits for child until paternity has been established - whether or not mother has cooperated fully and whether or not state has made a serious effort to locate the father.
<b>Fraud</b>	Improved information systems and data collection to reduce welfare fraud and catch those who owe child support.	None.
<b>Performance Measures</b>	Interim state participation standards. New state performance measures based on outcomes rather than process, to be developed.	State participation standards for work.

	Work and Responsibility Act	Personal Responsibility Act
<b>TEEN PREGNANCY, REACHING THE NEXT GENERATION</b>		
<b>Teen Parents</b>	Mothers under 18 must live at home, identify their child's father, and stay in school to get benefits. Comprehensive case management for teens.	Children born to mothers under 18 (state option under 21) permanently denied aid for their entire childhood. Remain eligible for Medicaid. 18 year olds must live at home.
<b>Family Caps</b>	State option to provide no additional benefits for children conceived while unmarried mother is on welfare. Can be applied only to children born after enactment.	State requirement to provide no additional benefits for children conceived or born while unmarried mother is on welfare. Applies only to children born after enactment.
<b>Pregnancy Prevention, Grants for out-of-wedlock children</b>	Community-based teenage pregnancy prevention initiatives in 500 schools. Comprehensive pregnancy prevention demonstrations.	Fed. savings from denying benefits to out-of-wedlock children may be used by state for orphanages, homes for unwed mothers, adoptions, and programs to reduce pregnancies, abortions excluded.
<b>Phase-in</b>	Youngest recipients phased-in first with State flexibility on phasing in other groups.	States encouraged to phase-in recipients with oldest children.
<b>Funding for Child Care</b>	Significant new investments in child care. Funding for all child care increases due to training, and work requirements. Does not change current entitlement for working current and former AFDC families.	Removes entitlement to child care. Funding included under aggregate spending cap which is below what is currently spent.

	Work and Responsibility Act	Personal Responsibility Act
<b>OTHER PROVISIONS</b>		
<b>Legal Immigrants</b>	Sponsors held financially accountable for legal immigrants under major entitlement programs.	Most legal immigrants currently in the U.S. barred from 52 programs including entitlement programs, child nutrition and immunization.
<b>Nutrition Cuts/ Block Grants</b>	None, but States are given more flexibility in many areas. Many changes in AFDC/food stamps to streamline, achieve greater conformity and make work pay.	Food stamps, WIC, child nutrition programs converted into single block grant with very few conditions and cut by 12%. State option for AFDC block grant.
<b>Entitlement Protections</b>	Eligible persons can always enroll.	Individual entitlement to AFDC, SSI, and nutrition programs ended. Funding is capped and programs become discretionary. If annual budgets are exhausted, states might have to deny aid to the elderly, persons with disabilities, and children -- unless they can put in more state funds.

## COMPARISON OF WELFARE REFORM PROVISIONS

ADMINISTRATION AND DEMOCRATIC LEADERSHIP PROPOSAL (H.R. 4605/S.2224)

MAINSTREAM FORUM PROPOSAL (H.R. 4414)

HOUSE REPUBLICAN LEADERSHIP PROPOSAL (H.R. 3500)

AND SENATE REPUBLICAN LEADERSHIP PROPOSAL (S.1795)

### I. ENHANCING JOBS PROGRAM

#### A. AFDC Transition Program

##### 1. Current Law

The current AFDC program is an income support program with an employment training component for JOBS mandatory recipients. Payment standards vary widely across States. Eligibility for benefits is in perpetuity as long as applicants/recipients meet various means-tested standards. Under Part F, recipients of AFDC who do not meet the exemption criteria are required to participate in JOBS program activities in order to attain self-sufficiency. Employability plans are required for participants of the JOBS programs. Services under JOBS that States are required to provide include educational activities, job skills training, job readiness activities, job development and job placement, job search, on the job training (OJT), work supplementation, and community work experience. Other activities are allowable by regulation.

##### 2. Administration Proposal - H.R. 4605/S.2224

An enhanced transitional JOBS program would offer all services under current JOBS program. The incentives to the State, and other administrative requirements, have been designed to promote self-sufficiency among participants (see Performance Standards section). The phased-in population would be required to participate in the JOBS program, except those who meet criteria for deferral status (see below). Supervised job search would be required from date of approval for job-ready recipients, and States are permitted to require job-ready applicants to engage in job search activities. Applicants would be required to sign personal Responsibility Agreements and would be entitled to a complete orientation to the new system. Every recipient will be required to develop an employability plan within 90 days of application or redetermination. The State agency is required to help recipients gain access to the education, training, and employment services they need to find jobs. Aid would be paid to the participant in the same fashion as under current law.

##### 3. Mainstream Forum - H.R. 4414

States have the option to replace the current JOBS program with a Work First program. States have the option to run a variety of programs under Work First. States shall also make available one-stop employment shops to clients. States also have the option to enter into contracts with private for profit and non profit placement agencies, which will offer personal support and job readiness services to clients after they have been enrolled in the Work First program for three months. Placement agencies will be compensated by the State after the participant has been employed for 5 months.

As part of the Work First program, job search must begin immediately upon eligibility for AFDC. Each recipient must meet with a case management team and develop an individual participation agreement. The case manager will present each participant with the options available under the State plan that will move the client towards achieving the goal of a full time unsubsidized job. Aid will be paid to the participant based on the number of hours she spends in the activities provided for in the agreement. The State shall provide case managers with training and use incentives to "improve the performance" of case managers in moving clients to full time unsubsidized employment.

COMPARISON OF WELFARE REFORM PROVISIONS — continued

- States also have the option to implement a temporary subsidized job creation program, "similar to Oregon's JOBS-Plus."
- States also have the option to institute a work supplement program under which it uses AFDC funds to provide participants with subsidized jobs.
- The State will either provide a job to an eligible individual, or a job will be provided by a private employer in which some or all of the wages are paid by the State. The maximum work supplement is the maximum AFDC reward for the lesser of nine months or the number of months that the client was employed. Wages are considered earned income and Medicaid will be extended to clients who are in the work supplement program.

4. House Republican - H.R. 3500

Transition program would offer all services under current JOBS program. Recipients would be expected to work or prepare for work; States would assess the progress of recipients after first year of participation or could delay the entry of a work-ready recipient into the JOBS program. A recipient deemed work ready could be required to go straight into a work program. Employability plans would be required for all recipients.

5. Senate Republican - S. 1795

Transition program with education, job skills, job readiness, job development and placement and OJT. Recipient deemed work ready must go straight into the work program. Requires assessments every 6 months. Except in educational activities, participation must average 20 hours a week. States shall establish guidelines for satisfying requirements in educational institutions. Mandatory applicant job search unless States exempt themselves.

**B. Participation Requirements**

1. Current Law

The participation rate is currently 15% of those mandatory and 20% in FY 1995. Must participate for 75 percent of time in activities scheduled for an average of 20 hours per week in any of the allowable activities.

2. Administration Proposal - H.R. 4605/S.2224

Similar to current law, States are expected to meet a monthly participation rate. The performance standard for the JOBS monthly participation rate is set at 50 percent, with a -5/+5 tolerance level, with financial penalties if the standard is not met and financial incentives if the standard is exceeded. The State's monthly participation rate is calculated by the percent of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the deferral status) who participate in an activity or who are employed and meet the minimum work standard (and remain on aid).

For the proportion of caseload below the standard (45%), a 25 percent reduction in the FFP for AFDC benefits will be levied using the average AFDC benefit level paid in the State to calculate the amount of the penalty. If a State exceeds the JOBS monthly participation rate (55%) in a fiscal year, the State will be entitled to receive an additional payment (without the requirement of any additional nonfederal share) for use in carrying out its JOBS program.

States have the option of subjecting JOBS volunteers to the time-limits, as long as they specify their policy in their State plan. This could include non-phased-in recipients who volunteer for JOBS. Additionally, States are required to serve volunteers from the non-phased-in group to the extent that federal JOBS funding is available.

3. Mainstream Forum - H.R. 4414

State option to require any individual (within the phase in period) that is receiving AFDC to participate in the Work First Program. Participants are required to engage in the activities proscribed in the client's participation agreement

(including a mandatory job search) for a minimum of 20 hours per week. All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

4. House Republican - H.R. 3500

Phase-in higher participation standards 10% per year until a 90% participation rate is reached; Expand allowable activities; Cut participation requirements to a total of 520 hours which averages out to just 10 hours per week instead of the current 20 hours.

5. Senate Republican - S. 1795

Overall JOBS participation rate for current recipients increases to 20% by FY 1998. Rates for recipients who came on the rolls between FY 95 and FY 98 increase from 20% in FY 95 to 50% in FY 98. Rates for recipients who come on after FY 1998 increase from 60% in FY 99 to 90% in FY 02.

C. Deferral and Exemptions

1. Current Law

States must require non-exempt AFDC recipients to participate in the JOBS program to the extent that resources are available. Exemptions under the current JOBS program are for those recipients who are ill, incapacitated, or of advanced age; needed in the home because of the illness or incapacity of another family member; the caretaker of a child under age 3 (or, at State option, under age 1); employed 30 or more hours per week; a dependent child under age 16 or attending an educational program full time; women in the second and third trimester of pregnancy; and residing in an area where the program is not available. The parent of a child under age 6 (but older than the age for an exemption) who is personally providing care for the child may be required to participate only if participation does not exceed 20 hours per week and necessary child care is guaranteed. For AFDC-UP families, the exemption due to the age of a child may be applied to only one parent, or to neither parent if child care is guaranteed.

2. Administration Proposal - H.R. 4605/S.2224

Adult recipients who were not able to work or participate in education or training activities (e.g., due to care of a disabled child) could be deferred either prior to or after entry into the JOBS program or after entry into the WORK program. The State agency would be required to make an initial determination with respect to deferral prior to or as part of the development of the employability plan, since the determination would in turn affect the content of the employability plan. A recipient who was required to participate in JOBS rather than deferred could request a fair hearing focusing on whether the individual meets one of the deferral criteria. The time frame for completion of the employability plan would be waived in instances of a dispute concerning deferral from JOBS.

Persons who were deferred from JOBS would be expected when possible to engage in activities intended to prepare them for employment and/or the JOBS program. An employability plan for a deferred recipient could detail the steps, such as referral to a vocational rehabilitation program or arranging for an appropriate day care or school setting for a child with a disability, needed to enable the adult to enter the JOBS program and/or find employment. Recipients not likely to ever participate in the JOBS program (e.g., those of advanced age) would not be expected to engage in activities to prepare for JOBS participation. An employability plan for such a person might include steps intended to, for example, improve the family's health status or housing situation. For individuals who were expected to enter the JOBS program shortly (e.g., mothers of young children), services could be provided to address any outstanding barriers to successful participation in JOBS (e.g., arranging for child care).

In general, States could not require deferred recipients to participate in activities. Persons who were deferred would not be subject to the time limit, i.e., months in which a recipient was in deferred status would not count against the two-year limit.

COMPARISON OF WELFARE REFORM PROVISIONS -- continued

The criteria for deferral from JOBS would be the following:

- a parent of a child under age one, provided the child were not conceived while the parent was on assistance. A parent of a child conceived while on assistance would be deferred for a twelve-week period following the birth of the child (consistent with the Family and Medical Leave Act);
- ill or incapacitated, when it is certified by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State) that the illness or incapacitating condition is serious enough to prevent, at least temporarily, entry into employment or training;
- 60 years of age or older;
- is needed in the home because another member of the household requires the individual's presence due to illness or incapacity as determined by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State), and no other appropriate member of the household is available to provide the needed care;
- is in the third trimester of pregnancy; or
- lives in a remote area.

Each State would be permitted to defer from JOBS for good cause, as determined by the State, 5% of the total number of persons in the phased-in group (increased to 10% after FY99). Good cause could include substantial barriers to employment--for example, a severe learning disability or serious emotional instability. A State would be able, in the event of extraordinary circumstances, to apply to the Secretary to increase the percentage cap on good cause placements.

3. Mainstream Forum - H.R. 4414

Persons who are under 20 completing high school or GED; clients in part-time technical/vocational education in combination with work; clients who are disabled, ill, or those caring for disabled relative, will be exempt from participation in the program. Pregnant women, custodial parents, and guardians will get an exemption equal to the Family and Medical Leave Act (12 weeks).

4. House Republican - H.R. 3500

Fewer exemptions to only those with disabilities, caring for a disabled relative, or working 30 hours per week. Persons who attend full time, an elementary, secondary, or vocational school; parents of a child who was removed from the home and recently returned; first time mothers (for 6 months); second time mothers (for 4 months); and a state option for persons making progress in a substance abuse treatment program.

5. Senate Republican - S. 1795

Persons who are ill, incapacitated, elderly, providing full time care for a disabled dependent, live in areas where the program is not available, or work more than 35 hours a week are exempt. Also exempt are children under the age of 16 who are attending full time an elementary secondary, or vocational (or technical) school. State option to exempt people "who are making progress" in a substance abuse treatment program. First-time mothers are exempt for a 6 month period, while second time mothers are exempt for 4 months.

D. Sanctions

1. Current Law

The sanction for the first instance of failure to participate in JOBS as required (or failure to accept a private sector job or other occurrence of noncompliance) is the loss of the non-compliant individual's share of the grant until the

COMPARISON OF WELFARE REFORM PROVISIONS -- continued

failure to comply ceases. The same sanction is imposed, but for a minimum of 3 months, for the second failure to comply and for a minimum of 6 months for all subsequent instances on non-compliance.

2. Administration Proposal - H.R. 4605/S.2224

In JOBS and WORK, the sanction for refusing a job offer without good cause would be the loss of the adult's portion of the AFDC benefit for 6 months or until the adult accepts a job offer, whichever is shorter. Sanctions for noncompliance in JOBS remain the same as current law. States would be required to provide a conciliation process to resolve disputes. In WORK, noncompliance results in the following penalties: (1) For first occurrence, the family receives a 50 percent reduction in the AFDC grant for one month or until they comply; (2) For the second occurrence, the family receives a 50 percent reduction in the AFDC grant for three months; (3) For the third occurrence, elimination of the family's grant for a period of 3 months; (4) For a fourth and subsequent occurrence, elimination of the family's grant for a period of 6 months.

3. Mainstream Forum - H.R. 4414

AFDC and food stamp benefits reduced for one month by 25% for each act of non-compliance. Sanctions are levied for those who are offered a private sector job but do not accept job without good reason. Sanctioned individuals are offered the option of changing jobs, up to a maximum of 3 times.

4. House Republican - H.R. 3500

Reduce a family's combined AFDC and food stamp benefits by 25% until the recipient complies or 3 months have passed. If the recipient does not comply within 3 months, the sanction is extended for 3 more months. If the recipient does not comply in 6 months, the whole family's AFDC benefits are eliminated entirely, though the family is still eligible for Food Stamps, Medicaid, and other benefits.

5. Senate Republican - S. 1795

For the first and second offenses, the family loses the adult share of the AFDC benefit for three and six months, respectively. After the third offense, payments to the parent ends for at least one year and payments to the children shall be made through vendor payments for housing or to representative payees.

II. TIME LIMITS

A. Duration of Eligibility for Benefits

1. Current Law

Duration of benefits is in perpetuity as long as eligibility criteria is met. Some States are permitted to place a time-limit on AFDC-UP participation consisting of 6 months in any 13 month period. Thirteen currently do, however, no other time-limits exist under current law.

2. Administration Proposal - H.R. 4605/S.2224

Phased-in recipients would have a lifetime maximum of 24 cumulative months of cash aid. The clock begin with receipt of benefits and does not run while the individual is deferred from JOBS or if the individual is under 18 years old. Only those recipients who attain an extension or who have earned-back eligibility may receive cash aid for longer than 24 cumulative lifetime months. JOBS-mandatory participants who hit the time-limit must register for the WORK program in order to continue to receive public assistance. The time-limit applies solely to AFDC and does not apply to other assistance programs.

3. Mainstream Forum - H.R. 4414

Two year life-time limit of AFDC benefits, the clock starts "after individual signs participation agreement. When the two year time limit expires, Transitional child care is provided for those who exhaust AFDC benefits and Medicaid benefits are extended for one year. Participants who hit the time-limit enter the community service program for 12 months.

4. House Republican - H.R. 3500

States may impose mandatory work obligation after 2 years, and 1 year for job ready recipients. Those who are ill, disabled, (not including drug and alcohol offenders) or taking care of a seriously ill relative are exempt from time-limit; States would have the option to provide exemptions for those enrolled in drug and alcohol abuse programs. State option to limit AFDC-UP benefits to 6 months.

5. Senate Republican - S. 1795

Two year life-time limit, 1 year at State option for work-ready recipients, with no earn-back.

B. Exemptions from the Time-limit

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

Individuals are not subject to the time limit if they meet criteria for deferral status. Non-phased-in recipients are not subject to the time-limit unless they volunteer for JOBS and the State chooses to impose the time-limit on volunteers. Only one-parent in an AFDC-UP family could be placed in deferral status. Time limits would not apply until the recipients' 18th birthday.

3. Mainstream Forum - H.R. 4414

Those who are exempt from Work First are exempt from time-limited requirements.

4. House Republican - H.R. 3500

Exemptions for persons who are ill, disabled, caring for a disabled relative, or working 30 hours per week. States would have the option to provide exemptions for those enrolled in drug and alcohol abuse programs.

5. Senate Republican - S. 1795

Exemptions for persons who are ill, incapacitated (not to include substance abusers), elderly, in their third trimester of pregnancy, had child while the family was on AFDC (six month exemption for first child, 4 months for each subsequent child), is caring for disabled dependents full-time, working 35 or more hours per week, has a child under age 16 attending school full-time, or is living in a remote area. States would have the option to provide exemptions for those enrolled in drug and alcohol abuse programs.

C. Extensions

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

States would be required to grant extensions to persons who reached the time limit without having had adequate access to the services specified in the employability plan. In instances in which a State failed to substantially provide the services, including child care, called for in the employability plan, the State would be required to grant an extension equal to the number of months needed to complete the activities in the employability plan (up to a limit of 24 months). If the State agency and the recipient disagreed with respect to whether services were substantially provided and hence as to whether the recipient was entitled to an extension, the State agency would be mandated to inform the recipient of her or his right to a fair hearing. Persons enrolled in a structured learning program (including, but not limited to, those created under the School-to-Work Opportunities Act) would be granted an extension up to age 22 for completion of such a program. States would also be permitted, but not required, to grant extensions of the time limit under specified circumstances, up to 10% of all recipients required to participate in JOBS and subject to the time limit.

3. Mainstream Forum - H.R. 4414

Pregnant women, custodial parents, and guardians will get an extension equal to the Family and Medical Leave Act (12 weeks). State may also allow 10% of all participants to re-enter the Work First or community service program following 36 months of participation.

4. House Republican - H.R. 3500

No provisions.

5. Senate Republican - S. 1795

No provisions.

D. Earning-Back Additional Eligibility

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

For those who left AFDC with less than six months of eligibility remaining, individuals could "earn-back" 1 month of AFDC eligibility for each 4 months off AFDC/WORK. The maximum number of months an individual can earn at one time is 6 months. A person who re-applies for cash aid and has no additional months of eligibility would be required to register for WORK.

3. Mainstream Forum - H.R. 4414

No earn-back provisions. Ten percent of individuals will be eligible for re-admittance to the program, provided that their finish a 3 year community service job slot. When the 2 year time limit expires, Transitional child care is provided for those who exhaust AFDC benefits and Medicaid benefits are extended for one year.

4. House Republican - H.R. 3500

No provisions.

5. Senate Republican - S. 1795

No provisions.

III. POST-TRANSITIONAL ASSISTANCE PROGRAM

A. Work Requirement

1. Current Law

No mandated work for benefits program; States have option to run Community Work Experience Programs (CWEP). People in CWEP work in the public sector for the number of hours equal to their AFDC benefit divided by the minimum wage. In FY 1991 there were 13,112 slots for CWEP participants; Optional Work Supplementation Program. In FY 1991 there were 707 slots for the program.

2. Administration Proposal - H.R. 4605/S.2224

Those recipients who have exceeded their time-limit and who are unable to obtain unsubsidized employment will be required to participate in the WORK program. Individual WORK slots would be limited to 12 months and States could pursue a wide range of strategies in designing such slots. Required participation in job search for a period of not less than 45 day (up to 90 days at State option) before hitting the time limit and taking a WORK assignment. Job search between WORK assignments. States would have the flexibility to determine the number of hours for each WORK assignment, with a minimum of an average of 15 hours per week during a month and for no more than an average of 35 hours per week during a month.

3. Mainstream Forum - H.R. 4414

States that establish a Work First Program are required to create a Community Service Jobs system. After the 2 year time-limit in the Work First program, clients will enter the Community Service program. Clients will meet with case managers who will assist participants in choosing a community service job and eventually obtain a full time unsubsidized job. States shall provide each participant with a community service job (minimum of 30 hours a week, plus 5 hours mandatory job search) paid a rate equal to minimum wage. Community Service Jobs are defined as employment provided to a participant by the State or by an employer, in which some or all of the wages are paid for by the State. The State can waive the 30 hour requirement if it is too financially burdensome for the state to meet--but must phase in 30 hour requirement by 2001.

The Community Service Program will follow the Work First model: States can choose from the placement agency option, the temporary subsidized job option, or the work supplement option, in which employers must agree "to provide the participant the amount in wages equal to the poverty threshold for a family of three."

4. House Republican - H.R. 3500

Expand CWEP, work supplementation, or create a new program, and require recipients to work for up to 35 hours per week; eliminate requirement that work supplementation participants be assigned only to unfilled, newly created jobs. States can require participation in the work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

5. Senate Republican - S.1795

After receiving two years of benefits (one year at State option), work is required. Work program must include work supplementation, CWEP, employment voucher or other approved work program. States can require participation in the work supplementation program in which the AFDC benefit is used to subsidize a private sector job. AFDC or food stamp only recipients can find a private sector job with an employment voucher valued at the family's combined AFDC and food stamp benefit level and, after six months, half that amount. Employers must pay the employee at least twice the value of the voucher.

**B. Time-Limits on Post-Transitional Assistance**

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

There is no overall time-limit on WORK participation, so long as participants have met all requirements. States would be required to assign new or newly open WORK slots to WORK registrants who have most recently hit the time-limit.

3. Mainstream Forum - H.R. 4414

The community service component would only be available to an individual for three years. A limited number of individuals (10% of the participants) deemed "not ready for employment" can be readmitted to the Work First or Community Service program after this point.

4. House Republican - H.R. 3500

States can drop an AFDC family from the rolls after the caretaker participated in WORK for 3 years.

5. Senate Republican - S. 1795

At State option, benefits received under the post-transitional work portion of the assistance program may be limited to 12 months for the individual casehead, who would still be eligible for Medicaid and food stamps. The family (i.e., children) would continue to receive a reduced grant.

**C. Pay Compensation**

1. Current Law

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage.

2. Administration Proposal - H.R. 4605/S.2224

Total WORK program benefits (wages plus supplemental benefits) would not be less than the AFDC grant. Wages from WORK assignments would be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC (e.g., food stamps, SSI, Medicaid, public and Section 8 housing). Persons in WORK assignments would be subject to FICA taxes. States would be required to ensure that the corresponding employer contribution for OASDI and HI was made, either by the employer or by the entity administering the WORK program (or through another method). Earnings from WORK positions would not be subject to tax, would not be treated as earned income or included in adjusted gross income for purposes of calculating the Earned Income Tax Credit, and would not be treated as qualified wages for purposes of the Targeted Jobs Tax Credit. The employment of participants under the WORK program would not be subject to the provisions of any Federal or State unemployment compensation law.

3. Mainstream Forum - H.R. 4414

Unlike the Work First, Community Service wages are not considered earned income. Participants work for wages (at least minimum wage) instead of AFDC benefits. Participants in subsidized employment could receive a supplemental benefit from the State.

4. House Republican - H.R. 3500

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage. States could also require participation in a work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

5. Senate Republican - S. 1795

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage. States could also require participation in a work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

D. Anti-displacement Provisions

1. Current Law

Strong anti-displacement provisions as established by FSA of 1988.

2. Administration Proposal - H.R. 4605/S.2224

Strong anti-displacement provisions based on National Service non-displacement measures.

3. Mainstream Forum - H.R. 4414

None.

4. House Republican - H.R. 3500

No provisions.

5. Senate Republican - S. 1795

Current law and eliminates requirement that work supplementation participants be assigned only to unfilled, newly created jobs.

E. Participation Requirements in Post-Transitional Assistance

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

To ensure that individuals who reach the time limit are assigned to WORK slots, States will be expected to meet a WORK participation standard. Financial penalties are applied if the standard is not met. To meet this standard, States are required to meet either: The number required so that 80 percent of those who are registered for the WORK program are assigned to a WORK slot, or the number required so that total number of WORK slots the State is required to create, based on their funding allocation, are filled by individuals assigned to a WORK slot. For the proportion of caseload below the applicable standard, a 25 percent *reduction* in the FFP for AFDC benefits will be levied using the average AFDC benefit level paid in the State to determine the amount of the penalty.

3. Mainstream Forum - H.R. 4414

All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

4. House Republican - H.R. 3500

All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

5. Senate Republican - S. 1795

All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

E. Economic Development

1. Current Law

No provisions.

2. Administration Proposal - H.R. 4605/S.2224

The proposal would allow States to establish Individual Development Accounts, in cooperation with local financial institutions, to encourage savings among participants of income assistance programs. Recipients would be able to save up to \$10,000 in a tax deferred account for purposes of educational expenses or buying a new home. Funds in the account would be excluded from determining resources for purposes of eligibility. Withdrawals for unqualified purposes would result in a 10% penalty of the amount withdrawn. Participants would be limited to a \$1,000 deposit limit per year. The federal government would provide \$500 in starter funds to make the establishment of such accounts more attractive (recipients would be entitled to withdraw these initial funds but would instead "replace" them with their own deposits). In a demonstration program, recipients could participate in a subsidized IDAs whereby the State would match participants' deposits up to \$2,500.

In a related program, States would be permitted to encourage people to start microenterprises; Demonstration program to promote self-employment by providing access to micro-loan funds and technical assistance in obtaining loans and starting businesses as a means to achieve self-sufficiency.

3. Mainstream Forum - H.R. 4414

As part of Work First, States are permitted to use Federal community and rural development and job training funds to make direct loans to nonprofit groups to provide technical assistance, training, and credit to low income entrepreneurs for the purpose of establishing a micro-enterprise. With regards to the resources of microenterprise, States shall disregard \$8,000 of the net worth (assets produced by liabilities) for a period of 2 years. Net profits shall be treated as earned income during that same period. The Targeted Jobs Tax Credit is amended, doubling the minimum period of employment required for an employer to receive credit.

Additionally, States shall disregard from resources up to \$8,000 in 1 qualified asset account ("a mechanism approved by the state...IRA, Escrow, or savings bond") for 1 member of the family. Money can be used for post-secondary school, purchase of a house or automobile, or for the establishment or operation of a microenterprise. The penalty for an unqualified use of these funds would be to treat the funds as income; resulting in ineligibility for the participant in some cases.

4. House Republican - H.R. 3500

State option of disregarding (for up to 2 years) \$10,000 in a "qualified asset account" held by an AFDC family or a family who received AFDC in one of the last four months, or became ineligible during the preceding 12 months because of earnings. States could also exclude as income a resource (for two years) \$10,000 of the net worth of a microenterprise. States shall disregard "qualified distributions" from "qualified asset account" for the purpose of: attending an education or training program, improving employability (buying a new car), buying a new home, or moving to another residence.

5. Senate Republican - S. 1795

No provisions.

V. FUNDING AND MATCHING RATES

1. Current Law

States are reimbursed at a 90 percent rate for JOBS expenditures up to the amount allotted to the State in FY 1987 for WIN. States face financial penalties if program resources are not targeted towards specified populations. 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; The cap for JOBS was \$600 million in FY 1989, it increases to \$1.3 Billion in FY 1995, and decreases to \$1 billion for FY 1996 and beyond; Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for State match.

2. Administration Proposal - H.R. 4605/S.2224

The Federal match rates (for each State) for all JOBS expenditures would be set at FMAP plus 5 percentage points with a floor of 65, generally increasing to 10 percentage points and a floor of 70 in later years to match anticipated needs. Spending for direct program and administrative costs would be matched at the same rate. The JOBS capped entitlement (Federal) would be set at \$1.75 billion for FY 1996, \$1.7 billion for FY 1997, \$1.8 billion for FY 1998, and \$1.9 billion for each of the fiscal years 1998, 1999, and 2000. This capped amount would be adjusted automatically for inflation after FY 2004. In addition, a \$300 million fund would be set-aside for purposes of use by the Secretary. States who have drawn down their entire allocation would be permitted to draw-down additional funds from the capped amount that other States had not.

A separate capped entitlement would be established for the WORK program to cover operational costs (the same match rates apply). The WORK capped entitlement (Federal) would be set at \$200 million for FY 1998, \$700 million for FY 1999, \$1.1 billion for FY 2000, \$1.3 billion for FY 2001, \$1.4 billion for FY 2002, \$1.6 billion for FY 2003, and \$1.7 billion for each of the fiscal years thereafter, adjusted for inflation. A State would be permitted to reallocate an amount up to 10% of its combined JOBS and WORK allotments from its JOBS program to its WORK program and vice versa. Match rates and capped amounts would be adjusted in cases of high unemployment to accommodate extreme circumstances.

3. Mainstream Forum - H.R. 4414

For all 50 States and D.C., Federal government share set at 80% and the State share set at 20%. Work First is an uncapped entitlement; lower match for territories. Funding for Work First is an uncapped entitlement.

4. H.R.3500

Child care cost matched as under current law (the greater of 60% or FMAP). Current law targeting provisions in JOBS are dropped. Each state that has used full allocation of Federal JOBS funds (under current law) would be entitled to additional JOBS funds at a Federal match rate of the greater of 70% or Medicaid percentage for program costs. Drops to 50% in participation rates not met. Authorization of: \$300 million for FY96, 1 billion for FY97, and 1.9 billion for FY98.

5. Senate Republican - S. 1795

Child care cost matched as under current law (the greater of 60% or FMAP). Current law targeting provisions in JOBS are dropped. Each state that has used full allocation of Federal JOBS funds (under current law) would be entitled to additional JOBS funds at a Federal match rate of the greater of 70% or Medicaid percentage for program costs. Drops to 50% in participation rates not met. Authorization of: \$300 million for FY96, 1 billion for FY97, and 1.9 billion for FY98.

VI. CHILD SUPPORT ENFORCEMENT

A. Paternity Establishment

1. Current Law

Clients must cooperate with the State in establishing paternity, unless there is "good cause." If client does not cooperate, her portion of the AFDC benefit will be terminated unless no such payee can be found; Under the Omnibus Reconciliation Act of 1993, States must have procedures in place for a simple civil process for voluntarily acknowledging paternity. The act also calls for strengthened paternity establishment standards for each State based upon past figures.

2. Administration Proposal - H.R. 4605/S.2224

Offer States performance-based incentives. Expand in-hospital establishment provisions enacted as part of OBRA '93. Expand education about parental responsibility. Streamline legal process. Must meet new stricter cooperation requirements.

3. Mainstream Forum - H.R. 4414

Require States to establish hospital-based paternity as established in OBRA 1993. States must also develop simple civil consent procedure for paternity establishment outside of hospital. Benefits contingent on establishment; good cause exemption. Increase information recipient must provide in order to "cooperate" and receive AFDC benefits. Make incentive for paternity establishment by increasing per month pass through of child support benefits to mothers on AFDC to \$100. Provide new fathers with parental counseling.

4. House Republican - H.R. 3500

Mothers must identify the putative father as a condition of eligibility and family would receive reduced benefits (minus mother's portion of the grant) until paternity is established. Children whose paternity is not established are denied benefits; good cause exemption. Increase state requirement to establish paternity for 90% of all out-of-wedlock births or face financial sanctions.

5. Senate Republican - S. 1795

Paternity establishment is a condition of receiving benefits. The parent's benefits are denied until paternity of the child is established, a paternity suit is initiated, efforts to establish paternity would result in physical danger, or reduction in aid would impose undue hardship. If an individual is wrongfully named as the father, the adult's benefit is removed. The paternity establishment standard is increased to 90 percent. States must increase their paternity establishment ratio by 10 percent each year if below 50 percent and 6 percent if between 50 and 90 percent.

B. Strengthen Enforcement

1. Current Law

The current system fails to ensure that children receive adequate support from both parents. Currently there is a collection gap of \$34 billion.

2. Administration Proposal - H.R. 4605/S.2224

Create a central registry and payment center in all States and create a Federal Child Support Enforcement Payment Center to track parents across State lines. Require routine reporting of all new hires via national W-4 reporting and a National Directory of New Hires, and require immediate wage withholding, by the state, on unpaid orders. Adopt Uniform Interstate Family Support Act (UIFSA) to make interstate collection procedures more routine. Strengthen

COMPARISON OF WELFARE REFORM PROVISIONS — continued

IRS role. Allow States authority to revoke licenses. Create new funding formula and place emphasis on performance-based incentives.

3. Mainstream Forum - H.R. 4414

Require States to maintain registries of child support orders.

Expand the use of W-4 form to determine if new employees owe child support, and create a New Hire Registry. Implement employer and IRS direct income withholding process.

Create National Support Guidelines Commission to develop for congressional consideration a national child support guideline.

Expand Parent Locator Service to establish a national network allowing states to access each other's records.

Mandate reports to credit bureau of all obligations and arrearages. Allow workers compensation to be subject to income withholding. Permit States to establish procedures under which liens can be imposed against lottery winnings and other awards.

Make grandparents liable for financial support of minor children.

SENSE OF CONGRESS TO: Require noncustodial parents delinquent in their payments to enter a work program in which they work to pay off benefits going to support their child.

4. House Republican - H.R. 3500

Expand Federal parent locator service; maintenance of Child Support Registry; streamlined wage withholding; States required to enforce out-of-state wage withholding orders; Require W-4 based new-hire reporting systems and immediate withholding; uniform order process.

5. Senate Republican - S. 1795

States maintain registries of child support orders to assist other States with interstate searches and to assist both custodial and non custodial parents. Expand the Federal Parent Locator System (FPLS) and establish an interstate locate network linking the FPLS to State child support data bases. Streamline the interstate system of wage withholding by requiring uniform notices and requiring employers to honor the uniform withholding orders of any State within 10 days or be subject to a civil fine. Develop a uniform child support order for use by all State courts. Require States to recognize and enforce interstate orders; States required to enforce out-of-State uniform wage withholding orders.

C. Assured Minimum Benefits

1. Current Law

None. The New York CAP program guarantees a minimum benefit to families with support orders. Virginia will be implementing a demonstration which features an assurance function.

2. Administration Proposal - H.R. 4605/S.2224

Congress would authorize up to 6 demonstrations to test State child support assurance programs. Demonstrations would last 7 years and would be funded at 90 percent FFP.

3. Mainstream Forum - H.R. 4414

None.

4. House Republican - H.R. 3500

No provisions.

5. Senate Republican - S. 1795

No provisions.

D. **Noncustodial Parents**

1. Current Law

Non-custodial parents have a very limited role in the current welfare system. The FSA of 1988 includes a provision for up to 5 States to provide services under the JOBS program, to non-custodial parents who are unemployed and unable to meet their child support obligations. Project Fair Share operates the demo programs which try to involve non-custodial parents in their children's lives.

2. Administration Proposal - H.R. 4605/S.2224

Create a system with parallel expectations for custodial and noncustodial parents. Reserve a portion of JOBS and WORK funding for noncustodial parent of AFDC recipient children who are unemployed or under employed and cannot pay child support. State option for mandatory work programs for noncustodial parents. Make grants available to States for programs which foster access and visitation by both parents through mediation, counseling, education and visitation enforcement and monitoring.

3. Mainstream Forum - H.R. 4414

Require States to offer positive paternity establishment/parenting social services for new fathers.

Allocate 10 percent of the Work First and community service funds to States to create programs for non-custodial parents.

SENSE OF CONGRESS TO: Require noncustodial parents delinquent in their payments to enter a work program in which they work to pay off benefits going to support their child.

4. House Republican - H.R. 3500

All noncustodial parents may be required to participate in 2-4 weeks of job search and in a state work program.

5. Senate Republican - S. 1795

Noncustodial parents with the equivalent of more than 2 months of arrearage, unless subject to a court approved repayment plan, will be notified they must pay child support and are subject to fines and other penalties. If there is no response within 30 days, the State will seek a court order requiring the noncustodial parent to participate in job search and if the arrearage has not decreased within 30 days after the order is entered, the noncustodial parent must participate in a work program for 35 or more hours a week.

VII. **PROMOTE PARENTAL RESPONSIBILITY**

A. **Minor Mothers**

1. Current Law

Permitted to collect AFDC as separate filing unit. State option to require minor mothers to reside in their parents home; CT, DE, MN, MI, WI, Puerto Rico, Virgin Islands doing by waiver authority.

*COMPARISON OF WELFARE REFORM PROVISIONS — continued*

2. Administration Proposal - H.R. 4605/S.2224

Requires to live with parent or other responsible adult. Parental support is included in AFDC eligibility.

3. Mainstream Forum - H.R. 4414

Require to live in household with responsible adult; good cause exemption.

4. House Republican - H.R. 3500

States must deny AFDC to parents under 18 years old, unless they pass a State law waiving this rule. Minor mothers are required to live at home.

5. Senate Republican - S. 1795

State option to deny AFDC to minor parents (Medicaid eligibility would continue). Minor custodial parents are required to live at their parents home or in a group home; Parental support is included in AFDC eligibility. States must use savings from these provisions to fund group homes, adoption assistance and "abstinence education."

**B. Targeting Teens**

1. Current Law

No provisions.

2. Administration Proposal - H.R. 4605/S.2224

Provide enhanced case management to all teens under 20. All custodial parents under 20 who had not completed high school or the equivalent would be required to participate in the JOBS program (as soon as the child reached 12 weeks of age), with education as the presumed activity. State option for incentives to participate in educational and parenting activities.

3. Mainstream Forum - H.R. 4414

Parents under 20 who do not have a high school diploma or GED must remain in school and receive a bonus of 25% "of aid otherwise payable" per month if those requirements are met and 25% penalty if they are not met.

4. House Republican - H.R. 3500

States can impose sanctions on minor parents who do not attend school themselves or whose children do not attend school; State option to require parents to participate in parenting and money management classes.

5. Senate Republican - S. 1795

State option to disregard savings from the earnings of a dependent child if the funds are used for education.

**C. Other Prevention Strategies**

1. Current Law

No provisions.

2. Administration Proposal - H.R. 4605/S.2224

National campaign against teen pregnancy; Every male or female school-age parent would be required to participate in JOBS from moment pregnancy or paternity is established. Require special case management and special services including family planning. Increase Title X Family Planning Funding. Strengthen AFDC Family Planning Requirement. Allow States to utilize older welfare mothers to mentor at-risk school-age parents as part of their community service assignment. Comprehensive neighborhood-based demonstration grants with strong evaluation component.

3. Mainstream Forum - H.R. 4414

Creation of a national teenage pregnancy task force to educate children of the risks involved in choosing parenthood at an early age and ensure that every potential parent is given reproductive family planning and education. States are also required to ensure that all people have access to family planning and comprehensive services.

4. House Republican - H.R. 3500

No provisions.

5. Senate Republican - S. 1795

State option to require parents to participate in parenting and money management classes; requires States (unless they pass laws exempting themselves) to reward or sanction families \$50 a month based on compliance with immunization and health check requirements for preschoolers. Requires States to conduct education and outreach services related to preventive health and immunizations for preschool children. Requires the Surgeon General to issue recommendations on immunizations periodically.

D. Family Cap

1. Current Law

AFDC benefits increase when additional child is born; State waivers to cap benefits exist in: NJ, GA, VA.

2. Administration Proposal - H.R. 4605/S.2224

States will have option to keep AFDC benefits constant when a child is conceived while the parent is on welfare but must assure parents access to family planning services and must do at least one the following: permit the family to earn more or receive more in child support; permit working recipients to disregard a higher amount of earnings equal to the benefits they would have gotten for an additional child.

3. Mainstream Forum - H.R. 4414

Do not support increases in AFDC funding to families who have additional children while receiving benefits. State may opt out of this requirement under State plan.

4. House Republican - H.R. 3500

States are not required to pay an additional benefit for a child born 10 months after the date of application for AFDC. Some exceptions apply for families which leave AFDC due to employment but return. States may exempt themselves through passing a State law.

5. Senate Republican - S. 1795

States are not required to pay an additional benefit born 10 months after the date of application for AFDC. Some exceptions apply for families which leave AFDC due to employment but return.

VIII. MAKE WORK PAY

A. Child Care

1. Current Law

There are a number of entitlement programs, all with different eligibility rules. Some programs include: 1) Title IV-A provides child care to AFDC recipients. It is an open ended federal entitlement based on FMAP with a State match requirement; 2) Entitlement for one year of transitional child care for people who have left AFDC in the last year and funding is based on FMAP rate with a State match requirement; 3) At-Risk program capped at \$300 million p. year for those the State determines to be at-risk of AFDC receipt, and matched by States at FMAP rate; 4) Child Care Development Block Grants pay for many services including child care and were funded at \$360 million in FY92; No State match.

2. Administration Proposal - H.R. 4605/S.2224

Ensure transitional child care, make child care subsidies available to low-income families to enable them to remain off of welfare.

3. Mainstream Forum - H.R. 4414

- Expand IV-A entitlement program for cash assistance to recipients to accommodate the increased demand created by expanded participation in the Work First program.
- IV-A funding will have 80/20 federal State match.
- Increase funding for At-Risk Child Care Program to \$2 billion by FY01, while extending the service to two parent families.
- Change eligibility for Transitional Child Care from 1 to 2 years.
- Require automatic notification of eligibility for Transitional Child Care to AFDC recipients who find work as well as those who have been terminated from AFDC, Food Stamp, and Medical Assistance rolls.
- Guarantee Transitional and At-Risk Child Care to recipients who are seeking training but have been terminated from AFDC rolls.
- Make Dependent Care Tax Credit refundable (while making ineligible those with incomes over \$120,000);
- Allow States to create jobs in child care field for recipients.
- SENSE OF CONGRESS to create a child care information center that would maintain a roster of eligible providers and their performance records.

4. House Republican - H.R. 3500

Maintain current child support system. Preserve current funding levels.

5. Senate Republican - S. 1795

Maintain current child support system. Preserve current funding levels.

**B. Earned Income Tax Credit**

1. Current Law

When fully implemented the EITC will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children; The maximum benefit for a family of four with full-time minimum wage earnings is \$3,370; Raised the pay for the wage earner of a two-parent family of four by 16%; The five-year cost of the expansion is \$20.8 billion, with \$7.0 billion spent in FY 1998; Currently the EITC tends to be delivered in a lump sum at the end of the year and the process for ensuring a different distribution schedule is difficult.

2. Administration Proposal - H.R. 4605/S.2224

Ensure that the EITC can be delivered on a regular, advance-payment basis throughout the year. Provisions under development which would allow States to distribute advance payments of EITC through State welfare agencies.

3. Mainstream Forum - H.R. 4414

Require that welfare recipients, as well as those whose Medical Assistance, AFDC, or Food Stamp benefits have been terminated, be notified (in writing) of the availability of EITC.

Require that employers inform new employees of option of having advance EITC payments through their payroll.

4. House Republican - H.R. 3500

EITC is capped at 2% plus inflation (see FINANCING section).

5. Senate Republican - S. 1795

No new provisions.

**C. Work Should Pay Better Than Welfare**

1. Current Law

Current earned income disregard policy is to exclude \$90 of work expenses and an additional \$30 and 1/3 (for 12 months) from earned income in determining benefit amounts. Additional sums above that amount reduce benefits dollar for dollar. Recipients who leave AFDC due to earnings are eligible for 1 year of transitional medicaid.

2. Administration Proposal - H.R. 4605/S.2224

Replace the current income disregard policy and instead require States to disregard a time invariant minimum of \$120 in earnings, indexed for inflation in rounded increments of \$10. States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies.

3. Mainstream Forum - H.R. 4414

States option to liberalize the earned-income disregard by staying within guideline of enacting AFDC countable income tests up to a ceiling whereby maximum monthly disregard is \$225 in addition to 1/3 of all remaining earned income and the minimum is a monthly disregard of \$120.

Increase transitional medicaid to two years; pass health care reform. State option to waive the 100 hour rule for two parent families.

COMPARISON OF WELFARE REFORM PROVISIONS -- continued

4. House Republican - H.R. 3500

States have complete flexibility to modify the current 30 and 1/3 income deduction rule, but not by more than disregarding the first \$200 in earned income plus 1/2 the remaining amount.

5. Senate Republican - S. 1795

No new provisions.

D. **Changes in Asset and Resource Limits**

1. Current Law

Under current AFDC law, applicants and recipients are eligible for benefits if their assets do not exceed \$1,000 (or lower at State option), with few exclusions. In the Food Stamp program, the resource limit is \$2,000 (\$3,000 for households with a person aged 60 or older). Additionally, the current AFDC automobile exclusion is set by regulation at \$1,500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the \$1,000 AFDC resource limit. The Food Stamp Act provides for the total exclusion of vehicles that are used over 50 percent of the time for income-producing purposes; annually producing income consistent with their FMV; necessary for long distance travel for work (other than daily commute); used as the household's home; or needed to transport a physically disabled household member. For the following vehicles, the amount of the FMV over \$4,500 is counted as a resource: one per household (regardless of use); and vehicles used for work, training or education to prepare for work in accordance with food stamp employment and training requirements. For all other vehicles, the FMV over \$4,500 or the equity value, whichever is more, is counted as a resource.

2. Administration Proposal - H.R. 4605/S.2224

Increase the AFDC resource limit to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit. Implement Individual Development Accounts which will allow recipients to save up to \$10,000 in accounts to be used for specific purposes.

3. Mainstream Forum - H.R. 4414

Increase in AFDC Resource limit to \$2,000 to conform with Food Stamps.

Exclusion from resources for AFDC: all income of a dependent child who is a student; energy assistance payments, based on need; real property the family is making good faith effort to sell; life insurance policies; equity in income producing real property; personal property of a family member that is essential to the employment or self employment of the member, until the expiration of the 1 year period beginning on the date the member ceases to be employed or so self employed; earnings from state training program under JPTA; and essential employment related property. There are also ten amendments to the Food Stamp Act which make similar provisions.

4. House Republican - H.R. 3500

Change asset limit to \$10,000 for purposes of micro-enterprise and education.

5. Senate Republican - S. 1795

No new provisions.

**IX. IMPROVING GOVERNMENT ASSISTANCE**

**A. Simplification and Coordination Across Programs**

1. Current Law

Complex and conflicting rules; programs have different missions and serve different populations.

2. Administration Proposal - H.R. 4605/S.2224

Includes many technical provisions which simplify, coordinate, or conform program rules among the AFDC and Food Stamp programs. Client protection and State flexibility would be retained and/or enhanced.

3. Mainstream Forum - H.R. 4414

Twenty specific proposals to simplify the application process for AFDC and Food Stamps and move toward conformity between the two programs. (see changes in Asset and Resource Limits above)

Extend waiver deadline "for action on waivers" to 90 days.

State option to provide AFDC through Electronic Benefit Transfer.

4. House Republican - H.R. 3500

Establish Interagency Waiver Request Board to develop and coordinate waiver requests.

5. Senate Republican - S. 1795

Creates an interagency waiver request Board that would assist States and other entities in applying for waivers and implement a 5 year waiver process. Entities must establish a public-private partnership committee to advise them on the plan. Applications not acted upon within 90 days would be automatically approved. Waiver authority is extended to programs that provide cash assistance, education, employment training, health, housing, nutrition or social services.

**B. Two-Parent Families**

1. Current Law

AFDC-UP covers families in which both parents are living in the household and principal earner is unemployed. As of 9/93 the number of AFDC-UP cases was 355,000; Two-parent families are ineligible if the primary wage earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. Seven States have received waivers of the 100-hour rule: CA, IL, IA, MI, UT, VT, WI; About half of the States have taken the option to provide only six months of benefits per year to two-parent families.

2. Administration Proposal - H.R. 4605/S.2224

State flexibility to remove or amend special eligibility requirements for two-parent families (applicants and/or recipients), such as the 100 hour rule and the quarters of work rule.

3. Mainstream Forum - H.R. 4414

State option to eliminate 100 hour rule and the six month benefit receipt maximum for two parent families.

Eliminate the quarters of coverage requirement under AFDC-UP for married individuals if both are under the age of 20. Extend Transitional Care to 2 parent Families.

4. House Republican - H.R. 3500

States are permitted to allow AFDC recipients who marry someone who is not a parent of their child who subsequently become ineligible for AFDC to keep up to 50 percent of their current benefit if the total family income does not exceed 150 percent of poverty.

5. Senate Republican - S. 1795

States are permitted to allow AFDC recipients who marry someone who is not a parent of their child who subsequently become ineligible for AFDC to keep up to 50 percent of their current benefit if the total family income does not exceed 150 percent of poverty. Requires at least one parent in UP families to participate in the work program as soon as the family comes on the rolls. States have the option to require the other parent to be in either the transition or work programs. Parents under age 25 who have not completed high school can be required to participate in education activities. CWEP participation rates for UP families are increased to 90% by FY 1998.

C. Waste, Fraud, Abuse

1. Current Law

QC system to ensure payment accuracy.

2. Administration Proposal - H.R. 4605/S.2224

Enhanced information systems will enable large-scale prevention and detection of fraud and abuse.

3. Mainstream Forum - H.R. 4414

Require the Secretary to conduct a study on the feasibility of a tamper-proof card to serve programs under SSA and Health Care Reform legislation. Proposals for eliminating fraud and abuse in the SSI program. (NOT law-suggestions)

4. House Republican - H.R. 3500

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

5. Senate Republican - S. 1795

Requires States to establish fraud control units. Persons found guilty of fraud shall immediately become permanently ineligible for AFDC benefits. HHS is authorized to conduct demonstrations on EBT. Within 5 years a report must be written for Congress about the study. Appoint a commission to determine cost and feasibility of creating an inter-State system of Social Security numbers of all welfare participants for purposes of identifying fraud.

D. Performance Standards and Evaluation

1. Current Law

The Family Support Act required that the Secretary, in consultation with appropriate parties, develop a performance standards system proposal for Congressional consideration. The FSA also required various studies and reports to determine the effectiveness of the JOBS program.

2. Administration Proposal - H.R. 4605/S.2224

An outcome based performance measurement program will be implemented over time to monitor State performance on all aspects of the revised transitional assistance program, including client outcomes, provisions of services, and the percent of recipients who reach the time-limit. Funding incentives and penalties will be linked to outcomes. Two percent of total annual capped entitlement funding for JOBS, WORK, and child care to be spent on research, demonstrations, evaluation, and technical assistance.

3. Mainstream Forum - H.R. 4414

The State shall (in accordance with regulations proscribed by the Secretary) develop standards to be used to measure the effectiveness of the programs established under Work First and the Community Service Jobs Program in moving the clients to full time unsubsidized jobs. If the Secretary determines that the programs established by the State have failed to meet their proscribed performance standards, funding will cut to a 50% match.

4. House Republican - H.R. 3500

Require DHHS to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditure, wage rates, employment histories, and repeat spells on AFDC. Federal matching rate for new JOBS funds will drop to flat 50% if States don't achieve minimum participation rates: 15% in FY94, 20% in FY95, 30% in FY96, 40% in FY97, 50% in FY98 ... 90% in FY02.

5. Senate Republican - S. 1795

Requires HHS to conduct 5-year studies evaluating the impact of education and training programs for AFDC families. At least one site must use random assignment to compare a control group with a group that participates in education and training and another group that receives job search and a work program.

X. PHASE-IN

1. Current Law

Not applicable.

2. Administration Proposal - H.R. 4605/S.2224

People born on or after January 1, 1972, beginning in 1995 will be subject to the time-limit provisions. States would have the option to define the phase-in group more broadly, provided it included at least the population described above. Other technical changes will be effective immediately. Other time-frames for effective dates of implementation vary.

3. Mainstream Forum - H.R. 4414

October 1996--	persons	25 years of age and under
October 1997--	"	27
October 1998--	"	29
October 1999--	"	31
October 2000--	"	33
October 2005--	FULL PHASE IN	

States also have the option to accelerate phase in, or upon approval of the petition of the Secretary, delay phase in.

4. House Republican - H.R. 3500

All new and returning applicants beginning on October 1, 1994, then on October 1, 1998 the full caseload becomes subject to the time limit.

5. Senate Republican - S. 1795

All new and returning applicants beginning on October 1, 1994, then on October 1, 1998 the full caseload becomes subject to the time limit.

**XI. MISCELLANEOUS PROVISIONS**

**A. Substance Abuse Provisions**

1. Current Law

No provisions exist for the AFDC program. Under JOBS, States may expend resources to pay for supportive services (i.e., treatment programs) but participants do not count towards a State's JOBS participation rate. Additionally, States could determine that substance abusers are incapacitated and therefore JOBS exempt.

2. Administration Proposal - H.R. 4605/S.2224

At State option, participation in substance abuse programs is required activity under deferral status (sanctions can be applied if appropriate) but time limit does not apply.

3. Mainstream Forum - H.R. 4414

State option to require substance abuse treatment in addition to work/education/training as appropriate.

4. House Republican - H.R. 3500

At State option, participants of treatment programs are JOBS exempt for up to 12 months. Recipients of SSI can be tested for drug use which would result in a loss of SSI eligibility.

5. Senate Republican - S. 1795

Requires AFDC applicants and recipients who are determined to be addicted to drugs or alcohol to participate in treatment. If they do not participate satisfactorily, they will be denied benefits for 2 years, but remain eligible for Medicaid. Random drug tests shall be made of drug and alcohol addicts on SSI, and those who are on illegal drugs or refuse to submit to testing shall become ineligible.

**B. Reduced Eligibility for Immigrants**

1. Current Law

Eligibility rules vary greatly across various assistance programs depending on the immigration status of an individual. Legal aliens are generally eligible for assistance programs.

2. Administration Proposal - H.R. 4605/S.2224

Make the current five-year period of sponsor responsibility permanent law under the SSI program and extends from three years to five years sponsor responsibility under the AFDC and Food Stamp programs. The sponsor's income would be deemed as available to support the immigrant should they apply for public assistance. For the period beginning with six years after being lawfully admitted for permanent residence in the U.S. and until a sponsored immigrant attains citizenship status, if the sponsor has income above the U.S. median family income (\$39,500), the

COMPARISON OF WELFARE REFORM PROVISIONS -- continued

sponsor will continue to be responsible for ensuring the support of the immigrant. Set consistent deeming rules for sponsored immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Sponsor responsibility is based on longstanding immigration policy that immigrants should not become public charges. Establish similar eligibility criteria under four Federal programs (SSI, AFDC, Medicaid, and Food Stamps) for all categories of immigrants who are not legal permanent residents.

3. Mainstream Forum - H.R. 4414

End welfare for noncitizens [as specified in SSA 402(a)(33)] except for emergency medical services. Cut SSI, medicaid, food stamps and AFDC benefits. Legal immigrants will be allowed a year grace period before being subject to cuts. Refugees, asylees, and the elderly are exempt.

4. House Republican - H.R. 3500

Most noncitizens would no longer be eligible for welfare benefits (excluding those over 75). Those currently receiving welfare would retain eligibility for 1 year. Refugees assistance would be time-limited.

5. Senate Republican - S. 1795

Requires welfare agencies to report to INS all legal immigrants who continue to receive benefits beyond 12 months. INS is then required to treat such immigrants as public charges. Extends current deeming period until citizenship. Requires State agencies to report the names of illegal alien parents of citizen children to the INS.

C. Financing

1. Current Law

Federal financial participation in the AFDC program is 50% for administrative costs (higher for some costs, such as up to 90% for development of automated systems), and is based on the FMAP for benefits (averaging roughly 55% of all benefit costs). The FFP for JOBS is a capped entitlement of \$1 billion with various rates varying with the State activities, target groups served, or administrative costs.

2. Administration Proposal - H.R. 4605/S.2224

Serious provisions including non-citizen provisions, extension of superfund tax, cap emergency assistance to States, and modify meal-reimbursements to States, limit SSI eligibility for substance abusers, target agricultural support, and others.

3. Mainstream Forum - H.R. 4414

\$21.3 billion saved over five years by cuts in social services programs to non-citizens.

\$1.5 billion saved over five years by capping the Emergency Assistance Program.

\$1.3 billion saved over five years with the elimination of EITC benefits to illegal aliens.

\$700 million saved over five years with the elimination of the Dependent Care Tax Credit for families earning over \$120,000 a year.

\$1.6 billion saved over five years through increased paternity establishment and new child support awards which would thereby reduce AFDC caseloads.

\$380 million saved over five years through modification of Family Day Care Homes component of child care food program.

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

Also, State offsets for additional costs that may result from program: \$15 billion over five years available to States through a shift on point of collection of State mail order tax from the State to catalogue companies

\$1 billion from above financing provisions will be set aside for States to defer additional costs that they may incur as a result of cuts to immigrants and other provisions in the proposal.

4. House Republican - H.R. 3500

An annual cap is placed on spending for entitlement programs including AFDC, SSI, public housing and section 8 housing, EITC, and food stamps. The cap is set at 2% plus inflation. The increase in program costs are financed by changes in other means-tested programs which result in savings. All nutritional assistance programs are combined into a single capped block grant.

5. Senate Republican - S. 1795

No provisions specified.

## WHO'S MORE SERIOUS ABOUT WELFARE REFORM?

The Republicans claim that their bill is a more serious effort to reform our nation's welfare system. But, let's look at the facts:

- **Work Requirements.** The Republicans claim that their bill is more serious about requiring work. But, in fact, their bill is about workfare--not work. Under the Republican plan, welfare continues after two years, and people are sent to a work site in exchange for a welfare check. The Clinton plan provides far greater dignity and responsibility than workfare by paying wages for hours worked. It provides recipients with a pay check--not a welfare check. And, if people don't work, they don't get paid.
- **Private, Subsidized Jobs versus Public Workfare.** Because the Clinton bill requires work--not workfare, money that was spent on the welfare check is available to subsidize private-sector job placements. Under the Republican workfare plan, recipients would all have to be placed in public work assignments since their "pay" would be the ongoing welfare check.
- **Sanctions.** Under the Republican plan, recipients who fail to act responsibly and work are subject to a bureaucratic sanctioning process through which they may eventually lose 25 percent of their grant for three months. Under the Administration's plan, sanctions for refusing a job are strengthened. The Clinton plan is simple, fair and tough--wages are paid for hours worked; if you don't show up for work, you don't get paid.
- **Child Care.** In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable child care for their children. The Clinton plan provides child care for those in transitional assistance, as well as a major increase in support for low-income working-poor families. The Republican bill provides resources only to welfare recipients--not to the many families struggling to work and support their families without depending on welfare, except for current law transitional benefits.
- **Unfunded State Mandates.** During 5 years of the Republican plan, States would be required to spend \$X billion more per year. Under the Administration's proposal, States are asked to spend \$X per year, but we project they will also save \$X billion. [X's to be filled in by Tuesday]

- **Reality--Not Rhetoric.** Changing the welfare system from one focused on writing welfare checks to one designed to help and ultimately require people to get paychecks will be a mammoth task. States have repeatedly told us that they cannot change overnight. Real change requires realistic timetables. Under the Clinton plan, by the year 2000, half of the relevant caseload will be in the time-limited welfare system, and we expect to create 400,000 WORK slots. The Republicans are talking about overnight change which won't work. We think the only responsible approach is to focus change on young people first and make it real--not rhetoric.
- **Encouraging Work.** The Republican plan includes a cap on the Earned Income Tax Credit (EITC), one of the major programs to benefit the working poor. The EITC was dramatically expanded in 1993 in order to reward work effort by low-income families. Capping the credit removes an important incentive to work for low-income families with children.
- **Child Support Enforcement.** Because parents must be held responsible for supporting their children, improving the child support enforcement system is a major component of the Administration's plan. The Clinton plan establishes a national clearinghouse to ensure efficient location and enforcement, particularly in interstate cases. The Clinton plan also streamlines the paternity establishment process, strengthens enforcement mechanisms and tools, and ensures regular updating of awards. The Republican bill only tinkers with the child support enforcement system and fails to include the comprehensive reform that is necessary.
- **Paternity Establishment.** Under the Republican bill, a family would receive no benefit unless the mother named the child's father and a reduced benefit unless paternity was established. The proposal does not take into account that lack of paternity establishment may result from inaction or inefficiencies of the State child support enforcement agency. Even though welfare families have little leverage over the agency's ability to establish paternity, their benefits would be reduced. The Administration bill requires the mother to cooperate fully before she qualifies for benefits and then penalizes the States if they fail to get paternity established once the mother has cooperated.



## Comparison of the Administration Proposal and Other Welfare Reform Proposals

### I. TALKING POINTS ON THE HOUSE REPUBLICAN PROPOSAL (H.R. 3500)

#### Burden on States

- Although H.R. 3500 imposes significant program requirements on States it does not provide for an adequate increase in the federal matching rate and earmarks no new funding for child care. H.R. 3500 calls for an additional \$300 million, \$1 billion and \$1.9 billion for fiscal years 96, 97, and 98 respectively available to States at match rate equal to either FMAP or 70%, whichever is larger. However, this is inadequate. States would still be required to first draw down their current JOBS allotment at the current rates prior to being able to draw down the additional funds. This would require a large increase of additional new State monies; many States do not even have the funds to draw down their entire allotment under current law. This represents an increased burden on States. Aside from the administrative complexity that the dual system of match rates may impose, the Administration's proposal is more generous and offers a funding scheme which better reflects the needs of the States.
- Additionally, the House Republican proposal contains no new child care funding; child care is a crucial to allow single mothers to seek and maintain employment and achieve self-sufficiency. The Administration's proposal contains enhanced funding, better program coordination, and efforts to improve the quality of child care for these and working poor families. The increased participation requirements which would lead to an increased need for child care services is an unfunded mandate on over-burdened States.
- The Republican bill raises minimum participation rates to an unrealistically high level of 90% by 2002. This represents an 8-fold increase from current participation levels (11%) in 8 years. Failure to reach this rate would result in a reduction of JOBS match rate to a level of 50%. The 90% JOBS participation rate for new recipients is unattainable in such a short period of time. While States will only be required to serve participants for an average of 10 hours per week, States would be forced to increase spending levels considerably to meet this requirement. The phase-in and implementation strategy of the Work and Responsibility Act stresses a gradual inclusion of the entire caseload taking administrative feasibility into account. Additionally, the consequences for failure to attain the participation rates is too severe and will hamper State efforts to improve and increase the level of JOBS activities, since the penalties are assessed on the very resources a State would need to operate the JOBS program effectively.
- The proposal caps outlay growth in AFDC, SSI, public housing, section 8, Food Stamps, and EITC at 2% per year plus inflation. This could greatly reduce the ability to operate these programs effectively and might result in great cost shifting to States. For example, a cap on EITC would greatly reduce the incentive to work. The EITC is a powerful work incentive with broad bipartisan support. Growth in the EITC program is a reflection of greater work effort by low-income families, capping this program would discourage work. The approach embodied by the Work and Responsibility Act of 1994 begins with the goal of improving government assistance; arbitrarily reducing dollars for government assistance will not improve, and may lead to the failure of, these programs to achieve their objectives.
- The House Republican proposal would replace a national network of coordinated, well-targeted nutrition assistance programs with one that could vary greatly from State-to-State in terms of benefit levels, quality of services, and treatment of certain vulnerable populations. The proposal to combine all nutrition assistance programs into a capped block grant would

significantly reduce Federal spending on nutrition assistance (by \$2 billion starting in FY 1995). This would result in a large cost-shift to States.

- The nutrition assistance block grant apportionment would result in a major redistribution of benefits among States and would penalize those States which have engaged in anti-poverty measures and/or who have smaller poverty populations. More importantly, the cap does not allow for adjustments due to economic circumstances in States.

#### Impact on Recipients

- Under the block granting of nutrition assistance programs proposed by H.R. 3500, specific spending allotments would be set for certain types of programs. This is restrictive and results in poor targeting of resources. For example, mandatory 12% funding for WIC would be an increase to \$800 million in FY 1995, \$400 million more than what is needed to serve all WIC eligible families. A minimum of 20% would be spent for child care and public schools. At 20%, this would decrease services funding by \$920 million (FY 1995). The remaining resources are well below the needed amounts to adequately operate the Food Stamp and other nutrition assistance programs.
- Both proposals promote work and responsibility and include time-limited assistance followed by a mandatory work requirement. But the Republican proposal would permit States to deny benefits to families who have participated in the work program for 3 years, even recipients who fulfill all requirements but lack access to unsubsidized employment. This would leave many poor families with no income and no safety net. The elimination of AFDC benefits for these families would result in a greater demand for foster care services, homeless services, and other locally provided social services, resulting in a significant cost shift from the Federal to local governments. The Work and Responsibility Act of 1994 would not punish those who play by the rules but still could not find unsubsidized employment; WORK slots or benefits would still be available.
- The Republican proposal would eliminate AFDC benefits for any teenager who becomes a single parent and for her child. Furthermore, the Republican bill does not offer any kind of preventative approach to teenage pregnancy. The Work and Responsibility Act of 1994 puts forward a comprehensive approach to promoting parental responsibility and reducing teenage pregnancy. Under the Administration's proposal, young recipients are a central focus of the provisions.
- While the Administration's proposal builds on the OBRA 1993 paternity establishment rules, H.R. 3500 eliminates AFDC benefits for children whose paternity is not established. The bill does not take into account that lack of paternity establishment may result from the inaction or inefficiencies of the State child support enforcement agencies or the fact that many mothers truly do not have sufficient information about the child's father for the system to establish paternity.

#### Providing Resources

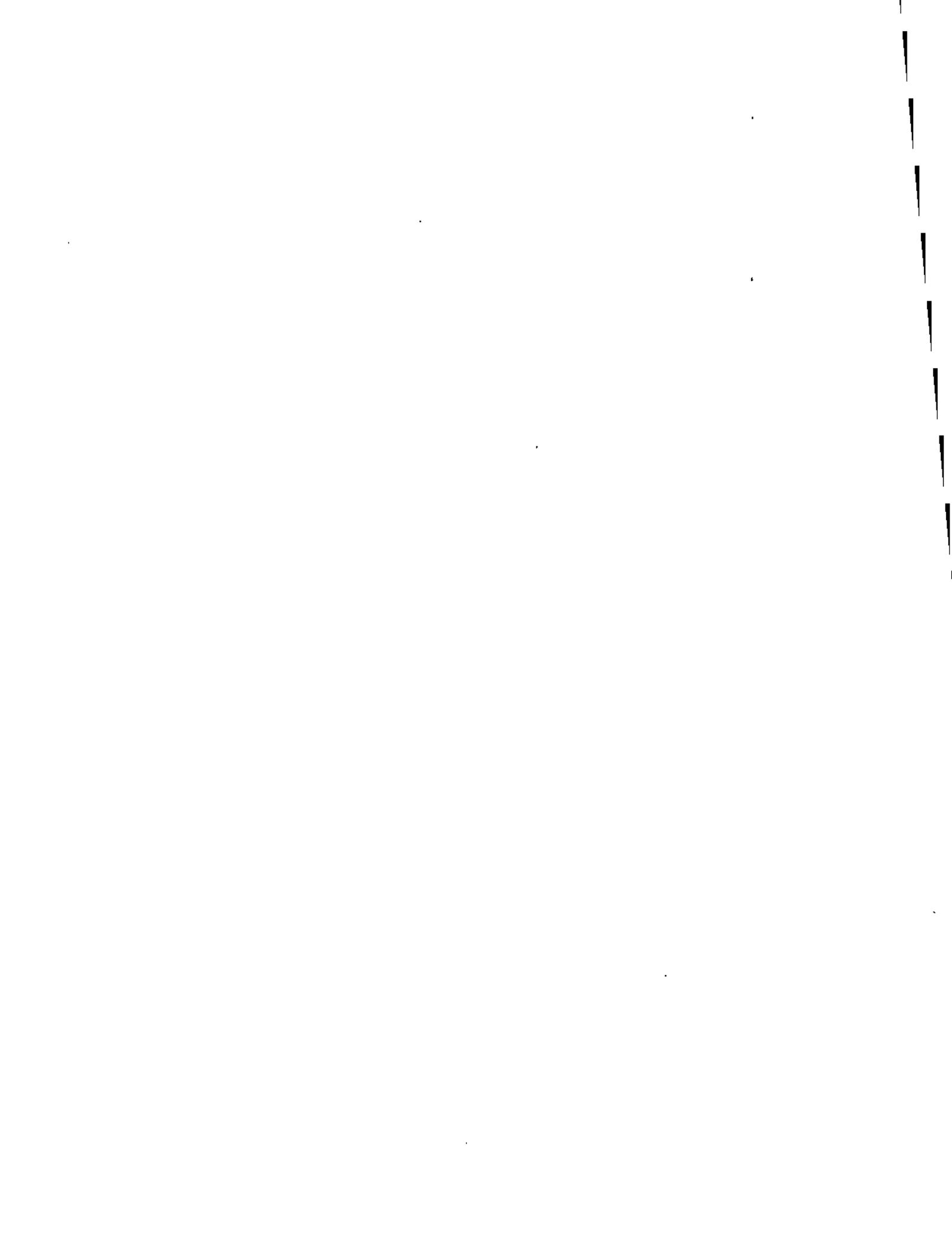
- The means of financing this proposal raises issues of equity. H.R. 3500 denies benefits in 61 programs to most non-citizens. It would cut-off benefits to hundreds of thousands of legal immigrants. The Administration's financing package is not only lean, but fair. The bill would only limit benefits to immigrants who have other means of support, i.e. sponsors, and aliens who are temporarily allowed to be in the country and the rules would only apply to new arrivals. The provision of the House Republican plan cuts off Medicaid benefits to nearly 1 million immigrants while the Administration's bill would only affect the Medicaid

eligibility of 10,000 immigrants who are in this country temporarily. H.R. 3500 is estimated to cut \$21 billion in non-citizen benefits while the Administration's proposal will cut \$3.8 billion.

- H.R. 3500 does not address the issue of technical assistance or resources to enable States to successfully carry out the requirements of the plan. Under this proposal, States would bear the costs of developing management information systems and capabilities in order to operate a time-limited transitional program. Funding for such systems is provided for in the Work and Responsibility Act of 1994.

#### Effectiveness and Efficiency

- H.R. 3500 fails to specify a performance assessment or monitoring system to ensure that States are able to carry out the program as intended. The Work and Responsibility Act of 1994 would implement an outcome-based performance measurement system that creates incentives for States to achieve the goals of the program and would penalize those that do not.
- H.R. 3500 fails to address the numerous difficulties that States encounter due to varying and contradictory Federal requirements across Federal assistance programs. The Administration's proposal contains several changes in administration designed to bring greater conformity between AFDC and Food Stamp program policies.
- Finally, H.R. 3500 fails to address the need to combat waste, fraud and abuse. The Administration's proposal, via the proposed information systems, is expected to save \$290 million over 5 years from anti-fraud activities.



## II. TALKING POINTS ON THE MAINSTREAM FORUM PROPOSAL (H.R. 4414)

### Burden on States

- Both proposals build on the core values of work and responsibility, and include time limited assistance followed by a work requirement. But while the Administration's proposal would change the culture of welfare with a nationwide mandate for reform, the Mainstream Forum's Work First program is optional for States. The Administration is committed to real welfare reform, requiring every State to implement the new system. While the Administration's proposal also allows for State flexibility in achieving the goals of the plan, the Mainstream Forum is far too prescriptive once a State has opted into the Work First program.

### Impact on Recipients

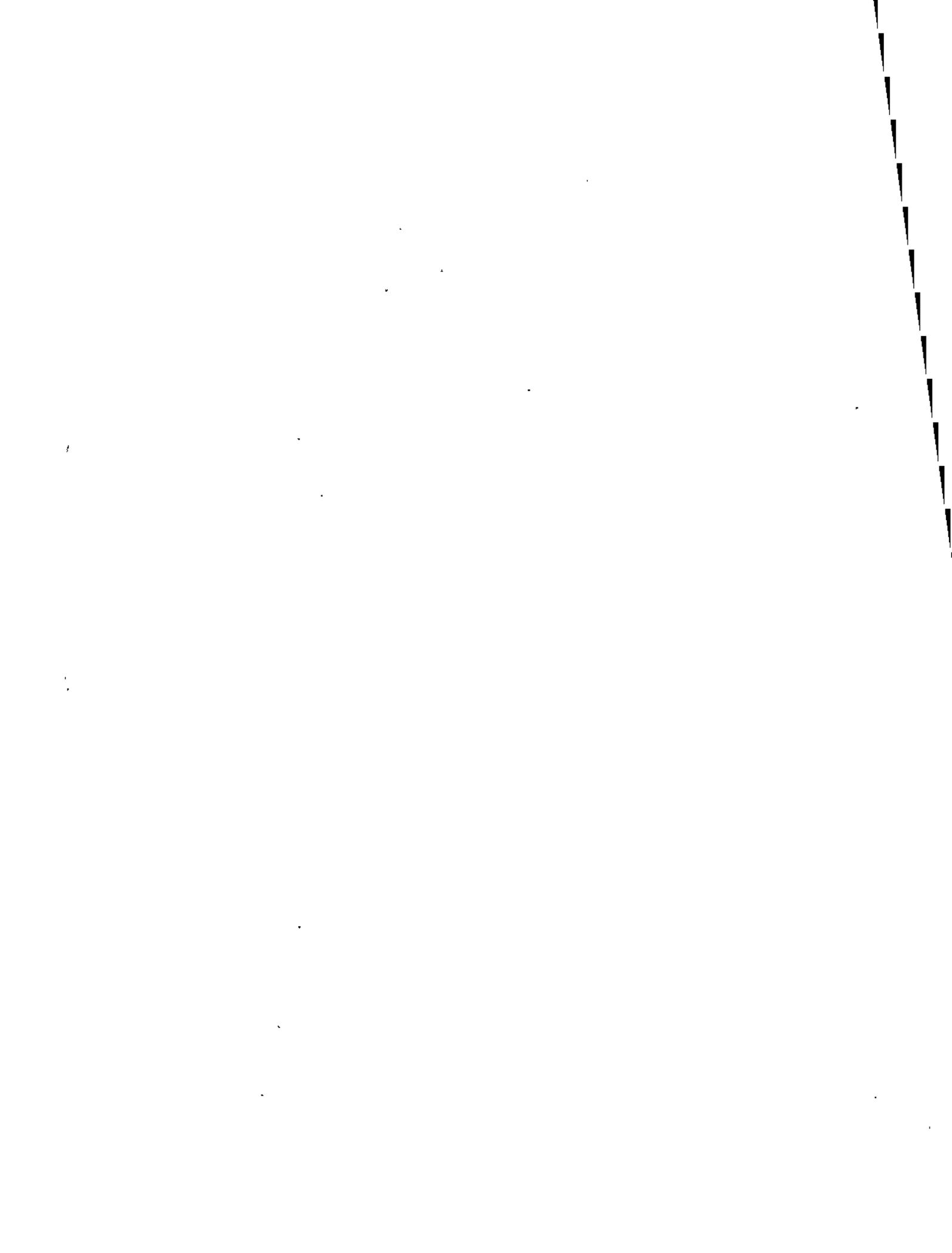
- While the Administration's proposal guarantees a social safety net for individuals who "play by the rules," the Mainstream Forum's proposal does not provide for any eligibility earn-backs and limits the community service component of the Work First program to three years, allowing only 10 percent of participants to readmitted to Work First or the Community Service program. Aside from the mere equity issues involved in cutting recipients from the rolls, the 10% cap on repeat participants may lead to a cost shift to State and local governments.

### Providing Resources

- While the Administration's proposal builds on the current diversity in Federal-State match rates for the JOBS and other entitlement programs with a new gradually implemented enhanced match rate, H.R. 4414's 80-20 match, combined with the fact that Work First is an uncapped entitlement, not only fails to keep States accountable for success of the program, but could lead to a cost federal explosion.
- While the Work and Responsibility Act of 1994 puts forth a cost controlled, tax-free proposal estimated to cost \$9.3 billion dollars, the Mainstream Forum package claims it accounts for \$41.78 billion, which includes a new tax. The Administration's financing package is not only lean, but fair. Although both proposals amend the laws treating noncitizens, the Mainstream Forum has gone a step too far in financing its package with punitive provisions to cut SSI, medicaid, food stamps and AFDC benefits for even long term noncitizens.

### Effectiveness and Efficiency

- While the Administration's proposal stresses administrative feasibility with realistic implementation goals, H.R. 4414 includes a phase in that will force States bring people in too quickly and requires all non-exempt recipients to participate in the post-transitional assistance program without articulating specific participation standards for States. The Work and Responsibility Act of 1994 not only proposes gradually increasing participation rates, but creates an outcome-based performance measurement program with funding incentives and penalties linked to outcomes to ensure States commitment to reform. Without clear uniform performance standards and participation requirements, the Mainstream Forum proposal offers few incentives for States to serve their caseload effectively and efficiently:
- The Work and Responsibility Act provides for the creation of various information systems which would be instrumental in reducing waste fraud and abuse. These systems are also necessary for the successful operation of a time-limited system. The Mainstream Forum proposal has no provisions.



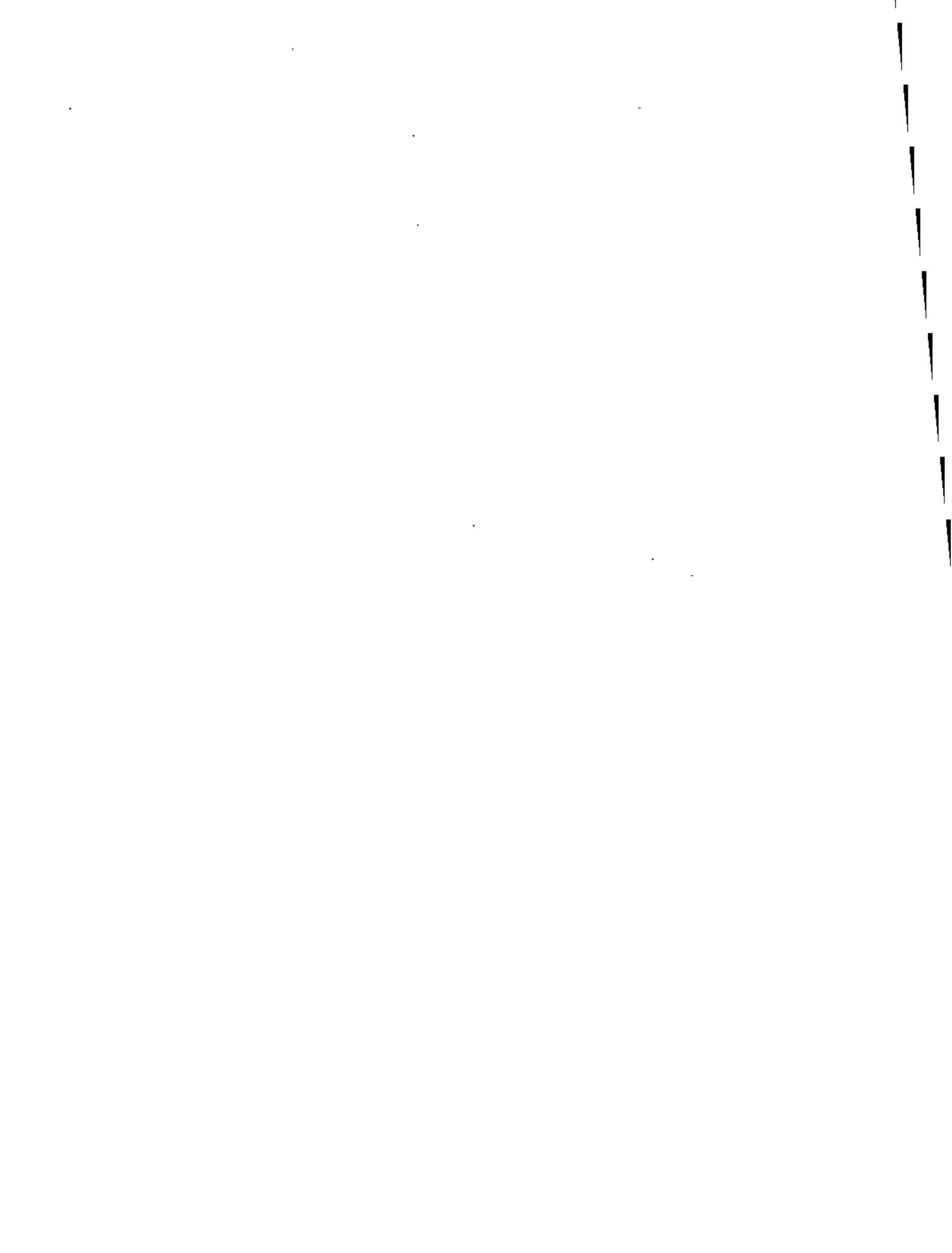
V. TALKING POINTS ON THE FORTHCOMING MATSUI PROPOSAL

- The Matsui plan has not yet been formally introduced therefore a comparison of specific provisions may not be appropriate at this time. However, from an outline of the broader goals which has been made available to us, we can assess the general direction of the plan. I am looking forward to seeing the bill language when it is introduced.
- The goals of the proposed Matsui plan are very similar to the goals of the Work and Responsibility Act of 1994. Many of the policy directions articulated in the outline of the plan mirror many of the same themes we have seen from the Mainstream Forum proposal and even the House Republican Leadership proposal. There is an emerging consensus for work, responsibility, and maintaining self-sufficiency as the main components of welfare reform.
- The details of how such goals could be attained under the Matsui plan are still under development. Meanwhile, the Work and Responsibility Act presents an approach which promises to be a more effective means to change the culture of the welfare system by articulating firm expectations and incentives for both participants and States.
- For example, the Matsui plan fails to specify a time-limit on receipt of benefits for families. I believe this is the most important distinction. Our plan includes time-limits specifically to send a message to recipients that the welfare system is no longer about receiving a monthly check, it's about attaining self-sufficiency. Our plan incorporates the right mix of carrots and sticks to both States and recipients to emphasize the mutual responsibility of attaining the goal of self-sufficiency. The time clock ensures that the expectations are real by rewarding those who play by the rules and imposing consequences for those who don't.
- The proposed Matsui plan, like the major proposals thus far, would increase the level of JOBS funding dramatically and would also change the rate of federal financial participation to lessen the burden on States. While such steps are a vital component in the success of an enhanced JOBS program match rates and funding alone will not change the culture of welfare. In fact, as you know, many States did not even draw down their entire JOBS allotment. We have built into Work and Responsibility Act of 1994 a system of incentives and penalties which would reward States who serve clients effectively and efficiently. Without such provisions, the plan increases funding without ensuring that the resources are well spent. I hope to see similar provisions in the final version of the Matsui bill.
- Another key difference with the proposed Matsui plan is that the Matsui plan would only make modest increases to the JOBS participation rate and only half of all JOBS participants would be required to WORK. The approach embodied in the Work and Responsibility Act of 1994 begins with the expectation that all non-deferred recipients would be required to participate in appropriate JOBS activities. All recipients who hit the time-limit would be required to work in subsidized employment as a condition of receiving benefits. We believe that to truly change the culture of welfare, thereby ending welfare as we know it, all recipients must eventually be subject to the same expectations and States must be required to serve even the hardest to serve recipients.
- Finally, there are several areas where the proposed plan falls short on specifics. Most notably, the outline of the proposal does not contain any financing provisions. We look forward to seeing the final details of this proposal. This bill will be a welcome addition to this important debate.



IV. COMPARISON OF THE WORK AND RESPONSIBILITY ACT OF 1994 (H.R. 4605)  
AND THE HOUSE WOMEN'S CAUCUS PROPOSAL (H.R. 4570)

- The bills have many similar provisions - reflecting the fact that there is an emerging consensus that much can be done to improve the existing child support enforcement system.
- Both bills aim to improve and strengthen the country's child support collection system through the use of central state registries and the national reporting of new hires to a federal directory or registry.
- Both bills contain provisions for many of the same enforcement tools, including: the suspension of drivers and professional licenses, expanded use of wage withholding, motor vehicle liens, attachment of bank accounts, and many other provisions to tighten the nation's child support enforcement laws.
- We believe that the Administration proposal, however, is ultimately tougher, more comprehensive, and addresses more of the fundamental weaknesses of the present system.
- The Administration proposal gets much tougher on paternity establishment. We believe that it is necessary to send a strong message that having a child out-of-wedlock has serious consequences for both parents. For fathers, this means that fathering a child has real and serious financial consequences. We will encourage the voluntary establishment of paternity in the hospital, but if that fails, we will demand cooperation with paternity establishment prior to receipt of welfare benefits and provide states with the tools they need to establish paternity quickly. State agencies will have to establish paternity within a short period of time or face financial penalties.
- The Administration proposal is designed to make the maximum use of automation coupled with administrative enforcement remedies. In this respect, it is modeled after what the best states, such as Massachusetts, are doing with computer driven enforcement. With over 15 million cases, we can't improve the system by simply adding more caseworkers. All cases will be monitored and the state agency will take enforcement action the minute that a support payment is not made. Many enforcement remedies will be imposed administratively - without having to resort to over-burdened courts.
- The Administration proposal replaces the current discredited funding scheme with a performance based funding proposal. States are offered a higher base matching rate and encouraged to improve performance through additional increases in the matching rate for meeting basic program goals.



### III. TALKING POINTS ON THE SENATE REPUBLICAN PROPOSAL (S. 1795)

#### Burden on States

- S. 1795 would create 3 separate tiers of participation rates for three groups of recipients based on when they entered the rolls. Minimum JOBS participation rates for current recipients would be 20% through 1998. Rates for applicants who enter the rolls prior to 1998 would be 20% in 1995, increasing to 50% by 1998. For all new recipients after 1998, the JOBS participation rate would increase to 60% by FY 1999 and would be 90% by 2002. Administrative feasibility is questionable; States will have an exceedingly difficult time dealing with the complexity that a three-tiered system poses. The plan imposes a substantial financing burden on States.
- The 90% JOBS participation rate for new recipients is unattainable in such a short period of time. At the same time, there appear to be no State penalties for failing to meet the rate. States can simply have the requirements waived by the Secretary, or must submit a plan stating good faith intentions to reach the desired rates. Our plan contains reasonable participation rates, reasonable implementation time-lines, and the right mix of incentives and penalties to ensure that States will serve clients adequately.
- For recipients who have exhausted their benefits and are required to enter into a subsidized employment portion of the program, S. 1795 offers a voucher system which would allow States to reimburse employers. While this approach may have some merits, the Administration's proposal offers much greater flexibility to States in designing the post-transitional employment program. The proposed WORK program would allow States to design and utilize various subsidy options to ensure that the needs of the employers and employees are adequately met.
- The lack of extensions available to States for recipients who hit the time-limit but may require a continuation of JOBS participation would create administrative difficulties for States and could lead to unfair or inadequate treatment for recipients. We anticipate that there will be some need for States to grant extensions to recipients to finish training and/or educational activities, or when circumstances warrant an extension. The Administration's proposal contains provisions for limited extensions to accommodate such circumstances; S. 1795 does not. For example, under S. 1795, a participant who has not received JOBS services would be subject to the time-limit; under the Work and Responsibility Act, such a person could receive a limited extension to receive needed services.

#### Impact on Recipients

- The Senate Republican proposal, at State option, would eliminate AFDC benefits for any teenager who becomes a single parent and for her child. Furthermore, the Senate Republican bill does not offer an adequate preventative approach to teenage pregnancy. The Work and Responsibility Act of 1994 puts forward a comprehensive approach to promoting parental responsibility and reducing teenage pregnancy. Under the Administration's proposal, young recipients are a central focus of the provisions.
- Under the provisions of S. 1795, States have the option of making recipients ineligible for all aid after only 1 year in post-transitional assistance. We anticipate that the population of recipients who are unable to find unsubsidized employment even after vigorous job search efforts and participation in education and training activities will constitute a harder to serve population by virtue of the job market conditions or possibly the characteristics of the

recipients and their families. The Administration's proposal recognizes the need for flexibility to accommodate the needs of this population. Therefore, the Administration's approach to this issue is to limit WORK slots to 12 months in duration, without an overall time-limit for WORK participation. The WORK slots have been designed to make unsubsidized employment more attractive to recipients; we believe this is a more effective approach to help people transition off the welfare rolls. The option to reduce a families eligibility is not an adequate solution to the needs of these families.

- The means of financing this proposal raises issues of equity. The intent of S. 1795 is to deny benefits and deport hundreds of thousands of legal immigrants. The Administration's financing package is not only lean, but fair. The bill would only limit benefits to immigrants who have other means of support, i.e. sponsors, and aliens who are temporarily allowed to be in the country and the rules would only apply to new arrivals. S. 1795's provisions could potentially cut off Medicaid benefits to nearly 1 million immigrants while the Administration's bill would only affect the Medicaid eligibility of 10,000 immigrants who are in this country temporarily.
- While the Administration's proposal builds on the OBRA 1993 paternity establishment rules, S. 1795 eliminates AFDC benefits for children whose paternity is not established. The bill does not take into account that lack of paternity establishment may result from the inaction or inefficiencies of the State child support enforcement agencies or the fact that many mothers truly do not have sufficient information about the child's father for the system to establish paternity. States could opt out of this requirement if they establish that such a reduction in aid would pose an undue hardship on the family.
- The child support provisions under the Administration's proposal will significantly strengthen State child support enforcement efforts. The Work and Responsibility Act offers a comprehensive and complete child support enforcement package. In contrast, the child support enforcement provisions of S. 1795 are skeletal and much less likely to increase child support payments by noncustodial parents.

#### Providing Resources

- The Senate Republican plan does not provide adequate resources to accommodate the demands of the new system. S. 1795 calls for an additional \$300 million, \$1 billion and \$1.9 billion for fiscal years 96, 97, and 98 respectively available to States at match rate equal to either FMAP or 70%, whichever is larger. However, this is inadequate. States would still be required to first draw down their current JOBS allotment at the current rates prior to being able to draw down the additional funds. Aside from the administrative complexity that the dual system of match rates may impose, the Administration's proposal is more generous and offers a funding scheme which better reflects the needs of the States. Additionally, the single match rate (which increases as anticipated participation increases) is simple and easier to administer. The plan imposes a substantial financing burden on States.
- Additionally, S. 1795 contains no new child care funding; child care is a crucial to allow single mothers to seek and maintain employment and achieve self-sufficiency. The Administration's proposal contains enhanced funding, better program coordination, and efforts to improve the quality of child care for these and working poor families.

## Effectiveness and Efficiency

- S. 1795 contains no provisions for performance measurement or monitoring; while new program requirements are imposed, the plan does not consider a means to ensure the successful implementation or outcome of the provisions. The Work and Responsibility Act of 1994 would implement an outcome-based performance measurement system that creates incentives for States to achieve the goals of the program and would penalize those that do not.
- S. 1795 fails to address the numerous difficulties that States encounter due to varying and contradictory Federal requirements across Federal assistance programs. The Administration's proposal contains several changes in administration designed to bring greater conformity between AFDC and Food Stamp program policies.

**WORKING GROUP ON WELFARE REFORM,  
FAMILY SUPPORT AND INDEPENDENCE**

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WR: ~~XXXXXXXXXX~~  
Side by side

To: Bruce Reed  
From: Emily Bromberg  
Subject: Updated "comparison of welfare provisions" chart  
Date: May 25, 1994

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Attached is an updated "comparison of welfare provisions" chart.

★ → FRAUD IDEA  
- INS IDEA

## **WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE**

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May 25, 1994

Attached is a comparison of key provisions of:

1. Current Welfare Law
2. Administration draft proposal - as of May 24, 1994
3. House Republican Bill (H.R. 3500)
4. Senate Republican Plan (S. 1795)
5. Mainstream Forum Welfare Reform Proposal
6. APWA Recommendations - released January 11, 1994

The comparison is up to date as of May 24, 1994. However, we will update the chart once the Administration plan is finalized. Additional welfare reform bills which have been, or will be proposed, may also be added, as needed.

The document is for reference and internal use only.

If you have any questions please call Abbie Gottesman at 205-3600 or John Wolff at 690-7507.

## COMPARISON OF WELFARE REFORM PROVISIONS

### I. ENHANCING JOBS PROGRAM

#### A. AFDC Transition Program

##### 1. Current Law:

The current AFDC program is an income support program with an employment training component for JOBS mandatory recipients. Potential eligibility for benefits is in perpetuity.

##### 2. Administration Proposal:

Transition program would offer all services under current JOBS program. Requires phased-in population to participation in the JOBS program, unless meets criteria for pre-JOBS (see below). Requires supervised job search from date of approval for job ready. Every recipient will be required to develop an employability plan within 90 days of application or redetermination. Welfare agency required to help recipient gain access to the education, training, and employment services they need to find jobs; reassessment by welfare agency every six months. Requires participation in job search for a period of not less than 45 day (up to 90 days at State option) before hitting the time limit and taking a work assignment. State option to provide services to assist individuals who find employment stay employed.

##### 3. House Republican Plan:

Transition program would offer all services under current JOBS program. States would assess the progress of recipients after first year of participation or could delay the entry of a work-ready recipient into the JOBS program. A recipient deemed work ready could be required to go straight into a work program. employability plans would be required for all recipients.

##### 4. Senate Republican Plan:

Transition program with education, job skills, job readiness, job development and placement and OJT. Recipient deemed work ready must go straight into the work program. Requires assessments every 6 months. Except in educational activities, participation must average 20 hours a week. States shall establish guidelines for satisfying requirements in educational institutions. Mandatory applicant job search unless States exempt themselves.

##### 5. Mainstream Forum:

As part of its Work First program, job search must begin immediately upon eligibility for AFDC and continue for the duration of enrollment in AFDC. Within 30 days of eligibility (90 days at State option), each recipient must meet with a case management team to develop an individual employability plan. Focus on employment-focused activities, but education and training services are provided where necessary. Work First also includes job development, employee training and incentives to focus on unsubsidized employment, and one-stop employment service shops.

#### B. Participation Requirements

##### 1. Current Law:

The participation rate is currently 15% of those eligible, and it will rise to 20% in FY 1995. Must participate for 75 percent of time in activities scheduled for an average of 20 hours per week in any of the allowable activities which include: high school level education or remedial studies (some States may offer college level education); job skills training; job readiness activities; job development and placement; group and individual job search, on the job training, work supplementation, and CWEP.

##### 2. Administration Proposal:

Two separate rates participation standards in JOBS: (1) a "coverage" rate, which measures the proportion of the mandatory population served, is set at 85 percent; and (2) a monthly participation rate of 45 percent. For WORK, a State would be required to provide a number of WORK assignments equal to either a number set by the Secretary based on the State's capped allocation or a number equal to 80 percent of those who reach the time limit. Current definitions of participation will not be used; new definitions will be specified in regulation.

##### 3. House Republican Plan:

Phase-in higher participation standards 10% per year until a 90% participation rate is reached in 2002;

## COMPARISON OF WELFARE REFORM PROVISIONS — continued

Expand allowable activities; Cut participation requirements to a total of 520 hours which averages out to *fewer hrs.* just 10 hours per week instead of the current 20 hours.

4. Senate Republican Plan:

Overall JOBS participation rates increase to 20% by FY 1998. Rates for recipients who came on the rolls between FY 95 and FY 98 increase from 20% in FY 95 to 50% in FY 98. Rates for recipients who come on after FY 1998 increase from 60% in FY 99 to 90 percent in FY 02.

5. Mainstream Forum:

Participation for a minimum of 20 hours per week is required, which must include job search.

## II. TIME LIMITS

## A. Duration of Eligibility for Benefits

1. Current Law:

Duration of benefits is in perpetuity as long as eligibility criteria is met.

2. Administration Proposal:

Maximum of two years of cash aid. Extensions of the two year limit could be granted for those who had to complete an educational or training program, up to a fixed percentage in each State. For those who left AFDC with less than six months of eligibility remaining, individuals could earn-back 1 month of AFDC eligibility for each 4 months off AFDC/WORK. *up to 6* | No

3. House Republican Plan:

States may impose mandatory work obligation after 2 years, and 1 year for job-ready recipients, with no earn-back.

4. Senate Republican Plan:

Two year life-time limit, 1 year at State option for work-ready recipients, with no earn-back.

5. Mainstream Forum:

Two year life-time limit, 1 year at State option for work-ready recipients, with no earn-back.

## B. Exemptions from the Time-limit

1. Current Law:

There are many exemptions to the JOBS participation requirements including those who are ill, incapacitated, or elderly, the parent of a child under three, someone employed for more than 30 hours per week, a child under age 16, a woman in at least the second trimester of pregnancy, someone who resides where the program is not available.

2. Administration Proposal:

Individuals are not subject to the time limit if they meet criteria for pre-JOBS status. The criteria are: Parent of a child under one, provided the child was not conceived while on assistance; suffers from illness or injury that is serious enough to prevent entry into a employment or training program; is incapacitated; has an application pending for the SSI or SSDI program; is 60 years of age or older; is needed in the home to care for care other household member; is in the third trimester of pregnancy; or is living in a remote area. Each State permitted to place a fixed percentage in pre-JOBS for good cause (in addition to criteria defined above). Pregnant women get leave equal to Family and Medical Leave. States would have option of requiring persons to participate in substance abuse treatment as a pre-JOBS activity, with sanctions applied for non-participation. Only one-parent in an AFDC-UP family could be placed in pre-JOBS. Time limits would not apply until the recipients' 18th birthday.

3. House Republican Plan:

Exemptions for persons who are ill, disabled, caring for a disabled relative, or working 30 hours per week. States would have the option to provide exemptions for those enrolled in drug and alcohol abuse programs.

4. Senate Republican Plan:

Exemptions for persons who are ill, incapacitated (not to include substance abusers), elderly, in their third trimester of pregnancy, had child while the family was on AFDC (six month exemption for first child, 4 months for each subsequent child), is caring for disabled dependents full-time, working 35 or more hours per week, has a child under age 16 attending school full-time, or is living in a remote area. States would

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

have the option to provide exemptions for those enrolled in drug and alcohol abuse programs.

5. Mainstream Forum:

Exemptions for persons who are under 20 completing high school or GED; clients in part-time technical/vocational education in combination with work; clients who are disabled, ill, or those caring for disabled relative. Pregnant women get leave equal to Family and Medical Leave. Substance abusers must get treatment but also participate in JOBS.

### III. POST-TRANSITIONAL ASSISTANCE PROGRAM

#### A. Work Requirement

1. Current Law:

No mandated work for benefits program; States have option to run Community Work Experience Programs (CWEP). People in CWEP work in the public sector for the number of hours equal to their AFDC benefit divided by the minimum wage. In FY 1991 there were 13,112 slots for CWEP participants; Optional Work Supplementation Program. In FY 1991 there were 707 slots for the program.

2. Administration Proposal:

Those recipients who have exceeded their time-limit and who are unable to obtain unsubsidized employment will be required to participate in the WORK program. Individual WORK slots would be limited to 12 months and States could pursue a wide range of strategies in designing such slots.

3. House Republican Plan:

After receiving two years of benefits (one year at State option), work is required. Work program can expand CWEP, work supplementation, or create a new program. Requires recipients to work for 35 hours per week. Eliminates requirement that work supplementation participants be assigned only to unfilled, newly created jobs. States can require participation in the work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

4. Senate Republican Plan:

After receiving two years of benefits (one year at State option), work is required. Work program must include work supplementation, CWEP, employment voucher or other approved work program. States can require participation in the work supplementation program in which the AFDC benefit is used to subsidize a private sector job. AFDC or food stamp only recipients can find a private sector job with an employment voucher valued at the family's combined AFDC and food stamp benefit level and, after six months, half that amount. Employers must pay the employee at least twice the value of the voucher.

5. Mainstream Forum:

After two years a person is out of AFDC system but will have option to work at least 30 hours a week at a minimum wage community service job and/or have access to placement and support agencies and/or subsidized jobs. Participants encouraged work for wages, not for benefits; community service jobs are last resort. An additional five hours of job search would also be required. *→ same as US only after 12 mos, not*

#### B. Time-Limits on Post-Transitional Assistance

1. Current Law:

Not applicable.

2. Administration Proposal:

There is no overall time-limit on WORK participation, so long as participants have met all requirements. *state option*

3. House Republican Plan:

At State option, participation in the post-transitional work portion of the assistance program may be limited to 3 years.

4. Senate Republican Plan:

At State option, benefits received under the post-transitional work portion of the assistance program may be limited to 12 months for the individual casehead, who would still be eligible for Medicaid and food stamps. The family (i.e., children) would continue to receive a reduced grant.

5. Mainstream Forum:

The community service component would only be available to an individual for three years. A limited

*COMPARISON OF WELFARE REFORM PROVISIONS - continued*

number of individuals (10% of the participants) deemed "not ready for employment" can be readmitted to the program after this point.

**C. Pay Compensation****1. Current Law:**

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage.

**2. Administration Proposal:**

Total WORK program benefits (wages plus supplemental benefits) would not be less than AFDC grant. States would have the flexibility to determine the number of hours for each WORK assignment, with a minimum of an average of 15 hours per week during a month and for no more than an average of 35 hours per week during a month.

**3. House Republican Plan:**

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage. States could also require participation in a work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

**4. Senate Republican Plan:**

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage. States could also require participation in a work supplementation program in which the AFDC benefit is used to subsidize a private sector job.

**5. Mainstream Forum:**

Work for wages, at least minimum wage. Participants in subsidized employment could receive a supplemental benefit from the State.

**D. Anti-displacement Provisions****1. Current Law:**

Strong anti-displacement provisions as established by FSA of 1988.

**2. Administration Proposal:**

Strong anti-displacement provisions based on National Service non-displacement measures. | NO!

**3. House Republican Plan:**

Current law provisions.

**4. Senate Republican Plan:**

Current law and eliminates requirement that work supplementation participants be assigned only to unfilled, newly created jobs. | so down

**5. Mainstream Forum:**

Current public sector employees shall not be displaced.

**E. Economic Development****1. Current Law:**

No provisions.

**2. Administration Proposal:**

Two test programs. One will test effect of Individual Development Accounts on savings. The other encourages people to start microenterprises; Demonstration program to promote self-employment by providing access to micro-loan funds and technical assistance in obtaining loans and starting businesses.

**3. House Republican Plan:**

Asset limits are increased to \$10,000 for purposes of micro-enterprise and education.

**4. Senate Republican Plan:**

No provisions.

**5. Mainstream Forum:**

Supplement wages and tax credits to firms both paid through cashing out Food Stamp benefits. States should be allowed federal grant money to supplement wages. Permit States to use federal community and

## COMPARISON OF WELFARE REFORM PROVISIONS -- continued

rural development and job training funds to make direct loans to nonprofit groups that lend to micro-businesses and poor entrepreneurs.

## IV. SANCTIONS

1. Current Law:

The sanction for the first instance of failure to participate in JOBS as required (or failure to accept a private sector job or other occurrence of noncompliance) is the loss of the non-compliant individual's share of the grant until the failure to comply ceases. The same sanction is imposed, but for a minimum of 3 months, for the second failure to comply and for a minimum of 6 months for all subsequent instances on non-compliance.

2. Administration Proposal:

In JOBS and WORK, the sanction for refusing a job offer without good cause would be the loss of the family's entire AFDC benefit for 6 months or until the adult accepts a job offer, whichever is shorter. Sanctions for noncompliance in JOBS remain the same as current law. In WORK, noncompliance results in the following penalties: (1) For first occurrence, the family receives a 50 percent reduction in the AFDC grant for one month or until they comply; (2) For the second occurrence, the family receives a 50 percent reduction in the AFDC grant for three months; (3) For the third occurrence, elimination of the family's grant for a period of 3 months; (4) For a fourth and subsequent occurrence, elimination of the family's grant for a period of 6 months.

3. House Republican Plan:

Reduce a family's combined AFDC and food stamp benefits by 25% until the recipient complies or 3 months have passed. If the recipient does not comply within 3 months, the sanction is extended for 3 more months. If the recipient does not comply in 6 months, the whole family's AFDC benefits are eliminated entirely, though the family is still eligible for Food Stamps, Medicaid, and other benefits.

4. Senate Republican Plan:

For the first and second offenses, the family loses the adult share of the AFDC benefit for three and six months, respectively. After the third offense, payments to the parent ends for at least one year and payments to the children shall be made through vendor payments for housing or to representative payees.

5. Mainstream Forum:

AFDC and food stamp benefits reduced for one month by 25% for each act of non-compliance. For work program, individual is given a maximum of three placements of non-compliance may occur after which enrollees will no longer be allowed to participate in work program. Sanctions for those who are offered a private sector job but do not accept job without good reason. *3 strikes + you're out*

## V. FUNDING AND MATCHING RATES

1. Current Law:

States are reimbursed at a 90 percent rate for JOBS expenditures up to the amount allotted to the State in FY 1987 for WIN. States face financial penalties if program resources are not targeted towards specified populations. 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; The cap for JOBS was \$600 million in FY 1989, it increases to \$1.3 Billion in FY 1995, and decreases to \$1 billion for FY 1996 and beyond; Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for State match.

2. Administration Proposal:

The Federal match rates (for each State) for all JOBS expenditures would be set at the current law JOBS match rate (program cost) plus five to ten percentage points. Spending for direct program and administrative costs would be matched at the same rate. The current law 90 percent match would be eliminated. The JOBS capped entitlement (Federal) would be set at \_\_\_ billion for FY 1996, \_\_\_ billion for FY 1997, and \_\_\_ billion for each of the fiscal years 1998, 1999, and 2000. A separate capped entitlement would be established for the post-transitional WORK program to cover operational costs (the same match rates apply). The WORK capped entitlement (Federal) would be set at \_\_\_ billion for FY 1996, \_\_\_ billion for FY 1997, and \_\_\_ billion for each of the fiscal years 1998, 1999, and 2000. A State

## COMPARISON OF WELFARE REPORT PROVISIONS -- continued

would be permitted to reallocate an amount up to 10% of its combined JOBS and WORK allotments from its JOBS program to its WORK program and vice versa.

3. House Republican Plan:

Greater of 70% or Medicaid percentage for program costs. Drops to 50% in participation rates not met. Child care cost matched as under current law (the greater of 60% or FMAP). Current law targeting provisions in JOBS are dropped.

Same as US

4. Senate Republican Plan:

Greater of 70% or Medicaid percentage for program costs. Drops to 50% in participation rates not met. Amounts authorized for FY 96, FY 97, and FY 98 are \$300 million, 1 billion, and 1.9 billion, respectively.

5. Mainstream Forum:

Federal government share set at 80% and the State share set at 20%. Work First is an uncapped entitlement.

## VI. CHILD SUPPORT ENFORCEMENT

## A. Paternity Establishment

1. Current Law:

Clients must cooperate with the State in establishing paternity, unless there is "good cause." If client does not cooperate, her portion of the AFDC benefit will be terminated unless no such payee can be found; Under the Omnibus Reconciliation Act of 1993, States must have procedures in place for a simple civil process for voluntarily acknowledging paternity. The act also calls for strengthened paternity establishment standards for each State based upon past figures.

2. Administration Proposal:

Offer States performance-based incentives. Expand in-hospital establishment provisions enacted as part of OBRA '93. Expand education about parental responsibility. Streamline legal process. Must meet new stricter cooperation requirements.

3. House Republican Plan:

Mothers must identify the putative father as a condition of eligibility and family would receive reduced benefits (minus mother's portion of the grant) until paternity is established. Children whose paternity is not established are denied benefits. Increase State requirement to establish paternity for 90% of all out-of-wedlock births or face financial sanctions.

4. Senate Republican Plan:

Paternity establishment is a condition of receiving benefits. The parent's benefits are denied until paternity of the child is established, a paternity suit is initiated, efforts to establish paternity would result in physical danger, or reduction in aid would impose undue hardship. If an individual is wrongfully named as the father, the adult's benefit is removed. The paternity establishment standard is increased to 90 percent. States must increase their paternity establishment ratio by 10 percent each year if below 50 percent and 6 percent if between 50 and 90 percent.

5. Mainstream Forum:

States must develop simple civil consent procedure for paternity establishment outside of hospital. Benefits contingent on establishment. Increase information recipient must provide in order to "cooperate" and receive AFDC benefits. Require States to establish hospital-based paternity as established in OBRA 1993. Make incentive for paternity establishment by increasing per month pass through of child support benefits to mothers on AFDC to \$100.

## B. Strengthen Enforcement

1. Current Law:

The current system fails to ensure that children receive adequate support from both parents. Currently there is a collection gap of \$34 billion.

2. Administration Proposal:

Create a central registry and payment center in all States and create a Federal Child Support Enforcement

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

Payment Center to track parents across State lines. Require routine reporting of all new hires via national W-4 reporting and a National Directory of New Hires, and require immediate wage withholding, by the state, on unpaid orders. Adopt Uniform Interstate Family Support Act (UIFSA) to make interstate collection procedures more routine. Strengthen IRS role. Allow States authority to revoke licenses. Create new funding formula and place emphasis on performance-based incentives.

3. House Republican Plan:

Expand Federal parent locator service; streamlined wage withholding; States required to enforce out-of-State wage withholding orders; Require W-4 based new-hire reporting systems and immediate withholding.

no trans.  
no aut dir.  
of new hires

4. Senate Republican Plan:

States maintain registries of child support orders to assist other States with interstate searches and to assist both custodial and non custodial parents. Expand the Federal Parent Locator System (FPLS) and establish an interstate locate network linking the FPLS to State child support data bases. Streamline the interstate system of wage withholding by requiring uniform notices and requiring employers to honor the uniform withholding orders of any State within 10 days or be subject to a civil fine. Develop a uniform child support order for use by all State courts. Require States to recognize and enforce interstate orders; States required to enforce out-of-State uniform wage withholding orders.

5. Mainstream Forum:

Require States to maintain registries of child support orders. Modify W-4 to include statement about child support responsibilities. Create National Support guidelines Commission to oversee child support process. Expand functions of parent locator in DHHS. Implement direct income withholding process. Mandate reports to credit bureau of all obligations and arrearages. Allow workers compensation to be subject to income withholding. Require noncustodial parents delinquent in their payments to enter a work program in which they work to pay off benefits going to support their child. Allow States to establish procedures under which liens can be imposed against lottery winnings and other awards.

## C. Assured Minimum Benefits

1. Current Law:

Nona. The New York CAP program guarantees a minimum benefit to families with support orders. Virginia will be implementing a demonstration which features an assurance function.

2. Administration Proposal:

Congress would authorize up to <sup>3</sup>/<sub>6</sub> demonstrations to test State child support assurance programs. Demonstrations would last 7 years and would be funded at 90 percent FFP.

3. House Republican Plan:

No provisions.

4. Senate Republican Plan:

No provisions.

5. Mainstream Forum:

No provisions.

## D. Noncustodial Parents

1. Current Law:

Non-custodial parents have a very limited role in the current welfare system. The FSA of 1988 includes a provision for up to 5 States to provide services under the JOBS program, to non-custodial parents who are unemployed and unable to meet their child support obligations. Project Fair Share operates the demo programs which try to involve non-custodial parents in their children's lives.

2. Administration Proposal:

Create a system with parallel expectations for custodial and noncustodial parents. Reserve a portion of JOBS and WORK funding for noncustodial parent of AFDC recipient children who are unemployed or under employed and cannot pay child support. State option for mandatory work programs for noncustodial parents. Make grants available to States for programs which foster access and visitation by both parents through mediation, counseling, education and visitation enforcement and monitoring.

*COMPARISON OF WELFARE REFORM PROVISIONS - continued*

3. House Republican Plan:

Noncustodial parents may be required to participate in 2-4 weeks of job search and in a State work program.

4. Senate Republican Plan:

Noncustodial parents with the equivalent of more than 2 months of arrearage, unless subject to a court approved repayment plan, will be notified they must pay child support and are subject to fines and other penalties. If there is no response within 30 days, the State will seek a court order requiring the noncustodial parent to participate in job search and if the arrearage has not decreased within 30 days after the order is entered, the noncustodial parent must participate in a work program for 35 or more hours a week.

5. Mainstream Forum:

Require States to offer positive paternity establishment/parenting social services for new fathers. Allocate 10 percent of the Work First funds to States to create programs for male non-custodial parents; Require noncustodial parents delinquent in their payments to enter a work program in which they work to pay off benefits going to support their child.

**VII. PROMOTE PARENTAL RESPONSIBILITY**

**A. Minor Mothers**

1. Current Law:

Permitted to collect AFDC as separate filing unit. State option to require minor mothers to reside in their parents home; CT, DE, MN, MI, WI, Puerto Rico, Virgin Islands doing by *waiver authority*.

2. Administration Proposal:

Require to live with parent or other responsible adult. Parental support is included in AFDC eligibility.

3. House Republican Plan:

States must deny AFDC to parents under 18 years old, unless they pass a State law waiving this rule. Minor mothers are required to live at home.

4. Senate Republican Plan:

State option to deny AFDC to minor parents (Medicaid eligibility would continue). Minor custodial parents are required to live at their parents home or in a group home; Parental support is included in AFDC eligibility. States must use savings from these provisions to fund group homes, adoption assistance and "abstinence education."

5. Mainstream Forum:

Require to live in household with responsible adult.

**B. Targeting Teens**

1. Current Law:

No provisions.

2. Administration Proposal:

Provide enhanced case management to all teens under 20. All custodial parents under 20 who had not completed high school or the equivalent would be required to participate in the JOBS program (as soon as the child reached 12 weeks of age), with education as the presumed activity. State option for incentives to participate in educational and parenting activities.

3. House Republican Plan:

States can impose sanctions on minor parents who do not attend school themselves or whose children do not attend school. State option to require parents to participate in parenting and money management classes.

4. Senate Republican Plan:

State option to disregard savings from the earnings of a dependent child if the funds are used for education.

5. Mainstream Forum:

Parents under 20 who do not have a high school diploma or GED must remain in school and receive a bonus of 25% per month if those requirements are met and 25% penalty if they are not met. Teen parents

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

required to take parenting classes.

**C. Other Prevention Strategies****1. Current Law:**

No provisions.

**2. Administration Proposal:**

National campaign against teen pregnancy; Every male or female school-age parent would be required to participate in JOBS from moment pregnancy or paternity is established. Require special case management and special services including family planning. Increase Title X Family Planning Funding. Strengthen AFDC Family Planning Requirement. Allow States to utilize older welfare mothers to mentor at-risk school-age parents as part of their community service assignment. Comprehensive neighborhood-based demonstration grants with strong evaluation component.

**3. House Republican Plan:**

No additional provisions.

**4. Senate Republican Plan:**

State option to require parents to participate in parenting and money management classes; requires States (unless they pass laws exempting themselves) to reward or sanction families \$50 a month based on compliance with immunization and health check requirements for preschoolers. Requires States to conduct education and outreach services related to preventive health and immunizations for preschool children. Requires the Surgeon General to issue recommendations on immunizations periodically.

**5. Mainstream Forum:**

National campaign to teach that teenage parents are at high risk for welfare dependency; States should ensure that people have access to family planning and comprehensive services.

**D. Family Cap****1. Current Law:**

AFDC benefits increase when additional child is born; State waivers to cap benefits exist in: NJ, GA, VA.

**2. Administration Proposal:**

States will have option to keep AFDC benefits constant when a child is conceived while the parent is on welfare but must assure parents access to family planning services and must do at least one the following: permit the family to earn more or receive more in child support; permit working recipients to disregard a higher amount of earnings equal to the benefits they would have gotten for an additional child.

**3. House Republican Plan:**

States are not required to pay an additional benefit for a child born 10 months after the date of application for AFDC. Some exceptions apply for families which leave AFDC due to employment but return. States may exempt themselves by passing a State law waiving Federal requirements.

**4. Senate Republican Plan:**

States are not required to pay an additional benefit born 10 months after the date of application for AFDC. Some exceptions apply for families which leave AFDC due to employment but return.

**5. Mainstream Forum:**

Do not support increases in AFDC funding to mothers who have additional children while receiving benefits. State may opt of this requirement under State plan.

**VIII. MAKE WORK PAY****A. Child Care****1. Current Law:**

There are a number of entitlement programs, all with different eligibility rules. Some programs include: 1) Title IV-A provides child care to AFDC recipients. It is an open ended federal entitlement based on FMAP with a State match requirement; 2) Entitlement for one year of transitional child care for people who have left AFDC in the last year and funding is based on FMAP rate with a State match requirement;

*COMPARISON OF WELFARE REFORM PROVISIONS - continued*

3) At-Risk program capped at \$300 million p. year for those the State determines to be at-risk of AFDC receipt, and matched by States at FMAP rate; 4) Child Care Development Block Grants pay for many services including child care and were funded at \$360 million in FY92; No State match.

2. Administration Proposal:

Ensure transitional child care, make child care subsidies available to low-income families to enable them to remain off of welfare.

3. House Republican Plan:

No new provisions.

4. Senate Republican Plan:

No new provisions.

5. Mainstream Forum:

Support transitional child care benefits in current law. Make Dependent Care Tax Credit refundable; Expand IV-A entitlement program for cash assistance to recipients. IV-A funding will have 80/20 federal State match. Expand At-Risk Child Care Program to \$2 billion by FY 2001. Change eligibility for Transitional Child Care from 1 to 2 years. Require automatic notification of eligibility for Transitional Child Care to AFDC recipients who find work. Support expansion of Head Start; Create jobs in child care field for recipients.

**B. Earned Income Tax Credit**

1. Current Law:

When fully implemented the EITC will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children; The maximum benefit for a family of four with full-time minimum wage earnings is \$3,370; Raised the pay for the wage earner of a two-parent family of four by 16%; The five-year cost of the expansion is \$20.8 billion, with \$7.0 billion spent in FY 1998; Currently the EITC tends to be delivered in a lump sum at the end of the year and the process for ensuring a different distribution schedule is difficult.

2. Administration Proposal:

Ensure that the EITC can be delivered on a regular, advance-payment basis throughout the year. Provisions under development which would allow States to distribute advance payments of EITC through State welfare agencies.

3. House Republican Plan:

EITC is capped at 2% plus inflation (see FUNDING section)

4. Senate Republican Plan:

No new provisions.

5. Mainstream Forum:

Require that welfare recipients be notified, in writing, of availability of EITC. Require that employers inform new employees of option of having advance EITC payments through their payroll. EITC payments be exempt from counting against food stamp and AFDC asset limits for twelve months.

**C. Work Should Pay Better Than Welfare**

1. Current Law:

Current earned income disregard policy is to exclude \$90 of work expenses and an additional \$30 and 1/3 (for 12 months) from earned income in determining benefit amounts. Additional sums above that amount reduce benefits dollar for dollar. Recipients who leave AFDC due to earnings are eligible for 1 year of transitional medicaid.

2. Administration Proposal:

Replace the current income disregard policy and instead require States to disregard a time invariant minimum of \$120 in earnings, indexed for inflation in rounded increments of \$10. States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies.

3. House Republican Plan:

States have complete flexibility to modify the current 30 and 1/3 income deduction rule, up to the first \$200

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

in earned income plus 1/2 the remaining amount.

4. Senate Republican Plan:

No provisions.

5. Mainstream Forum:

States must liberalize the earned-income disregard but must stay within guideline of enacting AFDC countable income tests up to a ceiling whereby maximum monthly disregard is \$225 in addition to 1/3 of all remaining earned income and the minimum is a monthly disregard of \$120. Increase transitional medicaid to two years; pass health care reform. State option to waive the 100 hour rule for two parent families.

D. Changes in Asset and Resource Limits1. Current Law:

Under current AFDC law, applicants and recipients are eligible for benefits if their assets do not exceed \$1,000 (or lower at State option), with few exclusions. In the Food Stamp program, the resource limit is \$2,000 (\$3,000 for households with a person aged 60 or older). Additionally, the current AFDC automobile exclusion is set by regulation at \$1,500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the \$1,000 AFDC resource limit. The Food Stamp Act provides for the total exclusion of vehicles that are used over 50 percent of the time for income-producing purposes; annually producing income consistent with their FMV; necessary for long distance travel for work (other than daily commute); used as the household's home; or needed to transport a physically disabled household member. For the following vehicles, the amount of the FMV over \$4,500 is counted as a resource: one per household (regardless of use); and vehicles used for work, training or education to prepare for work in accordance with food stamp employment and training requirements. For all other vehicles, the FMV over \$4,500 or the equity value, whichever is more, is counted as a resource.

2. Administration Proposal:

Increase the AFDC resource limit to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit. Implement Individual Development Accounts which will allow recipients to save up to \$10,000 in accounts to be used for specific purposes.

3. House Republican Plan:

The asset limit is increased to \$10,000 for purposes of micro-enterprise and savings for education or home purchasing.

4. Senate Republican Plan:

No provisions.

5. Mainstream Forum:

Increase vehicle asset threshold to \$5,000 following food stamp language in OBRA 1993. Increase non-vehicle asset threshold for either AFDC or food stamps, or increase non-vehicle asset level up to \$10,000 for specific use in setting up a microenterprise, purchasing a car, home, or for higher education.

IX. IMPROVING GOVERNMENT ASSISTANCEA. Simplification and Coordination Across Programs1. Current Law:

Complex and conflicting rules; programs have different missions and serve different populations.

2. Administration Proposal:

Includes many technical provisions which simplify, coordinate, or conform program rules among the AFDC and Food Stamp programs. Client protections and State flexibility would be retained and/or enhanced.

3. House Republican Plan:

No provisions.

4. Senate Republican Plan:

Creates an interagency waiver request Board that would assist States and other entities in applying for waivers and implement a 5 year waiver process. Entities must establish a public-private partnership committee to advise them on the plan. Applications not acted upon within 90 days would be automatically

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued*

approved. Waiver authority is extended to programs that provide cash assistance, education, employment training, health, housing, nutrition or social services.

**5. Mainstream Forum:**

Twenty specific proposals to simplify the application process for AFDC and Food Stamps and move toward conformity between the two programs. Simplify the waiver process and encourage State demonstration projects and make it easier for States to continue successful projects on a permanent basis. Decisions on waivers shall not exceed 90 days.

**B. Two-Parent Families****1. Current Law:**

AFDC-UP covers families in which both parents are living in the household and principal earner is unemployed. As of 9/93 the number of AFDC-UP cases was 355,000; Two-parent families are ineligible if the primary wage earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. Seven States have received waivers of the 100-hour rule: CA, IL, IA, MI, UT, VT, WI; About half of the States have taken the option to provide only six months of benefits per year to two-parent families.

**2. Administration Proposal:**

State flexibility to remove or amend special eligibility requirements for two-parent families (applicants and/or recipients), such as the 100 hour rule and the quarters of work rule.

**3. House Republican Plan:**

States are permitted to allow AFDC recipients who marry someone who is not a parent of their child who subsequently become ineligible for AFDC to keep up to 50 percent of their current benefit if the total family income does not exceed 150 percent of poverty.

**4. Senate Republican Plan:**

States are permitted to allow AFDC recipients who marry someone who is not a parent of their child who subsequently become ineligible for AFDC to keep up to 50 percent of their current benefit if the total family income does not exceed 150 percent of poverty. Requires at least one parent in UP families to participate in the work program as soon as the family comes on the rolls. States have the option to require the other parent to be in either the transition or work programs. Parents under age 25 who have not completed high school can be required to participate in education activities. CWEP participation rates for UP families are increased to 90% by FY 1998.

**5. Mainstream Forum:**

Eliminates 100 hour rule and the six month benefit receipt maximum for <sup>married</sup> two parent families. Eliminate the quarters of coverage requirement under AFDC-UP for married individuals if both are under the age of 20.

**C. Waste, Fraud, Abuse****1. Current Law:**

Multiple programs, complex regulations and uncoordinated programs invite waste, fraud and error.

**2. Administration Proposal:**

Enhanced information systems will enable large-scale prevention and detection of fraud and abuse. — EBT

**3. House Republican Plan:**

HHS is authorized to conduct demonstrations on EBT. Within 5 years a report must be written for Congress about the study. Appoint a commission to determine cost and feasibility of creating an inter-State system of Social Security numbers of all welfare participants for purposes of identifying fraud.

**4. Senate Republican Plan:**

Requires States to establish fraud control units. [Persons found guilty of fraud shall immediately become permanently ineligible for AFDC benefits.] HHS is authorized to conduct demonstrations on EBT. Within 5 years a report must be written for Congress about the study. Appoint a commission to determine cost and feasibility of creating an inter-State system of Social Security numbers of all welfare participants for purposes of identifying fraud. ← \*\*

## COMPARISON OF WELFARE REFORM PROVISIONS -- continued

5. Mainstream Forum:

Increase federal commitment to automation. Require the Secretary to conduct a study on the feasibility of a tamper-proof social security card. Proposals for eliminating fraud and abuse in the SSI program.

## D. Performance Standards and Evaluation

1. Current Law:

The Family Support Act required that the Secretary, in consultation with appropriate parties, develop a performance standards system proposal for Congressional consideration. The FSA also required various studies and reports to determine the effectiveness of the JOBS program.

2. Administration Proposal:

An outcome based performance measurement program will be implemented over time to monitor State performance on all aspects of the revised transitional assistance program, including client outcomes, provisions of services, and the percent of recipients who reach the time-limit. Funding incentives and penalties will be linked to outcomes. Two percent of total annual capped entitlement funding for JOBS, WORK, and child care to be spent on research, demonstrations, evaluation, and technical assistance.

3. House Republican Plan:

Require HHS to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditure, wage rates, employment histories, and repeat spells on AFDC. Funding for JOBS would be reduced to FFP of 50% if a State fails to achieve the required participation rates.

4. Senate Republican Plan:

Requires HHS to conduct 5-year studies evaluating the impact of education and training programs for AFDC families. At least one site must use random assignment to compare a control group with a group that participates in education and training and another group that receives job search and a work program.

5. Mainstream Forum:

Consider focusing primarily on reaching self-sufficiency as the standard for accountability to determine the success of programs. For-profit and non-profit placement companies will be awarded performance-based contracts to place recipients in full-time jobs.

## X. PHASE-IN

1. Current Law:

Not applicable.

2. Administration Proposal:

People born on or after January 1, 1972, beginning in 1997 will be subject to the time-limit provisions. States would have the option to define the phase-in group more broadly, provided it included at least the population described above. Other technical changes will be effective immediately. Other time-frames for effective dates of implementation vary.

3. House Republican Plan:

New program starts with applicants in 1994. Work obligation imposed beginning with the new applicants in 1996. Rates: 30% in '96, 40% in '97, 60% in '98. By 2000 rate would be 90%.

4. Senate Republican Plan:

The phase-in rate would be 20% by FY95 and would remain at that rate for families currently receiving benefits. By FY98, 50% of new applicants who enter the system in the period of FY94-FY98 would be phased-in. By FY02, 90% of all new applicants would be phased-in to the new system.

5. Mainstream Forum:

Phase-in of time-limit would begin in 1997 with all people born on/after January 1, 1972. Every year the birth date for phase-in will fall back a year. On January 1, 1998, States would be required to phase-in all people born on/after January 1, 1971, and so on for each successive year until the entire caseload is phased-in. Those born before 1972 who are currently enrolled in JOBS will remain in the restructured system and be subject to the time limit. As this group leaves the system, States are required to include up to 20 percent of the caseload born before 1972, with an emphasis on those at-risk define as those who have been on AFDC 36 months or more and those with the youngest child 16 or older. States would have the option of requiring people born in earlier years to be part of the phased-in group much sooner.

## COMPARISON OF WELFARE REFORM PROVISIONS -- continued

## XI. MISCELLANEOUS PROVISIONS

## A. Substance Abuse Provisions

1. Current Law:

No provisions exist for the AFDC program. Under JOBS, States may expend resources to pay for supportive services (i.e., treatment programs) but participants do not count towards a State's JOBS participation rate. Additionally, States could determine that substance abusers are incapacitated and therefore JOBS exempt.

2. Administration Proposal:

At State option, participation in substance abuse programs is required activity under pre-JOBS (sanctions can be applied if appropriate) but time limit does not apply.

3. House Republican Plan:

At State option, participants in treatment programs can be exempted from JOBS for up to 12 months. Recipients of SSI can be tested for drug use which would result in a loss of SSI eligibility.

4. Senate Republican Plan:

Requires AFDC applicants and recipients who are determined to be addicted to drugs or alcohol to participate in treatment. If they do not participate satisfactorily, they will be denied benefits for 2 years, but remain eligible for Medicaid. Random drug tests shall be made of drug and alcohol addicts on SSI, and those who are on illegal drugs or refuse to submit to testing shall become ineligible.

5. Mainstream Forum:

Substance abuse treatment will be required in addition to work/education/training as appropriate.

## B. Reduced Eligibility for Immigrants

1. Current Law:

Eligibility rules vary greatly across various assistance programs depending on the immigration status of an individual. Legal aliens are generally eligible for assistance programs.

2. Administration Proposal:

Proposal under development.

3. House Republican Plan:

Most noncitizens would no longer be eligible for welfare benefits (excluding those over 75). Those currently receiving welfare would retain eligibility for 1 year. Refugees assistance would be time-limited.

4. Senate Republican Plan:

Requires welfare agencies to report to INS all legal immigrants who continue to receive benefits beyond 12 months. INS is then required to treat such immigrants as public charges. Extends current ~~deciding~~ period until citizenship. Requires State agencies to report the names of illegal alien parents of citizen children to the INS.

5. Mainstream Forum:

End welfare for noncitizens except for emergency medical services. Cut SSI, medicaid, food stamps and AFDC benefits. Legal immigrants will be allowed a year grace period before being subject to cuts. Refugees are exempt.

## C. Financing

1. Current Law:

Federal financial participation in the AFDC program is 50% for administrative costs (higher for some costs, such as up to 90% for development of automated systems), and is based on the FMAP for benefits (averaging roughly 55% of all benefit costs). The FFP for JOBS is a capped entitlement of \$1 billion with various rates varying with the State activities; target groups served, or administrative costs.

2. Administration Proposal:

Proposal under development.

*COMPARISON OF WELFARE REFORM PROVISIONS - continued*3. House Republican Plan:

An annual cap is placed on spending for entitlement programs including AFDC, SSI, public housing and section 8 housing, and food stamps. The cap is set at 2% plus inflation. The increase in program costs are financed by changes in other means-tested programs which result in savings. All nutritional assistance programs are combined into a single capped block grant.

4. Senate Republican Plan:

No provisions specified.

5. Mainstream Forum:

\$21.3 billion saved over five years by cuts in social services programs to non-citizens. \$1.5 billion saved over five years by capping the Emergency Assistance Program. \$1.3 billion saved over five years with the elimination of EITC benefits to illegal aliens. \$700 million saved over five years with the elimination of the Dependent Care Tax Credit for families earning over \$120,000 a year. \$1.6 billion saved over five years through increased paternity establishment and new child support awards which would thereby reduce AFDC caseloads. \$380 million saved over five years through modification of Family Day Care Homes component of child care food program. Also, State offsets for additional costs that may result from program: \$15 billion over five years available to States through a shift on point of collection of State mail order tax from the State to catalogue companies; \$1 billion from above financing provisions will be set aside for States to defer additional costs that they may incur as a result of cuts to immigrants and other provisions in the proposal.

## KEY FACTS on CENSUS INCOME AND POVERTY REPORT

September 24, 1998

TODAY, THE CENSUS BUREAU RELEASED THEIR ANNUAL REPORT ON INCOME AND POVERTY IN AMERICA FOR 1997. HERE ARE SOME OF THE RESULTS:

### *Broad-Based Income Gains:*

- **Typical Household Income Up 1.9 Percent in 1997.** Income for the median household rose \$699, from \$36,306 in 1996 to \$37,005 in 1997, adjusted for inflation.
- **Typical Family Income Up \$3,517 Since 1993.** Another measure of income -- family income, which excludes single individuals and counts only related members in any household -- shows a similar trend. Last year, the median family's income, adjusted for inflation, increased 3.0 percent (or \$1,297) -- the fourth consecutive annual rise. Since President Clinton's Economic Plan passed in 1993, median family income has increased from \$41,051 in 1993 to \$44,568 in 1997 -- that's a \$3,517 increase in income, adjusted for inflation. From 1988 to 1992, median family income *fell* \$1,835, adjusted for inflation.
- **Under President Clinton, The Typical African-American Household's Income Is Up \$3,354.** The median income of African-American households rose 4.3 percent (or \$1,029) last year. And since 1993, the median income of African-American households has increased from \$21,696 to \$25,050 -- that's \$3,354 or a 15-percent increase, adjusted for inflation, between 1993 and 1997.
- **Income of Typical Hispanic Household Up \$2,553 in Past Two Years.** In 1997, the income of the median Hispanic household, adjusted for inflation, increased from \$25,477 in 1996 to \$26,628 in 1997 -- that's an increase of \$1,151 or 4.5 percent. Over the past two years, the income of the typical Hispanic household has risen \$2,553 -- or nearly 11 percent -- the largest two-year increase in Hispanic income on record.
- **After Rising Sharply for 20 Years, Inequality Has Stabilized.** After rising for nearly 20 years, income inequality has not changed significantly over the past four years. Since 1993, every income group -- from the most well-off to the poorest -- experienced a real increase in their income.
- **Earnings for Typical Workers Up.** Last year, the earnings of the median

full-time, year-round male rose 2.4 percent, from \$32,882 in 1996 to \$33,674 in 1997 and the earnings of the median full-time, year-round female rose 3.0 percent, from \$24,254 in 1996 to \$24,973 in 1997. This means that the female-to-male ratio remained at 74 percent -- its all-time high.

### ***Reductions in Poverty:***

- **Poverty Rate Fell To 13.3 Percent in 1997 -- Down from 15.1 Percent in 1993.** In 1997, the poverty rate dropped to 13.3 percent from 13.7 percent the year before. Since President Clinton signed his Economic Plan into law, the poverty rate has declined from 15.1 percent in 1993 to 13.3 percent last year. That means that there are 3.7 million fewer people in poverty today than in 1993. (In 1997, the poverty threshold was \$16,400 for a family of four.)
- **The African-American Poverty Rate Down To Its Lowest Level on Record.** While the African-American poverty rate is still far above the poverty rate for whites, it declined from 28.4 percent in 1996 to 26.5 percent in 1997 -- that's its lowest level recorded since data were first collected in 1959. Since 1993, the African-American poverty rate has dropped from 33.1 percent to 26.5 percent -- that's the largest four-year drop in African-American poverty in more than a quarter century (1967-1971).
- **Last Year, Largest Hispanic Poverty Drop In Two Decades.** Last year, the Hispanic poverty rate dropped from 29.4 percent to 27.1 percent -- that's the largest one-year drop in Hispanic poverty since 1978. While there is still more work to do, since President Clinton took office, Hispanic poverty has dropped from 30.6 percent to 27.1 percent.
- **Under President Clinton, Largest Four-Year Drop in Child Poverty Since 1960s.** While the child poverty rate remains high, in 1997, it declined from 20.5 percent to 19.9 percent. Under President Clinton, the child poverty rate has declined from 22.7 percent to 19.9 percent -- that's the biggest four-year drop in nearly 30 years (1965-1969).
- **Elderly Poverty Rate As Low As It's Ever Been.** In 1997, the elderly poverty rate dropped to 10.5 percent, from 10.8 percent in 1996. The elderly poverty rate is now as low as it's ever been -- it was also 10.5 percent in 1995.
- **Child Poverty Among African-Americans Down To Lowest Level on Record.** In 1997, the African-American child poverty rate fell from 39.9 percent to 37.2 percent -- its lowest level on record (data collected since 1959). Since

1993, the child poverty rate among African-Americans has dropped from 46.1 percent to 37.2 percent -- that's the biggest four-year drop on record.

- **Hispanic Child Poverty Dropped More Last Year Than Any Year on Record.** In 1997, the Hispanic child poverty rate dropped from 40.3 percent to 36.8 percent -- that's the largest one-year drop on record (data collected since 1976). Since 1993, the child poverty rate among Hispanics has declined from 40.9 percent to 36.8 percent.
- **4.3 Million People Lifted Out of Poverty By EITC -- Double The Number in 1993.** In 1993, President Clinton expanded the Earned Income Tax Credit, providing a tax cut for low-income working families. In 1997, the EITC lifted 4.3 million people out of poverty -- that's double the number of people lifted out of poverty by the EITC in 1993. In 1997, the EITC lifted 2.2 million children, 1.1 million African-Americans, and nearly 1.2 million Hispanics out of poverty.

WR-Poverty

June 10, 1998

MEMORANDUM FOR EOP PRINCIPAL'S MEETING

FROM: Income and Poverty Measurement Working Group

SUBJECT: Meeting on Income and Poverty Measures

This memorandum outlines a series of policy issues related to revising the Government's income and poverty measures that will be discussed at the Principal's meeting. The attached background paper discusses the more technical issues associated with revising these measures. An appendix sets forth very preliminary information concerning the scope of associated programmatic and budgetary effects.

**Action Forcing Event and Purpose of the Meeting**

In early 1999, the Census Bureau will publish alternative measures of poverty based on the proposals contained in the 1995 National Research Council (NRC) report, *Measuring Poverty: A New Approach*. Because OMB is the statutory arbiter of the "official" poverty measurement methodology, the Census Bureau has asked for advice on the proposed alternative measures to be published. In turn, OMB has sought advice from relevant EOP units. It is important to emphasize that we are only advising the Bureau of the Census. As is always the case, statistical agencies determine what will be published in order to preserve the fact and perception of the integrity of Federal statistics.

There are four questions to be discussed by the Principals: 1) At what pace should the Administration proceed toward the adoption of a new official measure of poverty? 2) Should the Administration initially highlight a preferred option or a range of alternatives? 3) Should the new measure be benchmarked to the most current poverty rate? and 4) If highlighting a preferred option is recommended, what are the components of that preferred option? In considering these questions, it is critical that the Principals note that, at this time, we do not have definitive analyses of the budgetary and programmatic impacts of NRC-based alternative measures of poverty. We are unlikely to have such analyses in the next few months.

**Background and Implications of the New Poverty Measure**

The current official poverty measure dates back to the 1960s. And, although this measure has been an important contributor to public debate and policymaking, the NRC report reflects a broad consensus that the measure is out-of-date and in need of revision.

Poverty measurement involves two concepts: (1) a definition of family resources, and (2) a "threshold" against which resources are compared to determine if a family is poor. Changes in these two concepts will have a direct impact on statistics used by the public for informational and analytical purposes. Changes will likely have an effect on both Federal program budgets and participant eligibility.

As discussed in the technical background paper, the NRC panel cautioned that setting the level below which a family is considered poor is more of an art than a science. The panel therefore suggested a range of alternatives and left it to policymakers to determine the most appropriate levels. For instance, the NRC report shows the implications of their recommendations with and without benchmarking (i.e., adjusting the new poverty measure so that the new aggregate poverty rate equals the current aggregate poverty rate). However, the NRC does recommend a specific calculation of the poverty thresholds that would increase the poverty rates of all groups. For example, as shown in Table 1, in 1996 the poverty level was 13.7% using the current measure; it would increase to 18.0% using the new measure.

In addition, regardless of what happens to the level of poverty, the alternative measure recommended by the NRC would substantially alter the demographic composition of the poor. For example, as shown in Table 2, the NRC measure nearly doubles the poverty rate among the elderly (from 10.8% to 20.4%), raising the rate to nearly that of children. Other groups with relatively large increases are Whites and Hispanics, and married couples.

### **Issues for Consideration**

#### 1. At What Pace Should the Administration Proceed Toward the Adoption of a New Official Measure of Poverty?

The most important issue to be decided is whether the Administration should attempt to adopt a new official measure of poverty before the end of the second term. The advantage of acting during this Administration is that the second term of an Administration with a strong economy is an opportune time to make such a change. Also, the NRC made its recommendation three years ago and some might question our delay in implementation. In addition, adopting a new poverty measure will allow the Administration to demonstrate the effects of some of its most important policy changes for low-income families, e.g., any new measure will reflect the expansion of the EITC and the expansions of Medicaid for low-income families. The current official poverty measure is unaffected by these changes.

On the other hand, by proceeding more deliberately, we would allow the community of users of poverty statistics to develop a better understanding of the pros and cons, both analytical and programmatic, of the various alternative measures. By moving more deliberately, we may also decrease the chance of a political backlash and of Congressional intervention. In addition, while most of the data needed to implement an NRC-like measure currently exist, there are significant data improvements that could be developed over the next few years. A more deliberate process would allow more time for these data to be developed. Finally, selecting a preferred alternative measure and analyzing its programmatic and budgetary impacts is likely to be an iterative process that may take some time.

## 2. Should the Administration Initially Highlight a Preferred Option or a Range of Alternatives?

The Census Bureau plans to publish a small number of policy relevant variations. (There will be extensive appendices in this report that will present a wide variety of poverty definitions, to help demonstrate the statistical and analytical properties of the poverty measure recommended by the NRC.)

The Administration needs to determine whether it will recommend that the Census Bureau highlight a single alternative poverty measure or present several equally in its forthcoming report. The advantages of highlighting a single alternative measure are that it may be less confusing than publishing multiple alternatives, and if the Administration's choice is well-received, it may be easier for it to be adopted as the official poverty measure. In contrast, publishing a range of alternatives has many of the same advantages of proceeding deliberately in the adoption of a new official measure of poverty. For example, this approach would allow us more time to understand fully the analytical, programmatic, and budgetary implications of the alternative measures; would preserve the Administration's options to consider this issue further; and, because the Administration may be less likely to be viewed as prejudging the outcome, may be less likely to lead to Congressional intervention.

## 3. Should the New Measure Be Benchmarked to the Most Current Poverty Rate?

(This is issue number 1 in the technical background paper.)

Currently the Census Bureau plans to benchmark the alternative measures to the old poverty rate in the current year (so that the number of people classified as poor would remain the same, although the distribution of who is poor would change). Alternatively, it could publish most new measures without benchmarking, which would result in a higher poverty rate (e.g., 18.0% rather than 13.7% in 1996). The Administration must decide whether to recommend that Census primarily present benchmarked or nonbenchmarking alternative measures.

Some argue that benchmarking to the current poverty rate would diminish criticisms that the change is motivated by an effort to increase the estimated number of people living in poverty, and would also focus attention on the distribution of who is poor, rather than on how many people are poor. Others argue that because benchmarking to the current poverty rate does not follow the NRC recommendation (which would result in a higher poverty rate), it would be viewed as an effort to reduce artificially the estimated size of the poor population. While under either of these alternatives the composition of the poor will be altered, benchmarking highlights the changes. (These are more obvious under benchmarking than under the NRC alternative because the alternative raises the poverty rates for everyone.) For example, even though the relative proportion of poor who are Black declines under both alternatives (not shown in Table 2), the estimated Black poverty rate falls with benchmarking but rises with the NRC measure.

4. If Highlighting a Preferred Option is Recommended, What are the Components of that Preferred Option?

Issues relating to the choice of components are discussed in the technical background paper. They include: how the poverty rate should be updated over time; whether the poverty thresholds should be adjusted for geographic variation in the cost of living; and how to account for medical care expenditures. Of these, how to adjust for medical expenditures is the most controversial. At this time, the Census Bureau is prepared to account for differences in medical out-of-pocket (MOOP) expenditures among households in the way recommended by the NRC, namely, subtracting them from income before a family's poverty status is calculated. However, there is also interest in having an average amount of such medical expenditures added to the poverty thresholds. (Which of these methodologies should be used is a technical choice best left to Census.)

Table 1. Poverty Rates and Thresholds under Alternative Measures, 1991-96, CPS

	Official measure	Benchmarked to 1996	NRC Experimental
<b>Poverty Rates</b>			
1991	14.2	14.5	18.9
1992	14.8	15.3	19.6
1993	15.1	15.7	20.2
1994	14.6	14.7	19.0
1995	13.8	13.8	18.2
1996	13.7	13.7	18.0
<b>Thresholds for 2 adults and 2 children (in dollars)</b>			
1991	13,812	11,891	13,891
1992	14,228	12,249	14,309
1993	14,654	12,616	14,738
1994	15,029	12,938	15,115
1995	15,455	13,305	15,543
1996	15,911	13,698	16,002

Table 2. Poverty Rates under Alternative Measures, 1996, CPS

	Official measure	Benchmarked to 1996	NRC Experimental
<b>All persons</b>	<b>13.7</b>	<b>13.7</b>	<b>18.0</b>
Children	20.5	18.1	23.8
Nonelderly adults	11.4	11.5	15.0
Elderly	10.8	15.6	20.4
White	11.2	11.8	15.6
Black	28.4	25.2	32.0
Hispanic origin	29.4	28.5	37.7
One or more workers	9.5	10.0	13.6
Persons in family of type:			
Married couple	6.9	7.8	11.1
Female householder	35.8	32.3	40.4
Geographic regions:			
Northeast	12.7	14.3	18.8
Midwest	10.7	10.3	13.8
South	15.1	14.2	18.3
West	15.4	16.1	21.0
Metropolitan/Central City	19.6	19.2	24.7
Not Central City	9.4	10.6	14.1
Nonmetropolitan	15.9	13.5	17.5

## TECHNICAL BACKGROUND ON INCOME AND POVERTY MEASURES

### The Current Poverty Measure

The methodology by which current poverty thresholds are determined was developed in the early 1960s by Mollie Orshansky, a staff economist at the Social Security Administration. She developed a set of poverty thresholds that vary with the number of adults, the number of children, and the age of the family head. These thresholds represent the cost of a minimum diet multiplied by 3 to allow for nonfood expenditures. The multiplier of 3 was chosen because the average family in 1955 spent one-third of its after-tax income on food. Since the late 1960s, the thresholds have been updated annually with the CPI to adjust for price inflation. Thus, the definition of poverty has remained virtually unchanged for 35 years, despite substantial changes in family behavior and government policy.

The NRC panel identified several weaknesses in the current poverty measure:

- The current poverty measure takes no account of changes in taxes (e.g., the expansion of the EITC) or in-kind benefits (e.g., Food Stamps).
- The current measure does not distinguish between the needs of working and nonworking families. In particular, it does not reflect the cost of child care and other work expenses for working low-income families.
- The current poverty measure takes no explicit account of medical care costs, which vary significantly across families and have increased substantially since the current poverty measure was developed.

### The NRC Recommendations

To understand the NRC panel's recommended revisions, one must understand the basics of determining poverty. A family is considered poor if its resources fall below a predetermined poverty line or threshold. Therefore, one must develop a methodology for estimating family resources and for defining the threshold resource level below which a family is considered poor.

#### 1. Defining Family Resources

Under the current poverty calculation, the definition of family resources is cash income. The NRC recommendations would estimate family resources as:

Family resources = Cash income + Near-money in-kind benefits - Taxes - Child care costs - Work expenses - Child support payments - Out of pocket medical care expenditures (including health insurance premiums)

The rationale for subtracting taxes, work, and medical expenses from family resources is that these expenditures are typically not discretionary and reduce the family income available to

achieve a basic quality of life.

There is near consensus among researchers that adjusting for near-money in-kind benefits (primarily Food Stamps and housing subsidies) and taxes would be an improvement in how poverty is measured. There is slightly less agreement on whether child care costs, work expenses, and child support payments should also be deducted because an unknown proportion of these expenses is likely discretionary. (The NRC proposes to cap the amount of child care and work expenses that can be subtracted to deal with this problem.) As discussed below, the adjustment for out-of-pocket medical care expenditures is more controversial.

## 2. Defining a Poverty Threshold

A threshold must be determined against which to compare a family's resources. The NRC panel recommends basing the threshold on expenditures on "necessities" (food, shelter, and clothing) plus a little more. Specifically, the NRC panel recommends selecting the 30th to 35th percentile in the distribution of annual expenditures on food, shelter, and clothing among families of four (two adults and two children), and then multiplying this expenditure level by between 1.15 and 1.25. Thresholds for other family sizes and types would be determined by an equivalency scale calculation.

The NRC recommends adjusting these thresholds to take into account geographic variation in cost of living, based on differences in housing costs by region and by city size. It also recommends adjusting the thresholds over time by recalculating them from expenditure data on an annual basis.

## TECHNICAL ISSUES

Four technical issues need to be decided in order to select a new measure of poverty. They are: 1) determining the level of the new poverty threshold; 2) updating the thresholds over time; 3) adjusting for geographic variation; and 4) accounting for medical care expenditures.

### 1. Determining the level of the poverty threshold.

The NRC panel acknowledges that the actual level at which the poverty threshold (and hence the final poverty rate) is set is inherently arbitrary and cannot be determined on the basis of purely statistical judgements. There are two primary options:

A. The NRC alternative. As described above, the NRC panel recommends establishing a threshold based on the 30th-35th percentile in the distribution of annual expenditures for a family of four, with a small multiplier to account for additional small personal expenditures. As shown in Tables 1 and 2, column 3, this would raise the 1996 poverty rate from 13.7% to 18.0%, and increase poverty among all subgroups. In addition, (as described further in Option B) this change would alter the composition of the poverty population by changing the poverty rate

among subgroups.

B. Benchmarking. The NRC panel also considered poverty estimates that benchmark the alternative poverty rate to equal the old poverty rate in a given year. The Census Bureau has done a number of such benchmarked calculations for 1996, as shown in Tables 1 and 2, column 2. (The report issued early next year could benchmark to 1997.) Benchmarking would assure that the aggregate poverty rate is identical for the official and the alternative measure in the benchmark year. But the distribution of poverty among subgroups within each measure would differ (see Table 2). In general, working families and families with large out-of-pocket medical expenses would become poorer, and nonworking families with substantial in-kind benefits would become less poor. This would have geographic as well as subgroup poverty rate implications. Similarly, both historical and future trends would differ. For instance, the benchmarked measure would be identical to the current rate in 1996 but higher in 1991. (The faster fall using the alternative measure is largely due to the expansion in the EITC.)

*Pros of using the NRC measure:*

- Incorporates the recommendations of the NRC panel, based on their professional judgement from the best available evidence, and therefore provides some limited political cover.
- Generates dollar threshold levels that are quite similar to the current dollar thresholds (although the conceptual measures of resources to which the thresholds would be compared are quite different).

*Cons of using the NRC Measure:*

- Results in a higher poverty rate (although the trends over time are similar.)

*Pros of Benchmarking:*

- May provide an easier transition to the new methodology because there will not be a change in the overall level of poverty. Critics, of course, will still charge that this level is arbitrary.
- Focuses the arguments on the relative distribution of who is poor rather than how many people are poor.

*Cons of Benchmarking:*

- Violates the NRC recommendation that the threshold should be based on the 30th-35th percentile in the expenditure distribution. In order to benchmark, the threshold falls to about the 25th percentile of expenditures on food, shelter, and clothing.

NOTE: The EOP Policy Working Group does not have a recommendation regarding benchmarking.

## 2. Updating the thresholds over time

Currently the poverty threshold is updated annually using the CPI-U. This, however, does not allow for adjustments that reflect changes in underlying consumption patterns that might affect the revised thresholds. For instance, food prices have decreased relative to other goods over time, while housing prices have increased. There are two options:

(A) Recalculate the thresholds annually as a share of consumption on food, shelter, and clothing. (This is recommended by the NRC panel.)

(B) Update the thresholds on a year-to-year basis using a price index (preferably one based only on food, shelter and clothing). Implement a regular process (every 5-10 years) of reviewing the poverty measure and recalculating the thresholds.

### *Pros of Recalculating the Thresholds:*

- Regular recalculation will allow the poverty thresholds to reflect more accurately changes in consumption patterns and standards of living.
- Without an expectation that the thresholds will be re-calculated regularly, it may be hard to update them at all.

### *Cons of Recalculating the Thresholds:*

- Because of swings in the business cycle and the fact that the thresholds are affected by changes in the distribution of household expenditures, recalculation could potentially move the threshold a large amount or in an unexpected direction. This might raise substantive and political concerns.

### *Pros of Updating Using the CPI:*

- Using the NRC methodology, the poverty thresholds are somewhat relative (i.e., they are affected by changes in the distribution of household expenditures.) As a result, they are a moving target and do not provide an absolute standard of need. A CPI adjustment would make it easier to compare poverty from year to year against a constant standard.
- Because consumption patterns and standards of living change slowly, it may be better to take them into account periodically rather than annually.
- An update with a CPI for necessities only (food, clothing, and shelter) may capture most of the relevant changes and would make it easier in the short run to understand the updating procedure.
- There are not enough data to make a credible annual recalculation of the thresholds.

*Cons of Updating Using the CPI:*

- Does not follow the NRC recommendations.
- Needs to be supplemented by a periodic updating and recalculation process that could prove difficult to implement because it might be perceived as a “new standard,” and would also lead to discontinuities in the poverty series in years when updating is done.

NOTE: The EOP Policy Working Group recommends Option (B).

**3. Adjusting for geographic variation.**

The NRC panel recommended adjusting the poverty thresholds for cost-of-living differences across regions and by city size. Following the NRC recommendation, the Census Bureau proposes to make such adjustments based on housing cost differences (which have much greater regional/city size variation than food or clothing.)

*Pros of Adjusting for Geographic Variation in Cost of Living:*

- Most statisticians and economists agree that such adjustments should be made if data are available.
- The existing Administrative poverty guidelines are already adjusted for Alaska and Hawaii.

*Cons of Adjusting for Geographic Variation in Cost of Living:*

- There is no consensus on how to make such adjustments, and the issue could be highly politicized.
- The data available to make such adjustments are limited and may not be entirely reliable.
- Implementing such an adjustment in the poverty threshold could lead to pressure to provide regional cost adjustments in a wide variety of other government programs, from Social Security benefits to tax payments.

NOTE: The EOP Policy Working Group recommends against geographic price adjustments.

**4. Accounting for medical care expenditures.**

Since the mid-1970s, analysts have been concerned that the official poverty rate overstates the extent of poverty among beneficiaries of Medicare, Medicaid, and private health insurance. At the same time, the official poverty rate may understate the extent of poverty among populations with large medical expenditures. Most analysts agree that, in principle, medical care “needs” should be incorporated into the calculations of the threshold and family resources (i.e., families

with higher medical needs should have higher thresholds; those with more generous medical benefits should be considered to have more resources; and those who must spend more to achieve "good health" should have those expenses subtracted from their resources). However, we cannot observe a family's medical need. In addition, it is not clear that one can simply impute the cash value of insurance benefits and add this to income; the "extra" benefits received from insurance to cover expensive medical services do not provide income that can be used for any other purpose.

To understand the difficulties, consider including medical benefits into the income calculations. Adding medical benefits to income, without also adjusting the poverty threshold, has the perverse effect of making sicker individuals appear better off. Other proposals to adjust the poverty threshold (without also adjusting resources) run into similar problems.

In the end, the NRC panel recommended subtracting all medical out-of-pocket (MOOP) expenses (including health insurance premiums) from income, without trying to value health insurance as a part of income or medical need as a part of the thresholds. Hence, family resources are measured net of MOOP. Those individuals with good insurance will have few out-of-pocket medical expenses; those without insurance who face health problems will have lower measured incomes as they pay more for medical care.

This adjustment accounts for the larger poverty rates using the NRC methodology. For example, in 1996 the poverty rate was 13.7% using the current methodology; it would have been 18.0% using the NRC methodology, but only 13.2% using the NRC methodology without the medical expenses adjustment. This adjustment nearly doubles the poverty rate for the elderly, raising it almost to the rate for children. This adjustment is one of the most controversial of the NRC recommendations.

There is general agreement that ignoring medical care and medical expenses entirely is not a good idea -- particularly given the rapid increase in medical costs in the past 30 years, the extent of uninsurance among the low-income population, and this Administration's concern with it. In addition, if we do not adjust for medical care (in some way) now, it may be much harder to do so in a few years when we will have better data (because the change will be so dramatic it will be viewed as another big methodology change).

There are three approaches to incorporating medical care and expenses:

(A) Follow the NRC recommendation and subtract MOOP from family resources. This shows families with unreimbursed medical expenses as less well-off than other families.

(B) An average amount of MOOP could be added to the thresholds rather than subtracted from resources. (The choice between options (A) and (B) is a technical decision that Census should address.)

(C) Try to impute the value of health insurance to resources, so those with insurance have higher resources. Health insurance should then also be imputed into the thresholds.

*Pros of Adjusting for MOOP (either options (A) or (B)):*

- While not perfect, under the NRC recommended adjustment families with higher unreimbursed medical expenditures will be “poorer.” The NRC recommended adjustment would also be sensitive to changes in health-care financing that would decrease MOOP and thereby increase disposable income and reduce poverty.

*Cons of Adjusting for MOOP (either options (A) or (B)):*

- The data that are currently available are out-of-date (but we should have updated information available in a more timely fashion within another year).
- The NRC recommended approach relies on the controversial assumption that all medical care expenditures are nondiscretionary. (This concern could be mitigated to some extent by imposing a cap on the amount of medical expenses.)

*Pros of Imputing the Value of Health Insurance into Resources and Thresholds:*

- Provides a more complete accounting of all medical resources available to a family.

*Cons of Imputing the Value of Health Insurance into Resources and Thresholds:*

- There is no accepted “correct” way to do this. The data here are probably more unreliable than the data needed to impute the value of MOOP to families.
- Many analysts agree with the NRC panel that the value of health insurance is quite different from (say) the value of food stamps, which are far more fungible. Mixing in health-insurance coverage causes interpretational and conceptual problems to a measure of economic need.
- To date, Census has been following the NRC recommendation. If we asked them to switch to this approach, it might require substantial additional work and seriously delay their report.

NOTE: The EOP Policy Working Group recommends that Census incorporate medical care in some way and recognizes that the Census Bureau is prepared for option (A). However, the group strongly recommends that Census thoroughly investigate the impact of option (B), and continue work on other approaches to incorporating medical care and expenditures, such as by valuing medical health insurance (option (C)).

## APPENDIX

### The Effect of the Poverty Measure on Program Eligibility and Benefits

The Congressional Research Service has identified 26 programs that use the poverty guidelines (the simplified version of the thresholds) to determine eligibility at least in part. In addition, 15 programs allocate funds to States or localities using poverty counts as a factor. (A few programs, e.g., WIC and Head Start, are in both sets.) Many of the program connections to the poverty definition are unique, and many are highly complex. Hence, we do not yet have a precise estimate of how program costs or coverage would be affected.

We should not leap to the conclusion that this large number of programs would dictate a large Federal cost impact of a new measure of poverty. Many of the affected programs are small, and many of the programs may be affected to only a limited degree by even a change in the measured aggregate incidence of poverty. Some of the programs are discretionary, meaning that their aggregate cost is set by appropriation; a change in the measure of poverty would affect only the geographic distribution of those funds (though that could, in itself, be a matter of political concern, if such reallocations should prove to be significant). However, where at least a few large programs are involved, it is essential to investigate the potential impact carefully.

There are two schools of thought on the potential budgetary or allocational effect of a change in the definition of poverty.

Gordon Fisher, the analyst at HHS who oversees the production of the poverty guidelines used in some programs, presents one perspective in a recent paper:

A number of people believe that the poverty guidelines affect many big entitlement programs. That belief is an exaggeration of the actual situation. Most of the Federal programs using the guidelines are medium-sized or small, with only a few big programs. Moreover, most...are discretionary programs...Only a few programs using the guidelines are mandatory: Medicaid, the Food Stamp Program, and child nutrition programs (mainly the National School Lunch Program).<sup>1</sup>

Offering a different perspective, a recent issue of *Focus*, the periodical of the Institute for Research on Poverty, notes that:

For example, the NRC study panel proposed that the measure take into account work-related expenses in families where at least one person is employed. Such a change could have important implications for the allocation of federal funds between local areas where

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<sup>1</sup>G. Fisher, "Disseminating the Administrative Version and Explaining the Administrative and Statistical Versions of the Federal Poverty Measure." Clinical Sociology Review, vol. 15 (1997), p. 165.

the proportions of working and nonworking families differ. Including geographic variations in housing costs might have similar far-reaching effects. Before introducing a new poverty measure for program purposes, policy makers must determine whether the resulting redistribution of resources will be more equitable, or will have unexpected and capricious effects.

As Fisher suggests, the discretionary - mandatory distinction is important. As noted above, the issue for discretionary programs is not the amount of funding, which is determined by appropriations (though Congress could change future appropriations under the influence of a changed measure of poverty), but rather the geographic allocation of a fixed amount of appropriations. The geographic allocation of relevant discretionary program funds can depend upon the incidence of poverty in particular locations. Therefore, these programs are affected by the actual poverty measure, based on the official thresholds and income concept. The ties between these programs and poverty vary considerably, and staff are undertaking the task of determining how much effect a change in the poverty concept could have. These allocations may or may not change by much, depending upon the extent to which the new poverty measure reallocated poverty geographically; the role of poverty in the allocation of the discretionary funds (some programs use poverty as only one of several indexes by which to distribute funding); the lag between the measurement of poverty and the actual effect on the program (some programs use poverty as measured in the decennial census); and other factors that can be determined only through a program-by-program search.

Besides the official poverty thresholds and the income definition, there are poverty guidelines. The Federal poverty guidelines are the version of the official poverty measure used for program purposes. They are issued by HHS annually, and are based on a simplified and updated version of the previous year's Census poverty measure.

Staff are in the process of determining the potential effects of a change in the poverty measure on the two largest programs affected by the poverty measure, Medicaid and the Food Stamp Program, as well as the smaller programs. In Medicaid, the poverty threshold defines the upper end of eligibility for about 20 percent of recipients, mostly women, infants, and children. For example, children up to age 6 in families with income below 133 percent of the poverty line (higher at state option) are automatically eligible for Medicaid. Older children are eligible if their family is below 100 percent of the poverty line. In Food Stamps, the poverty measure again defines the upper end of eligibility; but the level of benefits is determined in a separate calculation, and families close to the eligibility limit typically are eligible for only very low (or even zero) benefits. Because very few of these families actually apply for the Food Stamp program, we would expect the effect of changes in this eligibility limit on Food Stamps to be smaller than for Medicaid.

At present, we have only very rough estimates of some of the effects of these changes. We present numbers here that should be viewed as providing merely some sense of the magnitude of the impact of these changes on the Food Stamp and Medicaid programs.

Changes in the poverty thresholds would under reasonable circumstances require changes in the poverty guidelines and in the statutory provisions affecting eligibility for each program. Because of the uncertain political environment and the preliminary nature of these calculations, we offer only a very simplified and therefore unrealistic scenario, which involves no statutory change and only a mechanical change to the guidelines. Note (see Table 1) that if the poverty rate is benchmarked in 1997, the actual thresholds decline significantly. Using these new thresholds in some revised set of poverty guidelines would result in reductions in eligibility and less spending on programs. For the rough estimates presented here, we assume that the new poverty thresholds (against which "full income" -- including in-kind benefits and net of work expenses -- is compared) are adjusted to be comparable to the old poverty thresholds, e.g., we back out in-kind benefits and add back work expenses and taxes. This results in an approximately a 10 percent increase in the poverty guidelines.

Both OMB and HHS agree that the general magnitude of the effect of such a change on program dollars for Food Stamps will be around \$100 million, or one-third of one percent of program spending. The impact of Medicaid would be around \$1 billion in additional expenditures, which represents about 1 percent of Federal dollars spent on Medicaid, and about \$750 million in State spending. Our estimates of the number of people affected by these changes are even more uncertain. One estimate (by OMB) of the Medicaid effects is an increase of full-year enrollees of about 900,000, mostly children. But it is worth emphasizing again that these numbers are only preliminary. More detailed scenarios and models that consider the effects of a range of alternative poverty guidelines need to be completed.

WR - ~~Legis~~  
Side by Side

TO: Susan Brophy  
Deputy Assistant to the President for Legislative  
Affairs

FROM: Jim Hickman  
HHS/ASL

THROUGH: Jerry Klepner  
Rich Tarplin  
Office of the Assistant Secretary for Legislation

SUBJECT: Brief Description of Major Welfare Reform Legislation

DATE: June 13, 1994

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Described below are the major pieces of welfare reform legislation introduced this session. Summaries of these individual pieces of legislation are attached.

HOUSE

HR 3500 MICHEL RESPONSIBILITY & EMPOWERMENT SUPPORT PROGRAM PROVIDING EMPLOYMENT, CHILD CARE, AND TRAINING ACT; PUBLIC HOUSING RENT REFORM AND EMPOWERMENT ACT

Description: House Republican Welfare Reform Task Force Omnibus reform bill financed primarily by savings from the elimination of non-resident and resident aliens from AFDC, Food Stamps, Medicaid, and SSI. Provisions include two-year education and training time-limit followed by mandatory work for benefits, state option family cap unless state votes to not participate, mandatory denial of AFDC benefits to recipients under 18 years of age unless states vote not to participate, provides an additional \$10 billion in funding for child care, block grants all food assistance programs with almost complete state discretion, caps entitlement programs at current funding plus 2% over inflation.

HR 4318 WOOLSEY WORKING OFF WELFARE ACT OF 1994

Description: Reform bill aimed at one-stop shopping arrangement for all AFDC-related services, no time limits, stresses "living wage" test for all job training and education programs; abolishes two-parent family financial penalties; allows for greater income disregards and retention of child care, health care and child support; finally, the bill overhauls the child support system by federalizing child support enforcement by using the IRS and improving paternity establishment.

HR 4473           TALENT                   REAL WELFARE REFORM ACT OF 1994

Description:    A Charles Murray-style bill that denies benefits to women under 21 years of age; includes mandatory family cap; mandatory work requirements for fathers in AFDC-UP, food stamp recipients, and fathers failing to pay child support; state option on time limits, caps AFDC and allows for 3.5% increase per annum.

HR 4414    MCCURDY                   INDEPENDENCE FOR FAMILIES ACT 1994

Description:    The Mainstream Forum bill contains a five year, life time limit on AFDC benefits( 2-years cash assistance, 3 years public sector work); funds additional child care by eliminating resident and non-resident aliens from certain social services.

HR XXXX    MATSUI                   (Introduction Pending)

Description:    The Progressive Caucus bill proposes increased funding and rule changes to strengthen the Family Support Act of 1988, with a strong emphasis on job training and education.

HR 4498    MINK                    Job Start for America Act of 1994

Description:    No time limit, extends support services for two-years after recipient attains private sector employment, phase-in targets recipients with work experience and school age children first, and links Head Start to welfare.

SENATE

S 1795    BROWN                   WELFARE REFORM ACT OF 1994

Description:    Senate version of House Republican Welfare Reform Task Force bill.

S 1891    KASSEBAUM               WELFARE & MEDICAID RESPONSIBILITY EXCHANGE ACT OF 1994

Description:    This bill proposes to "swap" responsibility for welfare assistance programs to the states, while shifting the responsibility for Medicaid to the federal government.

S 2009    HARKIN/BOND               WELFARE TO SELF-SUFFICIENCY ACT OF 1994

Description:    This plan proposes time-limits tailored to the individuals needs, it increases income disregards and raises

asset limits for families receiving AFDC, and strengthens child support enforcement by referring delinquent child support orders to the IRS.

S 2143 GRASSLEY REAL WELFARE REFORM ACT OF 1994  
FAIRCLOTH

Description: This is the Senate version of the Talent bill.

UNITED STATES SENATEWHITE HOUSE STAFF CALLSLEADERSHIP

The Honorable George J. Mitchell (Statement)  
Room: SR-176  
STAFFER: Grace Reef

The Honorable Wendell H. Ford  
Room: SR-173A  
STAFFER: Rob Mangas

The Honorable Robert Dole  
Room: S-230  
STAFFER: Sheila Burke

FINANCE COMMITTEE

The Honorable Daniel Patrick Moynihan  
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STAFFER: Paul Offner/Margaret Malone

The Honorable John B. Breaux (Statement)  
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STAFFER: Laird Burnett

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The Honorable Christopher J. Dodd  
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The Honorable Barbara Mikulski  
Room: 709 Hart Senate Office Building  
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The Honorable Harris Wofford  
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STAFFER: Cindi Phillips

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STAFFER: Maureen Testoni

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STAFFER: JoAnne Barnhart

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STAFFER: Felicia Brown

The Honorable John H. Chafee  
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STAFFER: Susan Heegaard

The Honorable Charles E. Grassley  
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STAFFER: Shannon Royce

The Honorable Orrin G. Hatch  
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STAFFER: Judy Hill

The Honorable Malcolm Wallop  
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STAFFER: Michael Moon

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The Honorable Tom Foley, Speaker  
U.S. House of Representatives  
Room H-226 Capitol  
Washington, D.C. 20515  
Attn: Ms. Dorothy Jackson

The Honorable Richard Gephardt  
Majority Leader  
U.S. House of Representatives  
Room H-148 Capitol  
Washington, D.C. 20515  
Attn: Dr. Andrea King

The Honorable Steny Hoyer, Chair  
U.S. House of Representatives  
Democratic Caucus  
Room 718 O'Neill House Office Bldg.  
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Attn: Melissa Schulman

The Honorable Newt Gingrich  
Minority Whip  
U.S. House of Representatives  
Room 1620 Longworth House Office Bldg.  
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Attn: Jack Howard

The Honorable David Bonior  
Majority Whip  
U.S. House of Representatives  
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WAYS AND MEANS COMMITTEE

The Honorable Sam Gibbons, Acting Chair  
Committee on Ways and Means  
1102 Longworth House Office Bldg.  
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WAYS AND MEANS COMMITTEE (Cont'd)

The Honorable Bill Archer  
Ranking Minority Member  
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Attn: Ron Haskins

The Honorable Harold E. Ford, Chair  
Subcommittee on Human Resources  
Committee on Ways and Means  
B-317 Rayburn House Office Building  
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Attn: Rich Hobbie

The Honorable Rick Santorum  
U.S. House of Representatives  
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EDUCATION AND LABOR COMMITTEE

The Honorable William D. Ford, Chair  
Committee on Education and Labor  
2181 Rayburn House Office Building  
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Attn: Pat Riesler

The Honorable William Goodling  
U.S. House of Representatives  
Ranking Minority Member  
2174 Rayburn House Office Building  
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Attn: Jay Egan

The Honorable Matthew G. Martinez, Chair  
Subcommittee on Human Resources  
Committee on Education and Labor  
B-346C Rayburn House Office Building  
Washington, D.C. 20515  
Attn: Les Sweeting

The Honorable Susan Molinari  
U.S. House of Representatives  
123 Cannon House Office Building  
Washington, D.C. 20515  
Attn: Alison Herwitt

U.S. HOUSE OF REPRESENTATIVESHHS STAFF CALLSWAYS AND MEANS COMMITTEE

The Honorable Dan Rostenkowski  
Committee on Ways and Means  
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Attn: Deborah Colton

The Honorable Robert T. Matsui  
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WR-  
SIDE  
BY  
SIDE

**ANALYSIS OF SELECTED CURRENT WELFARE REFORM LEGISLATION CORRELATED WITH DEMOCRATIC FRESHMAN CLASS WELFARE REFORM TASK FORCE "BASIC PRINCIPLES FOR WELFARE REFORM"**

<b>JOBS:</b>	<b>CLINTON BILL (H.R.4605):</b>	<b>REPUBLICAN BILL (H.R.3500):</b>	<b>MATSUI BILL (to be introduced on 7/14/94):</b>	<b>MAINSTREAM FORUM/McCURDY BILL (H.R.4414):</b>	<b>WOOLSEY BILL (H.R.4318):</b>	<b>MINK BILL (H.R.4499):</b>
<b><u>TRAINING</u></b> <b>DOES THE LEGISLATION:</b>						
• provide for flexibility of working hours for recipients?	PARTIAL, must work not fewer than 20 hours	PARTIAL, must work not fewer than 10 hours	YES	NO	YES	NO
• achieve consolidation of current federal programs?	YES	NO	YES	NO	YES	YES
• delineate outreach strategies for recipients?	NO	NO	YES	NO	YES	NO
<b><u>PLACEMENT</u></b> <b>DOES THE LEGISLATION:</b>						
• provide that the recipients are placed in jobs that pay a living wage?	NO, most jobs will likely pay only minimum wage	NO	YES	NO	YES	NO
• ensure that recipients are not just placed in "make work" public sector jobs?	NO	NO	YES	NO, although treated as a last resort option	YES	NO
• impose inflexible time limits?	YES, two year limit on AFDC, but no time limit on participation in WORK program	YES	NO	YES, two year lifetime limit, after which AFDC is no longer available	NO	NO
<b><u>FAMILY:</u></b>						
<b><u>CHILD SUPPORT</u></b> <b>DOES THE LEGISLATION:</b>						
• develop a national child support enforcement system?	PARTIAL, national registry but primary obligation with states	YES	YES	YES	YES	NO
• establish easy paternity methods?	YES	YES	YES	YES, makes benefits contingent on paternity establishment	YES	NO

<b><u>FAMILY (continued):</u></b>	<b>CLINTON:</b>	<b>REPUBLICAN:</b>	<b>MATSUE:</b>	<b>McCURDY:</b>	<b>WOOLSEY:</b>	<b>MINK:</b>
<b><u>ENCOURAGING STRONG FAMILIES</u></b> <b><u>DOES THE LEGISLATION:</u></b>						
* eliminate the disincentives and penalties for couples to marry and establish two-parent households?	YES	NO	YES	NO	YES	YES
* foster sufficient flexibility to allow the reestablishment of strong family units without a blanket requirement that all mothers must work full time?	NO	PARTIAL, allows exemption for mother of disabled children	NO, retains current one year exemption	NO	YES	NO
<b><u>TEEN PREGNANCY</u></b> <b><u>DOES THE LEGISLATION:</u></b>						
* establish national teen pregnancy prevention programs?	YES	NO	YES	YES	YES	NO
* require that both male and female teens receive instruction on the benefits of abstinence?	YES	NO	NO	NO	NO	NO
* require both teen parents, despite the pregnancy, to finish high school?	YES, if both parents are receiving AFDC	YES, \$75 less per month if no high school degree	YES	YES, mothers only (or benefits reduced by 25%)	NO	NO
* provide support services for teenage parents attending high school?	YES	NO, no AFDC for single teens > 19	YES	NO	NO	NO
* provide special support services for teen mothers and their families?	YES, although teen mothers are targeted	NO	YES	NO	YES	NO
* change current requirement that teens live outside their family's home before they can be eligible for AFDC?	YES	YES	YES	YES	YES	NO
* require teens to live in the home of a responsible adult in order to receive benefits (with certain exceptions)?	YES	YES	YES	YES (mother only)	YES	NO
<b><u>SUPPORT SYSTEMS:</u></b>						
<b><u>STREAMLINING BURRAUCRACY</u></b> <b><u>DOES THE LEGISLATION:</u></b>						
* provide for an examination of the technology to electronically transfer benefits?	YES	YES	NO	YES	NO	NO
* simplify and streamline the current welfare system?	YES	NO	NO	YES (limited)	YES	NO

<b>SUPPORT SYSTEMS (continued):</b>	<b>CLINTON:</b>	<b>REPUBLICAN:</b>	<b>MATSUI:</b>	<b>McCURDY:</b>	<b>WOOLSEY:</b>	<b>MINK:</b>
<b><u>AUGMENTATION OF SERVICES TO UNDERSERVED POPULATIONS</u></b> <i>DOES THE LEGISLATION:</i>						
* improve data collection related to underserved populations and their use of welfare benefits	NO	NO	NO	NO	YES	NO
<b><u>CASE MANAGER</u></b> <i>DOES THE LEGISLATION:</i>						
* allow the client to be supported by a case manager throughout their time in the welfare program?	YES	NO	YES	YES	YES	NO
<b><u>TRANSPORTATION</u></b> <i>DOES THE LEGISLATION:</i>						
* provide access to transportation for those recipients that are in need to allow them to attend the educational and training programs and job interviews?	NO, although might be construed as part of work expenses	NO	NO	NO	YES	NO
<b><u>BILINGUAL SERVICES</u></b> <i>DOES THE LEGISLATION:</i>						
* provide bilingual, culturally-sensitive services?	NO	NO	NO	NO	YES	NO
<b><u>JOB-RELATED EXPENSES</u></b> <i>DOES THE LEGISLATION:</i>						
* provide financial assistance for any expenses related to education or job training like uniforms or supplies?	YES, earnings disregard of up to \$120 per month	NO	NO	NO	YES	NO
<b><u>CHILD CARE SERVICES</u></b> <i>DOES THE LEGISLATION:</i>						
* provide child and dependent care to participants in the education and job training activities, as well as to those entering the paid labor force?	YES	NO	YES	NO	YES	YES, but only during education and training

<b>GEOGRAPHIC DISCRIMINATION:</b>	<b>CLINTON</b>	<b>REPUBLICAN:</b>	<b>MATSUI:</b>	<b>McCURDY:</b>	<b>WOOLSEY:</b>	<b>MINK:</b>
<b><u>TERRITORIES</u></b> <b><i>DOES THE LEGISLATION:</i></b>						
* include citizens of the territories and the Commonwealth of Puerto Rico within the bill's goals?	YES, although funding is capped differently	NO	YES	YES	NO	NO
<b><u>FINANCING:</u></b>						
<b><u>POTENTIAL TAX INCREASE</u></b> <b><i>DOES THE LEGISLATION:</i></b>						
* provide for a progressive means for financing reform?	NO	NO	NO	NO	NO	NO
* reduce funding for current programs that serve low income families?	YES, including Emergency Assistance, Substance Abuse funds and restrictions on eligibility for legal immigrants	YES	NO	YES	NO	NO
<b><u>TREATMENT OF LEGAL IMMIGRANTS</u></b> <b><i>DOES THE LEGISLATION:</i></b>						
* reduce the ability for legal immigrants to participate in the programs?	YES	YES	NO	YES	NO	NO

(7/13/94)



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*THIS IS FIVE FAX TO TOMORROW*  
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**WORKING GROUP ON WELFARE REFORM,  
FAMILY SUPPORT AND INDEPENDENCE**

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**Memorandum**

WR -  
SIDE BY SIDE

**To: Morning Report Group**

**From: Emily Bromberg**

**Subject: Draft comparison of Administration and Mainstream Forum welfare reform bills**

**Date: June 29, 1994**

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Attached is a draft comparison of current law, the Administration welfare reform bill and the Mainstream Forum welfare reform bill. Also attached are draft talking points comparing the two bills. Final versions of these documents will be distributed when they are available. Comparisons which include the Republican bills will also be distributed when they are finalized.

**COMPARISON OF WELFARE REFORM PROVISIONS****(DRAFT)****ADMINISTRATION AND DEMOCRATIC LEADERSHIP PROPOSAL (H.R. 4605)****AND MAINSTREAM FORUM PROPOSAL (H.R. 4414)****I. ENHANCING JOBS PROGRAM****A. AFDC Transition Program****1. Current Law**

The current AFDC program is an income support program with an employment training component for JOBS mandatory recipients. Payment standards vary widely across States. Eligibility for benefits is in perpetuity as long as applicants/recipients meet various means-tested standards. Under Part F, recipients of AFDC who do not meet the exemption criteria are required to participate in JOBS program activities in order to attain self-sufficiency. Employability plans are required for participants of the JOBS programs. Services under JOBS that States are required to provide include educational activities, job skills training, job readiness activities, job development and job placement, job search, on the job training (OJT), work supplementation, and community work experience. Other activities are allowable by regulation.

**2. Administration Proposal**

An enhanced transitional JOBS program would offer all services under current JOBS program. The incentives to the State, and other administrative requirements, have been designed to promote self-sufficiency among participants (see Performance Standards section). The phased-in population would be required to participate in the JOBS program, except those who meet criteria for deferral status (see below). Supervised job search would be required from date of approval for job-ready recipients, and States are permitted to require job-ready applicants to engage in job search activities. Applicants would be required to sign personal Responsibility Agreements and would be entitled to a complete orientation to the new system. Every recipient will be required to develop an employability plan within 90 days of application or redetermination. The State agency is required to help recipients gain access to the education, training, and employment services they need to find jobs. Aid would be paid to the participant in the same fashion as under current law.

**3. Mainstream Forum**

States have the option to replace the current JOBS program with a Work First program. States have the option to run a variety of programs under Work First. States shall also make available one-stop employment shops to clients. States also have the option to enter into contracts with private for profit and non profit placement agencies, which will offer personal support and job readiness services to clients after they have been enrolled in the Work First program for three months. Placement agencies will be compensated by the State after the participant has been employed for 5 months.

As part of the Work First program, job search must begin immediately upon eligibility for AFDC. Each recipient must meet with a case management team and develop an individual participation agreement. The case manager will present each participant with the options available under the State plan that will move the client towards achieving the goal of a full time unsubsidized job. Aid will be paid to the participant based on the number of hours she spends in the activities provided for in the agreement. The State shall provide case managers with training and use incentives to "improve the performance" of case managers in moving clients to full time unsubsidized employment.

- States also have the option to implement a temporary subsidized job creation program, "similar to Oregon's JOBS-Plus."
- States also have the option to institute a work supplement program under which it uses AFDC funds to provide participants with subsidized jobs.

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued**(draft)*

- \* The State will either provide a job to an eligible individual, or a job will be provided by a private employer in which some or all of the wages are paid by the State. The maximum work supplement is the maximum AFDC reward for the lesser of nine months or the number of months that the client was employed. Wages are considered earned income and Medicaid will be extended to clients who are in the work supplement program.

**B. Participation Requirements****1. Current Law**

The participation rate is currently 15% of those mandatory and 20% in FY 1995. Must participate for 75 percent of time in activities scheduled for an average of 20 hours per week in any of the allowable activities.

**2. Administration Proposal**

Similar to current law, States are expected to meet a monthly participation rate. The performance standard for the JOBS monthly participation rate is set at 50 percent, with a -5/+5 tolerance level, with financial penalties if the standard is not met and financial incentives if the standard is exceeded. The State's monthly participation rate is calculated by the percent of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the deferral status) who participate in an activity or who are employed and meet the minimum work standard (and remain on aid).

For the proportion of caseload below the standard (45%), a 25 percent reduction in the FFP for AFDC benefits will be levied using the average AFDC benefit level paid in the State to calculate the amount of the penalty. If a State exceeds the JOBS monthly participation rate (55%) in a fiscal year, the State will be entitled to receive an additional payment (without the requirement of any additional nonfederal share) for use in carrying out its JOBS program.

States have the option of subjecting JOBS volunteers to the time-limits, as long as they specify their policy in their State plan. This could include non-phased-in recipients who volunteer for JOBS. Additionally, States are required to serve volunteers from the non-phased-in group to the extent that federal JOBS funding is available.

**3. Mainstream Forum**

State option to require any individual (within the phase in period) that is receiving AFDC to participate in the Work First Program. Participants are required to engage in the activities proscribed in the client's participation agreement (including a mandatory job search) for a minimum of 20 hours per week. All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

**C. Deferral and Exemptions****1. Current Law**

States must require non-exempt AFDC recipients to participate in the JOBS program to the extent that resources are available. Exemptions under the current JOBS program are for those recipients who are ill, incapacitated, or of advanced age; needed in the home because of the illness or incapacity of another family member; the caretaker of a child under age 3 (or, at State option, under age 1); employed 30 or more hours per week; a dependent child under age 16 or attending an educational program full time; women in the second and third trimester of pregnancy; and residing in an area where the program is not available. The parent of a child under age 6 (but older than the age for an exemption) who is personally providing care for the child may be required to participate only if participation does not exceed 20 hours per week and necessary child care is guaranteed. For AFDC-UP families, the exemption due to the age of a child may be applied to only one parent, or to neither parent if child care is guaranteed.

*COMPARISON OF WELFARE REFORM PROVISIONS - continued**(draft)***2. Administration Proposal**

Adult recipients who were not able to work or participate in education or training activities (e.g., due to care of a disabled child) could be deferred either prior to or after entry into the JOBS program or after entry into the WORK program. The State agency would be required to make an initial determination with respect to deferral prior to or as part of the development of the employability plan, since the determination would in turn affect the content of the employability plan. A recipient who was required to participate in JOBS rather than deferred could request a fair hearing focusing on whether the individual meets one of the deferral criteria. The time frame for completion of the employability plan would be waived in instances of a dispute concerning deferral from JOBS.

Persons who were deferred from JOBS would be expected when possible to engage in activities intended to prepare them for employment and/or the JOBS program. An employability plan for a deferred recipient could detail the steps, such as referral to a vocational rehabilitation program or arranging for an appropriate day care or school setting for a child with a disability, needed to enable the adult to enter the JOBS program and/or find employment. Recipients not likely to ever participate in the JOBS program (e.g., those of advanced age) would not be expected to engage in activities to prepare for JOBS participation. An employability plan for such a person might include steps intended to, for example, improve the family's health status or housing situation. For individuals who were expected to enter the JOBS program shortly (e.g., mothers of young children), services could be provided to address any outstanding barriers to successful participation in JOBS (e.g., arranging for child care).

In general, States could not require deferred recipients to participate in activities. Persons who were deferred would not be subject to the time limit, i.e., months in which a recipient was in deferred status would not count against the two-year limit.

The criteria for deferral from JOBS would be the following:

- a parent of a child under age one, provided the child were not conceived while the parent was on assistance. A parent of a child conceived while on assistance would be deferred for a twelve-week period following the birth of the child (consistent with the Family and Medical Leave Act);
- ill or incapacitated, when it is certified by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State) that the illness or incapacitating condition is serious enough to prevent, at least temporarily, entry into employment or training;
- 60 years of age or older;
- is needed in the home because another member of the household requires the individual's presence due to illness or incapacity as determined by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State), and no other appropriate member of the household is available to provide the needed care;
- is in the third trimester of pregnancy; or
- lives in a remote area.

Each State would be permitted to defer from JOBS for good cause, as determined by the State, 5% of the total number of persons in the phased-in group (increased to 10% after FY99). Good cause could include substantial barriers to employment—for example, a severe learning disability or serious emotional instability. A State would be able, in the event of extraordinary circumstances, to apply to the Secretary to increase the percentage cap on good cause placements.

**COMPARISON OF WELFARE REFORM PROVISIONS -- continued***(draft)***3. Mainstream Forum**

Persons who are under 20 completing high school or GED; clients in part-time technical/vocational education in combination with work; clients who are disabled, ill, or those caring for disabled relative, will be exempt from participation in the program. Pregnant women, custodial parents, and guardians will get an exemption equal to the Family and Medical Leave Act (12 weeks).

**D. Sanctions****1. Current Law**

The sanction for the first instance of failure to participate in JOBS as required (or failure to accept a private sector job or other occurrence of noncompliance) is the loss of the non-compliant individual's share of the grant until the failure to comply ceases. The same sanction is imposed, but for a minimum of 3 months, for the second failure to comply and for a minimum of 6 months for all subsequent instances on non-compliance.

**2. Administration Proposal**

In JOBS and WORK, the sanction for refusing a job offer without good cause would be the loss of the adult's portion of the AFDC benefit for 6 months or until the adult accepts a job offer, whichever is shorter. Sanctions for noncompliance in JOBS remain the same as current law. States would be required to provide a conciliation process to resolve disputes. In WORK, noncompliance results in the following penalties: (1) For first occurrence, the family receives a 50 percent reduction in the AFDC grant for one month or until they comply; (2) For the second occurrence, the family receives a 50 percent reduction in the AFDC grant for three months; (3) For the third occurrence, elimination of the family's grant for a period of 3 months; (4) For a fourth and subsequent occurrence, elimination of the family's grant for a period of 6 months.

**3. Mainstream Forum**

AFDC and food stamp benefits reduced for one month by 25% for each act of non-compliance. Sanctions are levied for those who are offered a private sector job but do not accept job without good reason. Sanctioned individuals are offered the option of changing jobs, up to a maximum of 3 times.

**II. TIME LIMITS****A. Duration of Eligibility for Benefits****1. Current Law**

Duration of benefits is in perpetuity as long as eligibility criteria is met. Some States are permitted to place a time-limit on AFDC-UP participation consisting of 6 months in any 13 month period. Thirteen currently do, however, no other time-limits exist under current law.

**2. Administration Proposal**

Phased-in recipients would have a lifetime maximum of 24 cumulative months of cash aid. The clock begin with receipt of benefits and does not run while the individual is deferred from JOBS or if the individual is under 18 years old. Only those recipients who attain an extension or who have earned-back eligibility may receive cash aid for longer than 24 cumulative lifetime months. JOBS-mandatory participants who hit the time-limit must register for the WORK program in order to continue to receive public assistance. The time-limit applies solely to AFDC and does not apply to other assistance programs.

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued**(draft)***3. Mainstream Forum**

Two year life-time limit of AFDC benefits, the clock starts "after individual signs participation agreement. When the two year time limit expires, Transitional child care is provided for those who exhaust AFDC benefits and Medicaid benefits are extended for one year. Participants who hit the time-limit enter the community service program for 12 months.

**B. Exemptions from the Time-limit****1. Current Law**

Not applicable.

**2. Administration Proposal**

Individuals are not subject to the time limit if they meet criteria for deferral status. Non-phased-in recipients are not subject to the time-limit unless they volunteer for JOBS and the State chooses to impose the time-limit on volunteers. Only one-parent in an AFDC-UP family could be placed in deferral status. Time limits would not apply until the recipients' 18th birthday.

**3. Mainstream Forum**

Those who are exempt from Work First are exempt from time-limited requirements.

**C. Extensions****1. Current Law**

Not applicable.

**2. Administration Proposal**

States would be required to grant extensions to persons who reached the time limit without having had adequate access to the services specified in the employability plan. In instances in which a State failed to substantially provide the services, including child care, called for in the employability plan, the State would be required to grant an extension equal to the number of months needed to complete the activities in the employability plan (up to a limit of 24 months). If the State agency and the recipient disagreed with respect to whether services were substantially provided and hence as to whether the recipient was entitled to an extension, the State agency would be mandated to inform the recipient of her or his right to a fair hearing. Persons enrolled in a structured learning program (including, but not limited to, those created under the School-to-Work Opportunities Act) would be granted an extension up to age 22 for completion of such a program. States would also be permitted, but not required, to grant extensions of the time limit under specified circumstances, up to 10% of all recipients required to participate in JOBS and subject to the time limit.

**3. Mainstream Forum**

Pregnant women, custodial parents, and guardians will get an extension equal to the Family and Medical Leave Act (12 weeks). State may also allow 10% of all participants to re-enter the Work First or community service program following 36 months of participation.

*COMPARISON OF WELFARE REFORM PROVISIONS - continued**(draft)***D. Earning-Back Additional Eligibility****1. Current Law**

Not applicable.

**2. Administration Proposal**

For those who left AFDC with less than six months of eligibility remaining, individuals could "earn-back" 1 month of AFDC eligibility for each 4 months off AFDC/WORK. The maximum number of months an individual can earn at one time is 6 months. A person who re-applies for cash aid and has no additional months of eligibility would be required to register for WORK.

**3. Mainstream Forum**

No earn-back provisions. Ten percent of individuals will be eligible for re-admittance to the program, provided that they finish a 3 year community service job slot. When the 2 year time limit expires, Transitional child care is provided for those who exhaust AFDC benefits and Medicaid benefits are extended for one year.

**III. POST-TRANSITIONAL ASSISTANCE PROGRAM****A. Work Requirement****1. Current Law**

No mandated work for benefits program; States have option to run Community Work Experience Programs (CWEP). People in CWEP work in the public sector for the number of hours equal to their AFDC benefit divided by the minimum wage. In FY 1991 there were 13,112 slots for CWEP participants; Optional Work Supplementation Program. In FY 1991 there were 707 slots for the program.

**2. Administration Proposal**

Those recipients who have exceeded their time-limit and who are unable to obtain unsubsidized employment will be required to participate in the WORK program. Individual WORK slots would be limited to 12 months and States could pursue a wide range of strategies in designing such slots. Required participation in job search for a period of not less than 45 day (up to 90 days at State option) before hitting the time limit and taking a WORK assignment. Job search between WORK assignments. States would have the flexibility to determine the number of hours for each WORK assignment, with a minimum of an average of 15 hours per week during a month and for no more than an average of 35 hours per week during a month.

**3. Mainstream Forum**

States that establish a Work First Program are required to create a Community Service Jobs system. After the 2 year time-limit in the Work First program, clients will enter the Community Service program. Clients will meet with case managers who will assist participants in choosing a community service job and eventually obtain a full time unsubsidized job. States shall provide each participant with a community service job (minimum of 30 hours a week, plus 5 hours mandatory job search) paid a rate equal to minimum wage. Community Service Jobs are defined as employment provided to a participant by the State or by an employer, in which some or all of the wages are paid for by the State. The State can waive the 30 hour requirement if it is too financially burdensome for the state to meet--but must phase in 30 hour requirement by 2001.

The Community Service Program will follow the Work First model: States can choose from the placement agency option, the temporary subsidized job option, or the work supplement option, in which employers must agree "to provide the participant the amount in wages equal to the poverty threshold for a family of three."

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued**(draft)***B. Time-Limits on Post-Transitional Assistance****1. Current Law**

Not applicable.

**2. Administration Proposal**

There is no overall time-limit on WORK participation, so long as participants have met all requirements. States would be required to assign new or newly open WORK slots to WORK registrants who have most recently hit the time-limit.

**3. Mainstream Forum**

The community service component would only be available to an individual for three years. A limited number of individuals (10% of the participants) deemed "not ready for employment" can be readmitted to the Work First or Community Service program after this point.

**C. Pay Compensation****1. Current Law**

People in CWEP work in public sector jobs for the number of hours equal to their AFDC benefit divided by the minimum wage.

**2. Administration Proposal**

Total WORK program benefits (wages plus supplemental benefits) would not be less than the AFDC grant. Wages from WORK assignments would be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC (e.g., food stamps, SSI, Medicaid, public and Section 8 housing). Persons in WORK assignments would be subject to FICA taxes. States would be required to ensure that the corresponding employer contribution for OASDI and HI was made, either by the employer or by the entity administering the WORK program (or through another method). Earnings from WORK positions would not be subject to tax, would not be treated as earned income or included in adjusted gross income for purposes of calculating the Earned Income Tax Credit, and would not be treated as qualified wages for purposes of the Targeted Jobs Tax Credit. The employment of participants under the WORK program would not be subject to the provisions of any Federal or State unemployment compensation law.

**3. Mainstream Forum**

Unlike the Work First, Community Service wages are not considered earned income. Participants work for wages (at least minimum wage) instead of AFDC benefits. Participants in subsidized employment could receive a supplemental benefit from the State.

**D. Anti-displacement Provisions****1. Current Law**

Strong anti-displacement provisions as established by FSA of 1988.

**2. Administration Proposal**

Strong anti-displacement provisions based on National Service non-displacement measures.

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued**(draft)*3. Mainstream Forum

None.

E. Participation Requirements in Post-Transitional Assistance1. Current Law

Not applicable.

2. Administration Proposal

To ensure that individuals who reach the time limit are assigned to WORK slots, States will be expected to meet a WORK participation standard. Financial penalties are applied if the standard is not met. To meet this standard, States are required to meet either: The number required so that 80 percent of those who are registered for the WORK program are assigned to a WORK slot, or the number required so that total number of WORK slots the State is required to create, based on their funding allocation, are filled by individuals assigned to a WORK slot. For the proportion of caseload below the applicable standard, a 25 percent *reduction* in the FFP for AFDC benefits will be levied using the average AFDC benefit level paid in the State to determine the amount of the penalty.

3. Mainstream Forum

All non-exempt recipients would be required to participate. No specific participation standards for States to meet are articulated.

E. Economic Development1. Current Law

No provisions.

2. Administration Proposal

The proposal would allow States to establish Individual Development Accounts, in cooperation with local financial institutions, to encourage savings among participants of income assistance programs. Recipients would be able to save up to \$10,000 in a tax deferred account for purposes of educational expenses or buying a new home. Funds in the account would be excluded from determining resources for purposes of eligibility. Withdrawals for unqualified purposes would result in a 10% penalty of the amount withdrawn. Participants would be limited to a \$1,000 deposit limit per year. The federal government would provide \$500 in starter funds to make the establishment of such accounts more attractive (recipients would be entitled to withdraw these initial funds but would instead "replace" them with their own deposits). In a demonstration program, recipients could participate in a subsidized IDAs whereby the State would match participants' deposits up to \$2,500.

In a related program, States would be permitted to encourage people to start microenterprises; Demonstration program to promote self-employment by providing access to micro-loan funds and technical assistance in obtaining loans and starting businesses as a means to achieve self-sufficiency.

3. Mainstream Forum

As part of Work First, States are permitted to use Federal community and rural development and job training funds to make direct loans to nonprofit groups to provide technical assistance, training, and credit to low income entrepreneurs for the purpose of establishing a micro-enterprise. With regards to the resources of microenterprise, States shall disregard \$8,000 of the net worth (assets produced by liabilities) for a period of 2 years. Net profits shall be treated as earned income during that same period. The Targeted Job Tax Credit is amended, doubling the

*COMPARISON OF WELFARE REFORM PROVISIONS -- continued**(draft)*

minimum period of employment required for an employer to receive credit.

Additionally, States shall disregard from resources up to \$8,000 in 1 qualified asset account ("a mechanism approved by the state...IRA, Escrow, or savings bond") for 1 member of the family. Money can be used for post-secondary school, purchase of a house or automobile, or for the establishment or operation of a microenterprise. The penalty for an unqualified use of these funds would be to treat the funds as income; resulting in ineligibility for the participant in some cases.

## V. FUNDING AND MATCHING RATES

### 1. Current Law

States are reimbursed at a 90 percent rate for JOBS expenditures up to the amount allotted to the State in FY 1987 for WIN. States face financial penalties if program resources are not targeted towards specified populations. 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; The cap for JOBS was \$600 million in FY 1989, it increases to \$1.3 Billion in FY 1995, and decreases to \$1 billion for FY 1996 and beyond; Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for State match.

### 2. Administration Proposal

The Federal match rates (for each State) for all JOBS expenditures would be set at FMAP plus 5 percentage points with a floor of 65, generally increasing to 10 percentage points and a floor of 70 in later years to match anticipated needs. Spending for direct program and administrative costs would be matched at the same rate. The JOBS capped entitlement (Federal) would be set at \$1.75 billion for FY 1996, \$1.7 billion for FY 1997, \$1.8 billion for FY 1998, and \$1.9 billion for each of the fiscal years 1998, 1999, and 2000. This capped amount would be adjusted automatically for inflation after FY 2004. In addition, a \$300 million fund would be set-aside for purposes of use by the Secretary. States who have drawn down their entire allocation would be permitted to draw-down additional funds from the capped amount that other States had not.

A separate capped entitlement would be established for the WORK program to cover operational costs (the same match rates apply). The WORK capped entitlement (Federal) would be set at \$200 million for FY 1998, \$700 million for FY 1999, \$1.1 billion for FY 2000, \$1.3 billion for FY 2001, \$1.4 billion for FY 2002, \$1.6 billion for FY 2003, and \$1.7 billion for each of the fiscal years thereafter, adjusted for inflation. A State would be permitted to reallocate an amount up to 10% of its combined JOBS and WORK allotments from its JOBS program to its WORK program and vice versa. Match rates and capped amounts would be adjusted in cases of high unemployment to accommodate extreme circumstances.

### 3. Mainstream Forum

For all 50 States and D.C., Federal government share set at 80% and the State share set at 20%. Work First is an uncapped entitlement; lower match for territories. Funding for Work First is an uncapped entitlement.

## VI. CHILD SUPPORT ENFORCEMENT

### A. Paternity Establishment

#### 1. Current Law

Clients must cooperate with the State in establishing paternity, unless there is "good cause." If client does not cooperate, her portion of the AFDC benefit will be terminated unless no such payee can be found; Under the Omnibus Reconciliation Act of 1993, States must have procedures in place for a simple civil process for voluntarily acknowledging paternity. The act also calls for strengthened paternity establishment standards for each State based upon past figures.