

WR-Testimony

Testimony

of

Mary Jo Bane

Assistant Secretary for Children and Families

at

Subcommittee on Human Resources

Committee on Ways and Means

United States House of Representatives

May 22, 1996

- ① EDITS
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Mr. Chairman, Mr. Ford, and members of the ^ACommittee: I want to thank you for giving me the opportunity to testify today about the President's vision for welfare reform. Throughout the years, this committee, including many of its current members, has built a great tradition of bipartisan leadership on the issues of welfare reform. We look forward to working closely with you in this tradition to reach a bipartisan consensus on welfare reform legislation.

Last month, the Administration submitted to Congress a welfare reform bill entitled the "Work First and Personal Responsibility Act of 1996". This bill will replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides ~~states~~ with broad flexibility. This comprehensive proposal lays the groundwork to reform the Nation's failed welfare system and serves as an excellent starting point for further discussions that we hope will lead to bipartisan reform.

The President has made it clear that, if Congress sends him a clean welfare reform bill that requires work, promotes responsibility and protects children, he will sign it. However, as the President has noted, good welfare reform should not be ruined by attaching bad proposals that shouldn't be there in the first place. For example, ^{the President has told} if Congress ^{not to} links welfare reform to Medicaid changes that cut coverage to children, to pregnant women, to the elderly, to disabled adults, and to families with children with disabilities, or to cuts in the earned income tax credit which would result in raising taxes on working families, ~~it would be impossible for the President to sign a welfare reform bill.~~ We strongly hope for legislation that follows the ^{welfare} example of the original NGA agreement, the Senate-passed bill, and the recent bipartisan initiatives in both ^{builds upon}

in a way
 Houses ~~as~~ that ~~is~~ ^{can} be endorsed by a majority of Democrats and Republicans in both chambers of Congress and supported by the American people.

We greatly appreciate the efforts of the NGA in achieving a bipartisan consensus on a framework for welfare legislation and in continuing to work to add further detail to its proposals. While their proposal still needs to be improved in important ways, we believe that the governors have moved the debate forward and have increased the likelihood that Republicans and Democrats will produce bipartisan solutions to reforming our welfare and Medicaid programs. We also appreciate the fine work of the bipartisan Castle/Tanner and Breaux/Chafee groups on welfare reform. H.R. 3266, introduced by Representatives Castle (R-DE) and John Tanner (D-TN), addresses many of our concerns with the H.R. 4 conference report. It is now up to this Administration and this Congress to build on the spirit of these bipartisan efforts to reach our mutual goals: flexibility for the states; incentives for AFDC recipients to move from welfare to work; increased parental responsibility; and protections for our most precious resource, our children.

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The Changing Landscape

We are proud that the efforts we have taken over the past years at both the federal and state levels have begun to pay off. As the President noted in his State of the Union Address, we have started to receive some considerable good news. Several long-term negative trends have begun to reverse themselves.

INSERT FOR PAGE 2

The Administration is concerned that the Budget Resolutions do not appear consistent with the goal of a bipartisan welfare reform the President could sign. Both the House and Senate Committee-reported resolutions seek the full level of savings that were in the vetoed welfare bill — 6-year savings of \$53 billion (excluding Medicaid savings) under CBO's new baseline. If the Congress sought to meet this target while providing the child care and work program funding needed, ~~it would have to cut~~ Food Stamps, immigrant eligibility, SSI, and other programs ~~even more deeply than~~ the vetoed welfare bill. And as you know the President said that HR 4 cut too deep in immigrant assistance, food stamps, and SSI, in addition to the problems in the replacement for AFDC. I hope and trust this Committee will report out welfare reform provisions that both Republicans and Democrats can support, and will work with the other Committees and the Senate to develop a bill the President can sign.

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Those cuts could be

Significant added cuts would be required, most likely to come from

Recent Trends

The welfare rolls are down. Since January of 1993, the number of people receiving AFDC has declined about 9 percent -- from 14.1 million to 12.8 million in February of 1996.

Many more AFDC recipients are participating in work and training activities. Between 1992 and 1995, the number of recipients participating in the JOBS program (in an average month) rose 28 percent, from 510,000 to 650,000.

The child and general poverty rates are down. The poverty rates for children under 18 declined from 22.7 percent in 1993 to 21.8 percent in 1994, while the general poverty rate declined from 15.1 percent to 14.5 percent. After four straight years of increases, the number of people living in poverty fell -- from 39.3 million in 1993 to 38.1 million in 1994.

Food Stamp rolls are down. Food stamp participation has fallen by over 2 million persons since February 1994 to 25.7 million in February 1996.

Teen birth rates have gone down. According to the CDC, the birth rate for teens aged 15-19 declined 4 percent from 1991 to 1993. (Also, in 30 of 41 reporting States, teen pregnancy rates declined between 1991 and 1992.)

We also have encouraging evidence on how well the JOBS program can work. A recent evaluation of employment-focused JOBS programs showed that program enrollees received 22 percent fewer AFDC benefits and 14 percent fewer food stamp benefits. They also were about 25 percent more likely than those not enrolled in JOBS to be employed and to have higher earnings.

Child support collections are up. We continue to make progress in our efforts to ensure that absent parents contribute to the support of their children. Between 1992 and 1995, child support collections rose 40 percent, from \$8 billion to \$11 billion. Similarly, preliminary data show an estimated 735,000 paternities established in FY 1995, up from about 516,000 in 1992.

These increases reflect improvements in state collection and paternity establishment efforts, IRS *offsets* seizure of income tax refunds, and federal accountability for payments of support due by federal employees.

Economic Gains

~~Much of the improvement in the poverty and out-of-pocket numbers can be attributed to the~~
~~improved economy.~~ Under the Clinton Administration, we are producing more jobs and enabling more families to become self-supporting. The financial conditions of state and local governments have improved, enabling them to implement the provisions of the Family Support Act more fully. States have been able to provide AFDC recipients more of the services they

need to secure and keep employment.

The President also has worked with the Congress to ~~expand~~ expand the Earned Income Tax Credit to help make work pay more than welfare. This program, ~~which President~~ ~~Reagan said was the most pro-family, pro-work initiative undertaken by the United States in the~~ ~~last generation~~, is a powerful work incentive that enables hundreds of thousands of families to choose work over welfare. The expansion enacted in 1993 increased the annual take-home pay by \$1,360 for a two child family with a parent working full time at the minimum wage.

\$1,430

Waiver and Demonstration Projects

In addition to the improved economy, we believe the initiation and implementation of major welfare reform efforts at the state and local level has been a critical factor in the decline of the welfare rolls. Over the last three years, we have worked with governors and elected officials to give 38 states flexibility to design welfare reform strategies that meet their specific needs. This Administration has encouraged states to find innovative ways to move people from welfare to work and to promote parental responsibility. These efforts are directly affecting almost 10 million recipients throughout the country or 75 percent of all welfare recipients nationwide. States, led by governors of both parties, are now demanding and supporting work; time-limiting assistance; requiring teens to stay in school and live at home; strengthening child support enforcement; and strengthening families. To enable us to be more responsive to states' interest in welfare reform, last summer we implemented a "fast-track waiver" process which

promises approval within 30 days for state requests which follow one of five strategies for reform. Our "fast track" process also allows electronic application via the Internet.

Executive Actions

We continue to move ahead. On May 10, the President directed Secretary Shalala to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief -- which I'm confident is shared by this committee, Congress, and the States -- that encouraging parental responsibility must remain a bipartisan imperative.

Building on the successful efforts of several teen parent demonstrations, these actions are designed to ensure that virtually all teen parents on welfare get the education and support they need to move towards self-sufficiency. We want to ensure that, consistent with current law, teen parents get and stay on a path that will give them and their children the opportunity for achieving productive and healthy lives. Ohio has used the flexibility offered by the current waiver process to implement a model program called LEAP -- Learning, Earning, and Parenting. A recent report showed that LEAP has significantly increased the number of teen mothers who completed school, went to work, and left welfare.

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Secretary Shalala has written to all governors recognizing efforts made to date and soliciting their cooperation in fully implementing the President's initiative. On May 14th, we issued an action transmittal giving state agencies additional guidance. The action transmittal:

The President directed and regulations were published on May 1st that would change the rule to ensure that welfare recipients who refuse to work or go to school do not receive increased Food Stamps benefits to offset the decreases made in their welfare checks.

No

- 1) Requires states and Tribal grantees to update their JORS plans by describing how they will monitor school attendance, ensure that teen parents stay in school, and provide needed services, such as safe and healthy child care for children while their parents are in school.
- 2) Requires states and Tribal grantees to require teen parents to sign comprehensive personal responsibility plans. These plans address not just employment goals, but expectations regarding school attendance, possible parenting activities or other parental responsibilities, and services to be provided in support of their participation in activities. The Personal Responsibility Plan reminds the teen parent that establishing paternity to receive child support, finishing school and then finding work is paramount to becoming self-sufficient. In this way, Personal Responsibility Plans reinforces state-designed welfare reform and cultural change activities taking place across the country.
- 3) Enables states to reward teen parents who stay in school and complete high school, in addition to sanctioning those who don't. *This will allow more states to follow Ohio's lead and set up programs similar to the encouraging LEAP initiative.*
- 4) Strongly urges states to implement the optional AFDC provision requiring minor parents to live at home or with a responsible adult to receive assistance. Currently, only 21 states are implementing this minor parent provision. We are urging all 50 states to help ensure that teen parents live in supportive family

environments to improve their chances for productive, successful lives.

Finally, the action transmittal addresses our commitment to working in partnership with states on developing effective teen parent programs, through information-sharing, technical assistance, and other related activities.

Need for Legislative Action

While the waiver projects, recent executive actions, and other initiatives underway can help the welfare system work more effectively, we know they cannot produce the fundamental, nationwide changes that bipartisan Congressional legislation would. As the President said in January, we should take advantage of bipartisan consensus on time limits, work requirements, and child support enforcement to enact national welfare reform legislation. The President has consistently called for bipartisan welfare reform, and the Administration applauds the way Republican and Democrat governors came together on the NGA recommendations. While we have some specific concerns, we also feel there is great promise *in the NGA plan and* in the bipartisan proposals put forward by the Castle/Tanner group on welfare reform in the House, and the Broux/Chafee group in the Senate. We hope these bipartisan efforts can provide the necessary catalyst for enactment of legislation this year.

We all want welfare reform that promotes work, requires responsibility, and protects children. Real welfare reform is first and foremost about work: requiring recipients to make

the transition into the work force as quickly as possible and giving them the tools they need to enter and succeed in the labor market. This will require a change in the culture of welfare offices so that every action provides support and encouragement for the transition to work.

The President's Proposal

The President, as part of his balanced budget plan, has proposed a common sense reform plan that would help to balance the budget while meeting our welfare reform objectives. This comprehensive proposal honors the values of work, responsibility and the family, while providing states with broad flexibility to tailor welfare reforms to meet state and local needs. The "Work First and Personal Responsibility Act of 1996" has several key features which we believe are essential to any true welfare reform measure.

It promotes work. It replaces welfare with a new, time-limited, conditional ^{benefit} entitlement in return for work. Within two years, parents must go to work, and after five years, cash benefits end. All adult recipients must enter into personal responsibility agreements. States with the most effective programs are eligible for performance bonuses.

It promotes responsibility and family. It requires minor mothers to live at home and go to school, and it gives states the option to deny additional benefits for additional children who are born while their parents are on welfare. It also contains tough child support enforcement measures: streamlined paternity establishment, new hire reporting, uniform

interstate child support laws, computerized statewide collections, and driver's license revocation. In the immigration area, it increases the responsibilities of alien sponsors by making affidavits of support legally enforceable and expanding the deeming of sponsor income.

It protects children. It preserves the national commitment to healthy and safe child care, nutrition assistance, foster care, and adoption assistance, and it preserves the ability of states to respond to growing caseloads. It protects states in the event of economic downturns or population growth, ^{maintaining health coverage for poor families,} provides the resources needed to ~~meet the need for~~ ~~child care, continues to~~ guarantee child care for families required to work and transition off welfare, and provides mandatory vouchers ~~and sustained Medicaid~~ ~~coverage~~ for children whose parents reach the time limit.

It provides state flexibility. It gives states new flexibility to design their own approaches to welfare reform. It allows states not only to set their own benefit levels, but gives them new freedom to decide the eligibility rules for needy families -- e.g., in terms of counting income, setting resource limits, and defining family units. It also provides states more flexibility to administer their programs as they see fit, with a redirection of federal oversight from process to outcome issues. However, it retains procedural requirements where needed to maintain program integrity and protect against fraud (while making it easier to recover improper payments).

Taken together, these proposals will end the current welfare system, by requiring work, demanding responsibility, strengthening families, protecting children, and providing state flexibility.

The NGA Agreement

The NGA agreement makes numerous modifications to the conference welfare bill that President Clinton was forced to veto last year. Many of these modifications, if adopted by the Congress, would improve and strengthen Congress' welfare reform bill and move it closer to the President's vision of true welfare reform.

For example:

o the NGA proposal reflects an understanding of the child care resources states will need in implementing welfare reform by adding \$4 billion for child care above the level in the conference report for H.R. 4. *This improves upon HR 4, which*
needed The additional investment *does not*
~~that child care resources are available both~~ *provide* for those required to move from welfare to work and low-income working families at-risk of welfare dependency.

o It recognizes the importance of child support enforcement to welfare reform and includes all of the major proposals for child support enforcement reform in the

President's bill.

- o it makes improvements to the performance bonus provisions in the conference agreement by establishing a separate funding stream to pay for bonuses.
- o it modifies the work requirements to make them more feasible and less costly for states to meet. In particular, the Administration is very supportive of provisions that allow part-time work for mothers with pre-school age children and that *give states more flexibility to set the number of hours per week* ~~reduce the required number of hours per week from 35 to 25~~ *welfare recipients must work.*
- o it adopts several provisions from the Senate-passed bill -- including exemptions from the time limit; a true state option on implementing a family cap; and requirements that teen mothers live at home and stay in school.
- o The NGA proposal ~~does not include any immigrant provisions.~~ However, in the *agreement did* NGA letter to the welfare conference dated October 10, 1995, the governors specifically supported the deeming approach of the Administration and opposed banning provisions such as those contained in H.R. 4.
- o *It provides some additional resources for a counter cyclical contingency fund and adopts another, more responsive trigger mechanism (which allows states to qualify for contingency funds) based on Food Stamps case load.*
Maintaining a strong federal-state partnership. While the NGA proposal improves on the conference bill in a number of ways, the Administration has serious concerns about several

It does not include any of the provisions for a child nutrition block grant demonstration proposed in H.R. 4 which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.

provisions. We agree that states must have flexibility to design programs to meet their specific needs. However, it is equally essential that the federal government ensure accountability in the use of tax dollars and make certain the safety net for poor children is maintained.

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. The current system of federal and state matching always has been the "glue" that holds this partnership together; it is an integral part of the welfare reform plan the Administration has proposed, but is largely absent from the NGA proposals. There is not adequate accountability for taxpayer dollars or adequate protections against worker displacement.

Among the specific NGA provisions we oppose are:

- o the authority of states to transfer up to 30 percent of its cash assistance block to other programs such as Title XX, the Social Services Block Grant (in effect,

permitting substitution of federal dollars for state dollars); *and reducing the effective maintenance of effort requirement to 45 percent or less (and 0 percent for some states).*

- o the omission of Senate provisions for ensuring safe and healthy child care;
- o the lack of a strong requirement that states set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment;
- o the block grants ~~in~~ in child welfare. Federal and state child protection

programs provide an essential safety net for the nation's abused and neglected children in foster care and special needs children needing adoption. As we embark upon bold new welfare reform initiatives, it is critical to maintain a strong child protection system for these extremely vulnerable children. Unlike the Senate's bipartisan approach to child protection, the NGA proposal jeopardizes this essential safety net by allowing states to replace current entitlements for adoption, foster care, independent living and family preservation with block grants. The NGA proposal also would block grant important programs focused on prevention of child abuse and neglect.

and other provisions that weaken national standards
 o the optional Food Stamp block grant. The nutrition and health of millions of children, working families, and elderly could be jeopardized if many states took advantage of this option. ~~Similarly, the proposed school nutrition block grant demonstrations would undermine the program's ability to respond automatically to economic changes and to maintain national nutrition standards.~~

o *The NGA would cut off all food stamp benefits to over half a million low-income Americans who cannot find a job after four months. We agree that anyone who can work should work, but think that public work programs need to be available to people who want to work but can't find it.*
 Castle/Tanner Proposal

NO

The Castle/Tanner proposal addresses many of our concerns about the NGA proposals and provides more viable funding *for welfare to work activities* than either H.R. 4 or the NGA proposal. In particular, this bipartisan compromise provides better assurance that recipients will be treated fairly and

o finally, we believe that overall ~~budget~~ ^{cuts} included in the NGA proposal are too deep. In particular, we are concerned with excessive food stamp reductions. In addition, although the NGA made no specific recommendations regarding benefits to immigrants, we are very concerned that legislative language incorporating our recommendations may include the harsh bars and deep reductions of the vetoed conference bill.

NO

equitably; provides \$3 billion in additional federal matching funds for work activities; maintains health and safety protections for children in child care; allows ^{for further expansion of} increases in contingency funding (above the \$3 billion cap) ^{during poor economic conditions and periods of increased need;} ~~under certain situations~~; strengthens the general maintenance-of-effort requirements; requires personal responsibility plans for all AFDC recipients; includes a modest proposal for a national strategy for preventing out-of-wedlock teen pregnancies; and maintains the current safety net for the nation's abused, neglected and adopted children and children in foster care.

^{work, child care, and contingency}
 We believe this proposal provides more viable ^{work, child care, and contingency} funding than either H.R. 4 or the NGA proposal, and it provides for a stronger federal-state partnership. With some changes, we believe the Castle-Tanner bill could provide the foundation for a truly bipartisan bill.

^{AFDC}
 Conclusion ^{, primarily to the Medicaid link, support for children after the time limit, and immigrant provisions,}

In conclusion, Mr. Chairman, let me restate the Administration's commitment to enact bipartisan welfare reform legislation. I know the President shares my hope that, with the leadership of this committee, the bipartisan cooperation that existed in 1988 will surface again to address the critical issue of welfare reform.

The American people want Congress to pass a bill that the President can sign -- that honors our values and ensures fiscal integrity. They want a bill that promotes work and responsibility, but also protects children and our other most vulnerable citizens. They want a

bill that supports families who play by the rules and rewards those who work hard to support themselves. They want a bill which ensures accountability for use of taxpayer funds. They want real welfare reform; they do not want the federal government to abdicate its responsibilities.

The challenge you face is to develop a bill that can do all these things. It is a difficult challenge, but we know it can be done. The Administration was disappointed with the bill that came out of conference on H.R. 4 last year, but we have been heartened by some of the developments that have taken place since then. We hope that additional progress can be made and that Congress will produce a bill the President can sign.

Again, I want to thank this Committee for giving me the opportunity to testify today, and I look forward to answering your questions.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

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6/11/96

LEGISLATIVE REFERRAL MEMORANDUM

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SUBJECT: HHS Proposed Testimony on Welfare and Medicaid Reform Proposals

WR-Testimony

DEADLINE: *1 pm* Wednesday, June 12, 1996

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Attached is draft HHS testimony on welfare and Medicaid reform proposals. Sec. Shaflata plans to give this testimony before the Senate Finance Committee on Thursday, June 13th. Please submit your comments on the Medicaid portion of the testimony to Bob Pellicci (tel. 202-395-4871) and the welfare-related portion to Melinda Haskins (tel. 202-395-3923).
** THIS DEADLINE IS FIRM.

AGENCIES:

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Testimony :

Donna E. Shalala

Secretary of Health and Human Services

at

Senate Finance Committee

Hearing on Medicaid and Welfare Reform

June 13, 1996

GOOD MORNING:

Mr. Chairman, Senator Moynihan, members of the Committee, it is my distinct pleasure to appear before you today to discuss the Medicaid and welfare reform proposals introduced by Chairman Roth and others on May 22nd.

As the Congress continues to consider ways to reform Medicaid and welfare and pursue a balanced Federal budget, we appreciate the opportunity to state clearly the President's vision for reform in these areas.

The Clinton Administration believes that we must balance the budget by the year 2002 and give more responsibility to the states and local communities. But we must do it in a way that is consistent with the values of our nation. As the President has said time and time again: We can balance the budget and find common ground -- without turning our backs on our values, our families, and our future.

In Medicaid, we believe we can give the states the flexibility they need, while maintaining a strong federal-state partnership built on a foundation of shared resources, accountability to the taxpayers, and national protections for the most vulnerable Americans. That is why the President has proposed a common sense plan, and that is why he has refused to sign legislation which breaks our promises.

As part of his balanced budget plan, the President has submitted to the Congress a welfare reform bill entitled the

3.

"Work First and Personal Responsibility Act of 1996". The President's bill would replace the current welfare system with one that demands responsibility, strengthens families, protects children, and provides states with broad flexibility and the resources they need to get the job done. It is a comprehensive proposal that reflects the common ground developed among those in and out of Congress who have worked tirelessly to reform our nation's welfare system. We strongly hope for legislation that builds upon this proposal and the recent bipartisan initiatives from the nation's governors and moderate Republicans and Democrats in both houses of Congress.

The President is committed to balancing the budget and enacting real welfare and Medicaid reforms. However, the President has also made it clear that the current strategy of the majority in Congress to link welfare reform to unacceptable changes in Medicaid will leave him no choice but to veto the entire package. We call on Congressional leaders to abandon the "poison pill" strategy that is designed to provoke a veto. We strongly support the bipartisan efforts of the governors and the Breaux-Chafee and Castle-Tanner groups to reform welfare without gutting Medicaid.

Before I continue, let me note in particular the fine work of Senators Chafee and Breaux and the members of their bipartisan group on both Medicaid and welfare reform. While we have yet to review many details and still have some concerns, I think the willingness of Senators of good will to join together across the

able to agree on meaningful reforms is an example to us all. The President believes their proposals could very well be the foundation for a broad bipartisan effort to enact meaningful reforms.

Let me begin by discussing Medicaid.

Medicaid

Medicaid provides vitally important health and long-term care coverage for approximately 37 million Americans and their families:

- o It provides primary and preventive care for 18 million low-income children;
- o It covers 6 million individuals with disabilities -- providing the health, rehabilitation, and long-term care services that would otherwise be unaffordable for these individuals and their families;
- o It covers 4 million senior citizens -- including long-term care benefits that provide financial protection for beneficiaries, spouses, and the adult children of those requiring nursing home care.
- o Finally, it pays the Medicare premium and cost sharing for low income seniors, thus putting the benefits of Medicare within reach.

The Clinton Administration is dedicated to strengthening and improving Medicaid so that it can continue to fulfill the promise of our nation to millions of children, elderly, and disabled

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Americans and their families. To achieve this goal, this Administration has worked vigorously in partnership with the states to test innovative new approaches to delivering and financing care for Medicaid patients. During our first 3 years in office, this Administration approved 91 major Freedom of Choice waivers and waiver renewals, which allow states to enroll beneficiaries in managed care plans. We have also approved 163 new and renewed Home and Community-Based Services waivers, which enable states to use home care as an alternative to costly nursing home care. In addition, since January 1993 we have approved 12 statewide Medicaid demonstrations, compared to a total of one such demonstration approved under all previous administrations combined. Some statewide demonstrations expand access to the uninsured, others test new methods for delivering mental health services, and still others implement simplified eligibility requirements.

The flexibility provided by these waivers has allowed states to improve the efficiency with which they provide care. Some states have used the resulting savings to cover additional populations with unmet health care needs. When all of the currently approved demonstrations are implemented, nearly 2.2 million individuals who did not receive Medicaid coverage will be eligible for services.

As part of his balanced budget plan, the President has proposed a carefully designed and balanced approach to Medicaid reform which builds on this experience. His plan preserves the

essential elements of Medicaid (title XIX of the Social Security Act) while making important changes that will give states unprecedented flexibility to meet the needs of the people they serve. The President's plan is build upon three core principles: (1) the need for a real, enforceable Federal guarantee of coverage to a congressionally-defined benefit package; (2) appropriate shared Federal and state financing; and (3) quality standards, beneficiary protections, and accountability.

The President's plan fulfills these principles while contributing Federal savings to the balanced budget plan through reductions in disproportionate share hospital payments and the use of a per capita cap on Federal matching that adjusts automatically to changes in state Medicaid enrollment and changes in the economy. The President's plan also provides states far greater flexibility to better manage their programs, pay providers of care, and operate managed care and other arrangements with reasonable Federal requirements to maintain programmatic and fiscal accountability.

As you know, the President strongly opposed the Medicaid proposals passed by Congress last year because they failed to meet his core principles. The Congress repealed the Medicaid program and replaced it with a new "Medigrant" program that did not provide meaningful Federal guarantees of eligibility or benefits. The Congress also put forward a "block-grant" funding mechanism that breached the 30 year Federal commitment with the states to share in changes in state Medicaid spending

that left states with the full financial responsibility for providing health care to individuals who would qualify for services in the future due to unanticipated enrollment increases or economic downturns.

Last February, the National Governors' Association approved the outlines of a bipartisan Medicaid reform plan. As I testified before this Committee in March, we believed the governors' plan -- produced through a bipartisan process-- held some promise and we were hopeful that, once more details were known, there would be a real basis for Medicaid reform. The governors clearly worked very hard to move the debate forward. At the same time, however, I discussed the Administration's concerns with some key elements of the governors' plan.

Last month, the Republican majority in both Houses of Congress introduced a revised version of their Medicaid bill, which I will discuss today. Unfortunately, this bill moves us further away from the bipartisan reform envisioned by the governors, and much closer to the Republican legislation that the President vetoed last year. Our view is shared by the Democratic governors who were instrumental in crafting the NGA agreement. In a May 29 letter to Senator Roth, four Democratic governors stated that:

"[The Republicans'] Medicaid proposal is far from the NGA agreement and appears to be more like the proposal vetoed by the President last year and rejected by the Governors at our winter meeting.... [A]ccording to our early calculations,

96 percent of the funding under this new formula is distributed precisely in the same manner as your earlier bills proposed. You have created a block grant for this program with essentially the same language and parameters of the vetoed bill -- a block grant that denies a safety net for our most vulnerable citizens."

Let me be clear: the new Republican bill, like its predecessor, fails to meet the President's basic principles for Medicaid reform. If this bill is sent to the President, I would recommend that he veto it.

I will now discuss why the new Republican Medicaid plan fails to meet each of the President's three core principles.

The Federal Guarantee of Coverage and Benefits

The Federal "guarantee" of coverage and benefits is at the core of the Medicaid program. Unfortunately, the term "guarantee" has been assigned very different meanings in the context of the current Medicaid debate. When we use the term guarantee in the context of a Federal statute like Medicaid, we mean a real guarantee, composed of three interrelated components: definitions of 1) eligibility; 2) benefits, and 3) enforcement.

Eligibility: Let's begin with eligibility. The new Republican bill would deny millions of Americans the Federal guarantee of Medicaid eligibility that they now have under current law. The bill repeals the phase-in of the Federal

guarantee of Medicaid coverage for children ages 13 to 18 in families with income below the Federal poverty level -- a bipartisan coverage expansion signed into law by President Bush.

In addition, the new Republican bill repeals the Federal standard for defining disability and replaces it with language that could mean 50 separate state definitions. This has the effect of making Medicaid coverage and benefits for those with disabilities uncertain and variable across the nation. For example, some states could use restricted definitions of disability that result in very limited coverage for those whose needs are pronounced and among the most costly. In fact, States might be forced to narrow their definitions of disability in order to cope with lower Federal funding levels. In such situations, narrow state definitions of disability could preclude individuals with HIV, certain physical disabilities, or mental illness from receiving critically needed services under Medicaid. We should not turn back the clock on those with disabilities by permitting 50 different state definitions for purposes of Medicaid coverage.

The new Republican bill also eliminates the current law requirement that Medicaid be provided for one year to persons who leave welfare in order to join the workforce. By eliminating this guarantee, the Republican proposal could discourage individuals from leaving welfare and set back our efforts to reform the welfare system.

Finally, the new Republican bill gives states the authority to impose additional eligibility limits based on age, residence, employment or immigration status, or more restrictive definitions of assets and income. This provision will enable states, if financially necessary, to restrict eligibility even among those people who supposedly are "guaranteed" coverage.

Benefits: Eligibility is only one component of the guarantee. The next question is "eligibility for what?", which brings us to benefits. The new Republican bill "guarantees" some benefits for those populations who are "guaranteed" eligibility. But this guarantee is hollow. Many loopholes make it essentially meaningless.

One giant loophole in the "guarantee of benefits" relates to the adequacy of the benefits. Current Medicaid law and regulations already give states substantial flexibility in defining the amount, duration, and scope of benefits, and states have used this flexibility to tailor Medicaid packages to their unique circumstances. This latitude is tempered by a very reasonable constraint -- benefits must be "sufficient to reasonably achieve their purpose." The Republican bill removes this sensible provision, giving states complete flexibility on amount, duration, and scope. Thus, states could "guarantee" coverage for hospital and physician services, but -- if forced to do so -- could limit this coverage to unreasonably low levels such as 3 days of hospital care and one physician visit per year. This type of guarantee is meaningless for persons who truly need medical care.

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Another loophole in this "guarantee" is the new elimination of current law standards of comparability and "statewideness" of services. Without these standards, some states could offer different coverage and benefit packages in different parts of the state, or to different groups based on their age or diagnosis. Eliminating requirements for comparability and statewideness leaves states free to discriminate against persons who live in certain areas, who have specific diseases (such as AIDS), or who lack political clout (such as children).

The new Republican bill also severely curtails the treatment services which must be provided under the Early and Periodic, Screening, Diagnosis, and Treatment (EPSDT) program. Under the Republican bill, children must be screened for a range of health problems, but treatment is only required for dental, hearing, and vision problems. If a child is diagnosed with any other medical problem, they are not guaranteed treatment. Therefore, an asthmatic child would not be guaranteed coverage for treatment, such as asthma-controlling drugs or inhalers. Diagnosis without treatment is bad medical care and a wasteful use of taxpayers' dollars.

Enforcement: The third essential component of the Federal guarantee is enforcement. Implicit in the concept of defined populations and defined benefits is the notion of a meaningful enforcement mechanism. A Federal cause of action for beneficiaries assures that those seeking a remedy for the deprivation of medical care receive the same due process rights everywhere in the United States. The new Republican bill

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requires states to provide a state right of action, but eliminates the Federal right of action for individuals and providers who assert that a state is violating Federal Medicaid laws. The only access to Federal court for such claims would be if the Secretary brings the action to Federal court on behalf of the individual or if the individual petitioned the U.S. Supreme Court for review of a decision of a state's highest court. By denying beneficiaries access to the Federal courts, the Republican bill eliminates individuals' guarantee to enforceable Federal benefits. Thus, Medicaid would confer a Federal right to benefits but lack a Federal enforcement mechanism - a virtually unprecedented situation.

Provider suits against states have caused the greatest problems for the states. Under the Administration's plan, the Boren Amendment and related provider payment provisions would be repealed, thereby eliminating these causes of action by providers. Thus, the Administration's plan resolves states' major concern about their exposure to providers' suits in Federal court, and does not undermine beneficiaries' ability to enforce their Federal guarantee to coverage and benefits.

On balance, when we assess the three components required to make any guarantee real -- the definitions of eligibility, benefits, and enforcement -- we find that the so-called "guarantee" of Medicaid coverage and benefits contained in the new Republican bill is neither real nor enforceable for beneficiaries. This is not about whether the governors can be

trusted. They can be trusted, which is why our proposal offers states unprecedented flexibility in program management and why we have worked with so many states on their innovative demonstrations. The issue is whether an individual, regardless of where he or she lives, is guaranteed meaningful coverage.

Financing

The President's second principle for Medicaid reform is an appropriate financing structure -- namely, one that maintains the Federal-state partnership that has been at the heart of the Medicaid program for 30 years. Under this partnership, Federal dollars follow the people, meaning that the Federal government shares responsibility with the states for increased costs associated with increases in enrollment. As with the Federal guarantee of coverage and benefits, the new Republican bill falls far short of meeting this principle.

This newest financing structure is simply the MediGrant II block grant formula, dressed up with a tiny embellishment to pay lip service to the governors' principles that funding must automatically adjust for enrollment.

To demonstrate this point, I will walk through each component of the financing structure of the new Republican bill, and I will use this next chart to illustrate my points (Chart C).

Base Allotment: The first component of the Republican funding system is called the base allotment. These allotments, which account for an average of 96 percent of total Federal

spending over the 6 year period (as shown on the chart) are distributed to states based on a formula that includes factors such as "needs-based amounts" and "program need". Given this structure, at first it might appear that each state's base allotment is determined based on its actual need, including enrollment growth and caseload changes.

However, the base allotment is not what it seems. Only 5 percent of this 96 percent of funding is actually distributed based on need. The remaining 91 percent is distributed to states based on annual caps. Under this system, states' allotments are determined through the use of "floors" and "ceilings", rather than by the results of the needs-based formula. Each year, between 44 and 49 states' allotments are determined through a floor or ceiling. For these states, the new Republican bill is a block grant with a new name.

Furthermore, even the 5 percent "needs-based" funding does not truly reflect the financial need of states in their Medicaid programs. This is because it is determined by the number of poor people in a state rather than Medicaid enrollment growth. As a result, if the number of Medicaid enrollees in a state increases but the number of poor people does not, the state's base allotment would not increase.

Umbrella Fund: The second component of the financing structure is called the "umbrella fund", and it consists of supplemental Federal money that is to be distributed to states with high enrollment growth. But if the Republican umbrella is

the states' only protection against the costs of high enrollment growth, the states are going to get drenched. The entire umbrella fund accounts for only 3 percent of all Federal Medicaid spending; thus, it could provide only a fraction of what states would need in times of recession. In addition, it covers enrollment increases only for the year of the increase -- not for any later years during which the new enrollees continue to receive Medicaid. Thus, if a state suffered a three-year recession that caused its Medicaid enrollment to rise, it could get umbrella funds for new enrollees for their first year, but could be forced to bear the entire cost of these enrollees for any later years during which they remained on Medicaid.

This is shown on my next chart (Chart D). Assume that the recession begins in year 2. As you can see, this recession causes a dramatic increase in the state's enrollment, which triggers an umbrella payment to assist the state in covering the costs of these new enrollees. In year three, however, the state's enrollment remains at the same level as in year two, but this time there is no umbrella payment, because these payments are based only on changes in enrollment from the previous year, not total enrollment. Thus, the state is forced to bear the cost of the much higher enrollment with the same amount of Federal assistance as it received in year one.

Pools for Undocumented Aliens and Indians: The final component of the financing structure is \$4.3 billion to assist states in providing care for undocumented aliens and Native

Americans. The first pool is allocated across the 15 states with the highest numbers of undocumented aliens. The second pool is allocated among all states that have Indian-funded health facilities or programs.

Changes in FMAP and Taxes and Donations Laws

In addition to replacing the current financing partnership with a block grant to states, the new Republican bill also includes two changes in the way states finance their share of Medicaid costs. It increases the rate of Federal contribution to Medicaid (known as the FMAP) for many states, thereby reducing the amount of funds necessary to collect Federal matching funds. It also repeals the restrictions on states' use of provider tax and donation financing mechanisms.

While these proposals are appealing to many states, they raise significant concerns. Specifically, the proposed changes to the FMAP will raise the Federal share of national Medicaid spending from 57 percent to 63 percent. In addition, the FMAP changes could encourage states to reduce their contributions to the program, resulting in even deeper reductions in total Medicaid spending than this bill suggests. The new Republican bill will reduce total Federal spending on Medicaid by \$72 billion over 6 years. But total reductions in Medicaid spending could be far greater. The Center for Budget and Policy Priorities estimates that states could reduce their own spending on Medicaid by about \$185 billion over 6 years without decreasing the amount of Federal funds for which they are eligible. Thus,

the new Republican bill could lead to a total reduction of approximately \$257 billion in Medicaid spending over the next 6 years.

Defining and revising the appropriate Federal and state contributions and spending levels through matching formula or other means always will be one of the most difficult issues to settle in any Medicaid reform plan. There is no question that these matters merit careful attention in the long-term. The President's plan proposes to gain advice from an intergovernmental advisory commission on the appropriate relationship between Federal and state funding before the Congress proceeds to change the current distribution.

The new Republican bill also would permit unconstrained use of provider tax and donation financing approaches for the "state" share of Medicaid. These are the same financing approaches that were widely used by some states in the early 1990s to increase their Federal Medicaid payments without actually increasing state Medicaid spending.

During the late 1980s and early 1990s, many states took advantage of these types of financing mechanisms, costing the Federal government billions of dollars and helping to drive annual Medicaid spending growth rates to well over 20 percent. Congress responded in a bipartisan fashion by limiting the provider tax schemes and completely outlawing the donations schemes. Now, the Republican bill seeks to remove these restrictions that were passed with overwhelming bipartisan

support just a few years ago. Without these restrictions, states would be free to finance significant portions of the state share without contributing any real state dollars, leading to substantially lower support overall for the Medicaid program.

In summary, the new Republican bill fails to meet the President's second principle for Medicaid reform -- a financing structure that maintains the Federal-state partnership that has been at the heart of the Medicaid program for 30 years. Neither does it meet the financing principles agreed to on a bipartisan basis by the governors. The governors' proposal reflected a willingness to assume a greater responsibility for the management of the Medicaid program, but only if they had a strong financial partner to help meet the costs. The NGA proposal was designed to provide this Federal-state partnership, and was based on a funding mechanism that protected states from the full costs associated with actual changes in enrollment. The money was supposed to follow the people, in order to protect states from unexpected, uncontrollable enrollment increases. When the latest Republican proposal was released, it did not take the Democratic Governors long to realize that the centerpiece of their deal was no longer part of the mix.

Protecting beneficiaries, families, and taxpayers

This brings me to the President's third principle for Medicaid reform: protections for beneficiaries, families, and taxpayers. Once again, the new Republican bill fails to meet the President's principle.

The new Republican bill would repeal title XIX and create a new title for the Medicaid program. This has the effect of seriously compromising the framework for quality standards, beneficiary and family financial protections that limit families' out-of-pocket costs, and program accountability.

Out-of-Pocket Costs: This bill reduces or eliminates many long-standing family and beneficiary protections. For example, it would permit states to require adult children of Medicaid beneficiaries to contribute to the cost of their care, except for long-term care. In addition, the bill grants states broad discretion to impose cost-sharing requirements on Medicaid beneficiaries. It imposes minimal cost-sharing limits only for certain services to children and pregnant women below poverty, leaving other women, children, and most disabled and elderly fully exposed to potentially serious financial consequences. This lack of limits on cost-sharing is another factor which effectively undermines these persons' "guarantee" of eligibility and benefits.

In addition, while the bill retains current law provisions designed to protect spouses and other relatives of nursing home patients from excessive liability for the cost of care, repeal of the more general cost sharing protections significantly minimize these protections. For example, nursing home residents who have spent down their income to become eligible for Medicaid could be charged any level of cost-sharing to help pay for long term care services. In addition, services included in the nursing home

benefit could be reduced, leaving the spouses or children of nursing home residents to bear the full cost of these services. Furthermore, states could charge elderly or disabled persons any level of premium, which could be set so high as to effectively exclude them from the program.

Quality Assurance Requirements for Managed Care: In addition, the new Republican bill makes no mention of quality assurance requirements or monitoring responsibilities for Medicaid managed care. This is a serious concern since Medicaid managed care enrollment is increasing so dramatically. About one-third of beneficiaries now are in managed care, a 140 percent increase in enrollment over the past three years. The President's plan recognizes the need for updating managed care quality standards. It replaces some outdated approaches with a quality improvement program that must include appropriate standards for Medicaid-contracting health plans and data analysis that tracks utilization and outcomes.

Fiscal Accountability: Finally, we recognize that the Federal government finances well over half of Medicaid spending nationwide, at a cost to Federal taxpayers which is growing to more than \$100 billion a year. The Federal government has a responsibility to those taxpayers to ensure that these funds are spent efficiently and appropriately.

Fulfilling this responsibility requires imposing a minimal amount of reporting and monitoring requirements on states. There are ways, similar to the approach taken in the President's plan,

that would provide states with expanded flexibility in management and operation of their Medicaid programs, while ensuring accountability for funds at the same time. Unfortunately, the new Republican bill, includes no quality assurance requirements or monitoring responsibilities for Medicaid managed care, and it contains no mechanism to ensure that changes in benefits and cost-sharing do not jeopardize the sufficiency of coverage. Thus, under the Republican bill, the Federal government will finance a greater percentage of the Medicaid program, but taxpayers will have fewer assurances that their money is being well spent.

In summary, like its predecessor last fall, the new Republican bill fails to meet the President's third principle -- protecting beneficiaries, families, and taxpayers.

Let me conclude on Medicaid by focusing on one fundamental structural issue -- whether we approach the task of Medicaid reform by making changes in the current title XIX of the Social Security Act, or by repealing that program and replacing it with a new title. We support reform, not repeal, of title XIX. The potential unintended consequences of repealing and replacing this program are staggering -- for states, beneficiaries, providers, and the Federal government, especially when you consider that it would reopen thirty years of settled litigation. The Congress can address many of the most pressing concerns about any Medicaid reform plan by amending the current law.

We in the Administration believe that Medicaid must be financed through a Federal-state partnership that ensures Federal funding and provides a real, enforceable guarantee of coverage for a defined package of health and long-term care benefits. The President's plan proposes unprecedented flexibility for the states to operate their programs, pay providers, and use managed care and other delivery arrangements, while retaining and revising key standards related to quality and beneficiary financial protections. The President's proposal would achieve those objectives in a way that would also help to balance the budget by 2002.

Welfare Reform

Mr. Chairman, I would now like to turn to welfare reform. As we have worked to enhance state flexibility under Medicaid in the absence of national reform legislation, the Administration has also worked with states to transform their welfare systems to require work, promote parental responsibility, and protect children.

Over the last three years, within the framework of the Family Support Act, we have worked with governors and other state and local elected officials to give 39 states flexibility to design welfare reform strategies that meet their specific needs. These efforts are directly affecting approximately 10 million recipients throughout the country, or 75 percent of all welfare recipients nationwide. States, led by governors of both parties,

are now demanding and supporting work; time-limiting assistance; requiring teens to stay in school and live at home; strengthening child support enforcement; and strengthening families.

The President also has worked with the Congress to expand the Earned Income Tax Credit to help make work pay more than welfare. This program, which President Ronald Reagan said was the most pro-family, pro-work initiative undertaken by the United States in the last generation, meant that, in 1994, families with children with incomes under \$28,000 paid about \$1,300 less in income tax than they would have if the laws hadn't been changed in 1993.

The efforts we have taken at both the Federal and state levels have begun to pay off. Welfare caseloads have declined by 1.3 million since January of 1993 -- a decline of about 9 percent. A larger percentage of those still on the rolls are engaged in work and related activities. Food Stamp rolls have gone down. Teen birth rates have gone down. At the same time, child support collections have gone up, as the Administration has worked to improve state collection efforts, the IRS's seizure of income tax refunds, and the ability of the Federal government to make Federal employees accountable for the support they owe their children.

We continue to move ahead. On May 10, the President directed the Department of Health and Human Services to implement an initiative to strengthen parental responsibility among teen parents. This initiative builds on the belief -- which I'm

confident is shared by this committee, Congress, and the states -- that encouraging parental responsibility must remain a bipartisan imperative.

The President's initiative includes four actions: requiring all states to submit plans for requiring teen mothers to stay in school and prepare for employment; cutting through red tape to allow states to reward teen mothers who finish high school, in addition to sanctioning those who don't; requiring all states to have teen mothers who have dropped out of school return to school and sign personal responsibility plans; and challenging all states to require minor mothers to live with a responsible adult. With these actions, we're focusing on one of the key components of welfare reform: parental responsibility. And we're putting young mothers on the right path, toward employment and self-sufficiency.

The Need for Legislative Action

While we've made great progress on welfare reform through welfare reform waivers, executive actions, and other initiatives, we still need national welfare reform legislation. As part of his balanced budget plan, the President has proposed a comprehensive welfare reform proposal that would require work, promote parental responsibility, and protect children. The President has made it clear that if Congress sends him a clean welfare reform bill that follows these fundamental principles, he will sign it. However, the President has also made it clear that

real welfare reform should not be ruined by attaching harmful proposals to it, such as the elimination of guaranteed health coverage for poor children, pregnant women, and people with disabilities.

Fortunately, we have begun to approach bipartisan consensus on a framework for welfare reform legislation based on these principles. We believe that the governors have moved the debate forward and increased the likelihood that Republicans and Democrats will produce bipartisan solutions to reforming our welfare system. Senators Chafee and Breaux and their colleagues have also moved us much closer to that goal, and, as I said earlier, we greatly appreciate the immeasurable time and outstanding leadership they have committed to this process. We are pleased that the Chairman's bill, S. 1795, reflects some of the significant progress that has been made on welfare reform since the President was forced to veto HR 4.

It is now up to this Administration and this Congress to build on the spirit of these efforts to reach our mutual goals: flexibility for the states; incentives for AFDC recipients to move from welfare to work; increased parental responsibility; and protections for our most precious resource, our children.

The New Republican Bill (S. 1795)

As I mentioned, the Chairman's new bill, S. 1795, makes important improvements to the H.R. 4 conference bill. It incorporates a number of key changes recommended by the

Administration and contained in the NGA and the Breaux-Chafee proposals. However, the bill does not address several issues that are of concern to the Administration, particularly in providing states with the resources and incentives to protect children, ensure accountability, and move people from welfare to work. And, instead of stand-alone welfare legislation the Administration has repeatedly requested, the new bill continues to link welfare reform with unacceptable Medicaid changes.

We appreciate the steps the Chairman has taken to provide additional protections for children and families in the new Republican bill. The important modifications you have made to H.R. 4 move the legislation much closer to the President's vision of true welfare reform. We are particularly pleased that S. 1795:

- o reflects an understanding of the child care resources states will need in implementing welfare reform by adding \$4 billion for child care above the level in the conference report for H.R. 4. These proposals improve upon H.R. 4, which did not provide child care resources needed for those required to move from welfare to work and low-income working families at-risk of welfare dependency.
- o adopts several provisions from the Senate-passed bill -- including exemptions from the time limit; a true state option on implementing a family cap; and

requirements that teen mothers live at home and stay in school.

- o no longer includes the provisions for a child nutrition block grant demonstration proposed in H.R. 4, which would have undermined the program's ability to respond automatically to economic changes and maintain national nutrition standards.
- o recognizes the importance of child support enforcement to welfare reform and includes all of the major proposals for child support enforcement reform in the President's bill.
- o retains the safety net for abused and neglected children, adopted children and children in foster care by continuing critical federal entitlement programs for them.
- o removes the two-tiered benefit system for low income disabled children, and ensures full benefits for all eligible children under the SSI program.

The new Republican bill makes other improvements to H.R. 4 that will strengthen states ability to move people from welfare work. For example, S. 1795 makes improvements to the performance bonus provisions contained in H.R. 4 by establishing a separate funding stream to pay for bonuses. In addition, consistent with the NGA proposal, S. 1795 allows job search for

up to 12 weeks and allows teen parents in school to count toward the work requirements.

While we applaud the inclusion of many of the provisions endorsed by numerous Democratic and Republican senators and governors, the new Republican bill still fails to include other provisions that have earned bipartisan endorsement.

For example, S. 1795 incorporates almost all of the cuts that were in the bill the President vetoed -- a total of \$51 billion (excluding Medicaid) over 6 years under CBO's new baseline. These cuts are far greater than those proposed by the NGA or the Administration. In addition, unlike the Administration's bill, the Republican bill would also allow states to substantially reduce their own spending on programs serving low income families, compounding the impact on poor children and families.

We are particularly concerned that S. 1795 actually decreases state flexibility by prohibiting states from providing a safety net for children -- by not allowing them to use block grant funds to provide non-cash assistance or vouchers for children in families who are subject to the 3 year time limit. No such prohibition was contained in H.R. 4 and it is difficult to understand why the leadership has moved in this direction.

Another concern is a deep reduction in the Social Services Block Grant (SSBG). Virtually all states use SSBG funding for child care. A 20 percent cut over 7 years would undermine

states' ability to help provide child care for low income working families.

Further, the new Republican bill does not maintain the guarantee for medical assistance for all those currently eligible or those who reach the five year time limit. And, as I mentioned previously, S. 1795 fails to continue transitional Medicaid coverage for families leaving welfare for work.

In addition, S. 1795 also fails to provide adequate protection for states in the event of economic downturns. The contingency fund is set at too low a level and does not allow for further expansions (above the \$2 billion cap) during poor economic conditions and periods of increased need.

The new Republican bill also makes deep cuts in Food Stamps, and would permit states to replace the Food Stamp Program with a block grant, jeopardizing the nutrition and health of millions of children, working families, and the elderly.

We are also distressed that S. 1795 maintains the immigration provisions from H.R. 4, imposing restrictions well beyond those approved in the House and Senate immigration bills. We hope you will work closely with the Breaux-Chafee group to improve these provisions.

The Breaux-Chafee proposal addresses many of the Administration concerns and would strengthen state accountability efforts, welfare to work measures and protections for children. It provides one of many foundations upon which this Committee to reach our mutual goals: flexibility for the states; incentives

for AFDC recipients to move from welfare to work; increased parental responsibility; and protections for our most precious resource, our children.

The American people want Congress to pass a bill that the President can sign -- that honors our values and ensures fiscal integrity. They want a bill that promotes work and responsibility, but also protects children ~~and our other most vulnerable citizens~~. They want a bill that supports families who play by the rules and rewards those who work hard to support themselves. They want a bill that ensures accountability for use of taxpayer funds. ^{They want} ~~They want real welfare reform; they do not want the federal government to abdicate its responsibilities.~~

Mr. Chairman, let me restate the Administration's commitment to enact bipartisan welfare reform legislation. I know the President shares my hope that, with the leadership of this committee, the bipartisan cooperation that existed in 1988 will surface again to address the critical issue of welfare reform this year.

CONCLUSION

The last time I testified before this committee, I was encouraged that the governors' bipartisan efforts appeared to be moving us toward a solution that could meet the President's principles. Since that time, the Breaux-Chafee group in particular has worked hard to build on the balanced approach envisioned in the NGA Medicaid and welfare agreements. I can

assure you that this Administration stands ready to work with the members of this committee and the entire Congress to enact both a balanced budget and Medicaid and welfare reform legislation. We are confident that we can reform the welfare system to promote work and responsibility and protect children, and design a reformed Medicaid program that will meet the needs of beneficiaries, states, and taxpayers. We look forward to working in a bipartisan way to enact both Medicaid and welfare reform legislation of which we can all be proud.

Mr. Chairman, I want to thank this Committee for giving me the opportunity to testify today, and I look forward to answering your questions.

OFFICE OF MANAGEMENT AND BUDGET

*Legislative Reference Division
Labor-Welfare-Personnel Branch*

Telecopier Transmittal Sheet



URGENT

FROM: Melinda Haskins

395-3923

DATE: 2/10/97

TIME: 9:40 a.m.

Pages sent (including transmittal sheet): 10

COMMENTS: Here is the proposed OMB passback on the welfare-related portion of the Shalata testimony for HWM + Senate Finance. Please comment by 11 a.m. today. Thank you.

TO: Ken Apfel
Bruce Reed
Elena Kagan
Diana Furman
Lyn Hoag

CC: Cynthia Smith
B. White
K. Hartman

PLEASE CALL THE PERSON(S) NAMED ABOVE FOR IMMEDIATE PICK-UP.

Welfare

It's the same way with welfare reform. When the President signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, he made it clear that this was the beginning -- not the end -- of welfare reform. He made it clear that we all have a responsibility to come together and make this law work -- especially for our children. And, he made it clear that this was an opportunity for us to create a welfare system that requires work, promotes parental responsibility, and protects children.

I'm proud of the progress we've made together. *Before welfare reform*
With our waivers, we've become
and,
have
already given 43 states the flexibility they need to test innovative welfare strategies. Paternity establishments have gone up 50 percent since 1992. In 1996, we collected a record of over \$12 billion in child support payments. And the tough new provisions in the welfare law are projected to increase child support collections by an additional \$24 billion over 10 years.

The result? Because of the intensity of our efforts and because of the strength of our economy, welfare rolls have gone down by 2.5 million -- that's more than 16 percent since the President took office. Moving people from welfare to work, enabling them to support their families and maintain their independence -- that's the goal upon which all of us have always agreed. We are committed to combining all of the leadership, talent and resources possible to implement the new welfare law.

Let me briefly give you a progress report on our implementation of the new Temporary Assistance for Needy Families (TANF) program. Although states have until July 1997 to implement the TANF program, we have already given the green light to 35 states (as of 1/29/97) to begin their reforms. HHS has provided guidance indicating that States have flexibility in designing their TANF programs, but at the same time emphasizing the importance of moving families from welfare to work.

At the Federal level, we are challenging States to transform the very culture of the system from a welfare program to a work program. We must launch a national effort in every State and every community to make sure there are jobs for people making the transition from welfare to work. So they can leave the welfare rolls, they must have opportunities not only to find jobs, but to keep them.

religious institutions

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Creating these opportunities will take a commitment from business and labor, from ~~churches~~ and communities, from officials at the federal, state, and local levels. And, it will take the bipartisan Congressional spirit that brought us this far — and must continue to carry us down the road to success.

That is why the President's FY 98 budget contains a ^{new} ~~comprehensive~~ welfare to work initiative. The President's proposal will help States and cities create new jobs, prepare individuals for them, and provide employers with incentives to create new job opportunities for long-term welfare recipients.

✓ Insect (A)

The President's welfare to work investments includes a \$3 billion Jobs Challenge designed to move a million of the hardest to employ welfare recipients into lasting jobs by the year 2000. It expands access to credit and enhances employer incentives to help long-term welfare recipients.

This is an exciting initiative in which many departments and agencies -- the departments of Treasury, Labor, Transportation, HUD, and others -- have joined together to further the President's firm commitment to make welfare reform a reality. At HHS, we will be using all the means at our disposal to help families go to work and become self-sufficient.

As I indicated earlier, the hallmark of this welfare law is the broad flexibility it gives states to design innovative reforms that address their unique challenges. We are confident that States will use this considerable new flexibility and the President's new initiatives to strengthen their focus on work as well.

We will be monitoring state performance and, pursuant to the statute, ranking them accordingly. We will be identifying and studying the high performers and the low performers, tracking child poverty, and providing an overall assessment of the legislation's impact on children and families.

INSERT A (replaces paragraph at top of p. 25)

To help welfare recipients move from welfare to work, and to help communities help them do so, the President proposes two new initiatives: A Welfare-to-Work Jobs Initiative to help States and cities create job opportunities for the hardest-to-employ welfare recipients; and a greatly enhanced Work Opportunities Tax Credit to provide powerful new private-sector financial incentives to create jobs for long-term welfare recipients.

The Welfare-to-Work Jobs initiative would provide \$3 billion in mandatory funding over three years for job creation and placement to move a million of the hardest-to-employ welfare recipients into lasting jobs by the year 2000. We will encourage States and cities to use voucher-like arrangements as they deploy these funds, to empower individuals with the tools and choices to help them get jobs and keep them.

Under the enriched Work Opportunities Tax Credit for hiring long-term welfare recipients, employers could claim a tax credit of 50 percent of the first \$10,000 in wages paid to these hires. For the purpose of determining the amount of the credit, wages may include the cost of training, medical insurance, and child care.

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We will look closely at how states comply with some key statutory requirements, including child support enforcement, work participation rates, maintenance of effort, and data reporting.

We also will assume major new responsibilities for compiling and disseminating information. As the number of options continues to grow, states will need better information about these options, and the Congress will need better information to assess how effectively federal funds are used.

I know that several members of Congress have suggested a wait-and-see approach to the new welfare system. They advise that state implementation should be carefully reviewed before undertaking major policy changes to the TANF program. Our Department has proposed a number of technical and conforming changes to the TANF program that I believe maintain the spirit and intent of its policies.

Our Administration believes that welfare reform has always been -- and must always remain -- a bipartisan issue. But, just as we came together to make work and responsibility the law of the land, we believe it is time to come together again to insure that the centerpiece of welfare reform remains a real effort designed to find work for everyone who is able to work.

Insert ⑧

✓ The President's FY 1998 budget makes good on his promise to correct provisions that were included to save money, and which burden States and punish children and the disabled who cannot work. We are pleased that the governors, in a NGA resolution last week, agreed - we must not balance this budget on the backs of States or legal immigrants.

Medicaid

Our budget would restore a safety net of SSI and Food Stamps for legal immigrant children and for legal immigrants who become severely disabled. It would extend from five to seven years the time period in which refugees are eligible for assistance after they enter the U.S. -- so that they have enough time to overcome the hardships they have faced and to become self-sufficient. And it would delay the Food Stamp ban on legal immigrants by 3 months until the end of FY1997

after entering our country

In order to give immigrants more time to naturalize

Insert ⑨

Overall, our proposals strengthen our commitment to a new welfare system focused on work and responsibility while addressing the concerns of State and local officials and restoring benefits to those who can't work - particularly children and the disabled. We must give all Americans a hand-up and get on with the real business before us; reforming our welfare system together.

Mr. Chairman, the budget I have discussed today discards tired old solutions and meets our challenges creatively and cooperatively. It balances the budget without abandoning our values and commitments.

The Nation should protect legal immigrants and their families -- people admitted as permanent members of the American community -- when they suffer accidents or crippling illnesses that prevent them from earning a living.

Insert ■ (B) :

When the President signed the Welfare Reform bill he made clear his disappointment with the harsh benefits to immigrants provisions in the bill. The President stated:

"My Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being. Legal immigrants and their children, however, should not be penalized if they become disabled and require medical assistance through no fault of their own."

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In addition, under our budget, disabled children who are currently eligible for Medicaid because they are receiving SSI benefits will be able to retain their Medicaid coverage -- even if they lose their SSI benefits as a result of the tightened definition of childhood disability for that program in the welfare reform bill. Under this proposal, the families of these needy disabled children will be assured that medical assistance will continue to be provided.

It makes tough choices and shows tough management.

74.

Now we must act upon it.

Because, just like the past when we faced down diseases and tyranny, future generations will look back on today.

The question is, whether they will see a nation that put aside politics and came together to protect the health of its citizens in the 21st century.

The answer is up to us. Thank you.

URGENT

Total Pages: 14

LRM ID: MOH8

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001**

Tuesday, February 11, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: *J. Pellicci*
Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melinda D. Haskins

PHONE: (202)395-3923 **FAX:** (202)395-6148

SUBJECT: Social Security Administration - Proposed Testimony on President's FY98 Budget Proposals Affecting SSI Eligibility for Non-Citizens

DEADLINE: 3 PM Tuesday, February 11, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Attached is SSA Testimony (Colvin) on the President's FY98 Budget proposals that would affect SSI eligibility for non-citizens. This testimony will be delivered before the House Human Resources Subcommittee on Thursday, February 13th. (As you are aware, HHS (Golden) will also be testifying at this hearing.)

This deadline is firm.
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LRM ID: MDH8 SUBJECT: Social Security Administration Proposed Testimony on President's FY98 Budget Proposals Affecting SSI Eligibility for Non-Citizens

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

- (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter

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TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: (Date)
(Name)
(Agency)
(Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

- Concur
No Objection
No Comment
See proposed edits on pages
Other:
FAX RETURN of pages, attached to this response sheet

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2/10/97

**SSA TESTIMONY
FOR FEBRUARY 13 HEARING ON
ADMINISTRATION'S BUDGET PROPOSALS
BEFORE
WAYS AND MEANS
HUMAN RESOURCES SUBCOMMITTEE**

Mr. Chairman and Members of the Subcommittee:

I am Carolyn Colvin, Deputy Commissioner for Programs and Policy of the Social Security Administration, and I will discuss the Administration's budget proposals for making changes in the welfare reform provisions affecting Supplemental Security Income (SSI) eligibility for noncitizens. I also would like to bring you up to date on SSA's progress with the implementation of the welfare reform provisions relating to noncitizens.

At the outset I want to emphasize that the President remains committed to welfare reform and to the core issues related to his welfare-to-work initiative that he has supported in the past and that he has strengthened in this year's budget. What concerns the President, however, is the SSI provisions which bar all aged, blind, and disabled noncitizens from benefits. Of the noncitizens on the rolls, 33 percent are disabled and under age 65, 40 percent are aged 65-75, and 27 percent are over age 75. In other words, over 227,000 of the noncitizens potentially losing SSI this summer are over 75 years old.

Budget Proposal

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 contains provisions that severely restrict the participation of noncitizens in the SSI program. These

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provisions include general bars to SSI eligibility. It also includes provisions requiring the "deeming" of a sponsor's income and resources to a noncitizen and obliging a sponsor to reimburse the government for benefits paid to the noncitizen. Although refugees, asylees, and noncitizens whose deportations have been withheld under section 243(h) of the Immigration and Nationality Act (INA) may continue to be eligible for SSI, the new law limits their eligibility to only the first 5 years after they are granted such immigration statuses.

When President Clinton signed the welfare reform legislation into law, he said that:

We should not be punishing people who are working for a living already; we should do everything we can do to lift them up and keep them at work and help them support their children. We also believe that the congressional leadership insisted on cuts in programs for legal immigrants that are far too deep.

The President reiterated this message in his State of the Union address:

And we must join together to do something else, too, something both Republican and Democratic governors have asked us to do: to restore basic health and disability benefits when misfortune strikes immigrants who came to this country legally, who work hard, pay taxes, and obey the law. To do otherwise is simply unworthy of a great nation of immigrants.

The proposal in the President's FY 1998 budget would make exceptions to the restrictions in the SSI program for certain noncitizens who become blind or disabled after their entry into the United States and allow SSI eligibility for children who are disabled before their entry.

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The proposal also would extend the 5-year eligibility limit to 7 years for refugees, asylees, and noncitizens who have had their deportations withheld.

Disability Exemption

Under welfare reform rules, an estimated 75 percent of the lawful permanent residents who received SSI in 1996 *would not be eligible*. We must remember that these individuals who receive SSI on the basis of disability have severe medical impairments, little or no income or resources of their own, and limited (if any) earnings capacity. In fact, in order to be considered disabled for SSI, an individual must have a mental or physical impairment so severe that it prevents him or her from doing any work for a period of 12 months or would result in his or her death.

The President's proposal would provide SSI eligibility for individuals who meet the definition of "qualified alien"¹ in the welfare reform legislation if their blindness or disability began after they were admitted to the United States. The proposal also would restore the SSI eligibility of children who were disabled before they entered the country. Noncitizens who do not meet the "qualified alien" definition and persons who are in the country illegally or temporarily would not be eligible for SSI.

Most lawful permanent residents have sponsors who sign affidavits of support allowing them to enter the United States. Moreover, U.S. immigration policies have generally favored efforts at family reunification. Under the previous rules, people who immigrated believed it

¹ Section 431 of Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) defines "qualified alien" as lawful permanent residents (LPRs), refugees, asylees, aliens whose deportations are withheld, parolees, conditional entrants, and certain aliens who have been battered or subjected to extreme cruelty.

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was acceptable to bring their aged parents to the United States in order to be near them. Whether or not they planned on using the SSI program as primary financial support or whether changes in their financial circumstances caused them to look to SSI for help is not clear. The point is that immigrants currently receiving benefits played by the rules then in effect. It seems unfair to subject them to new rules that undermine their economic independence and may adversely affect their health and well being.

In recognition of the growing evidence that some sponsors were not truly living up to their avowal to support the immigrant (even parents or other close relatives), the immigration reform legislation enacted in September last year included a provision that makes sponsors affidavits of support legally enforceable documents. The Administration supported this provision and continues to believe that sponsors should be held responsible for the financial support of immigrants in most situations.

Noncitizens who were blind or disabled *before* they entered the United States may be eligible for SSI if they meet one of the SSI-eligibility categories in welfare reform--i.e., if they earn or can be credited with 40 quarters of work or if they are members of the military or veterans (and certain of their family members). In addition, the welfare reform provisions relating to sponsor-to-immigrant deeming, the 5-year ban on eligibility for most lawful permanent residents, and the sponsors' obligation to reimburse the Federal Government for any SSI benefits provided immigrants during the deeming period would apply². We think that it is appropriate to hold the sponsor responsible in these cases since they would have known the financial obligations that they were taking on with regard to the inability of the immigrants who entered the country disabled to be able to support themselves.

² Not all of these provisions apply to all noncitizens. Some of the provisions include exceptions. For example, lawful permanent residents with 40 quarters are exempt from deeming and military personnel/veterans are exempt from the 5-year ban.

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However, the Administration is concerned that in the case of an unforeseen disability that occurs *after* the new, legally enforceable sponsorship agreement has been signed and after an immigrant's entry into the United States, the potential financial impact on the sponsor could be devastating. If an illness or accident occurs that makes the immigrant unable to work, the sponsor would be liable not only for the immigrant's basic needs but also for the cost of his or her medical care and other expenses attributable to disability. Such expenses may be beyond the sponsors' means.

The President's proposal addresses this potentially adverse effect by allowing SSI eligibility and removing the deeming requirements, the 5-year ban, and the obligation of sponsors to reimburse the Federal Government for any SSI benefits received by immigrants who became disabled after entering the country.

While the President's proposal would permit SSI eligibility to children as well as adults who become disabled after they enter the country, the proposal also addresses the needs of children who are already disabled when they enter the country. Under the proposal, disabled individuals who enter the United States as lawful permanent residents before they are aged 18, would be eligible for SSI, and the exemptions for deeming and sponsor reimbursement would apply.

In a number of cases, disabled children who enter the country would do so under the sponsorship of their parent. Thus, even though sponsor-to-immigrant deeming would not apply, the child's parent's income and resources would be taken into account in determining the child's need for benefits.

The proposal creates a safety net for disabled children. Unlike adults who can become U.S. citizens after they have lawfully resided in the country for a specified number of years,

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children cannot naturalize until they reach age 18. Thus, if something happens to their sponsors, these disabled children would have no means of support and could not otherwise be eligible for SSI until they became U.S. citizens.

Refugees and Asylees

The President's budget proposal also includes a provision for extending the time limit for SSI eligibility from 5 to 7 years for refugees, asylees, and individuals who have had their deportations withheld under section 243(h) of the INA.

Individuals in these three immigration categories are in the United States because they have been subjected to (or have a well-founded fear that they would be subjected to) persecution in their homelands because of their race, religion, nationality, membership in a particular social group or political opinion. An estimated 15,000 to 17,000 SSI beneficiaries are in these categories. They often have suffered much hardship and arrive in the country with little or no resources. If they are aged, blind, or disabled they may be eligible for SSI for a period of 5 years after they are granted refugee, asylee, or deportation withheld status. Before welfare reform legislation, there was no restriction on the length of time that they could receive benefits.

Generally, immigrants who have been in the United States for 5 years may apply for citizenship. Although INS accepts naturalization applications up to 3 months before the 5 year requirement is met, the naturalization process can take up to 6 months and, in some areas of the country, can be of even longer duration. Thus, individuals who entered the United States as refugees, asylees, or who have had their deportations withheld, are very likely to lose their SSI eligibility even if they apply for citizenship at the earliest possible date. Such immigrants generally do not have sponsors and would have nowhere to turn for assistance in the interim.

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The proposal would allow sufficient time for them to become U.S. citizens without an interruption in their SSI benefits.

Now that I've described the President's proposal let me turn to SSA's efforts in implementing the noncitizens provisions in welfare reform.

Implementation of Noncitizens Provisions in Welfare Reform

In planning for carrying out the noncitizens provision in welfare reform, SSA has put together a team made up of representatives from virtually every SSA component. The team has been meeting since August 1995, and has devoted innumerable hours to policy and operational issues involved with the provisions. Implementation policies have been coordinated with other Federal agencies such as the Department of Agriculture, The Department of and Health and Human Services (including the Health Care Financing Administration), and the Immigration and Naturalization Service (INS). Let me emphasize that the Administration is committed to implementing the changes as humanely as possible.

Numbers of Noncitizens Affected

Before I begin describing our implementation strategy, I would like to give you an idea of how many noncitizens on the SSI rolls would lose eligibility if the prohibition on SSI eligibility remains unchanged.

As of December 1996, there were 724,900 noncitizens receiving SSI. Nearly three-quarters of them are lawful permanent residents. The remainder are in the category of "permanently residing under color of law," which is comprised mostly of refugees and

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asylees, but includes various other immigration statuses. Given the fact that applications for U.S. citizenship are at an all-time high, a number--perhaps a significant number--of the noncitizens who currently receive SSI will be citizens by the end of the summer.

SSA estimates that in the first full year of the prohibition (FY 1998), 434,000 noncitizens will lose SSI eligibility. Noncitizens who remain on the rolls will be refugees and asylees who have not been in the country for 5 years, lawful permanent residents who have earned 40 quarters of coverage or who can be credited with 40 quarters earned by their spouses or parents, and military personnel, veterans, and their spouses and children.

Identifying Beneficiaries Potentially Affected

The major task that we faced in implementing the new law was to identify those SSI recipients who are to be made ineligible by the legislation. First we made sure that our records concerning immigration statuses were current. It wasn't until last fall that SSA was able to change the codes that indicated which immigration status an individual was in if he or she changed statuses. For example, if a person was a refugee when first eligible for SSI, he or she would still have been shown as a refugee even if he or she subsequently became a U.S. citizen. In addition, prior to 1981, SSA's computer records did not contain information about an SSI recipient's citizenship or immigrant status. When we began, we had an estimated 1.4 million SSI recipients in our records shown as either noncitizens or citizens whose citizenship had not been verified.

In order to correct our records, we initiated a series of computer matches. We matched the SSI records with our Social Security number records and the INS naturalization records. These matches allowed us to establish U.S. citizenship for approximately 320,000 recipients.

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We also matched SSI records of noncitizens to SSA's earnings records to determine which lawful permanent residents had earned 40 quarters of coverage and, thus, would be exempt from the SSI ban. In addition, as I mentioned, we are now able update the SSI records when individuals bring proof of their citizenship status into our field offices. All of these efforts have left us with approximately 900,000 SSI beneficiaries who are either noncitizens or citizens who have not yet had their citizenship verified.

Informational Notices

Our next task is to notify the approximate 900,000 individuals of the new SSI eligibility provisions before March 31, 1997, as required. As you may know, we began mailing the first notices last week. Because of other workloads relating to the welfare reform provision on SSI benefits for disabled children and an earlier provision eliminating SSI benefits to drug addicts and alcoholics, we are sending the notices on a staggered basis of about 112,500 per week over an 8 week period. All these "informational" notices will be in the hands of the beneficiaries by the statutory deadline. It is important to note that this mailing is only the first of two notices that noncitizens will receive before their benefits stop.

The informational notices include a list of the categories of noncitizens who may continue to be eligible for SSI and explain what an individual has to do to prove that he or she is in one of the categories. The notices also say that SSA may be able to help the individuals get the proofs they need. We have put the most important message right at the top of the notice. That is, if it cannot be proven that a noncitizen is in one of the SSI-eligible categories, his or her SSI benefits may stop.

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There are three different versions of this first notice tailored to individual circumstances. The notice going to beneficiaries shown on our records as noncitizens asks them to contact SSA within 90 days if they think that they may be in one of the SSI-eligible categories. The notice going to persons whose citizenship status has not been verified and to noncitizens who are likely to remain eligible¹ tells them that we have to update our records and will be contacting them at a later date. The third version of the notice is being sent to refugees and asylees who have not been in the United States for 5 years. This notice will say that their SSI eligibility is now time limited and that we will contact them again shortly before the time-limit expires.

All of the notices include an enclosure in eight languages explaining that it includes very important information about SSI eligibility and if they cannot read English, they should take it to someone who can read it to them right away. [Will verify with NPS that this 8 language enclosure was sent.]

Individuals responding to these informational notices will create a large workload for SSA's field offices. In order to alleviate some of this workload and to provide better service to our customers, we have established 22 interviewing centers in areas across the country where large populations of noncitizen SSI recipients live such as Los Angeles, the central valley of California, Miami, and New York. SSA has hired ___ temporary employees to help staff the centers. Notices being sent to recipients in these areas will include the address and hours of operation for the center nearest them.

¹ For example, they receive Social Security benefits but we need to determine whether they have 40 quarters.

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Individuals who provide proof of their continuing eligibility for SSI will receive a notice from SSA verifying their eligibility.

Planned Action Notices and Suspensions

Individuals who *do not* contact SSA or who *do not* provide proof of continuing eligibility after they receive their informational notice will receive a second notice; a notice of planned action (NPA) informing them that their SSI benefits will stop. NPAs also will be sent out on a staggered basis. Noncitizens who received the informational notices in February will receive the NPA in July and those who received informational notices in March will receive the NPA in August. The NPA will state that benefits will stop the following month (August or September, as applicable).

Under our longstanding, due process rules, the NPA will tell individuals exactly why their benefits are being stopped and advise them of their appeal rights. If an individual requests appeal within 10 days of receipt of the NPA, benefits will be continued until a decision is made at the initial level of appeal. Although benefit continuation applies only if the individual files an appeal within 10 days, he or she may appeal the determination at anytime within 60 days after receipt of the notice.

We have made the policy decision that the stopping of an individual's benefits in these cases will permit us to reinstate an individual's eligibility if, within 12 months from the suspension date, he or she becomes naturalized. The reinstatement would be effective as of the date of naturalization. While this may seem a mere technicality, it assures that former SSI recipients who become citizens will not have to go through the full SSI application process (including a disability determination in disability cases) and will again get SSI benefits as soon

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as possible after letting us know that they have been naturalized. This policy decision also illustrates SSA's commitment to implementing these changes in a way that is fair and causes as little stress as possible for our aged, blind and disabled beneficiaries.

Conclusion

Clearly, SSA and other Federal agencies have faced a huge task in implementing the provisions in the welfare reform legislation.

I would like to emphasize again, however, that the provisions relating to non-citizen eligibility for SSI that were contained in welfare reform are unnecessary to furthering the goal of welfare to work. The SSI provisions summarily cut aged, blind and disabled individuals off of benefits. The President proposes to restore eligibility for those disabled after entry.

Thank you for the opportunity to discuss these very important issues. I will be happy to answer any questions that you may have.

OFFICE OF MANAGEMENT AND BUDGET

*Legislative Reference Division
Labor-Welfare-Personnel Branch*

Telecopier Transmittal Sheet

URGENT



FROM: Melinda Haskins

395-3923

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2/10/96

TIME:

7:15 p.m.

Pages sent (including transmittal sheet):

16

COMMENTS:

Here is the proposed OMB passback on the HHS (Golden) testimony before HWM on Thursday. Ken Apfel has a copy.

TO:

Bruce Reed

Elena Kagan

PLEASE CALL THE PERSON(S) NAMED ABOVE FOR IMMEDIATE PICK-UP.

Draft Passback

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TESTIMONY
 OF
 OLIVIA A. GOLDEN
 ADMINISTRATION FOR CHILDREN AND FAMILIES
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE

COMMITTEE ON WAYS AND MEANS
 SUBCOMMITTEE ON HUMAN RESOURCES
 UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 13, 1997

Members of the Subcommittee,

I am pleased to appear before this Subcommittee today to discuss two important initiatives from the President's budget that you have identified as being of particular interest -- the President's initiatives on adoption and welfare to work. I would also like to briefly discuss the Administration's proposals addressing Medicaid and Food Stamp benefits for qualified aliens, so that you have a complete picture of the President's efforts to restore fairness to the Federal safety net programs.

My testimony will focus primarily on the adoption initiative ~~since that is the issue I am most personally involved with and since it is critically important to the Administration for Children and Families~~. I am accompanied today by xxx from the Department of Labor, who will respond to your questions about Welfare-to-Work.

The President's budget for FY 1998 addresses the needs of children and families in multiple ways that we believe will strengthen families, move people from welfare to work and increase self-sufficiency. The areas you have identified for this hearing are certainly important to this mission. The Welfare-to-Work initiative reaffirms and strengthens the work commitment of last year's landmark welfare reform legislation and responds to what the President cites as "our moral obligation, to make sure that people who now must work can work." The adoption initiative focuses special attention on the needs of some of our most vulnerable citizens -- children languishing in foster care -- who deserve safe and permanent families. I will address each initiative in a few moments.

First, however, I would like to touch on our progress in implementing welfare reform. I believe it is the cornerstone to realizing our key goals of work, responsibility and protecting children.

I will close my testimony by briefly addressing problems in the welfare reform legislation that are harmful to immigrants and that have nothing to do with promoting the welfare reform goals of moving people from welfare to work. As the President said in his State of the Union address with respect to his proposed strategy to address these problems, "To do otherwise is simply unworthy of a great nation of immigrants."

The President's Budget proposes to continue to provide SSI and Medicaid to vulnerable categories of legal immigrants, especially children and those who become disabled after entry.

Welfare Reform Implementation
The Administration for Children and Families is responsible for administering several of the programs most affected by the welfare reform legislation, including the new Temporary Assistance for Needy Families (TANF) program, child care programs for families on welfare and other low-income working families, and the child support enforcement program. States and the Federal government alike are promptly implementing each of these major pieces of the Act and we are encouraged by the early progress being made.

So far, we have received 42 TANF plans from states, territories, and tribes and 35 have been certified as complete. Many state legislatures are just now coming into session and will be addressing the TANF plans, and we expect new plans from the remaining states and amendments to plans already submitted before the July 1, 1997 implementation deadline.

Welfare reform provides States with great flexibility to ensure that welfare is a transitional system, rather than a way of life. Along with this new authority and flexibility, the new statute holds states more accountable for program performance. It includes a variety of provisions designed to ensure that states are moving people from welfare to work: penalties, performance-based funding, data collection and reporting, and research and evaluation.

On January 31, 1997, because of many states' requests for clarifications, we issued preliminary guidance concerning several issues of immediate concern, most notably the definition of which state expenditures count toward maintenance-of-effort. The guidance also addresses the definitions of "assistance," a key term in determining which expenditures are covered by certain rules, and "eligible families," a key term in determining which state resources count as maintenance-of-effort.

The Clinton Administration is committed to an effective implementation of this historic welfare reform law that transforms the welfare system into one with tough work requirements. We have a great deal of confidence in the states, and we believe that they will use the flexibility in the law to strengthen the focus on work. ~~At the same time, the Department will use all its administrative~~

~~authority to prevent states from using their flexibility to undercut the intent of the statute.~~ We will collect all the information we can on how the states are using their dollars and we will take ~~all the administrative actions in our power to ensure that state policies focus on work.~~ We will also work with you and the Governors to ensure that the work participation rates in the statute

~~take into account overall State work effort, across State and Federal programs.~~

in a bipartisan fashion to ensure that each State's overall work effort meets the statute's work participation requirements. Specifically, we will seek statutory language making it clear that the calculation of whether a state has met the applicable participation rate shall take into

account the States' success in placing participants in both TANF and maintenance of effort programs to meet their needs

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FROM: HASKINS, M

FEB-10-1997 19:14 TO: 244 - B. REED

As part of the development of TANF policy and guidance, we have met and continue to meet with state and local administrators and legislators and their national representatives. We also have met with advocates, and representatives of non-profit organizations and foundations, organized labor, and business organizations. These consultations have helped us to identify issues, such as the one described above, and to ensure that a wide range of perspectives are considered in the development of policy.

During these meetings we have also heard about the critical importance of child care in enabling people to move from welfare to work. We were pleased that the new law provided a substantial increase in child care funding and increased flexibility for states to design an integrated child care system to serve both families on welfare and low-income working families. We refer to the newly integrated system as the Child Care ^{and} Development Fund (CCDF). ACF moved quickly to implement the child care program changes, which became effective October 1, 1996.

Our Child Care Bureau has taken a number of steps to inform prospective grantees and other interested parties about the CCDF and to ensure the earliest possible flow of the new funds in order to provide continuity between the old and new programs. We issued new mandatory and matching funds as soon as they became available and published early policy guidance requested by states. ~~We designed new streamlined grantee plan formats and new data collection~~

~~instruments.~~ We have held consultations with grantees and other organizations. We now are developing regulations ^{and other data collection forms} and financial reporting forms. We also are planning for the FY 1998 grant cycle, for which states and tribes will submit applications by July 1, 1997.

We are also proud of the progress states have made in child support enforcement. In 1996, we collected a record of almost \$12 billion in child support payments, and the comprehensive provisions in the welfare law are projected to increase child support collections by an additional \$24 billion over 10 years.

Implementation of many of these new provisions will require the enactment of state laws. Effective dates of the new requirements vary, but typically fall within 1 to 2 years of enactment. Therefore, full implementation of the child support provisions will take place over time.

Nevertheless, many states already have implemented some of the new federal requirements. For example, in 1995 the President urged all states to implement license revocation programs. Today 43 states have done so. In addition, 35 states recently have enacted the Uniform Interstate Family Support Act, and 26 states have adopted some form of reporting new hires.

At the federal level, we have made great progress in making the expanded Federal Parent Locator Service (FPLS) a reality and we anticipate meeting the statutory deadline. Since the enactment of welfare reform, we have entered into contracts with several nationally recognized and respected vendors to help us design and develop the expanded FPLS, manage the project and enhance our quality assurance efforts, and assist us with providing training and technical assistance.

The federal Office of Child Support Enforcement is also providing technical assistance to states in implementing the other child support provisions in welfare reform. We are conducting broad consultation and outreach to program stakeholders to ensure that the promise of the legislation -- a strong child support enforcement program -- is realized.

With respect to the reforms affecting each of these programs, the Administration for Children and Families is committed to working closely with the Congress, the States and localities to ensure that families receive the supports and encouragement they need to move forward with their lives, to engage in work, and to support and nurture their children. I will now turn to the items from the President's budget that are the focus of your invitation -- the adoption and Welfare-to-Work initiatives.

The Adoption Initiative

In his radio address to the nation on December 14th, the President set an ambitious national goal:

by the year 2002, the number of children from the foster care system to double the number of children from the foster care system who are permanently placed in

families in 2002. *System*
[The President asked the Department of Health and Human Services to report to *who*
him by February 14 on our strategies for achieving this national goal. We will be transmitting *are*
the report to the President tomorrow. *adopted*
or
permanently placed annually]

In his directive to HHS on adoption, the President asked us to work with States to set numerical targets to benchmark improvement, provide technical assistance to help States in their efforts,

and recognize and reward States for their success with financial incentives. With respect to the latter, we will propose providing, beginning in FY 1999, a per child financial incentive to States for increases in the number of children adopted from the public child welfare system. As we envision it, the incentive structure would result in no net cost, since increased adoptions from the public system would reduce foster care costs. This approach represents another step toward focusing on outcomes for children and families in evaluating the effectiveness of our programs.

The President's FY 98 budget has requested \$10 million to provide technical assistance to the States as they strive to find more children living and permanent homes. The President has requested an additional \$10 million to provide funding to States to identify barriers to permanency and develop targeted strategies to find permanent homes for children who have been in foster care a particularly long time. Finally, he has requested \$1 million for the Department of Health and Human Services to embark on a public awareness campaign to highlight the benefits of adoption and increase the number of adoptive families.

We are strengthening our efforts on adoption because of a growing consensus that we must engage in a more concerted effort to move children to adoption or another permanent family arrangement when they are unable to return home. We know that some children are in foster care far too long awaiting adoption. Last winter, I visited the White House with a teenager who had been in several foster placements over the course of many years. She described the longing that she felt to have a family of her own, but her hopes were fading as she got older and no family could be found. I am pleased to report that this young woman was adopted last year, partially as

a result of the attention that her plight received. However, she represents thousands of other children in the public child welfare system who still face multiple barriers to permanence.

Currently, 100,000 of the 450,000 American children in foster care will not be able to return home. Yet, in 1995, only 20,000 children were adopted; another 7,000 children were placed in permanent guardianships. There are multiple barriers to permanence for children in foster care which include a system overwhelmed with serious cases, procedural delays in agencies and the courts and a dearth of potential adoptive families. Underlying and compounding these barriers is the complexity and gravity of the placement decisions that must be made for each child and family in crisis. The President emphasized in his directive that placing children in nurturing families is a responsibility that requires a commitment from Federal, State, and local governments, as well as community, business, and religious groups.

States and communities all over the country are implementing innovative techniques, as we learned when we consulted with hundreds of State, county, and tribal leaders, foster care and adoption professionals, judges, foundations, and intergovernmental organizations in developing our report to the President. They have asked us to explore further with them innovative practices like concurrent planning for children in care, family mediation, and voluntary relinquishment counseling for parents.

We will build on this momentum and continue to look for ways to

- o reduce barriers to permanency in Federal law and regulations through bipartisan collaborative efforts
- o shorten the time required to move children to permanence
- o reduce procedural barriers and promote practices that move children to permanency more quickly by examining a number of policy issues, such as reasonable efforts to ensure permanency and policies on timing and purpose of dispositional hearings.

The recent Congressional actions, the President's initiative, the willingness to work together at all levels of government and innovations in the field make our goals more achievable. We look forward to working with the Congress to realize these goals for children.

Welfare-to-Work Initiative

Insert (A)

The Welfare to Work Jobs challenge proposed by the President is designed to help States and cities move a million ~~of the hardest to employ welfare recipients into lasting jobs by the year~~ *welfare recipients off the rolls by the year 2000*

2000. It provides \$3 billion over 3 years in mandatory financing through the Department of Labor ~~to create new jobs and place individuals in them~~ *for job placement and job creation*. States and cities can use these funds to provide subsidies and other incentives to encourage private business to hire welfare recipients.

INSERT

(A)

The essence of the new welfare law is to shift the whole notion of welfare from dependency, to independence through work. It would be hard to overstate how significant this change is in philosophy from prior decades, and how enormous the positive results can be for poor people. But for the poor to realize the full benefits of the Act, at least four key things must happen:

1. Welfare recipients must accept their personal responsibility to prepare for, seek, and accept work instead of welfare;
2. States and cities must take full advantage of the opportunities it offers them to implement law by fundamentally changing the approach of their administering agencies from the focus on dependency to the focus on helping people prepare for, find, take, and hold jobs;
3. Private business, ^{religious organizations} churches and others must respond enthusiastically to the President's challenge to create jobs;
4. Congress must join with the President to enact two additional pieces of law -- (a) the \$3 billion welfare to work challenge fund, and (b) the enhancements to the Work Opportunity Tax Credit.

With these four elements, States, cities and welfare recipients can devise a coherent, State-by-State, welfare-to-work strategy, and make real the promise of welfare reform. This Administration is dedicated to the realization of that promise.

The Jobs Challenge will make it possible for many welfare recipients to do what most want to -- work. It will empower individuals with the skills and information necessary to get ^e and keep jobs in the private sector and keep them. To be successful, it requires strong private sector support. The President recently suggested that communities should use "employment councils" like the one in Kansas City to help in meeting the requirements of welfare reform. Under the Job Training Partnership Act, 640 similar councils in place across the country engage over 10,000 private sector volunteers in overseeing the training and placement into jobs of welfare recipients, other low income adults and youth, as well as dislocated workers. We anticipate that States and communities will actively engage these councils in meeting the Jobs Challenge.

It is now widely recognized that a more targeted job ^{placement and jobs} creation measure is needed to supplement the TANF Block Grant if we are to make welfare reform work. The Jobs Challenge is intended to meet this need. ~~Details of the proposal will be available in the early spring, and we look~~ ✓
forward to working closely with the Congress in exploring ways to assist States and localities in helping welfare recipients who can't find jobs on their own transition from welfare into real private sector jobs.

Inset (B)

Other tools are available through the Labor Department to provide further incentive to create new job opportunities for long-term welfare recipients. These tools include the Work Opportunity Tax Credit (WOTC) -- administered by the State Employment Security Agencies -- for employers who employ welfare recipients. The President proposes to extend the credit for

Inscr. **B**

The President's FY98 Budget would also greatly enhance and target the Work Opportunity Tax Credit to provide powerful, new private-sector financial incentives to employers to create jobs for long-term welfare recipients. The enhanced Work Opportunity Tax Credit would allow employers to claim a 50-percent credit on the first \$10,000 a year of wages, for up to two years, for workers that they hire who were long-term welfare recipients. For the purpose of determining the amount of the credit, employer's wages could include the cost of training, medical assistance, and child care. In addition, the President proposes to expand the existing tax Work Opportunity Tax Credit to include able-bodied childless adults aged 18 to 50, who, under the Administration's Food Stamp proposal, would face a more rigorous work requirement in order to continue to receive Food Stamps.

current targeted groups through September 30, 1998. He also proposes to expand the credit to include adults age 18 to 50 who are subject to the rigorous work requirement under the Food Stamp legislative proposal.

In addition, the Administration proposes a targeted welfare-to-work tax credit designed to create new job opportunities for long-term welfare recipients. The credit would enable employers to claim a 50 percent credit on the first \$10,000 of annual wages paid to long-term recipients. The credit could be claimed for up to two years and employers would be able to treat education and training assistance, health care, and dependent care as eligible wages. The credit would be available for wages paid or incurred effective the date of enactment through September 30, 2000.

Insert 

Finally, today you will be hearing from the Social Security Administration about one of the Administration's key proposals to satisfy the President's commitment to modify provisions in the landmark welfare reform law which had nothing to do with moving people from welfare to work.

In addition to restoring basic disability benefits, the Administration is proposing additional actions to restore equity for legal immigrant children and those who become disabled after entry. The HHS budget includes funding to restore Medicaid benefits to disabled children, and to legal immigrants who are either children or disabled adults -- people who cannot work.

INSERT 

Another major focus for the Administration is to change parts of the welfare reform law that have nothing to do with welfare reform. When the President signed the Welfare Reform bill he made clear his disappointment with the harsh benefits to immigrants provisions in the bill. The President stated:

"My Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being. Legal immigrants and their children, however, should not be penalized if they become disabled and require medical assistance through no fault of their own."

The President's FY 1998 budget makes good on his promise to correct provisions that were included to save money, and which burden States and punish children and the disabled. We are pleased that the governors, in an NGA resolution several weeks ago, agreed -- we must not balance the budget on the backs of States or legal immigrants.

Today, you will also be hearing from the Social Security Administration about this key Administration proposal. I would also like to make a few points about why this action is so important.

The welfare law denies most legal immigrants access to fundamental safety net programs unless they become citizens -- even though they are in the U.S. legally, are working and paying taxes and are responsible members of our communities. The Administration has always supported making individuals who encourage their relatives to emigrate to the United States more responsible for the immigrant's well being. However, as a nation, we should not turn our backs on anyone who has lost their ability to earn a living due to injury, disease or illness. The Nation should protect legal immigrants and their families -- people admitted as permanent members of the American community -- when they suffer accidents or illnesses that prevent them from earning a living. Consequently, the budget proposes to make legal immigrants who become disabled after entering the United States eligible for SSI and Medicaid. This proposal would allow over 320,000 legal immigrants to receive SSI and Medicaid benefits.

The budget would also provide poor immigrant children the same Medicaid health care coverage low income citizen children receive. These children are permanent members of our nation and it is in our self interest to provide them with the same quality of health care as other children.

The budget would lengthen the five year exemption for refugees from the ban to seven years in order to give them a more appropriate amount of time to naturalize. The United States admits refugees and asylees into this country on a humanitarian basis. It is a matter of simple decency to provide assistance for this population while they adjust to their new circumstances.

The budget also creates an exemption for refugees that is more sensitive to the needs of this group. Welfare reform exempted refugees and asylees from the benefit restrictions for their first five years in the country. The budget would extend the exemption from 5 to 7 years to provide a more appropriate amount of time for refugees and asylees to become citizens.

In addition, the Administration is proposing to delay the prohibition against legal immigrants receiving Food Stamps. The Administration proposes to delay the ban on Food Stamps for legal immigrants until the end of FY 1997 in order to give legal immigrant families, elderly and disabled more time to naturalize.

Conclusion

In closing, I would like once again to thank you for your support on behalf of children living in poverty and children in our nation's child welfare system. I look forward to our continued work together as we seek to realize the goals of independence for every family and safety, permanence, and well-being for every child.

My colleagues and I would be happy to answer any questions you have at this time.

URGENT

Total Pages: 15

LRM ID: MDH7

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Friday, February 7, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: *Janet R. Forsgren*
Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melinda D. Maskins
PHONE: (202)395-3923 FAX: (202)395-6148

SUBJECT: HHS Proposed Testimony on Welfare-Related Proposals in the President's
FY98 Budget

DEADLINE: NOON Monday, February 10, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The attached HHS (Golden) testimony on the FY98 Budget proposals for welfare programs is scheduled to be delivered to the House Human Resources Subcommittee on Thursday, February 13th. This deadline is firm.

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401-2571

LRM ID: MDH7 SUBJECT: HHS Proposed Testimony on Welfare-Related Proposals in the President's FY98 Budget

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is short (e.g., concurring comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

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Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: (Date)
(Name)
(Agency)
(Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

- Concur
No Objection
No Comment
See proposed edits on pages
Other:
FAX RETURN of pages, attached to this response sheet

TESTIMONY

OF

OLIVIA A. GOLDEN
ADMINISTRATION FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 13, 1997

Members of the Subcommittee,

I am pleased to appear before this Subcommittee today to discuss two important initiatives from the President's budget that you have identified as being of particular interest -- the President's initiatives on adoption and welfare to work. I would also like to briefly discuss the Administration's proposals addressing Medicaid and Food Stamp benefits for qualified aliens, so that you have a complete picture of the President's efforts to restore fairness to the Federal safety net programs.

My testimony will focus primarily on the adoption initiative since that is the issue I am most personally involved with and since it is critically important to the Administration for Children and Families. I am accompanied today by xxx from the Department of Labor, who will respond to your questions about Welfare-to-Work.

The President's budget for FY 1998 addresses the needs of children and families in multiple ways that we believe will strengthen families, move people from welfare to work and increase self-sufficiency. The areas you have identified for this hearing are certainly important to this mission. The Welfare-to-Work initiative reaffirms and strengthens the work commitment of last year's landmark welfare reform legislation and responds to what the President cites as "our moral obligation, to make sure that people who now must work can work." The adoption initiative focuses special attention on the needs of some of our most vulnerable citizens -- children languishing in foster care -- who deserve safe and permanent families. I will address each initiative in a few moments.

First, however, I would like to touch on our progress in implementing welfare reform. I believe it is the cornerstone to realizing our key goals of work, responsibility and protecting children.

I will close my testimony by briefly addressing problems in the welfare reform legislation that are harmful to immigrants and that have nothing to do with promoting the welfare reform goals of moving people from welfare to work. As the President said in his State of the Union address with respect to his proposed strategy to address these problems, "To do otherwise is simply unworthy of a great nation of immigrants."

Welfare Reform Implementation

The Administration for Children and Families is responsible for administering several of the programs most affected by the welfare reform legislation, including the new Temporary Assistance for Needy Families (TANF) program, child care programs for families on welfare and other low-income working families, and the child support enforcement program. States and the Federal government alike are promptly implementing each of these major pieces of the Act and we are encouraged by the early progress being made.

So far, we have received 42 TANF plans from states, territories, and tribes and 35 have been certified as complete. Many state legislatures are just now coming into session and will be addressing the TANF plans, and we expect new plans from the remaining states and amendments to plans already submitted before the July 1, 1997 implementation deadline.

Welfare reform provides States with great flexibility to ensure that welfare is a transitional system, rather than a way of life. Along with this new authority and flexibility, the new statute holds states more accountable for program performance. It includes a variety of provisions designed to ensure that states are moving people from welfare to work: penalties, performance-based funding, data collection and reporting, and research and evaluation.

On January 31, 1997, because of many states' requests for clarifications, we issued preliminary guidance concerning several issues of immediate concern, most notably the definition of which state expenditures count toward maintenance-of-effort. The guidance also addresses the definitions of "assistance," a key term in determining which expenditures are covered by certain rules, and "eligible families," a key term in determining which state resources count as maintenance-of-effort.

The Clinton Administration is committed to an effective implementation of this historic welfare reform law that transforms the welfare system into one with tough work requirements. We have a great deal of confidence in the states, and we believe that they will use the flexibility in the law to strengthen the focus on work. At the same time, the Department will use all its administrative authority to prevent states from using their flexibility to undercut the intent of the statute. We will collect all the information we can on how the states are using their dollars and we will take all the administrative actions in our power to ensure that state policies focus on work. We will also work with you and the Governors to ensure that the work participation rates in the statute take into account overall State work effort, across State and Federal programs.

As part of the development of TANF policy and guidance, we have met and continue to meet with state and local administrators and legislators and their national representatives. We also have met with advocates, and representatives of non-profit organizations and foundations, organized labor, and business organizations. These consultations have helped us to identify issues, such as the one described above, and to ensure that a wide range of perspectives are considered in the development of policy.

During these meetings we have also heard about the critical importance of child care in enabling people to move from welfare to work. We were pleased that the new law provided a substantial increase in child care funding and increased flexibility for states to design an integrated child care system to serve both families on welfare and low-income working families. We refer to the newly integrated system as the Child Care Development Fund (CCDF). ACF moved quickly to implement the child care program changes, which became effective October 1, 1996.

Our Child Care Bureau has taken a number of steps to inform prospective grantees and other interested parties about the CCDF and to ensure the earliest possible flow of the new funds in order to provide continuity between the old and new programs. We issued new mandatory and matching funds as soon as they became available and published early policy guidance requested by states. We designed new streamlined grantee plan formats and new data collection instruments. We have held consultations with grantees and other organizations. We now are developing regulations and financial reporting forms. We also are planning for the FY 1998 grant cycle, for which states and tribes will submit applications by July 1, 1997.

We are also proud of the progress states have made in child support enforcement. In 1996, we collected a record of almost \$12 billion in child support payments, and the comprehensive provisions in the welfare law are projected to increase child support collections by an additional \$24 billion over 10 years.

Implementation of many of these new provisions will require the enactment of state laws. Effective dates of the new requirements vary, but typically fall within 1 to 2 years of enactment. Therefore, full implementation of the child support provisions will take place over time.

Nevertheless, many states already have implemented some of the new federal requirements. For example, in 1995 the President urged all states to implement license revocation programs. Today 43 states have done so. In addition, 35 states recently have enacted the Uniform Interstate Family Support Act, and 26 states have adopted some form of reporting new hires.

At the federal level, we have made great progress in making the expanded Federal Parent Locator Service (FPLS) a reality and we anticipate meeting the statutory deadline. Since the enactment of welfare reform, we have entered into contracts with several nationally recognized and respected vendors to help us design and develop the expanded FPLS, manage the project and enhance our quality assurance efforts, and assist us with providing training and technical assistance.

The federal Office of Child Support Enforcement is also providing technical assistance to states in implementing the other child support provisions in welfare reform. We are conducting broad consultation and outreach to program stakeholders to ensure that the promise of the legislation -- a strong child support enforcement program -- is realized.

With respect to the reforms affecting each of these programs, the Administration for Children and Families is committed to working closely with the Congress, the States and localities to ensure that families receive the supports and encouragement they need to move forward with their lives, to engage in work, and to support and nurture their children. I will now turn to the items from the President's budget that are the focus of your invitation -- the adoption and Welfare-to-Work initiatives.

The Adoption Initiative

In his radio address to the nation on December 14th, the President set an ambitious national goal: to double the number of children from the foster care system who are permanently placed in families in 2002. The President asked the Department of Health and Human Services to report to him by February 14 on our strategies for achieving this national goal. We will be transmitting the report to the President tomorrow.

In his directive to HHS on adoption, the President asked us to work with States to set numerical targets to benchmark improvement, provide technical assistance to help States in their efforts,

and recognize and reward States for their success with financial incentives. With respect to the latter, we will propose providing, beginning in FY 1999, a per child financial incentive to States for increases in the number of children adopted from the public child welfare system. As we envision it, the incentive structure would result in no net cost, since increased adoptions from the public system would reduce foster care costs. This approach represents another step toward focusing on outcomes for children and families in evaluating the effectiveness of our programs.

The President's FY 98 budget has requested \$10 million to provide technical assistance to the States as they strive to find more children living and permanent homes. The President has requested an additional \$10 million to provide funding to States to identify barriers to permanency and develop targeted strategies to find permanent homes for children who have been in foster care a particularly long time. Finally, he has requested \$1 million for the Department of Health and Human Services to embark on a public awareness campaign to highlight the benefits of adoption and increase the number of adoptive families.

We are strengthening our efforts on adoption because of a growing consensus that we must engage in a more concerted effort to move children to adoption or another permanent family arrangement when they are unable to return home. We know that some children are in foster care far too long awaiting adoption. Last winter, I visited the White House with a teenager who had been in several foster placements over the course of many years. She described the longing that she felt to have a family of her own, but her hopes were fading as she got older and no family could be found. I am pleased to report that this young woman was adopted last year, partially as

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current targeted groups through September 30, 1998. He also proposes to expand the credit to include adults age 18 to 50 who are subject to the rigorous work requirement under the Food Stamp legislative proposal.

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In addition to restoring basic disability benefits, the Administration is proposing additional actions to restore equity for legal immigrant children and those who become disabled after entry. The HHS budget includes funding to restore Medicaid benefits to disabled children, and to legal immigrants who are either children or disabled adults -- people who cannot work.

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Conclusion

In closing, I would like once again to thank you for your support on behalf of children living in poverty and children in our nation's child welfare system. I look forward to our continued work together as we seek to realize the goals of independence for every family and safety, permanence, and well-being for every child.

My colleagues and I would be happy to answer any questions you have at this time.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 37
FILE NO: 16

1/10/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): _____

TO: Legislative Liaison Officer - See Distribution below.
FROM: Janet FORSGREN *Janet Forsgren*
Assistant Director for Legislative Reference
OMB CONTACT: Robert PELLICCI 395-4871
Legislative Assistant's line (for simple responses): 395-7382
SUBJECT: HEALTH AND HUMAN SERVICES Proposed Testimony on Welfare Reform

DEADLINE: 2:30 pm Wednesday, January 11, 1995

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The attached testimony will be delivered on Friday, January 13th, before the House Human Resources Subcommittee under Ways and Means.

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**RESPONSE TO
LEGISLATIVE REFERRAL MEMORANDUM**

**LRM NO: 37
FILE NO: 15**

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SUBJECT: HEALTH AND HUMAN SERVICES Proposed Testimony on Welfare Reform

The following is the response of our agency to your request for views on the above-captioned subject:

- _____ Concur
- _____ No Objection
- _____ No Comment
- _____ See proposed edits on pages _____
- _____ Other: _____
- _____ FAX RETURN of _____ pages, attached to this response sheet

STATEMENT BY

MARY JO BANE

ASSISTANT SECRETARY
FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE
HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

JANUARY 13, 1995

Good morning Mr. Chairman and members of the Committee. I am the Assistant Secretary for Children and Families in the Department of Health and Human Services, with responsibility for many of the programs you are considering today. I appreciate the opportunity to come before you to discuss some of the critical issues facing all of us as we attempt to reform the welfare system.

As you know, the President has submitted a comprehensive welfare reform proposal that addresses what we believe are serious flaws in the current welfare system. Our approach emphasizes work, responsibility and reaching the next generation. And we are committed to working with this Congress, in a bipartisan spirit, to pass bold welfare reform legislation. We believe the current system undermines work and parental responsibility in far too many ways. It is not nearly tough enough about insisting that recipients who are able to work do so or prepare themselves to go to work quickly. It doesn't do nearly enough to ensure that both parents support their children. And it fails to provide real opportunities and challenges to the next generation.

The Family Support Act was passed in 1988 to address some of these problems. Its provisions made work a more integral part of the welfare program, and it gave more support to families who tried to become independent by taking jobs. It also made substantial improvements in the child support enforcement system to ensure that both parents take responsibility for supporting their children. Unfortunately, the Family Support Act did not go far enough.

Mr Chairman, let me say that this Administration believes strongly in state flexibility, and also shares your concern and that of staff officials about the proper division of responsibility between the federal and state governments. As a former state welfare official, and now as a federal official in constant communication with states, I am well aware of the ability of states to respond creatively to the needs and opportunities to reform the welfare system. I am very sympathetic to state concerns about onerous and inappropriate federal requirements.

The Administration's welfare reform proposal would greatly enhance state flexibility with respect to the AFDC rules that most affect work and families. In addition, because of our commitment to state flexibility and innovation, we have worked with states using the section 1115 waiver authority to test new approaches to welfare. Under this process, we have approved 23

state demonstrations that enable states to experiment with new ways of promoting parental responsibility, making work pay, and helping families become self-sufficient.

As we move forward to consider comprehensive reforms, there are several fundamental questions that we must raise about the design of this nation's welfare system: What is the proper balance between national objectives and state flexibility? What are the appropriate funding mechanisms for programs for the needy? Should the AFDC and Food Stamp programs remain individual, and state, entitlements or be converted to block grants or capped discretionary programs? What national requirements or accountability standards should govern a reformed welfare system?

We believe that several key goals should govern our effort to redesign the welfare system and ensure greater state flexibility:

- o achieving the national reform objectives of work, responsibility and accountability;
- o ensuring stability in funding over time and cushioning states and individuals against economic cycles;
- o preserving the basic safety net for needy Americans, especially children.

National Reform Objectives

We in the, Administration, in Congress and in the states alike, are committed to serious welfare reform that emphasizes work, parental responsibility and improving the life prospects of young people. The Family Support Act was very important in beginning a national change in the culture of the welfare system toward one that is oriented toward work and self-sufficiency. Many states are moving further and faster than the Family Support Act required toward a welfare system focused on work and parental responsibility.

There is, however, enormous variation among the states in the extent to which they have moved in these directions. One measure is participation in the JOBS program, which gives some indication of the extent to which a culture change toward work is reaching the entire AFDC population. In 1993, the percent of countable adult recipients participating in JOBS, on an average monthly basis, ranged from less than 10 percent in Guam, Arizona, and Hawaii to well in excess of 50 percent in Nebraska. The national average was only 17 percent. We know that states vary in their ability and/or willingness to transform their systems.

We also can look at the extent to which states choose the option of requiring welfare recipients to work for their benefits, which states can do in a variety of ways under current

law. Subsidized work assignments represent only one half of one percent of the assignments in the JOBS program, and unpaid work experience represents six percent of assignments or less. Of all the state welfare reform experiments that this Administration has approved, only Vermont has included subsidized work on a statewide basis. Fewer than half of the demonstrations we have approved involve time limits on benefits or make benefits conditional on work.

Child support efforts also show substantial state variability. For example, the percentage of cases with collections in 1993 ranged from 5.4 percent in Arizona to 38.5 percent in Vermont, with a national average of only 18.2 percent.

We also need to ensure accountability for the correct expenditure of federal funds -- certainly a goal we all share. The importance of national standards in this area is illustrated by the improvement in payment accuracy that occurred after a national Quality Control system was put in place. The national AFDC payment error rate for fiscal year 1973 was 16.5 percent. By 1991, it had declined to 5 percent. In 1991, state payment error rates ranged from 1.18 percent for South Dakota to 9.66 percent for Florida. The State-reported rates for 1992 and 1993 suggest that the range in error rates is growing, in that South Dakota's reported error rate remained less than 2 percent while Florida's reported rate rose to more than 13.6 percent.

All these indicators of state capacity and performance show considerable variation. They suggest that if we truly want comprehensive and widespread welfare reform, we must balance the benefits of increased state flexibility with those of a national framework of requirements and performance standards. This will ensure that states move quickly and effectively to a changed culture of work and responsibility.

Fiscal and Economic Stability

The AFDC and Food Stamp programs currently are funded as individual entitlements. This does not mean that the federal government provides states or individuals with a blank check for benefits. There are strict rules about eligibility. There are requirements -- which we propose to make much tougher -- to ensure that parents cooperate in securing child support and to ensure that recipients work. AFDC must be a system of mutual obligations, with benefits conditional upon parental responsibility and work.

But a national welfare program also must enable states to deliver the help needed by families who fall on hard times and who play by the rules. The system should not leave the states with the full responsibility for addressing increased demands on their welfare system in times of economic or demographic change. Under the current entitlement funding system, the federal

government is committed to share a portion of each state's expenditure, depending on the state caseload and benefit level, and the state's economic capacity in a given year. If state costs increase due to downturns in the national or state economic cycle, or if a state's needy population increases for other reasons, more federal funds automatically become available.

We understand that you currently are considering a number of proposals to cap and block grant the AFDC and Food Stamp programs. As you consider this fundamental change in the nature of this nation's welfare programs, it is important to carefully consider the effect such proposals could potentially have on states over time -- and under changing economic conditions.

Consider, for example, a block grant distribution formula based on need the formula contained in the Personal Responsibility Act for the nutrition block grant. This formula distributes nutrition assistance funds based on the number of needy people in a state. USDA has done calculations of what would happen in the aggregate and to selected states in 1996 if the formula were applied to food assistance expenditures in 1994. Overall, expenditures on nutrition programs would be reduced by 13 percent because of appropriations levels that are out below current spending. But the effect on individual states would vary enormously. California would receive \$550 million more in 1996

than in 1995, a 16 percent increase. But Louisiana would receive \$378 million less, a 33 percent decrease. Tennessee would lose 24 percent, and Michigan 20 percent. Table 1 shows the results for all states. Block grants allocated according to population factors create large state winners and losers relative to the current system.

A different way to construct a block grant would be to base funding on previous expenditures. The block grant alternative to the AFDC system that is included in the Personal Responsibility Act is an example of this kind of distribution. States would be able to receive 103 percent of their 1992 expenditures to use with almost complete flexibility in providing benefits to needy families. We can examine the effects of this kind of a block grant by asking ourselves what would have happened if such a block grant had been put in place for all the states in 1988, based on 1987 expenditures. We did calculations to see what selected states would have received in 1993 under this hypothetical block grant compared with what they actually spent in 1993. If all states had chosen the block grant option, states in the aggregate would have received 26 percent less than what they actually spent, partly because of inflation and partly because of increasing caseloads. Again, however, the impacts on individual states vary enormously. Florida would have received 61 percent less; Tennessee 43 percent less; Michigan 3 percent more; Connecticut 40 percent less. Table 2 shows the results for all states.

Of course, if the cap had been in effect in 1988, it is possible that states could have changed their welfare programs to keep their costs within the limitations imposed by the caps. But it is hard to imagine that states would have been able to reduce demand enough to counteract the significant economic and demographic changes that were occurring over this period, and occurring to very different degrees in different states. Block grants set to reflect current spending can create unpredictable and highly variable impacts due to inflation and to changing economic and demographic conditions.

The design of a block grant, or the allocation of a capped entitlement inevitably requires a formula. Different formulas produce different winners and losers, but substantial disparities will always result. In deciding whether the fiscal benefits are worth the potential effects on states, historical spending trends may be informative. Since 1972, there have been some fluctuations in AFDC expenditures, but real current expenditures (net of child support collections) are slightly lower than 20 years ago. To get a better sense of how individual states might be affected individually, we can look at a more recent period, from 1985-1993. Over that period, state experiences varied widely; a few states experienced declines, while some experienced very substantial increases. Illinois, Iowa, Michigan and Wisconsin experienced declines in real expenditures in excess of 20 percent. At the same time, expenditures in four states (Arizona, Florida, Nevada, and New Hampshire), more than doubled in real terms.

The Safety Net

As we reform welfare to focus on work, responsibility and reducing dependency, we must not forget that millions of families and children rely on the AFDC and Food Stamp programs to get them through periods of economic desperation. These programs provide a lifeline when a parent has lost a job, a mother cares for a severely disabled child, an abused partner finally takes her child and breaks away, an elderly person can't make it on meager pension benefits, or a working family needs a small supplement. As a nation, we have accepted responsibility for providing a basic safety net, recognizing that states vary enormously in their capacity to care for their needy residents.

The Personal Responsibility Act would impose caps on funding for the Food Stamp, AFDC, SSI, child support, emergency assistance and other programs. It also provides that these programs would no longer be entitlements, for either individuals or states. Instead they would be discretionary spending programs subject to annual appropriations.

Although the legislation does not specify what would happen if spending exceeded the caps in a given year, these changes could have profound implications for the safety net. They could mean that SSI recipients might not get checks during the last months of the fiscal year. The caps could mean that families

whose earners lost jobs or were hit with a serious financial emergency toward the end of the year might be treated differently from families that needed assistance at the beginning of the year. They might be denied benefits, their benefits might be reduced or they might be put on waiting lists. Entitlement caps could also mean that food assistance might not be available to working families when their hours or wages were reduced. These effects could be worse in recession years, when federal funds relative to need would be greatly reduced.

It is possible that states could make up shortfalls resulting from the federal government's spending caps, and provide help to their needy residents. But demands on the states are likely to be greatest at precisely those times and in those states where ability to respond is most strained. Particularly in times of economic downturn, it is quite possible that the most vulnerable citizens in the poorest states would be left without the basic necessities of life at a time when jobs are the least available.

Conclusion

Understanding the profound issues that are potentially raised by dramatic changes in the funding structure of welfare programs does not mean that these issues cannot or should not be solved. Let me restate that we in the Administration, like members of Congress, believe that the welfare system needs to be changed in fundamental ways. Our welfare reform proposal takes bold steps to refocus the system on the national objectives of work and responsibility, while increasing state flexibility and protecting the safety net. Obviously, there are other approaches and other creative solutions to these issues as well. But before adopting one or another approach, it is very important that we carefully assess the likely impact of that approach. We look forward to working with the committee and others in exploring those alternatives. We also offer our cooperation in providing information as we move forward together to reform the welfare system.

I'd be happy to answer any questions at this time.

EXAMPLE OF A DISTRIBUTION FORMULA BASED ON NEED

EFFECTS of a Nutrition Block Grant in the
 Personal Responsibility Act (allocated by the number of "needy persons" in the state)
 on USDA Food Assistance Programs by State in Fiscal Year 1996
 (Dollars in millions)

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Alabama	\$818	\$713	-\$105	-13%
Alaska	\$97	\$84	-\$13	-13%
Arizona	\$663	\$554	-\$109	-16%
Arkansas	\$432	\$403	-\$29	-7%
California	\$4,170	\$4,820	\$650	+16%
Colorado	\$412	\$417	\$5	+1%
Connecticut	\$397	\$248	-\$149	-37%
Delaware	\$92	\$58	-\$34	-37%
Dist. of Col.	\$137	\$85	-\$52	-38%
Florida	\$2,194	\$1,804	-\$390	-18%
Georgia	\$1,209	\$934	-\$275	-23%
Hawaii	\$215	\$198	-\$17	-8%
Idaho	\$127	\$176	\$49	+38%
Illinois	\$1,741	\$1,483	-\$258	-15%
Indiana	\$713	\$691	-\$22	-3%
Iowa	\$297	\$266	-\$31	-11%
Kansas	\$307	\$270	-\$37	-12%
Kentucky	\$740	\$582	-\$157	-21%
Louisiana	\$1,141	\$768	-\$373	-33%
Maine	\$188	\$167	-\$21	-11%
Maryland	\$576	\$404	-\$172	-30%
Massachusetts	\$608	\$577	-\$32	-5%
Michigan	\$1,390	\$1,109	-\$281	-20%
Minnesota	\$508	\$490	-\$18	-4%
Mississippi	\$730	\$603	-\$127	-17%
Missouri	\$810	\$754	-\$56	-7%
Montana	\$111	\$140	\$29	+26%

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Nebraska	\$187	\$179	-\$12	-6%
Nevada	\$145	\$150	\$5	+3%
New Hampshire	\$89	\$94	\$5	+6%
New Jersey	\$236	\$704	-\$132	-16%
New Mexico	\$361	\$321	-\$40	-11%
New York	\$3,101	\$2,441	-\$440	-14%
North Carolina	\$930	\$849	-\$81	-9%
North Dakota	\$86	\$76	-\$9	-11%
Ohio	\$1,768	\$1,287	-\$481	-27%
Oklahoma	\$528	\$475	-\$53	-10%
Oregon	\$410	\$346	-\$64	-16%
Pennsylvania	\$1,617	\$1,465	-\$152	-9%
Rhode Island	\$128	\$101	-\$27	-21%
South Carolina	\$602	\$546	-\$56	-9%
South Dakota	\$99	\$95	-\$4	-4%
Tennessee	\$983	\$743	-\$241	-24%
Texas	\$3,819	\$3,665	-\$1,154	-30%
Utah	\$234	\$277	\$43	+18%
Vermont	\$76	\$66	-\$10	-13%
Virginia	\$783	\$597	-\$185	-24%
Washington	\$660	\$444	-\$216	-33%
West Virginia	\$405	\$309	-\$96	-24%
Wisconsin	\$467	\$442	-\$25	-5%
Wyoming	\$57	\$57	0	+1%
US TOTAL	\$40,764	\$35,600	-\$5,164	-13%

Source: U.S. Department of Agriculture

Note: US Total includes Territories, Indian Tribal Organizations, and Department of Defense

Illustration of Impact of a Mandatory AFDC Block Grant Provision
on Federal AFDC Benefit and Administrative Payments to States, FY 1993
Block Grant Implemented in FY 1988 and Set at 103% of FY 1987 Federal APDC Payments
(AFDC block grant provision in the Personal Responsibility Act is a State option)

(amounts in millions)

State	FY 1993: Actual Federal Payments	Block Grant: 103% of FY 87 Level	Difference	
Alabama	\$79	\$57	(\$22)	-28%
Alaska	\$60	\$29	(\$31)	-51%
Arizona	\$200	\$65	(\$135)	-67%
Arkansas	\$50	\$42	(\$8)	-16%
California	\$3,205	\$2,157	(\$1,048)	-33%
Colorado	\$102	\$70	(\$32)	-31%
Connecticut	\$207	\$124	(\$83)	-40%
Delaware	\$23	\$15	(\$8)	-35%
Dist. of Columbia	\$67	\$52	(\$15)	-22%
Florida	\$517	\$202	(\$315)	-61%
Georgia	\$297	\$189	(\$109)	-37%
Guam	\$8	\$5	(\$3)	-37%
Hawaii	\$76	\$38	(\$38)	-50%
Idaho	\$24	\$18	(\$7)	-28%
Illinois	\$487	\$487	\$0	0.04%
Indiana	\$158	\$111	(\$47)	-30%
Iowa	\$111	\$110	(\$1)	-1%
Kansas	\$84	\$56	(\$28)	-33%
Kentucky	\$166	\$110	(\$56)	-34%
Louisiana	\$141	\$129	(\$12)	-8%
Maine	\$75	\$62	(\$14)	-18%
Maryland	\$190	\$147	(\$44)	-23%
Massachusetts	\$408	\$303	(\$106)	-26%
Michigan	\$751	\$777	\$26	3%
Minnesota	\$239	\$198	(\$41)	-17%
Mississippi	\$75	\$69	(\$6)	-8%
Missouri	\$189	\$146	(\$43)	-23%
Montana	\$37	\$30	(\$7)	-19%

NOTES:

The level of the block grant for each State is set at 103 percent of FY 1987

Federal payments for AFDC benefits and administration, unadjusted for inflation.

The Family Support Act was not in effect during FY 1987. To avoid overstating the impact of a block grant, Federal payments for AFDC work activities and AFDC-related child care are not included in either column.

Illustration of Impact of a Mandatory AFDC Block Grant Provision
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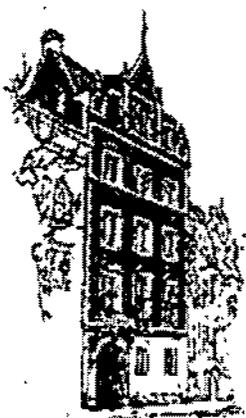
State	FY 1993: Actual Federal Payments	Block Grant: 103% of FY 87 Level	Difference	
Nebraska	\$46	\$41	(\$5)	-11%
Nevada	\$28	\$10	(\$17)	-61%
New Hampshire	\$31	\$12	(\$19)	-61%
New Jersey	\$341	\$298	(\$43)	-13%
New Mexico	\$94	\$45	(\$49)	-52%
New York	\$1,684	\$1,268	(\$416)	-25%
North Carolina	\$263	\$154	(\$109)	-41%
North Dakota	\$22	\$14	(\$8)	-36%
Ohio	\$626	\$522	(\$105)	-17%
Oklahoma	\$140	\$84	(\$55)	-40%
Oregon	\$146	\$92	(\$53)	-37%
Pennsylvania	\$561	\$506	(\$56)	-10%
Puerto Rico	\$65	\$59	(\$6)	-10%
Rhode Island	\$75	\$50	(\$25)	-33%
South Carolina	\$92	\$86	(\$6)	-6%
South Dakota	\$19	\$17	(\$3)	-14%
Tennessee	\$166	\$95	(\$71)	-43%
Texas	\$385	\$207	(\$178)	-46%
Utah	\$67	\$51	(\$15)	-23%
Vermont	\$42	\$31	(\$11)	-26%
Virgin Islands	\$3	\$2	(\$1)	-26%
Virginia	\$138	\$117	(\$20)	-15%
Washington	\$365	\$239	(\$126)	-35%
West Virginia	\$97	\$87	(\$10)	-10%
Wisconsin	\$289	\$348	\$58	20%
Wyoming	\$19	\$11	(\$8)	-43%
U.S. TOTAL	\$13,834	\$10,243	(\$3,591)	-26%

NOTES:

The level of the block grant for each State is set at 103 percent of FY 1987

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WR -
Testimony

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Thanks for calling. Here is the final version. I will stay in touch.

Richard P. Nathan
Director

CLINTON WELFARE BILL SHOULD BE ENACTED

Testimony
Richard P. Nathan
Subcommittee on Human Resources
U.S. House Committee on Ways and Means

August 9, 1994

As a veteran of welfare reform debates going back 25 years to when a Republican President for whom I worked (Nixon in his first term) tried to climb this mountain, I have thought long and hard about the Clinton welfare reform proposal (H.R. 4605), the Work and Responsibility Act of 1994. If I could wave a magic wand and have the Clinton bill enacted as written, I would do so. I remember well the hard issues we wrestled with to design Nixon's Family Assistance Plan, which was not enacted. It had its flaws. No reform bill in the horbox of welfare policy can fully satisfy people like myself who make our living as policy analysts. Not is every provision of the Clinton bill just what personally I would like. Nevertheless, on balance, and taking into account the arguments below about how crucial it will be to implement this new program effectively, I would be pleased to see the Congress adopt the Clinton bill. The fear of course is that in the cauldron of welfare emotionalism the bill will be changed in ways that would be harmful to the poor, especially poor children. This is a dangerous time for social policy. Still, if you could adopt the Clinton plan as written, I would say do it. It represents a sensible middle ground that in many ways builds intelligently on existing law.

In the usual way, the Clinton welfare reform bill and the statements made about it overpromise. If this legislation is passed, the federal government must avoid what has happened too often in the past in this field;

we promise the moon and we deliver moon spots. The JOBS title of the

1988 Family Support Act is an illustration of this implementation gap. The Family Support Act passed in 1988 is a balanced law that aids the states in adopting policies to get welfare families heads into the regular labor force. But based on research we have done at the Rockefeller Institute of Government, the funding for this law has been too limited, and the work done to implement it has gone slowly.¹

Economists have a concept in theory called signalling. The idea is that what we tell people makes a difference in their economic behavior. In the case of welfare policy, we have been signalling like crazy for years now, but we have not made enough of a difference. Our signal has been that you should not have a child until you can support that child, that you shouldn't live a life of dependency on the state, and that children born to very young single mothers are likely to have a hard time of it. Almost every welfare plan I can remember - left, right, and center - has signalled (indeed preached) that work is better than welfare, that families should be self supporting, and that both parents of a child should be part of this self-support system. We have in fact shouted this to the rooftops. And yet illegitimacy rises (not just among the poor of course) and welfare roles are up. Many people exit welfare quickly, but the big cost and the big problem is the long stayers. This group overrepresents teenagers who have children out of wedlock and lead a life of welfare.

Everyone who knows about this field knows that in promising jobs after two years the Clinton bill sends a strong signal that presents lots of problems as to whether we can really do this. I credit the framers of the Clinton bill for their phasing in of this requirement, although even with the phase-in, the goals sought are tremendously ambitious.

Why then do I say we should pass the bill?

My experience and my research suggest five points that lead me to this conclusion:

1. As a member of board of the Manpower Demonstration Research Corporation, I have closely studied MDRC reports that show that work/welfare programs work - not well enough in many places, but that they do work. It would be desirable to do demonstration research on the effects of time limits on welfare. However, that takes time. If there is no welfare reform legislation this year, I think this kind of research should be pushed, but even under the best of conditions it will not produce results that this Congress or the next can consider.

2. At the Brookings Institution and Princeton University, we conducted a national implementation study of the CETA public service jobs program in the late seventies. Contrary to what everyone remembers (CETA is remembered as a big flop), the CETA public service employment program worked pretty well. In its early days, reasonably job-ready people did useful work in the community. Hugh Price, the new president and chief executive officer of the National Urban League, has urged a new public service jobs program to deal with low-level public infrastructure needs, of which we have many. The bill before you ties in well with his proposals.

3. My third reason for saying go ahead even though big challenges are raised by the Clinton proposal is that there is money in it. It provides critically needed additional money to the states to make their JOBS programs work.

4. The fourth reason for my conclusion involves management. As a student of implementation in government, I have observed that we learn

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4. The fourth reason for my conclusion involves management. As a student of implementation in government, I have observed that we learn

a lot of things by doing them. Yes, we should plan more carefully and take management factors into account in doing so. Some of this was done in writing the Clinton welfare bill. But the fact remains that it bites off a huge chunk, and that there will need to be a lot of adjustments along the way if we are serious about this stronger signalling strategy for welfare. Still, I conclude we need to make a more substantial commitment to job creation for welfare family heads, both for people already on the roles and as a signal to other young people that the government won't just support you forever on welfare if you have a baby you can't support.

§ The final reason for my conclusion involves the importance of jobs as the best route out of welfare. This is the approach New York State is taking now under social services commissioner Michael J. Dowling. The New York program is called "Jobs First." At a recent hearing in New York City on this approach, an employer in the Bronx who hires welfare family heads in a home health-care program said he didn't like to hire women who have cycled through one training program after another. He called them "training junkies," and said many of them are just playing the system. Education for skills and training are the right answer for many welfare family heads, but I think we have gone too far in this direction in the past decade. Training is not the answer for many welfare family heads.

+ + + + +

These five points reflect my reasoning as to why the Clinton bill should be enacted. It is ambitious and tends to be oversold. But what else is new? In my view the bill represents as good a balance as we are likely to

get now. If there is an opening this year to put the knotty welfare issue behind us by enacting this bill in the 103rd Congress, I hope you will do it.

If a full-scale welfare bill cannot be enacted this year, I hope consideration will be given to a two-step approach. By that I mean enacting some changes now to aid and push the states in implementing the JOBS program, holding off until the 104th Congress to debate more fundamental changes. The Clinton bill recommends \$2.8 billion over five years in additional funding for the JOBS program. It also provides \$4.2 billion for child care, \$1.5 billion of this amount for the working poor. There is another \$300 million for pregnancy prevention, plus \$600 million to strengthen child support enforcement. If half of this funding could be authorized now - \$4 billion divided among these several purposes - it would help the states beef up their JOBS programs and related services in order to build a better base for the kinds of more far-reaching changes sought in the form of time limits and the institution of a President Clinton's proposed WORK program.

Richard P. Nathan is director of the Rockefeller Institute of Government and provost of the Rockefeller College of Public Affairs and Policy, the State University of New York. He is also chairman of the board of the Manpower Demonstration Research Corporation. This testimony does not represent the views of either the Rockefeller Institute or the Manpower Demonstration Research Corporation. It states the author's position.

NOTES

1. Irene Lurie and Jan L. Hagen, *Implementing Jobs: The Initial Design and Structure of Local Programs*, The Nelson A. Rockefeller Institute of Government, State University of New York, 1993.