

Note to Rahm:

Bruce and I wanted to pass along the following points in case you get a minute with POTUS prior to the afternoon principals' session.

1) Don't agree to AFDC block grant structure without getting firm and specific commitments on 4 key issues. The block grant issue is our biggest potential trade and should be saved for the right time and the right Republican concessions. At a minimum, POTUS should get specific commitments as follows:

- * Contingency fund (Dollars and new trigger).
- * MOE (Percentage, definition of what state spending counts, higher MOE requirement for states that fail to meet work requirements)
- * Performance Bonus (\$ set-aside to reward states for placing recipients in jobs).
- * Child Care funds (\$5-6 billion above baseline, depending on whether states can count towards the work requirement part-time workers and those who leave the rolls for work).

(Others in White House may want to put Food Stamps in the mix for the AFDC block grant trade. My own view is that a Food Stamp deal should flow primarily from an overall deal on a lower welfare savings number, and that we can throw a "poison pill" into the Food Stamp block grant by insisting on stronger "fraud" protections in the final language).

2) Hold overall welfare savings as close to \$50 billion as possible. The Republican leadership will push POTUS and Leon to go deeper in welfare savings as the price of reducing cuts in Medicare, Medicaid, etc. That's bull. We know that their own internal consensus point with the moderates is low 50s and that they have talked among themselves about settling in the end for \$50-52 billion in total welfare savings. This overall savings target is critical to getting our fixes in the areas not included in the block grant trade above: child welfare, SSI kids, Food Stamps, nutrition, etc.

3) Make sure POTUS understands where he can give and where he needs to stand firm. In preparing the "neutral" paper with the Republican staff yesterday, we tried to give POTUS and Leon some additional leverage by stating Administration opposition to certain provisions on which we can give in the end. Given the rhetoric back and forth during the course of this year, we need to make sure that our principals know the wheat from the chaff. In particular, we can give on three key Republican issues:

- * Family Cap: We can live with the state opt-out.
- * Teen Moms: We can live with state option to deny cash if vouchers or services are required.
- * Illegitimacy Bonus: We can live with conference provision.

Rich

COMPARISON OF CASH BLOCK GRANT
December 30, 1995

TANF BLOCK GRANT (AFDC)		
	FINAL WELFARE REFORM BILL	COALITION BILL
STRUCTURAL REFORM	<ol style="list-style-type: none"> 1. AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one block grant. 2. Turns AFDC into a state block grant which is capped at \$16.3 billion a year. 	<ol style="list-style-type: none"> 1. AFDC replaced with Temporary Employment Assistance Program. Repeals Emergency Assistance. 2. Maintains current law federal-state matching requirement. 3. Replaces JOBS with a capped entitlement (Work First) with CBO cost of \$3.1 billion over 7 years. State match required. Work First funding increases each year to reflect increased work participation rates.
ELIGIBILITY	<ol style="list-style-type: none"> 1. States set eligibility criteria. Ends individual entitlement to benefits. 2. Eliminates federal requirements regarding asset and resource limits, earnings disregards and other income disregards. 	<ol style="list-style-type: none"> 1. States set eligibility criteria. Retains current law requirement that states provide benefits to all individuals whose income and resources are below state-set limits. 2. Same.

	FINAL WELFARE REFORM BILL	COALITION BILL
<p>WORK REQUIREMENTS</p>	<ol style="list-style-type: none"> 1. Requires recipients to engage in work activities within 2 years of receiving benefits. 2. States must have 50% of caseload in a qualified work activity by FY2002. 3. State option to exempt a single parent with a child under age 1 from work requirement. 4. States may not sanction a single parent with a child under age 6 if the parent proves child care is not available. 	<ol style="list-style-type: none"> 1. Individuals required to sign individual responsibility contract outlining plan to move individual to work upon receiving benefits. States may require individuals to enter Work First program at any time after receiving benefits. 2. States must have 52% of able-bodied caseload in Work First Program by FY 2003. 3. States determine which individuals would be required to enter Work First program. 4. Individuals would be guaranteed child care if necessary to participate in work program. Individuals who leave welfare would be guaranteed child care for one year after leaving welfare. 5. Individuals who find private sector employment of more than 25 hours a week and leave welfare would be counted in meeting participation rates for one year.

	FINAL WELFARE REFORM BILL	COALITION BILL
TIME LIMITS	<p>1. Must work after receiving benefits for two years (earlier at state option)</p> <p>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</p>	<p>1. Must begin job search and any other activities required by the state within 30 days of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>
MAINTENANCE OF EFFORT	<p>1. 75% of state spending in FY1994.</p>	<p>1. Retains current law state match requirement that increases/decreases according to program costs.</p>
CHANGES IN ECONOMIC CONDITIONS	<p>1. \$1 billion contingency fund for States with high unemployment (State must match).</p> <p>2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match).</p> <p>3. \$1.7 billion loan fund.</p>	<p>1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.</p>

	FINAL WELFARE REFORM BILL	COALITION BILL
FAMILY CAP	1. Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.	1. States have option to deny benefits to children born to families on welfare.
TEEN MOMS	1. Unwed teens must live at home (or in an adult supervised setting) and attend school in order to receive TANF benefits. 2. States have option to deny benefits to an unwed teen parent.	1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits. 2. Same.

Low-Income Programs Considered for Block Granting

Program	Current Law	Congressional Proposal
AFDC	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> Provides cash benefits to needy children and their care-takers; funds States for program administration and emergency assistance. • <u>Funding Structure.</u> Federal funds match State spending at specified rates. • <u>Eligibility & Benefit Levels.</u> Income eligibility set by States; most other criteria Federally defined, States set benefit levels. • <u>Interactions.</u> Categorical eligibility for Medicaid. 	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> No benefit guarantee. • <u>Funding Structure.</u> Block-grants AFDC, Emergency Assistance, and JOBS at roughly 1995 levels. Rather than a match program, establishes a state maintenance of effort, set at 75 percent of 1994 levels with possible performance bonus reductions to 67 percent. Allowable block grant transfers make effective maintenance of effort 0% in some States, 45% or less in others. Includes \$1 billion contingency grant fund, \$1.7 billion loan fund, and \$800 million population adjustment fund. • <u>Eligibility & Benefit Levels.</u> Income eligibility set by states; no federal criteria. States set benefit levels. • <u>Interactions.</u> No automatic eligibility for Medicaid.
Medicaid	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> Eligible individuals entitled to minimum set of services defined in federal law. Reimbursement to states for providers of medical services used by eligible individuals; payments to States for program administration. • <u>Funding Structure.</u> Federal funds match State spending at specified rates. • <u>Eligibility & Benefit Levels.</u> States must cover children and pregnant women below poverty; AFDC recipients, SSI recipients, children in subsidized foster care and adoption homes; and State-defined medically needy. Federally defined minimum benefit package must be provided to all recipients. States may provide optional benefits; provider reimbursement rates set by State. • <u>Interactions.</u> AFDC recipients and children in foster care automatically eligible for Medicaid. 	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> No federal entitlement, instead substitutes guaranteed coverage and mandatory funding for certain populations. • <u>Funding Structure.</u> Federal funds match state spending at specified rates up to state specific capped amounts. • <u>Eligibility & Benefit Levels.</u> States must cover children under age 13 and pregnant women below poverty. States also cover disabled individuals as defined by the state; provider reimbursement rates set by State. • <u>Interactions.</u> No automatic eligibility for some AFDC recipients.

Low-Income Programs Considered for Block Granting

Program	Current Law	Congressional Proposal
Food Stamps	<ul style="list-style-type: none"> • Type of Benefit. Coupons or EBT equivalent for food purchases. • Funding Structure. Full Federal funding for benefits; Federal funds match State spending for administration. • Eligibility & Benefit Levels. Uniform Federally defined eligibility standards based on income; uniform Federally-defined benefit levels based on cost of thrifty food plan and household size. • Interactions. Most AFDC recipients receive Food Stamps, but many differences in criteria. 	<ul style="list-style-type: none"> • Type of Benefit. Guaranteed benefit continues for states that remain in national program. Allows a food stamp block grant for states meeting certain standards. Optional food stamp block grant eliminates national entitlement to basic minimum food allowance for the needy. • Funding Structure. Full federal funding for benefits but annual spending cap on food stamps with no cushion for error and insufficient mechanisms to raise the cap. Would result in across-the-board cuts if economy declines or cap projections are inaccurate. • Eligibility & Benefit Levels. Uniform benefit and eligibility continues in states not choosing block grant; no guarantee for eligibility or benefits in states choosing block grant.
AFDC- Related Child Care	<ul style="list-style-type: none"> • Type of Benefit. Payments for child care, through vouchers to parents or contracts with providers. • Funding Structure. Open-ended federal funds match State spending at specified rates. • Eligibility & Benefit Levels. Child care guaranteed for AFDC recipients in work and training programs and for those who leave welfare for work (for one year) 	<ul style="list-style-type: none"> • Type of Benefit. Child care block granted at \$1.8 billion above current law over 7 years. • Funding Structure. Open-ended funding guarantee eliminated. Federal funds capped. States must maintain FY94 and match additional amounts. • Eligibility & Benefit Levels. Health and safety provisions are removed from current law.
Child Nutrition	<ul style="list-style-type: none"> • Type of Benefit. Free or reduced price breakfasts and lunches. • Funding Structure. Federal payment to schools of a set amount for each free or reduced price meal. • Eligibility & Benefit Levels. Uniform Federally defined eligibility standards based on income; uniform Federally defined subsidies per meal; uniform nutrition standards. • Interactions. Children on AFDC or Food Stamps automatically qualify for free meals. 	<ul style="list-style-type: none"> • Type of Benefit. Benefit continues as in current law unless state chooses to participate in School Lunch block grant demonstration projects in 7 USDA regions. • Funding Structure. For demonstration states, open ended payment replaced with capped federal payments to states. (?) • Eligibility & Benefit Levels. No federal benefit and eligibility standards in states choosing demonstration. (?)

Low-Income Programs Considered for Block Granting		
Program	Current Law	Congressional Proposal
Child Protection Services (Mandatory)	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> Open-ended payments to States for pre-placement services, training, and program administration. • <u>Funding Structure.</u> Open-ended federal funds match State spending at specified rates. • <u>Eligibility & Benefit Levels.</u> Not yet completed 	<ul style="list-style-type: none"> • <u>Type of Benefit.</u> Rather than open-ended payments for a variety of individual programs, block grants four open-ended child protection programs for placement services, training and administration. Repeals the Independent Living Program for foster teens & Family Preservation and Support. • <u>Funding Structure.</u> Capped block grant payments to states. (state match ?) • <u>Eligibility & Benefit Levels.</u> Caps these programs at about \$0.4 billion below CBO baseline.
Child Welfare (Discretionary)		<ul style="list-style-type: none"> • Block grants a number of discretionary programs within the Child Abuse Prevention and Treatment Act and similar related discretionary programs.

December 28, 1995

AFDC, CHILD CARE, CHILD PROTECTION
(Executive Summary)

TIER I: Areas of Commonality

1. 10 percent cut in social services block grant
2. 5-year time limit for benefits

TIERS II AND III: Issues for Advisors and Principals

1. AFDC/TANF (TEMPORARY ASSISTANCE FOR NEEDY FAMILIES)

A. Structural issues.

- Which, if any, AFDC programs should be included in a block grant?
- How much additional money should states be given for population growth and economic downturns, and through what mechanism?
- How much of their own money should states be required to spend on welfare programs?
- How much flexibility should states be given in defining eligibility and deciding who should receive benefits?

B. Exemptions from time limit. Can states exempt more than 15% of caseload?

C. Family cap. Should states have complete flexibility regarding the family cap?

D. Teen moms. Should states have complete flexibility in deciding whether to give benefits to unmarried teen moms?

E. Medicaid. Should eligibility for cash benefits automatically guarantee medicaid coverage?

F. Bonuses. Should states receive a cash bonus for reducing illegitimacy rates? Should states receive a bonus for moving people from welfare to work?

G. Work and child care.

- What work participation requirements should states be required to meet, and how should requirements be defined?
- How much child care funding is needed to meet whatever work requirements are imposed on states?

2. CHILD CARE HEALTH AND SAFETY PROVISIONS. Should states be required by the federal government to have standards and to spend a required percentage of funds on improving child care quality?

3. CHILD PROTECTION: Should most child protection programs be capped and block granted?

AFDC, CHILD CARE, CHILD PROTECTION
(Detailed Summary)

TIER I:

1. Cutting social services block grant by 10%
2. Conference, Coalition, Administration support 5-year time limit (but with differences in exemptions)

TIERS II AND III:

1. AFDC/TANF

A. Structural issues: Conference Bill block grants JOBS, emergency assistance, AFDC administration and AFDC benefits. The Coalition block grants JOBS funds and retains uncapped matching structure for AFDC benefits and administration, while allowing states to define eligibility.

Block Grant Options Include:

- o Work funding only (Coalition)
- o Work funding, emergency assistance, AFDC administration (Congressional Democratic Proposals)
- o All AFDC related programs except childcare (conference bill)

Adjustments for Changes in Population and Economic Conditions

- o By virtue of entitlement, automatic adjustments for population and economic change through matching formula (like current law; Coalition)
- o Separate adjuster fund for population and economic change triggered by changes in poverty population (Congressional Democratic Proposals)
- o Supplemental Growth Fund of \$800 million for population change; Contingency fund of \$1 billion for economic change; Loan fund of \$1.7 billion for other contingencies (Conference)

Options for State matching or Maintenance of Effort

- o Mandatory state match for federal funds (like current law; Coalition)
- o 60 percent of baseline for all AFDC related spending; 100 percent MOE for benefits; no transfers out of block grant (Congressional Democratic Proposals)
- o 80 percent of baseline with increases to as high as 100 percent based on failure to meet work requirements. (Congressional Democratic Proposals)
- o 75 percent of baseline with possible reduction as performance bonus (Conference)

Eligibility definition and assurance of assistance

- o States define eligibility criteria; all eligibles who meet requirements are served (Coalition)
- o States determine who will be served; no entitlement to benefits (Conference)

B. Exemptions from time limits. Conference report allows states to exempt up to 15% of caseload from 5-year time limit; Coalition also allows state option to exempt 15% of caseload but adds several additional exemptions. The Administration prefers Coalition approach or a 20% exemption.

C. Family cap. Conference report prohibits the expenditure of federal dollars to provide additional cash benefits to families already on welfare that have additional children. States can bypass this policy by passing a law exempting themselves from the federal requirement. Coalition and Administration prefer to give states full flexibility on this issue. (no budget impact)

D. Teen moms. Both the Administration and the conference report agree that teen mothers should be required to live at home and attend school. In addition, the conference report and the Coalition give states the option of refusing to pay benefits to unmarried teen mothers. The Administration does not support the denial of benefits based solely on age and marital status. (no budget impact)

E. Medicaid. The conference report ends the entitlement to Medicaid for families receiving benefits under the cash welfare program. States would have the option of deciding who gets coverage. Children receiving maintenance payments under either the foster care or adoption programs continue to receive the Medicaid entitlement. The Administration continues current law Medicaid coverage for AFDC recipients; the Coalition provides the option of up to 2 years of Medicaid coverage. (This issue is contingent on outcome of overall Medicaid discussions.)

F. Bonuses.

- o **Illegitimacy Bonus.**--The conference report provides a cash bonus to states that reduce their illegitimacy ratio without increasing their abortion rate. States that reduce their illegitimacy rate by 1 percentage point receive a bonus equal to 5% of their block grant amount; states that reduce their illegitimacy rate by 2 percentage points or more receive a 10% bonus. The Administration does not support this concept. (Cost: \$125 million over 7 years)
- o **Performance Bonus.**--The conference report provides a performance bonus which allows states to reduce their maintenance of effort. The Administration prefers a cash bonus for successful job placement.

G. Work and Child Care.

- o **Participation requirements.** The conference report requires states to place an increasing percentage of their caseload in work programs each year; the percentage begins at 20% in 1997 and rises to 50% by 2002. The Coalition requires 20% in 1997 rising to 52% in 2003 (their work program differs in several respects from that established by the conference report). The conference report allows states to reduce their participation standards in proportion to net caseload reductions. The Coalition and Administration allow states to count part-time workers and individuals who leave AFDC in meeting participation rates.
- o **Work funding.** The conference report requires states to fund work programs out their cash and child care block grants. The Coalition provides \$8.1 billion over 7 years to finance the work program.
- o **Child care funding.** The conference report provides a separate block grant for child care. The total amount of money in the block grant is \$18 billion, \$11 billion of which is entitlement funding. The Coalition maintains the individual entitlement to child care for all adults participating in work programs and for 1 year after leaving welfare for a job. The Administration believes an additional \$3 billion will be required to meet the work participation requirements described above.

2. CHILD CARE HEALTH & SAFETY PROVISIONS. Current law requires states to have state health and safety standards for day care providers that receive federal funding. These standards include building and physical premises safety, prevention and control of infectious diseases (including immunizations), and staff training. The conference report and the Coalition would drop this federal requirement, but requires states to spend federal dollars only in facilities that meet state and local standards; the Administration would retain current law. The Administration would also retain the 15% set aside in current law for quality improvement which the conference report reduces to 3%. (No budget impact for the federal government but could have impact on state budgets)

3. CHILD PROTECTION. The conference report retains open-ended federal entitlement funding for foster care and adoption maintenance payments and creates a child protection block grant which caps and consolidates a variety of programs. The Coalition and the Administration retain current law. (conference savings \$0.4 billion)

COMPARISON OF CASH BLOCK GRANT
December 29, 1995

TANF BLOCK GRANT (AFDC)		
	FINAL WELFARE REFORM BILL	COALITION BILL
STRUCTURAL REFORM	<p>1. AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one block grant.</p> <p>2. Turns AFDC into a state block grant which is capped at \$16.3 billion a year.</p>	<p>1. AFDC replaced with Temporary Employment Assistance Program. Repeals Emergency Assistance.</p> <p>2. Maintains current law federal-state matching requirement.</p> <p>3. Replaces JOBS with a capped entitlement (Work First) with CBO cost of \$8.1 billion over 7 years. State match required. Work First funding increases each year to reflect increases work participation rates.</p>
ELIGIBILITY	<p>1. States set eligibility criteria. Ends individual entitlement to benefits.</p> <p>2. Eliminates federal requirements regarding asset and resource limits, earnings disregards and other income disregards.</p>	<p>1. Retains current law requirement that states provide benefits to all individuals whose income and resources are below state-set limits.</p> <p>2. Same.</p>

① WHAT OBJECTIVES?

1. MOE
2. Contingency Fund
3. Child care
4. Perf. Bonus
5. Medicaid

[also 20% on child care costs]
 - All critical to success of WR
 (perceptions) Major legacy.
 → No block grant w/o these

② Savings issues \$50+
 → Use interstate letter

③ No child welfare block grant

④ What you can do best to

- TANF Act
- Perf. Bonus
- Family cap
- Best case: quantify both (income)

	FINAL WELFARE REPORT BILL	COALITION BILL
<p>WORK REQUIREMENTS</p>	<p>1. Requires recipients to engage in work activities within 2 years of receiving benefits.</p> <p>2. States must have 50% of caseload in a qualified work activity by FY2002.</p> <p>3. State option to exempt a single parent with a child under age 1 from work requirement.</p> <p>4. States may not sanction a single parent with a child under age 6 if the parent proves child care is not available.</p>	<p>1. Individuals required to sign individual responsibility contract outlining plan to move individual to work upon receiving benefits. States may require individuals to enter Work First program at any time after receiving benefits.</p> <p>2. States must have 52% of able-bodied caseload in Work First Program by FY 2003.</p> <p>3. States determine which individuals would be required to enter Work First program.</p> <p>4. Individuals who find private sector employment of more than 25 hours a week and leave welfare would be counted in meeting participation rates for one year.</p>

	FINAL WELFARE REFORM BILL	COALITION BILL
TIME LIMITS	<p>1. Must work after receiving benefits for two years (earlier at state option)</p> <p>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</p>	<p>1. Must begin job search and any other activities required by the state within 30 days of receiving benefits.</p> <p>2. 5 year lifetime limit for federal TEA benefits. 15% hardship exemption at state option. Time limit would not apply for any month in which an individual was seriously ill, incapacitated, of advanced age, caring for a child under 6 months, caring for an incapacitated family member, in the third trimester of pregnancy, living in an area with an unemployment rate over 8%, under age 18 who is making satisfactory progress in high school or technical school, and at state option, family in which an individual works 20 or more hours a week.</p>
MAINTENANCE OF EFFORT	1. 75% of state spending in FY1994.	Retains current law state match requirement.
CHANGES IN ECONOMIC CONDITIONS	<p>1. \$1 billion contingency fund for States with high unemployment (State must match).</p> <p>2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match).</p> <p>3. \$1.7 billion loan fund.</p>	1. Automatic adjustments for economic or population changes by virtue of maintaining individual entitlement with federal-state match.

	FINAL WELFARE REFORM BILL	COALITION BILL
FAMILY CAP	1. Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.	1. States have option to deny benefits to children born to families on welfare.
TEEN MOMS	1. Unwed teens must live at home (or in an adult supervised setting) and attend school in order to receive TANF benefits. 2. States have option to deny benefits to an unwed teen parent.	1. Unwed teens must live at home (or with responsible adult) and attend school in order to receive TEA benefits. 2. Same.

December 28, 1995

AFDC, CHILD CARE, CHILD PROTECTION.
(Executive Summary)

TIER I: Areas of Commonality

1. 10 percent cut in social services block grant
2. 5-year time limit for benefits

TIERS II AND III: Issues for Advisors and Principals

1. AFDC/TANF (TEMPORARY ASSISTANCE FOR NEEDY FAMILIES)

A. Structural issues.

- Which, if any, AFDC programs should be included in a block grant?
- How much additional money should states be given for population growth and economic downturns, and through what mechanism?
- How much of their own money should states be required to spend on welfare programs?
- How much flexibility should states be given in defining eligibility and deciding who should receive benefits?

B. Exemptions from time limit. Can states exempt more than 15% of caseload?

C. Family cap. Should states have complete flexibility regarding the family cap?

D. Teen moms. Should states have complete flexibility in deciding whether to give benefits to unmarried teen moms?

E. Medicaid. Should eligibility for cash benefits automatically guarantee medicaid coverage?

F. Bonuses. Should states receive a cash bonus for reducing illegitimacy rates? Should states receive a bonus for moving people from welfare to work?

G. Work and child care.

- What work participation requirements should states be required to meet, and how should requirements be defined?
- How much child care funding is needed to meet whatever work requirements are imposed on states?

2. CHILD CARE HEALTH AND SAFETY PROVISIONS. Should states be required by the federal government to have standards and to spend a required percentage of funds on improving child care quality?

3. CHILD PROTECTION. Should most child protection programs be capped and block granted?

AFDC, CHILD CARE, CHILD PROTECTION
(Detailed Summary)

TIER I:

1. Cutting social services block grant by 10%
2. Conference, Coalition, Administration support 5-year time limit
(but with differences in exemptions)

TIERS II AND III:

1. AFDC/TANF

A. Structural issues: Conference Bill block grants JOBS, emergency assistance, AFDC administration and AFDC benefits. The Coalition block grants JOBS funds and retains uncapped matching structure for AFDC benefits and administration, while allowing states to define eligibility.

Block Grant Options Include:

- o Work funding only (Coalition)
- o Work funding, emergency assistance, AFDC administration (Congressional Democratic Proposals)
- o All AFDC related programs except childcare (conference bill)

Adjustments for Changes in Population and Economic Conditions

- o By virtue of entitlement, automatic adjustments for population and economic change through matching formula (like current law; Coalition)
- o Separate adjuster fund for population and economic change triggered by changes in poverty population (Congressional Democratic Proposals)
- o Supplemental Growth Fund of \$800 million for population change; Contingency fund of \$1 billion for economic change; Loan fund of \$1.7 billion for other contingencies (Conference)

Options for State matching or Maintenance of Effort

- o Mandatory state match for federal funds (like current law; Coalition)
- o 80 percent of baseline for all AFDC related spending; 100 percent MOE for benefits; no transfers out of block grant (Congressional Democratic Proposals)
- o 80 percent of baseline with increases to as high as 100 percent based on failure to meet work requirements (Congressional Democratic Proposals)
- o 75 percent of baseline with possible reduction as performance bonus (Conference)

Eligibility definition and assurance of assistance

- o States define eligibility criteria; all eligibles who meet requirements are served (Coalition)
- o States determine who will be served; no entitlement to benefits (Conference)

B. Exemptions from time limits. Conference report allows states to exempt up to 15% of caseload from 5-year time limit; Coalition also allows state option to exempt 15% of caseload but adds several additional exemptions. The Administration prefers Coalition approach or a 20% exemption.

C. Family cap. Conference report prohibits the expenditure of federal dollars to provide additional cash benefits to families already on welfare that have additional children. States can bypass this policy by passing a law exempting themselves from the federal requirement. Coalition and Administration prefer to give states full flexibility on this issue. (no budget impact)

D. Teen moms. Both the Administration and the conference report agree that teen mothers should be required to live at home and attend school. In addition, the conference report and the Coalition give states the option of refusing to pay benefits to unmarried teen mothers. The Administration does not support the denial of benefits based solely on age and marital status. (no budget impact)

E. Medicaid. The conference report ends the entitlement to Medicaid for families receiving benefits under the cash welfare program. States would have the option of deciding who gets coverage. Children receiving maintenance payments under either the foster care or adoption programs continue to receive the Medicaid entitlement. The Administration continues current law Medicaid coverage for AFDC recipients; the Coalition provides the option of up to 2 years of Medicaid coverage. (This issue is contingent on outcome of overall Medicaid discussions.)

F. Bonuses.

- o **Illegitimacy Bonus.**--The conference report provides a cash bonus to states that reduce their illegitimacy ratio without increasing their abortion rate. States that reduce their illegitimacy rate by 1 percentage point receive a bonus equal to 5% of their block grant amount; states that reduce their illegitimacy rate by 2 percentage points or more receive a 10% bonus. The Administration does not support this concept. (Cost: \$125 million over 7 years)
- o **Performance Bonus.**--The conference report provides a performance bonus which allows states to reduce their maintenance of effort. The Administration prefers a cash bonus for successful job placement.

G. Work and Child Care.

- o **Participation requirements.** The conference report requires states to place an increasing percentage of their caseload in work programs each year; the percentage begins at 20% in 1997 and rises to 50% by 2002. The Coalition requires 20% in 1997 rising to 52% in 2003 (their work program differs in several respects from that established by the conference report). The conference report allows states to reduce their participation standards in proportion to net caseload reductions. The Coalition and Administration allow states to count part-time workers and individuals who leave AFDC in meeting participation rates.
- o **Work funding.** The conference report requires states to fund work programs out their cash and child care block grants. The Coalition provides \$8.1 billion over 7 years to finance the work program.
- o **Child care funding.** The conference report provides a separate block grant for child care. The total amount of money in the block grant is \$18 billion, \$11 billion of which is entitlement funding. The Coalition maintains the individual entitlement to child care for all adults participating in work programs and for 1 year after leaving welfare for a job. The Administration believes an additional \$3 billion will be required to meet the work participation requirements described above.

2. CHILD CARE HEALTH & SAFETY PROVISIONS. Current law requires states to have state health and safety standards for day care providers that receive federal funding. These standards include building and physical premises safety, prevention and control of infectious diseases (including immunizations), and staff training. The conference report and the Coalition would drop this federal requirement, but requires states to spend federal dollars only in facilities that meet state and local standards; the Administration would retain current law. The Administration would also retain the 15% set aside in current law for quality improvement which the conference report reduces to 3%. (No budget impact for the federal government but could have impact on state budgets)

3. CHILD PROTECTION. The conference report retains open-ended federal entitlement funding for foster care and adoption maintenance payments and creates a child protection block grant which caps and consolidates a variety of programs. The Coalition and the Administration retain current law. (conference savings \$0.4 billion)

AFDC, WORK, & CHILD CARE

I. MAIN AFFIRMATIVE POINTS

- The current welfare system is broken and must be fixed to promote work, demand responsibility, and protect children. We have worked to build on the bipartisan consensus achieved in the Senate and pass a bill that's good for welfare recipients and taxpayers alike.

II. REPUBLICAN MAIN CHARGES AND OUR RESPONSES

Republican Claim: Washington should get out of the welfare business -- States should be allowed to design and run their own programs through block grants without Federal interference.

Response:

- The Administration fully supports increased flexibility to States. That's why the Administration has approved 50 waivers in 35 States. But States should not be straddled with seriously underfunded child care and work mandates, or an inability to protect children, as the Republicans would do.
- Welfare was always intended to be a Federal/State partnership. States need to maintain their role in the effort to promote work and protect children, and should not be left holding the bag in economic downturns.

III. MAIN SPECIFIC POLICY DIFFERENCES

Objectionable Republican Proposal: Impose strict work requirements on States while underfunding child care and work activities.

Republican Claim: States can use block grants however they wish. There are more than enough funds for work and child care.

Response:

- States will be left with one of three bad choices to meet the work rates: (1) spend an inordinate share of block grant funds on work and dramatically reduce benefits; (2) increase their own spending on work and child care (an underfunded mandate); or (3) simply accept the relatively minor block grant penalty for not meeting the work rates.
- Republican and Democratic governors sent a bipartisan NGA letter calling for reducing the size of the tax cut to provide more funds for child care.

- Five Republican Senators wrote December 20 criticizing the current bill for walking way from the Senate bill's bipartisan provisions on child care.

Objectionable Republican Proposal: Inadequate countercyclical funding.

Republican Claim: The bill already includes contingency, growth, and loan funds. If things get really bad, we'll pass an emergency spending measure.

Response:

- The contingency and loan funds would be inadequate in the event of a downturn. In the 1990-92 recession, AFDC went up by \$6 billion, but the current bill provides only \$1 billion. We need a stronger countercyclical trigger that responds better to increases in child poverty.
- A supplemental spending bill would provide funding too late -- long after it is really needed by poor children and families.

Objectionable Republican Proposal: States can reduce their own funding dramatically.

Republican Claim: We've required States to maintain 75% of their own funding.

Response:

- If AFDC is block granted, it is critical that States -- who currently provide about half the money nationwide -- maintain their effort. A 75% requirement allows States to reduce funding by \$5 billion more over 7 years compared to the 80% requirement in the Senate bill.
- "Work performance bonus" reductions of up to 8% of State maintenance of effort and allowable block grant transfers of up to 30% effectively reduce required State contributions to 45 percent. Some States could even cut their contribution to zero. These State reductions would seriously undermine the program.
- Instead of reducing MOE for good performance, we should raise MOE for States that fail to meet the work requirements.

Objectionable Republican Proposal: Categorical Medicaid eligibility for AFDC and SSI recipients is eliminated.

Republican Claim: With the Medicaid block grant, States will be able to serve more people than they serve right now, including welfare recipients.

Response:

- The link between Medicaid and both AFDC and SSI would be severed, leaving many poor families without crucial health care coverage, destroying an important work incentive, and leaving the blind and disabled without care
- A group of Republican Senators have decried the termination of categorical Medicaid eligibility for AFDC recipients, stating: "These people will have nowhere to get medical coverage unless the states offer to pay 100 percent of their health care costs."

AFDC/JOBS/Child Care

Q: Should welfare and SSI families lose their Medicaid entitlement?

[Note: The stand-alone bill would end categorical Medicaid eligibility for AFDC and SSI recipients.]

A: Of course not. But the stand-alone welfare bill includes a Medicaid provision (not in the reconciliation bill) that would end categorical eligibility for AFDC and SSI recipients (States could opt to continue it).

- Poor children who are over 12 would be at risk of losing medical coverage.
- Welfare mothers and parents on welfare getting a decent job might lose their children's medical coverage immediately (now, they get a year's transitional benefits). This would destroy a very important work incentive.
- A group of Republican Senators have decried the termination of categorical Medicaid eligibility for AFDC recipients, stating: "These people will have nowhere to get medical coverage unless the states offer to pay 100 percent of their health care costs."

Many parents could lose medical coverage. The provision's effects on the one year of transitional Medicaid now received by families moving from welfare to work is less clear. It could discourage parents from seeking jobs that would raise them above poverty, since their children might lose health coverage immediately.

Q: Why doesn't the conference provide enough funding for child care?

A: The amount in the Republican bill is about an extra \$2 billion over current levels. This would be far too little to provide child care to those on welfare who work, those who are transitioning off welfare to work, and those who work but have low incomes and are at risk of going on to welfare. The conference bill will leave many children "home alone" when their parents are forced to work without adequate child care.

- According to CBO's estimate of the child care costs related to work and the total funds provided by the bill (combined State and Federal), about \$1.9 billion additional would be needed in FY 2002 for work activities, not to mention an additional \$1 billion (at least) for those transitioning off welfare and those at-risk of coming on to welfare.
- We need to add considerably more for child care, unless we soften the work requirements by allowing part-time work to count for recipients with young children and by counting those who leave welfare for work.

Q: Why do you want to impose such underfunded work mandates on States?

[Note: The work requirements increase to 50% by 2002, but no additional funding is provided for work.]

A: CBO estimates the Conference bill would add \$5.6 billion in new work costs above the FY94 level in 2002 alone. But Congress provides no additional funding. This serious under funded mandate jeopardizes the success of welfare reform and sets the system up for failure once again.

- In the absence of more funding, States could choose one of three bad directions:
 - (1) Cut benefits in order to pay for work activities.
 - (2) Shell out substantial sums of their own money to pay for work activities (and how many States are likely to do that?).
 - (3) Or simply ignore the work requirements and take the block grant penalty.

None of these choices are desirable, and they would all undermine the goal of successful reform.

Q: Why do you want to leave States holding the bag and poor children out on the streets in a recession?

[The conference includes a \$1 billion contingency grant fund, a \$1.7 billion loan fund (which must be repaid with interest), and an \$800 million growth fund that was designed to benefit primarily Sunbelt states.]

A: That's what the conference bill's contingency funds would do.

- The conference contingency fund would be inadequate in the event of a downturn. In the 1990-92 recession, AFDC went up by \$6 billion, but the current bill provides only \$1 billion. We need a stronger countercyclical trigger that responds better to increases in child poverty.
- A supplemental spending bill would provide funding too late -- long after it is really needed by poor children and families.

Q: Why would you let States pull large amounts of their own money out of the Federal/State partnership to promote work and protect children?

[The conference bill sets State maintenance of effort at 75% of FY94 levels. This is a reduction from the Senate's 80% requirement.]

A: You shouldn't. The Senate maintenance of effort requirements are much better.

- If AFDC is block granted, it is critical that States -- who currently provide about half the money nationwide -- maintain their effort. A 75% requirement allows States to reduce funding by \$5 billion more over 7 years compared to the 80% requirement in the Senate bill.
- "Work performance bonus" reductions of up to 8% of State maintenance of effort and allowable block grant transfers of up to 30% effectively reduce required State contributions to 45 percent. Some States could even cut their contribution to zero. These State reductions would seriously undermine the program.
- Instead of reducing MOE for good performance, we should raise MOE for States that fail to meet the work requirements.

Child Protection/Foster Care Block Grant

[Note: The Republican bill drops ability to enforce certain federal child protections and cuts these programs from the CBO revised baseline by 5% by 2002. The bill eliminates entitlement for service and administration of portions of the Foster Care and Adoption Assistance Program.]

Q: GAO just came out with a report stating that States were almost uniformly badly strapped for resources to handle mushrooming child abuse problems. The bipartisan APWA sent a letter strongly opposing any child protection block grant (signed by Jerry Miller, Gov. Engler's welfare director, who helped design the AFDC block grant in the House and Senate bills).

In this context, is it a good idea to block grant the open-ended foster care and adoption assistance programs as the conference bill did?

A: No.

- The Republican proposal doesn't just consolidate administrative costs. So-called "administration" includes vital services like investigation of abuse and neglect reports, placement of children in foster and adoptive homes, and family reunification. Block grants may mean more uninvestigated child abuse reports, more children left in dangerous homes, and more children languishing in the system and waiting for a home.
- In a December 20 letter to Senator Dole on the welfare conference agreement, five moderate Senate Republicans criticized the bill for block granting the pre-placement and vital administrative expenses associated with foster care and adoption assistance programs and reducing overall funding levels. They noted:

"These costs, which represent nearly half the expenditures for these child welfare programs, are not purely administrative. They are used for critical services such as licensing and recruitment of foster homes and foster parents, services needed to remove children from abusive and unsafe homes, monitoring children in out-of-home placements, and court expenses to qualify special needs children for adoption."
- It is very important to keep flexibility in such safety net programs, especially during dramatic social program reform, so they can handle a potential surge of children.
- The conference bill cuts and caps funding for these services at a time that changes in AFDC may increase Foster Care caseloads. While the added caseload projections have been conservative, the actual caseload increases could be much higher.

Q. Close to half of all States have run their foster care programs so poorly that they are operating under court mandates (22 States). Do you think it makes sense to remove federal oversight of States' program quality in the bill?

A: No. The statutes protecting children through reviews must be maintained.

- Many State foster care programs are bad, even with Federal pressure and open ended Federal funding. It is hard to see how they would be made better by removing Federal pressure, and capping Federal funding.
- The Administration has been working on improving State oversight to improve service and program quality. The Administration is encouraging rapid computerization to improve services. Changes in these programs make no sense.

CHILD PROTECTION

I. MAIN AFFIRMATIVE POINTS

- Currently, there are critical federal protections for abused and neglected children and essential entitlement funding is provided for activities such as investigation of child abuse and neglect, prevention activities, recruitment and training of foster care and adoptive parents, administrative costs, and training for caseworkers.

II. REPUBLICAN MAIN CHARGES AND RESPONSES

Republican Claim: Child protection programs have been a disaster -- turn the reins over to the States so they can fix the system.

Response:

- At a time when both foster care caseloads and substantiated cases of child abuse and neglect have been rising rapidly, and at a time when major changes in the cash safety net are being considered, it would be unwise to block grant funding or make drastic changes in child protection service programs.
- The bill weakens certain federal protections for abused and neglected children. Accountability is critical since courts in 22 States have found child welfare systems that are unable to provide children with basic protection.
- The bipartisan APWA sent a letter strongly opposing any child protection block grant. It was even signed by Jerry Miller, Gov. Engler's welfare director, who helped design the AFDC block grant in the House and Senate bills.
- Five Republican Senators wrote on December 20 criticizing the current bill for block granting the pre-placement and critical administrative expenses associated with foster care and adoption assistance programs and reducing overall funding levels.

Republican Claim: We have added funding into the conference agreement to strengthen States' ability to protect children.

Response:

- While some funds have been added back, the conference agreement still reduces funding for services and administration of programs for abused, neglected, and abandoned children by almost \$1 billion, according to CBO's revised baseline.

- Further, eliminating portions of the entitlement will mean we can't assure that funds will be there for States if the needs in any particular State increase unexpectedly.
- This comes at a time when child abuse reports and foster care caseloads have been rising rapidly.

III. MAIN SPECIFIC POLICY DIFFERENCES

Objectionable Republican Proposal: Drops ability to enforce certain federal child protections and cuts these programs from the CBO revised baseline by 5% by 2002. Eliminates entitlement for service and administration of portions of the Foster Care and Adoption Assistance Program.

**Child Care Funds Provided and Needed Due to Conference Agreement on HR 4
(Based on CBO Estimates)**

Dollars in Billions		FY96 1/	FY97	FY98	FY99	FY00	FY01	FY02	5-Year	7-Year	6-Year
									Total	Total	Total
		(96-00)	(96-02)	(97-02)							
Child Care Amounts Provided in HR 4 Conference Agreement											
Federal Mandatory Child Care Funds Provided in HR 4 -- CBO Estimate of Outlays (12/27/95)	OL	1.2	1.2	1.4	1.5	1.7	1.9	2.0	6.9	10.8	9.6
State Funds Required to Draw Down Full Federal Allotment 2/	OL	0.8	0.8	1.0	1.1	1.2	1.4	1.5	5.0	7.8	7.0
Total Federal and State Child Care Funds Provided By HR 4	OL	2.0	2.0	2.4	2.6	2.9	3.2	3.5	11.9	18.6	16.6

CBO Estimate of HR 4 Work-Related Child Care Costs and Current Law Transitional and At-Risk Child Care

CBO Estimate -- Total Child Care Costs Related to HR4 Work Program 3/	OL	1.1	1.3	1.6	2.2	3.1	3.8	5.4	9.3	16.5	17.4
Total Current Law Federal & State Costs for At-Risk & Transitional Child Care -- CBO Estimate	OL	0.9	0.9	0.9	1.0	1.0	1.0	1.0	4.7	6.7	5.8
Estimated Increase in Transitional Child Care Costs Due to HR 4	OL	0.0	?	?	?	?	?	?	?	?	?
Total Child Care Costs Due to HR4	OL	2.0	2.2	2.5	3.1	4.0	4.8	6.4	13.9	25.1	23.1

Difference Between Total Child Care Provided and Total Child Care Costs Due to HR4

Child Care Difference	OL	0.0	-0.2	-0.1	-0.6	-1.1	-1.5	-2.9	-2.1	-6.5	-6.5
Federal Share of Difference (58%) Assuming Medicaid Match Rate On Additional Child Care Funds	OL	0.0	-0.1	-0.1	-0.3	-0.7	-0.9	-1.7	-1.2	-3.8	-3.8
State Share of Difference (42%) Assuming Medicaid Match Rate On Additional Child Care Funds	OL	0.0	-0.1	-0.1	-0.2	-0.5	-0.6	-1.2	-0.9	-2.7	-2.7

1/ Figures for FY96 represent baseline estimates because child care provisions of HR4 are not effective until FY97.

2/ States receive a base Federal child care amount equal to the higher of their FY94 level or the average of their FY92-94 levels. States must maintain 100% of FY94 State child care spending and match additional Federal amounts above the base allotment at the FY94 match rate.

3/ Based on CBO 12/19/95 draft memo, "Preliminary Estimate of Total Costs for States to Meet the Work Participation Requirements in the Proposed Conference Agreement on H.R. 4"

CBO ESTIMATES OF FEDERAL AND STATE CHILD CARE COSTS
December 30, 1995

	1996	1997	1998	1999	2000	2001	2002	96-02
Child care Costs of Work Program	1100	1100	1250	1940	2950	3780	5430	17550
CHILD CARE Spending								
a. Current* baseline for state child care spend.	705	739	766	798	829	859	890	5586
b. Fed. mand. spend. in child care block grant	1100	1300	1400	1500	1700	1900	2050	11000
c. State** spend. to get addt. child care (45% match)	00	140	185	230	320	410	477	1762
Total Spend	1805	2179	2351	2528	2849	3169	3417	18348

NOTE: The calculations above do not include the \$7 billion/7 years of discretionary child care money authorized under HR4.

If states maintained their \$5.586 b/7 years spending based on current law and the federal government paid \$11.0 b/7 years in the block grant, states would only be short \$.964 b/7 years. This shortfall is easily made up because in order to receive the additional child care money on top of the 1994 level, states must spend an additional \$1.762 billion in child care, leaving a surplus of \$.798 billion/7 years above CBO estimate of needed expenditures on child care.

*Current law baseline for state spending assumes a state match of 45% and that states maintain 75% of state child care spending under the current AFDC program (using December baseline).

**State spending for additional child care is the amount states would have to spend in order to draw down additional child care dollars (above the 1994 amount that states automatically get).

December 22, 1995

MEMORANDUM TO THE CHIEF OF STAFF

FROM: Ken Apfel
Rahm Emanuel
Bruce Reed

SUBJECT: Negotiating Strategy -- Welfare Reform

We have two objectives in the budget talks on welfare reform: 1) Use this week's letter from moderate Republican Senators and the Chafee-Breaux budget proposal as a roadmap to reduce the overall level of cuts; and 2) Achieve a few structural changes in welfare and Food Stamps that will significantly improve the bill with little budget impact. We should be able to win these concessions -- not because we want them, but because Blue Dogs and moderate Republicans have made them a top priority.

The budget gap between Republicans and the Administration is relatively small. Their current bill saves \$58 billion, which does not include another \$2 billion in add-backs that were in the Republicans' Dec. 15 offer. The Administration's plan saves \$37 billion; the Coalition's saves \$42 billion; and Chafee-Breaux saves \$53 billion. The Chafee-Breaux plan is designed to be "Senate-bill plus" -- the level of overall cuts in the Senate welfare bill, plus the more generous block grant formula in the conference report, which would give states an extra \$4 billion for work and benefits over 7 years.

In the budget talks, we should let the moderate Republicans' objections to the overall level of cuts speak for themselves. Five Republican Senators (Chafee, Cohen, Snowe, Jeffords, Specter) sent a letter to Dole on Wednesday objecting to the overall level of cuts and outlining five key concerns, which are the same as ours:

- . Restore Medicaid coverage for welfare families and foster care children
- . Restore Senate bill provisions on SSI for disabled children
- . Restore Senate bill provisions on child welfare
- . Increase child care funding
- . Reduce cuts in benefits for legal immigrants.

We should put that letter on the table in the budget talks, and argue that Republican leaders need to make those changes just to ensure Republican support. The Senate moderates agreed to vote today for the welfare conference report only after Dole promised that their concerns would be addressed in the budget negotiations. (The bill passed the Senate 52-47, with Campbell and Hatfield voting no and Baucus the only Democrat voting for it. The original Senate bill passed 87-12, with 35 Democrats in support.) Domenici, who helped the moderates improve the Senate bill in September, should be sympathetic to their concerns. Blue Dogs have made the same demands a priority in their budget discussions with Kasich.

In addition, we should argue for a few important structural improvements that cost little or no money. Our argument should be that if we're going to go along with an AFDC block grant, we need these changes to make sure states don't get left holding the bag:

Strengthen the contingency fund: A simple change in the trigger mechanism would vastly improve protection for states in an economic downturn without affecting the scoring of this bill.

Restore maintenance of effort to Senate level of 80%: The difference between 75% and 80% is as much as \$4 billion in state spending over 7 years. As an alternative, we could increase MOE to 80% (or higher) for states that fail to meet their work requirements.

Fund a work performance bonus: The Republicans' Dec. 15 budget offer included \$500 million for a work performance bonus to reward states that succeed in placing people in jobs. Republicans would like to make this change anyway to reward Roth, its chief sponsor.

Increase child care funding: The Republicans' Dec. 15 budget offer included a \$1.6 billion add-back to Title XX, which some states use for child care. If that add-back is still available, we should persuade them to add it to the child care block grant instead. Adding child care is the best way to show that this bill is serious about work (and better than the Senate bill).

Drop the food stamp cap, eliminate or improve the food stamp block grant, and try to soften the overall food stamp cuts: The first two changes cost nothing, and would dramatically reduce the risk to states in a recession.

AFDC, WORK, CHILD CARE, & CHILD PROTECTION: DECISIONS

- (1) **AFDC Structural Changes.** HR 4 block grants JOBS, emergency assistance, AFDC administration, and AFDC benefits. The Coalition bill block grants work funds and retains uncapped matching structure for AFDC benefits and administration with increased state flexibility. Other intermediate positions possible.
- Provide guarantee to benefits and increase state flexibility (Coalition)
 - Block grant and eliminate open-ended funding (HR 4)
- (2) **Child Care & Work.** HR 4 increases child care by \$2 billion, not enough to meet strict work requirements. The Administration and the Coalition would increase child care funding to a level sufficient to meet work requirements.
- Increase child care funds and modify work requirements (Administration): +\$5-6 billion
 - Smaller child care addback (HR 4): +\$2 billion
- (3) **Countercyclical Funding.** HR 4 includes a \$1 billion contingency fund for states with unemployment rates over threshold levels, but the amount is insufficient to respond to states' needs during a recession or rise in child poverty. If a block grant is established, the Administration would increase HR 4's contingency fund to \$1.8 billion, make funds available based on numbers of children in poverty, and let more funds flow to states if national unemployment rose above 6.5%. Changes would not increase costs under current economic projections (unless baseline gimmick is deleted. (Coalition bill requires no contingency fund as added federal funding flows automatically to states when need increases.)
- If a block grant, responsive countercyclical funding (Administration): +\$680 (preliminary) or +\$960 million (with baseline fix)
 - Limited contingency fund (HR 4): +\$680 million
- (4) **Maintenance of Effort.** The bipartisan Senate bill included an 80% maintenance of effort requirement. The conference report reduced this level to 75%. This change would allow States to spend \$5 billion less over seven years. The Coalition bill requires state matching of federal funds, rather than a maintenance of effort.
- If a block grant, at least 80% maintenance of effort (Administration)
 - Conference 75% maintenance of effort requirement (HR 4)
- (5) **Work Performance Bonus.** The Daschle bill provided \$1 billion over five years to reward states for success in moving people from welfare to work. The Conference "performance bonus" would allow states to reduce their maintenance of effort by up to 8% for successful work programs.
- Provide \$1 billion for performance bonuses (Administration): +\$1 billion
 - Reduce maintenance of effort by up to 8% (HR 4): \$0
- (6) **Child Protection Block Grant.** HR 4 includes a block grant four open-ended child protection programs (foster care and adoption assistance administration, placement services and training) and repeals Family Preservation and Independent Living programs. Open-ended funding ensures the resources to serve low-income foster and adopted children if caseloads exceed projected levels, while a block grant lacks flexibility. Repeal of Family Preservation ends program enacted at Administration's request in 1993.
- Maintain current law (Administration, Coalition): \$0
 - Block grant open-ended programs/repeal Family Preservation & Indep. Living (HR 4): -\$0.7

7) Medicaid

FOOD STAMPS AND CHILD NUTRITION DECISIONS

The Administration plan and HR 4 agree to -\$22.4 billion in savings in this area (-\$19 Food Stamps, -\$3.4 Child Nutrition)
HR 4 includes an additional -\$8.6 in Food Stamp reductions and -\$0.3 in Child Nutrition.

- 1) **Optional Food Stamp Block Grant.** Permit an optional block grant of this 100% federal benefit program with no income or eligibility criteria. While benefits are to remain 100% for food assistance, eligibility criteria would be entirely up to the States.
 - Optional food stamp block grant (HR 4): -\$0.7 billion
 - Maintain the federal guarantee for a minimum national benefit (Coalition, Administration): -0-

- 2) **Cap on Food Stamp Spending** Cap food stamps spending at CBO's estimates for the program over the next seven years no cushion for estimating error. The cap eliminates the notion of food stamps as a program which expands to meet the needs of low-income families. If spending were to exceed the cap, benefits would have to be reduced on a pro rata basis nationwide, or Congress would have to enact a savings to offset the cost of lifting the cap. USDA estimates that the program requires an \$7 billion more than the cap provides over 7 years.

- 3) **Time-Limit.** Terminate food stamp benefits after four months for childless, able-bodied adults who are not performing workfare, or enrolled in specific employment and training programs, or working 20 hours per week. The State is not required to provide training.
 - Four month time limit with no requirement to provide training/workfare slots (HR 4): -\$4.6 billion
 - Six month time limit with a requirement to provide training/workfare slots (Coalition): -\$0.2 billion

- 4) **Food Stamp Shelter Deduction.** Freeze the current deduction level and prohibit families from deducting shelter expenses in excess of 50% of household income. (This provision was enacted as a part of the OBRA 93 food stamp changes.)
 - Freeze the excess shelter deduction at the FY1996 level (HR 4): -\$4.1 billion
 - Retain current law (Administration/Coalition): -0-

- 5) **Structure and Size of the Food Stamp Cuts.** HR 4 does not include the Administration's \$19 billion in its entirety. Administration provisions cut all recipients' benefits by a small amount, but permit indexing within the basic benefit structure. HR 4 reduces the value of benefits over time. The key issue is whether or not to use the Administration plan or HR 4 as the base for negotiations. In addition, HR 4 cuts food stamps by an additional \$1.8 billion in order to create a new commodities entitlement program.

- 6) **Child Nutrition Block Grant Demonstration.** A School Lunch/Breakfast Block Grant Demonstration would allow a block grant to be established in each of the seven USDA regions on a demonstration basis.
 - Permit Child Nutrition Block Grants (HR 4): Estimate not available.
 - Maintain the federal eligibility, benefits and nutrition standards (Administration/Coalition): -0-

SSI BENEFITS Decisions

The Administration plan and HR 4 agree on \$6.5 billion in savings (not including Medicaid savings) in this area. [Note: \$2.3 billion of this amount, from ending SSI eligibility because of drug addiction or alcoholism, has been included as an offset in "earnings test bill."] HR 4 would cut an additional \$7.0 billion.

1. **Children: Benefit levels.** 2-tier benefit system for severely disabled children coming on the rolls (with second tier eligible for 75% of full benefits), or all severely disabled children eligible for full cash benefits. Under HR 4 two-tier system, in 2002, some 735,000 children would get reduced benefits.
 - Two-tiered system (HR 4): \$4.2 billion
 - Full cash benefits (Administration; Coalition): -0-

2. **Children: Grandfathering.** Children currently on rolls who would not meet tightened eligibility requirements would begin to lose benefits in January 1997, or tightened requirements would not be applied to children currently on rolls. Under HR 4 proposal, 190,000 children now on rolls would lose benefits.
 - Lose benefits as of January 1, 1997 (HR 4; Coalition): \$3.8 billion
 - New rules not applied to current recipients (Administration): -0-

3. **Adults: Reapplication.** Adults with disabilities expected to improve would be required to reapply for benefits every three years, or no reapplication requirement. Under current law, continuing disability reviews are conducted periodically to determine whether an individual is still eligible for benefits. Under Coalition proposal, eligible recipients who fail to reapply in a timely manner could have benefits suspended for a significant period of time.
 - Reapplication (Coalition): \$1.9 billion
 - No reapplication (Administration; HR 4): -0-

4. **Adults: Unearned income exclusion.** Unearned income exclusion would be reduced from \$20 per month to \$15 per month, effectively reducing benefits of SSI recipients who also receive social security benefits by \$60 per year, or no change to unearned income exclusion. Under Coalition proposal, over 3 million recipients annually would have their benefits reduced.
 - Reduce to \$15 per month (Coalition): \$1.1 billion
 - Maintain at \$20 per month (Administration; HR 4): -0-

BENEFITS TO IMMIGRANTS: DECISIONS

- I
1. **Rules that strengthen the responsibility of sponsors of immigrants.** All proposals would attribute a portion of a sponsor's income to sponsored immigrants for purposes of determining eligibility for programs until the immigrant becomes a citizen (i.e., "sponsor deeming"). Differences exist over exemptions for those who become disabled after they enter the U.S., the elderly over 75, those with significant U.S. employment history and others.

- Deem until citizenship but exempt disabled and low income sponsors (Admin.): -\$5.4 billion (likely CBO)
- Deem until citizenship but exempt disabled and elderly over 75 (Coalition): -\$5.5 billion (CBO)
- Favor banning legal immigrants (HR 4): Savings included in ban, see #2

- II
2. **Bans on eligibility of legal immigrants to SSI, AFDC and Food Stamps.** Unlike efforts to strengthen the responsibility of sponsors, categorical bans on immigrant's eligibility for programs represents a fundamental change in the status of legal immigrants. Large savings in this area cannot be achieved without using categorical bans on benefits, especially for SSI benefits. Among options that ban benefits, differences exist over exemptions for the disabled, the elderly over 75 and those with work history. Note that an exemption for the elderly over 75 and the disabled would reduce savings by more than half.

- Ban legal immigrants from SSI and Food Stamps, including those currently on the rolls, with no exemptions for disabled and elderly (HR 4): - \$20.2 billion (CBO)
- No categorical bans for legal immigrants (Admin/Coalition): -0-

- III
3. **Access of low income, legal immigrants to Medicaid.** Potential restrictions parallel those described above for cash and food programs. Because of the importance of preserving access to health care, restrictions on Medicaid represent a more significant limitation on the rights of legal immigrants.

- State option (under a block grant) to ban legal immigrants from Medicaid and require sponsor deeming for Medicaid (HR 4): -\$4.2 billion (approx. -- part of block grant)
- No restrictions on legal immigrants access to health care (Admin/Coalition): -0-

- IV child welfare
4. **Restrictions on legal immigrant's access to federal and state programs and services beyond the major federal entitlement programs, including programs like school lunch, public health clinics and Head Start.** Would impose substantial new paperwork requirements for citizens and noncitizens and significant administrative costs. No savings from discretionary programs.

- Restrict legal immigrants from all programs based on need (HR 4): -\$0.5 billions (CBO)
- Current law which provides legal immigrants access to most programs (Admin/Coalition): -0-

C. case - B. stds.

workrights + work funding

structural: MOE + contingency fund

Time limit

Family caps + teen moms

Child protection

Medicaid link

COMPARISON OF WELFARE PROPOSALS
December 28, 1995

TANF BLOCK GRANT (AFDC)			
	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
STRUCTURAL REFORM	<p>1. AFDC cash benefits and administration, JOBS, and emergency assistance consolidated into one block grant.</p> <p>2. Turns AFDC into a state block grant which is capped at \$16.3 billion a year.</p>	Not addressed	
WORK REQUIREMENTS	<p>1. Requires recipients to engage in work activities within 3 years of receiving benefits.</p> <p>2. States must have 50% of caseload in a qualified work activity by FY2002.</p> <p>3. State option to exempt a single parent with a child under age 1 from work requirement.</p> <p>4. States may not sanction a single parent with a child under age 6 if the parent proves child care is not available.</p>	Not addressed	
TIME LIMITS	<p>1. Must work after receiving benefits for two years (earlier at state option)</p> <p>2. 5 year lifetime limit for federal TANF benefits, shorter at state option (15% hardship exemption).</p>	Not addressed	
MAINTENANCE OF EFFORT	1. 75% of state spending in FY1994.	Not addressed	

20 hrs/part time

TANF BLOCK GRANT (CONT.)

	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
CHANGES IN ECONOMIC CONDITIONS	<p>1. \$1 billion contingency fund for States with high unemployment (State must match).</p> <p>2. \$800 million supplemental growth fund for states with high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC welfare benefits (no State match).</p> <p>3. \$1.7 billion loan fund.</p>	Not addressed	
FAMILY CAP	<p>1. Requires States to deny benefits to children born to families on welfare but allows States to opt-out of this provisions by passing a state law.</p>	Not addressed	
TEEN MOMS	<p>1. Unwed teens must live at home and attend school in order to receive TANF benefits.</p> <p>2. States have option to deny benefits to an unwed teen parent.</p>	Not addressed	
MEDICAID	<p>1. States determine Medicaid eligibility for TANF recipients.</p>	Not addressed	
COST ESTIMATE	-\$7.0 b/7 years	Not addressed	

CHILD CARE

	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
STRUCTURE	<p>1. Consolidates all child care spending into a single block grant to States.</p> <p>2. Block grant includes \$11 b./7 years in mandatory spending for TANF recipients and \$7 b./7 years in discretionary spending for low income poor.</p> <p>3. States may transfer up to 30% of child care money from TANF recipients to low income poor.</p>	Not addressed	
HEALTH AND SAFETY STANDARDS	<p>1. All child care facilities must abide by health and safety standards as determined by the State.</p>	Not addressed	
COST ESTIMATE	+\$9.6 b/7 years	Not addressed	

FOSTER CARE AND ADOPTION

	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
<u>STRUCTURE</u>	<p>1. Maintains foster care and adoption maintenance payments as open-ended entitlements.</p> <p>2. Block grants other IV-E and IV-E programs including training, family preservation and administrative costs into a mandatory spending block grant.</p> <p>3. Establishes a second discretionary block grant for research and demonstrations.</p> <p>4. Streamlines State plan and data reporting requirements.</p>	Not addressed	
<u>COST ESTIMATE</u>	-\$0.4 b/7 years	Not addressed	

SSI FOR CHILDREN			
	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
DEFINITION AND ELIGIBILITY RULES	1. Tightens eligibility by: (a) adding new definition of childhood disability; (b) eliminating individualized functional assessment regulations that allow children w/o a recognized disability or with lesser conditions to qualify for SSI.	1. Tightens eligibility for new entrants only. Specifics of proposal unknown.	
BENEFIT AMOUNT	1. Establishes a two-tiered system of cash benefits: (a) children who require special personal assistance retain 100% of adult benefit (\$5,000 in 1995) (b) children with lesser needs get 75% of adult benefit (\$3,800 in 1995)	1. No provision	
EFFECTIVE DATE	1. Eligibility changes effective on enactment. 2. Children currently on roles will continue to receive benefits until 1/1/97. 3. "IPA" recipients are entitled to reevaluation before removal from roles. 4. New two-tiered benefits rules effective for new applicants and CDRs beginning 1/1/97.	1. New eligibility rules only apply to new entrants.	
SAVINGS	\$12.6 b/7 years	-\$4.1 b/7 years	

Tier I: prospective
Tier II: grandfather
retroactive age
CDR
DAA
Tier III: 2-tier system

NONCITIZENS

	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
<p>DEEMING</p>	<p>1. Noncitizens currently residing in U.S., current deeming rules would apply: AFDC: 3 yrs; Food Stamps: 3 yrs; SSI: 5 yrs.</p> <p>2. Noncitizens arriving in the U.S. after the date of enactment, deeming would apply until citizenship or until the noncitizen has worked 40 qualifying quarters. Deeming would apply to all federally means-tested programs.</p> <p>3. Affidavits of support would be made legally enforceable.</p> <p>4. States and localities would have the authority to deem for state and local means-tested public benefits.</p>	<p>1. Extended deeming would apply to all new applicants for benefits.</p> <p>2. Deeming continues until citizenship. Exception for individuals who become disabled after they enter the country. Deeming would apply to AFDC, SSI, and food stamps.</p> <p>3. Similar</p> <p>4. States have authority to extend deeming to state means-tested programs if noncitizen is denied AFDC, SSI or food stamps.</p>	

NONCITIZENS (CONT.)

	FINAL WELFARE REFORM BILL	ADMINISTRATION BUDGET	NOTES
DENIAL OF MEANS-TESTED BENEFITS	<p>1. Noncitizens would be ineligible for SSI and food stamps until citizenship or until the noncitizen has worked 40 qualifying quarters. Exception for refugees, asylees, veterans/active duty military and their families.</p> <p>2. Noncitizens who arrive after date of enactment are ineligible for all federally means-tested programs for 5 years. Exception for refugees, asylees and veterans/active duty military and their families.</p> <p>3. States have authority to determine eligibility of noncitizens for state and local means-tested programs (States would not be able to deny benefits to exempted classes listed above).</p>	<p>1. Only "qualified noncitizens" would be eligible for AFDC, SSI, and Medicaid. All noncitizens would be ineligible for SSI. Exceptions for refugees, asylees, veterans/active duty military and their families, legal noncitizens over age 75, legal noncitizens who have become disabled after arriving in the US.</p> <p>2. No 5 year ban.</p> <p>3. States would have the authority to provide state means-tested benefits only to "qualified noncitizens".</p>	
ILLEGAL NONCITIZENS	<p>1. Illegal noncitizens would be ineligible for state and local benefits. Some exceptions for emergency situations.</p>	<p>1. No provision</p>	
SAVINGS	<p>-\$22.9 b/7 years (this includes Medicaid)</p>	<p>-\$11.0 b/7 years</p>	

SOCIAL SERVICES BLOCK GRANT			
	FINAL WELFARE RRFORM BILL	ADMINISTRATION BUDGET	NOTES
REDUCTION IN SOCIAL SERVICES BLOCK GRANT	1. Reduce 10% beginning in FY1997	1. Reduce 10% beginning in FY1996.	
SAVINGS	-\$1.7 b./7 years	-\$1.9 b./7 years	

Tier III:

1. Protection if no block grant: MUE, Contingency [Structure]
2. Child care: Work performance # [1]
3. Medicaid links

Welfare Reform

1. **Structural changes: Will there be structural changes in entitlement programs?**
 - **AFDC -- Should all or some of the AFDC-related programs be block granted: JOBS (work programs), emergency assistance, AFDC administration, AFDC benefits? What funding mechanisms should be maintained or created to ensure responsiveness to population and economic change? What requirements should be maintained or created to ensure that states maintain their financial contribution? Should welfare and foster care recipients continue to receive Medicaid coverage? What types of state flexibility and recipient protections should be provided?**
 - **Child Care/Work -- What mix of funding and policy is appropriate to ensure that States succeed in meeting work requirements?**
 - **Food Stamps -- Should there be an option to block grant the Food Stamp entitlement? Should there be a hard cap on food stamp expenditures?**
 - **School Lunch -- Should we establish seven State block grant demonstrations?**
 - **Child Protection Programs -- Should these programs be capped and block granted or remain an open-ended entitlement?**

2. **Magnitude of Reductions: What is the appropriate level and mix of cuts in welfare-related programs that will move people from welfare to work, protect children, and enable States to carry out real reform? The Administration proposes \$37 billion in welfare-related savings (plus \$2B in EITC). HR 4 provides about \$64 billion (not counting about \$5+B in Medicaid cuts).**
 - **Immigrants -- Should we ban legal immigrants from most federal programs or should we make sponsors of immigrants more responsible for providing support? The Administration proposes \$5 billion in savings; HR 4 saves \$20 billion (plus an additional \$4 billion if Medicaid is not block granted).**
 - **Food Stamps -- What level of cuts is appropriate? HR 4 cuts \$28 billion; the Administration cuts \$19 billion.**
 - **SSI/Children -- Should a two-tier payment system be established? Should our change to SSI policy affect current recipients? The Administration proposes \$4 billion in savings; HR 4 includes \$12 billion in savings.**
 - **Other -- How should we handle other significant policy differences with smaller budget implications such as child care, foster care, and others?**

3. **Taxes: Should we cut EITC? Should we tax AFDC, SSI and food stamps? Should we reduce the dependent care tax credit?**

**TOTAL WELFARE REFORM AND EITC SAVINGS IN
RECONCILIATION, COALITION, AND ADMINISTRATION
BILLS**

	7 Year O/L Savings (\$B) Admin. Bill (CBO)	7 Year O/L Savings (\$B) Coalition (CBO)	7 Year O/L Savings (\$B) H.R. 4 (Projected CBO) 1/	7 Year O/L Savings (\$B) Senate Dem. (Projected CBO)1/
Food Stamps (Excluding immigrants)	-\$19.0	-\$13.8	-\$27.6	-\$19.0
Commodities	\$0.0	\$0.0	+\$1.8	\$0.0
Child Nutrition (Excluding immigrants)	-\$3.4	-\$2.2	-\$3.7	-\$3.4
<i>Total -- Food Programs</i>	<i>-\$22.4</i>	<i>-\$16.0</i>	<i>-\$29.5</i>	<i>-\$22.4</i>
SSI Total (including Medicaid changes)	-\$7.1 Includes -\$4.3 for SSI Kids.	-\$13.6 Includes -\$8.1 for SSI Kids.	-\$14.8 2/ (-\$15.4 Medicaid) Includes -\$12.4 for SSI Kids.	-\$9.5 Includes -\$6.7 for SSI Kids.
Social Service Block Grant (Title XX).....	-\$1.9	-\$1.9	-\$1.7	-\$1.9
AFDC/JOBS/ChildCare/ Child Protection/CSE..... (including Medicaid changes)	\$0.0	+\$2.5	+\$2.5 (+\$2.2 with Medicaid) 3/	+\$3.7
Immigrants (including Medicaid changes)	-\$5.4	-\$5.5	-\$20.2 (-\$24.4 with Medicaid)	-\$5.5
<i>Total -- Welfare Programs</i>	<i>-\$36.9</i>	<i>-\$34.6</i>	<i>-\$63.6</i> (-\$68.6 with Medicaid)	<i>-\$35.6</i>
Earned Income Tax Credit.....	-\$1.6	-\$2.4	-\$26.4	-\$2.4
Other Tax Changes.....	\$0.0	-\$9.9 4/	\$0.0	-\$4.6
<i>Total -- Tax Changes.....</i>	<i>-\$1.6</i>	<i>-\$12.3</i>	<i>-\$26.4</i>	<i>-\$7.0</i>

12/27/95

1/ Preliminary projection of CBO's likely scoring.

2/ Includes \$2.3 billion (\$2.9 billion with Medicaid) for ending eligibility because of Drug Addiction and Alcoholism. This provision is in the Senior Citizen's Right to Work Act.

3/ Does not include effects of ending categorical Medicaid eligibility for AFDC recipients.

4/ Appears not to include the cost of making the DCTC refundable.

EXECUTIVE SUMMARY**FOOD STAMP PROGRAM AND CHILD NUTRITION PROGRAMS****A. Areas in Common**

1. Food Stamp Program---Same program savings of \$10.321 billion
2. Child Nutrition Programs---Target level of \$3.4 billion to \$3.7 billion

B. Issues for Advisors and Principals/Most Significant Budget/Policy Issues

1. Work requirements/time limits---H.R. 4 (\$4.450 billion); Administration (0); Coalition (\$205 million).
2. Standard deduction---H.R. 4 (\$5.370 billion); Administration (\$8.140 billion); Coalition (\$2.405 billion).
3. Shelter deduction---H.R. 4 (\$4.1 billion); Administration (0); Coalition (0).

C. Issues for Advisors and Principals**1. Adjustable food stamp cap**

H.R. 4---Caps food stamp spending at CBO's estimates for the cost of the program over seven years. USDA is required to adjust each year's obligation based on changes in participation and changes in the cost of food. If program funding requirements exceed allowed obligations, the Secretary must direct states to reduce benefits to stay within the obligation limits for the year; or Congress could enact savings in order to increase food stamp funding.

Administration/Coalition---Maintains annual appropriations cap. If program funding requirements exceed allowed appropriations, the Secretary must direct states to reduce benefits to stay within the appropriations limits for the year; or Congress could lift the food stamp cap with no pay/go effect.

2. State food assistance block grant

H.R. 4---States may operate the food stamp program under a block grant: (1) if a state is operating the electronic benefit transfer (EBT) program statewide; or (2) if a state has a rate of error (misspent federal funds) below an acceptable level; or (3) if a state has a rate of error (misspent federal funds) above an acceptable level and pays to the federal government the cost above that level. \$2,405 billion gross savings. \$680 million net savings.

Administration/Coalition---No proposal.

3. Overall savings Title X/seven years (not including non-citizens)

H.R. 4---\$25.6 billion

Administration---\$19 billion

Coalition---\$13.8 billion

4. School nutrition block grant demonstration

H.R. 4---A school lunch/breakfast block grant demonstration would allow a block grant to be established in each of the seven USDA regions on a demonstration basis and makes changes to the nutrition standards.

Administration/Coalition---No proposal. Maintains current structure of school nutrition programs and maintains current nutrition standards.

FOOD STAMP PROGRAM

A. AREAS IN COMMON

CBO ESTIMATES

1.	Annual adjustment of the maximum food stamp allotment based on 100% of the thrifty food plan	\$6,185
2.	Earnings of students H.R. 4---at 20 years	\$ 6
	Administration---at 18 years	\$ 75
3.	Energy assistance	\$2,800
4.	Comparable treatment for disqualification and failure to comply with other program requirements	\$ 300
5.	Collection of overissuances	\$ 175
6.	Cooperation with child support enforcement agencies (custodial and non-custodial)	\$ 150
7.	Minimum benefit	\$ 160
8.	Benefits on recertification	\$ 175
9.	State option for mandatory standard utility allowance	\$ 440
10.	Program integrity/retail food stores -	
11.	Program integrity/food stamp participants	
12.	State administrative flexibility	
13.	Funding for American Samoa and Puerto Rico food assistance programs	
14.	Simplified food stamp program (Administration presumes AFDC entitlement, while H.R. 4 establishes an AFDC block grant.	\$ 145 (cost)
15.	EBT (cost neutrality and 2002 implementation)	

TOTAL \$10,321 BILLION SAVINGS

FOOD STAMP PROGRAM

B. OTHER ISSUES

1. Work requirements/time limits

H.R. 4---Able-bodied participants between the ages of 18 and 50 years, with no dependents must work at least half-time or participate in a specific training or work program after four months of food stamp benefits. The food stamp employment and training program is maintained. States are not required to provide training. \$4.450 billion savings.

Administration---No proposal

Coalition---Similar to H.R. 4 with a six month time limit and a requirement that states provide training. \$205 million savings.

2. Standard deduction

H.R. 4---Amount of current standard deduction is maintained and future indexing increases are eliminated. \$5.370 billion savings.

Administration---Reduces amount of current standard deduction for 1996, and 1997. Begins future indexing increases of the standard deduction in 1998. \$8.140 billion savings.

Coalition---Freezes the standard deduction for two years and then begins future-indexing increases of the standard deduction. \$2.405 billion savings.

3. Shelter deduction

H.R. 4---Amount of current shelter deduction is maintained; future indexing increases and lifting the ceiling in 1997 of the shelter deduction are eliminated. \$4.100 billion savings.

Administration---No proposal. Maintains current law allowing for the ceiling on this deduction to be eliminated in January 1997.

Coalition---Same as Administration.

4. Other items that differ in specific areas but are in both H.R. 4 and the Administration's proposal.

a. Include young parents in their parents' households.

H.R. 4---\$1,655 billion savings

Administration---\$120 million savings

Coalition---\$similar to H.R. 4

b. Vehicle allowance

H.R. 4---keep vehicle allowance at current level. \$950 million savings.
Administration---begin indexing of vehicle allowance in 1997. \$260 million

savings.

5. Other items that are included in H.R. 4 with no comparable Administration proposal.
- a. Commodities for the emergency food assistance program. \$1.8 billion cost.
 - b. Optional additional criteria for separate household status. \$375 million savings.
 - c. Vendor payments for transitional housing counted as income. \$68 million savings.
 - d. Disqualification. \$32 million savings.
 - e. Disqualification for receipt of multiple benefits. \$30 million savings.
 - f. Disqualification relating to child support arrears. \$257 million savings.
 - g. Limitation on federal match for outreach. \$13 million savings.
 - h. Work supplementation/support program. \$135 million cost.
 - i. Employment initiatives program. \$11 million savings.
 - j. Eliminate indexing of homeless shelter allowance. \$15 million savings.
 - k. Assistance for community food projects. \$18 million cost.
- Total: Savings \$801 million
Cost \$1.953 billion
Net Cost \$1.152 billion

FOOD STAMP PROGRAM AND CHILD NUTRITION PROGRAMS

C. OTHER ISSUES

1. Adjustable food stamp cap

H.R. 4---Caps food stamp spending at CBO's estimates for the cost of the program over seven years. USDA is required to adjust each year's obligation based on changes in participation and changes in the cost of food. If program funding requirements exceed allowed obligations, the Secretary must direct states to reduce benefits to stay within the obligation limits for the year; or Congress could enact savings in order to increase food stamp funding.

Administration---No proposal. Maintains annual appropriations cap. If program funding requirements exceed allowed appropriations, the Secretary must direct states to reduce benefits to stay within the appropriations limits for the year; or Congress could lift the food stamp cap with no pay/go effect.

Coalition---Same as Administration.

2. State food assistance block grant

H.R. 4---States may operate the food stamp program under a block grant: (1) if a state is operating the electronic benefit transfer (EBT) program statewide; or (2) if a state has a rate of error (misspent federal funds) below an acceptable level (6% of food stamp benefits issued); or (3) if a state has a rate of error (misspent federal funds) above an acceptable level and pays to the federal government the amount of food stamp costs above that level. \$2,405 billion savings. However, if the state food assistance block grant is not included, the net change in food stamp savings is \$680 million due to the interaction effects calculated by CBO.

Administration---No proposal.

Coalition---No proposal.

3. Overall savings Title X seven years (not including non-citizens)

H.R. 4---\$25.6 billion

Administration---\$19 billion

Coalition---\$13.8 billion

4. School nutrition block grant demonstration

H.R. 4---A school lunch/breakfast block grant demonstration would allow a block grant to be established in each of the seven USDA regions on a demonstration basis and makes changes to the nutrition standards.

Administration---No proposal. Maintains current structure of school nutrition programs and maintains current nutrition standards.

Coalition---Same as Administration.

CHILD NUTRITION**Items in Agreement between H.R. 4 and Administration Proposal:**

- * Savings level under H.R. 4 and Administration proposals (excluding aliens) are very similar. H.R. 4 -- \$3.7 billion\Administration -- \$3.4 billion.
- * Establish a 2 tier reimbursement structure in family day care homes (difference in rates).
- * Eliminate School Breakfast and Summer startup and expansion grants.
- * Make NET funding discretionary.

5/30

December 28, 1995

SSI/SOCIAL SECURITY EARNINGS TEST ISSUES**A. TIER 1 (AREAS OF COMMONALITY)**

1. CHILDREN'S SSI--ELIGIBILITY CHANGES: All parties agree to definition of childhood disability; eliminate IFA eligibility for new enrollees; eliminate double-counting maladaptive behavior (all changes on enactment) [per H.R. 4].

CBO savings estimate: -\$5.6 billion.

B. TIER 2 (ISSUES FOR ADVISORS)

1. CHILDREN'S SSI--GRANDFATHER FOR IFA CHILDREN: Shall we provide:

- a. permanent grandfather (Administration), or
- b. partial grandfather #1--redeterminations in 1996 with certain IFA children no longer eligible as of 1/1/97 (Senate Democrats/Republicans, H.R.4), or
- c. partial grandfather #2--redeterminations in 1997, with certain IFA children no longer eligible as of 1/1/98 (Coalition Option).

Permanent Grandfather: CBO estimate: No savings.

Partial Grandfather #1 (thru 1/1/97): CBO savings estimate: -\$3.0 billion.

New Coalition Option #2 (thru 1/1/98)--CBO estimate: Requested.

2. ADULT SSI:

- a. All adults must reapply for benefits every three years if expected to improve (Coalition proposal), and/or
- b. Floating budget cap for SSI/SSDI continuing disability reviews (CDRs)--budget cap raised (with ceiling) for each dollar appropriated for CDRs.

CBO savings estimate for reapplication: -\$2.1 billion.

CBO estimate for New Option--CDRs: No savings or cost.

3. ADULT SSI--AGE OF ELIGIBILITY: Shall the age of eligibility for old-age SSI be raised beginning in 2003 consistent with the rise in the retirement age for full benefits for Social Security?

CBO estimate: No savings within budget window (savings begin in 2003).

4. SSI--MANDATORY STATE SUPPLEMENTS: Shall States continue to be required to provide mandatory cash supplements to SSI benefit amounts (applies to 48 States)?

CBO estimate: No savings.

5. SOCIAL SECURITY EARNINGS TEST:

- a. Shall raising the earnings test for seniors be included in this bill? If yes, to what level shall the earnings test be raised?

CBO cost estimate: \$7.0 billion (if raised to \$30,000 in 2002)

- b. If not, shall SSI savings from eliminating disability due only to drugs addiction and alcoholism be used to help pay for raising the earnings test for seniors in a separate bill?

CBO savings estimate: -\$2.9 billion

C. TIER 3 (ISSUES FOR PRINCIPALS)

1. Shall the amount of the cash benefits be determined according to a new standard (i.e., a child is eligible for 100 percent of adult benefit if he/she requires special personal assistance otherwise the child receives 75 percent of the adult award), or shall all children remain eligible for 100 percent of the adult cash benefit?

CBO savings estimate from new standard: -\$3.6 billion

Issues for Discussion: Benefits for Noncitizens

Tier I: Issues of commonality

1. Deeming the sponsor's income to a noncitizen required until citizenship: Other issues for discussion include exemptions for persons over 75, persons becoming disabled after entering the U.S., persons who have worked for 20 or more qualifying quarters (Coalition) or 40 or more qualifying quarters (H.R. 4), and those with sponsors whose income falls below the national median.

- H.R. 4 \$5 B*
- Administration/Coalition \$5 B

* CBO scores no separate savings from the deeming requirements in H.R. 4. However, in the absence of a programmatic ban, H.R. 4 would save approximately \$5 billion by its deeming provisions alone. For clarity, these savings are subtracted from the savings attributable to the programmatic ban described below.

2. State authority: Agree on State and local governments' being authorized to follow Federal bans and exemptions in order to avoid an unfunded mandate in determining the eligibility of noncitizens (both legal and illegal) for public benefits. No savings impact.

3. Affidavits of support: Agree on making sponsorship documents legally enforceable. No savings impact.

Tiers II and III: Issues for advisors and principals

1. Programmatic ban (on SSI, food stamps, and other specified federal programs; for Medicaid, see below): Issues include both whether to ban a defined list of programs and, if so, what individuals (i.e. those working 40 quarters, the disabled, those over 75) will be excepted.

- H.R. 4 (excluding Medicaid and deeming savings) \$14 B
- Administration/Coalition \$ 0

2. Verification of legal status to be eligible for child nutrition and discretionary programs: Contested issue involves the burden of administrative requirements to determine legal status of applicants for benefits.

- H.R. 4 \$0.5 B
- Administration/Coalition \$0

3. Availability of Medicaid: Central issue is whether Medicaid will be included in any list of banned programs or will be in any other way restricted (such as through deeming) for noncitizens and, if so, what classes (i.e. disabled, over 75) will be excepted.

- H.R. 4 (assuming no Medicaid block grant) \$3.5 B
- Administration/Coalition \$0

(Savings are over 7 years, as scored by CBO.)

h:noncit.

Welfare Reform

1. **Structural changes: Will there be structural changes in entitlement programs?**
 - **AFDC** -- Should all or some of the AFDC-related programs be block granted: JOBS (work programs), emergency assistance, AFDC administration, AFDC benefits? What funding mechanisms should be maintained or created to ensure responsiveness to population and economic change? What requirements should be maintained or created to ensure that states maintain their financial contribution? Should welfare and foster care recipients continue to receive Medicaid coverage? What types of state flexibility and recipient protections should be provided?
 - **Child Care/Work** -- What mix of funding and policy is appropriate to ensure that States succeed in meeting work requirements?
 - **Food Stamps** -- Should there be an option to block grant the Food Stamp entitlement? Should there be a hard cap on food stamp expenditures?
 - **School Lunch** -- Should we establish seven State block grant demonstrations?
 - **Child Protection Programs** -- Should these programs be capped and block granted or remain an open-ended entitlement?

2. **Magnitude of Reductions: What is the appropriate level and mix of cuts in welfare-related programs that will move people from welfare to work, protect children, and enable States to carry out real reform? The Administration proposes \$37 billion in welfare-related savings (plus \$2B in EITC). HR 4 provides about \$64 billion (not counting about \$5+B in Medicaid cuts).**
 - **Immigrants** -- Should we ban legal immigrants from most federal programs or should we make sponsors of immigrants more responsible for providing support? The Administration proposes \$5 billion in savings; HR 4 saves \$20 billion (plus an additional \$4 billion if Medicaid is not block granted).
 - **Food Stamps** -- What level of cuts is appropriate? HR 4 cuts \$28 billion; the Administration cuts \$19 billion.
 - **SSI/Children** -- Should a two-tier payment system be established? Should our change to SSI policy affect current recipients? The Administration proposes \$4 billion in savings; HR 4 includes \$12 billion in savings.
 - **Other** -- How should we handle other significant policy differences with smaller budget implications such as child care, foster care, and others?

3. **Taxes: Should we cut EITC? Should we tax AFDC, SSI and food stamps? Should we reduce the dependent care tax credit?**

**TOTAL WELFARE REFORM AND EITC SAVINGS IN
RECONCILIATION, COALITION, AND ADMINISTRATION
BILLS**

	7 Year O/L Savings (SB) Admin. Bill (CBO)	7 Year O/L Savings (SB) Coalition (CBO)	7 Year O/L Savings (SB) H.R. 4 (Projected CBO) 1/	7 Year O/L Savings (SB) Senate Dem. (Projected CBO)1/
Food Stamps (Excluding immigrants)	-\$19.0	-\$13.8	-\$27.6	-\$19.0
Commodities	\$0.0	\$0.0	+\$1.8	\$0.0
Child Nutrition (Excluding immigrants)	-\$3.4	-\$2.2	-\$3.7	-\$3.4
<i>Total -- Food Programs</i>	<i>-\$22.4</i>	<i>-\$16.0</i>	<i>-\$29.5</i>	<i>-\$22.4</i>
SSI Total (including Medicaid changes)	-\$7.1 Includes -\$4.3 for SSI Kids.	-\$13.6 Includes -\$8.1 for SSI Kids.	-\$14.8 2/ (-\$15.4 Medicaid) Includes -\$12.4 for SSI Kids.	-\$9.5 Includes -\$6.7 for SSI Kids.
Social Service Block Grant (Title XX).....	-\$1.9	-\$1.9	-\$1.7	-\$1.9
AFDC/JOBS/ChildCare/ Child Protection/CSE..... (including Medicaid changes)	\$0.0	+\$2.5	+\$2.5 (+\$2.2 with Medicaid) 3/	+\$3.7
Immigrants (including Medicaid changes)	-\$5.4	-\$5.5	-\$20.2 19.5 (-\$24.4 with 27.9 Medicaid)	-\$5.5
<i>Total -- Welfare Programs</i>	<i>-\$36.9</i>	<i>-\$34.6</i>	<i>-\$63.6</i> 62.9 (<i>-\$68.6</i> with Medicaid)	<i>-\$35.6</i>
Earned Income Tax Credit.....	-\$1.6	-\$2.4	-\$26.4	-\$2.4
Other Tax Changes.....	\$0.0	-\$9.9 4/	\$0.0	-\$4.6
<i>Total -- Tax Changes.....</i>	<i>-\$1.6</i>	<i>-\$12.3</i>	<i>-\$26.4</i>	<i>-\$7.0</i>

12/27/95

1/ Preliminary projection of CBO's likely scoring.

2/ Includes \$2.3 billion (\$2.9 billion with Medicaid) for ending eligibility because of Drug Addiction and Alcoholism. This provision is in the Senior Citizen's Right to Work Act.

3/ Does not include effects of ending categorical Medicaid eligibility for AFDC recipients.

4/ Appears not to include the cost of making the DCTC refundable.

The Impact of Budget Proposals on Low Income Programs (Direct Spending Reductions and Authorization of Appropriations, Outlays in Billions)

Seven Year Total

	Senate	Conference	Conference Based on New CBO Baseline	Coalition Substitute	Daschle Bureau	President's Mid-Session Budget	President's Revised Budget	President's Revised with Daschle	President's Revised Budget
Low Income Programs:									
AFDC (work admin., SFA)	-8.1	-5.8	0.1	-0.8	1.8	-1.5	0	1.8	0
Child Care	0.7	0.7	0.7	2.6	3.5	0	0	3.5	0
Child Protection	0	-2.3 (1)	-1.6 (1)	0.1	0.1	0	0	0.1	0
Child Support	-2.3	-0.5	-0.3	1.3	0.8	0	0	0.8	0
Title XX	-3.3	-3.3	-3.3	(See Child Care)	0.7	0	-1.9	-1.9	0
Food Stamps	-21.7	-28.0	-26.4	-14.9	-16.8	-18.3	-18.0	-18.0	-18.0
Immigrants	-1.0	-4.7	-4.4	-0.5	-0.6	NA	NA	NA	NA
Other	-20.7	-23.3	-22.0	-14.4	-15.3	NA	NA	NA	NA
Child Nutrition	-2.3	-5.7	-5.4	-2.4	-2.4	-3.1	-3.7	-3.7	-3.7
Immigrants	0	-0.5	-0.5	0	0	NA	NA	NA	NA
Other	-2.3	-5.2	-4.9	-2.4	-2.4	NA	NA	NA	NA
SSI	-28.8	-32.5	-31.6	-17.7	-17.4	-12.0	-18.5	-18.5	-18.5
Immigrants	-15.9	-15.9	-15.3	-4.1	-5.5	-5.0	-11.0	-11.0	-11.0
Disabled Children	-9.7	-14.2	-14.5	-9.7	-9.8	-4.1	-4.1	-4.1	-4.1
DA&A	-3.1	-2.5	-2.5	-5.6	-2.0	-2.9	-3.4	-3.4	-3.4
Appropriation	0	0.7	0.7	1.7	1.0	0	0	0	0
EITC	-43.2	-32.4	-28.4	-1.5	0	-2.2	-2.9	-2.9	-2.9
Child Care Tax Credit	0	0	0	-5.7	0	0	0	0	0
Taxation of Benefits	0	0	0	-4.6	0	0	0	0	0
Other (2)	-0.7	0	0	0	0	0	0	0	0
Medicaid Savings									
SSI	-5.2	-5.2	-5.2	1.0	3.7	0	0	0	0
Immigrants	-0.7	-0.7	-0.7	-1.6	0	0	0	0	0
Other	-4.2	-4.2	-4.2	-0.1	-0.3	0	0	0	0
Total Low Income Programs (without Medicaid)	-108.7	-108.1	-95.4	-43.4	-29.9	-37.1	-46.0	-39.9	-39.9
Total Low Income Programs (with Medicaid)	-114.8	-114.2	-95.4	-42.4	-26.2	-37.1	-46.0	-39.9	-39.9
Total without EITC or Medicaid	-66.5	-76.7	-67.1	-41.9	-29.9	-34.9	-43.1	-37.0	-37.0

Holds Senate, Conference, Coalition Substitute, and Daschle Bureau tabulars are based on cost estimates from the Congressional Budget Office. President's Budget column is based on OMB baseless. However, differences in scoring would not vary significantly in these program areas. For example, the \$19.0 billion figure for Food Stamps under the President's Revised Budget is based on CBO scoring. This analysis modifies the CBO cost estimates by correcting a technical error under child protection and by assuming CCDBG will be reauthorized through 2002 in the child care estimate. Estimates do not include any savings from a technical adjustment to the CPI.

[1] Under the OMB baseline, this number is \$3.9 billion. Other numbers would vary as well.

[2] "Other" provisions in the Senate bill include those to reduce Federal government positions, changes to the protection of battered individuals and adoption expenses programs, and miscellaneous

Ken: 1) Time limit; 2) status; 3) std - is Ken willing? How much to me?

Optional labels: Cap = major issues (plus small savings)

Child nutrition: 1) 2-state; 2) paperwork

FOOD STAMPS

HOUSE/SENATE CONFERENCE AGREEMENT

ADMINISTRATION PROPOSAL

COALITION PROPOSAL

Retains the food stamp program as an entitlement program. No benefits will decline for eligible families.	Same, however benefits for all eligible families will decline.	Similar to Administration.
<i>Welfare Department</i> Able-bodied between 18 and 50 years, with no dependents must work after four months of food stamp benefits. Maintains current funding for employment and training program.	No proposal.	Similar to House/Senate but requires mandatory enrollment in federal work/training program. Doubles funding for employment and training program.
Benefit calculation: a. Maintains current levels of all deductions. Eliminates future indexing increases for deductions. b. Provides annual increases based on 100% of the Thrifty Food Plan.	Benefit calculation: a. Reduces standard deduction below current level. Retains indexing increases for all deductions. b. Same.	Benefit calculation: a. Similar to Administration. b. Similar to Administration.
<i>OK Administration</i> Allows states to harmonize AFDC and food stamp program rules.	No proposal.	Similar to Administration.

FOOD STAMPS

HOUSE/SENATE CONFERENCE AGREEMENT

ADMINISTRATION PROPOSAL

COALITION PROPOSAL

<p>Accountability Block Grant. States may opt for a block grant only if Electronic Benefit Transfer operates state-wide; if rates of error below acceptable level; or if a state pays to the federal government the food stamp costs above acceptable rates of error.</p>	<p>No proposal.</p>	<p>Similar to Administration.</p>
<p><i>Agree</i> Curb trafficking and fraud with increased penalties.</p>	<p>Same.</p>	<p>Similar to Administration.</p>
<p>Places a ceiling on food stamp obligations, taking into account changes in food costs and participation.</p>	<p>No proposal.</p>	<p>Similar to Administration.</p>
<p>Saves \$25.6 billion over seven years (excluding non-citizen provisions).</p>	<p>Saves \$19 billion over seven years (excluding non-citizen provisions).</p>	

**ISSUES FOR DISCUSSION: AFDC, CHILD CARE, CHILD PROTECTION
(Summary of Issues)**

TIER I: Areas of Commonality

1. 10 percent cut in social services block grant
2. 5-year time limit for benefits

TIERS II AND III: Issues for Advisors and Principals

1. AFDC/TANF

A. Structural issues.

- Which, if any, AFDC programs should be included in a block grant?
- How much additional money should states be given for population growth and economic downturns, and through what mechanism?
How much of their own money should states be required to spend on welfare programs?
- How much flexibility should states be given in defining eligibility and deciding who should receive benefits?

B. Exemptions from time limit. Can states exempt more than 15% of caseload?

C. Family cap. Should states have complete flexibility regarding the family cap?

D. Teen moms. Should states have complete flexibility in deciding whether to give benefits to unmarried teen moms?

E. Medicaid. Should eligibility for cash benefits automatically guarantee medicaid coverage?

F. Bonuses. Should states receive a cash bonus for reducing illegitimacy rates? Should states receive a bonus for moving people from welfare to work?

G. Work and child care.

- What work participation requirements should states be required to meet, and how should requirements be defined?
- How much child care funding is needed to meet whatever work requirements are imposed on states?

2. Child Care Health and Safety Provisions. Should states be required by the federal government to have standards and to spend a required percentage of funds on improving child care quality?

3. Child Protection. Should most child protection programs be capped and block granted?

ISSUES FOR DISCUSSION: AFDC, CHILD CARE, CHILD PROTECTION

TIER I:

1. Cutting social services block grant by 10%
2. Conference, Coalition, Administration support 5-year time limit (but with differences in exemptions)

TIERS II AND III:

1. AFDC/TANF (Temporary Assistance for Needy Families):

A. Structural issues: Conference Bill block grants JOBS, emergency assistance, AFDC administration and AFDC benefits. The Coalition block grants JOBS funds and retains uncapped matching structure for AFDC benefits and administration, while allowing states to define eligibility. Intermediate positions are possible.

Block Grant Options Include:

- o Work funding only (Coalition)
- o Work funding, emergency assistance, AFDC administration (Intermediate position)
- o All AFDC related programs except childcare (conference bill)

Adjustments for Changes in Population and Economic Conditions

- o By virtue of entitlement, automatic adjustments for population and economic change through matching formula (Like current law; Coalition)
- o Separate adjuster fund for population and economic change triggered by changes in poverty population (Intermediate)
- o Supplemental Growth Fund of \$800 million for population change; Contingency fund of \$1 billion for economic change; Loan fund of \$1.7 billion for other contingencies (Conference)

Options for State matching or Maintenance of Effort

- o Mandatory state match for federal funds (like current law; Coalition)
- o 80 percent of baseline for all AFDC related spending; 100 percent MOE for benefits; no transfers out of block grant (Intermediate)
- o 80 percent of baseline with increases to as high as 100 percent based on failure to meet work requirements (Intermediate)
- o 75 percent of baseline with possible reduction as performance bonus (Conference)

Eligibility definition and assurance of assistance

- o States define eligibility criteria; all eligibles who meet requirements are served (Coalition)
- o States determine who will be served; no entitlement to benefits (Conference).

B. Exemptions from Time limits. Conference report allows states to exempt up to 15% of caseload from 5-year time limit; Coalition also allows state option to exempt 15% of caseload but adds several additional exemptions. The Administration prefers Coalition approach or a 20% exemption.

C. Family cap. Conference report prohibits the expenditure of federal dollars to provide additional cash benefits to families already on welfare that have additional children. States can bypass this policy by passing a law exempting themselves from the federal requirement. Coalition and Administration prefer to give states full flexibility on this issue. (no budget impact)

D. Teen moms. Both the Administration and the conference report agree that teen mothers should be required to live at home and attend school. In addition, the conference report and the Coalition give states the option of refusing to pay benefits to unmarried teen mothers. The Administration does not support the denial of benefits based solely on age and marital status. (no budget impact)

E. Medicaid. The conference report ends the entitlement to Medicaid for families receiving benefits under the cash welfare program. States would have the option of deciding who gets coverage. Children receiving maintenance payments under either the foster care or adoption programs continue to receive the Medicaid entitlement. The Administration continues current law Medicaid coverage for AFDC recipients; the Coalition provides the option of up to 2 years of Medicaid coverage. (This issue is contingent on outcome of overall Medicaid discussions.)

F. Bonuses.

Illegitimacy Bonus.--The conference report provides a cash bonus to states that reduce their illegitimacy ratio without increasing their abortion rate. States that reduce their illegitimacy rate by 1 percentage point receive a bonus equal to 5% of their block grant amount; states that reduce their illegitimacy rate by 2 percentage points or more receive a 10% bonus. The Administration does not support this concept. (Cost: \$125 million over 7 years)

Performance Bonus.--The conference report provides a performance bonus which allows states to reduce their maintenance of effort. The Administration prefers a cash bonus for successful job placement.

G. Work and Child Care.

- o Participation requirements. The conference report requires states to place an increasing percentage of their caseload in work programs each year; the percentage begins at 20% in 1997 and rises to 50% by 2002. The Coalition requires 20% in 1997 rising to 52% in 2003 (their work program differs in several respects from that established by the conference report). The conference report allows states to reduce their participation standards in proportion to net caseload reductions. The Coalition and Administration allow states to count part-time workers and individuals who leave AFDC in meeting participation rates.
- o Work funding. The conference report requires states to fund work programs out their cash and child care block grants. The Coalition provides \$8.1 billion over 7 years to finance the work program.
- o Child care funding. The conference report provides a separate block grant for child care. The total amount of money in the block grant is \$18 billion, \$11 billion of which is entitlement funding. The Coalition maintains the individual entitlement to child care for all adults participating in work programs and for 1 year after leaving welfare for a job. The Administration believes an additional \$3 billion will be required to meet the work participation requirements described above.

2. **Child Care Health and Safety Provisions.** Current law requires states to have state health and safety standards for day care providers that receive federal funding. These standards include building and physical premises safety, prevention and control of infectious diseases (including immunizations), and staff training. The conference report and the Coalition would drop this federal requirement, but requires states to spend federal dollars only in facilities that meet state and local standards; the Administration would retain current law. The Administration would also retain the 15% set aside in current law for quality improvement which the conference report reduces to 3%. (No budget impact for the federal government but could have impact on state budgets)

3. **Child Protection.** The conference report retains open-ended federal entitlement funding for foster care or adoption maintenance payments and creates a child protection block grant which caps and consolidates a variety of programs. The Coalition and the Administration retain current law. (conference savings \$0.4 billion)

EXECUTIVE SUMMARY

FOOD STAMP PROGRAM AND CHILD NUTRITION PROGRAMS

A. Areas in Common

1. Food Stamp Program---Same program savings of \$10.321 billion
2. Child Nutrition Programs---Target level of \$3.4 billion to \$3.7 billion

B. Issues for Advisors and Principals/Most Significant Budget/Policy Issues

1. Work requirements/time limits---H.R. 4 (\$4.450 billion); Administration (0); Coalition (\$205 million).
2. Standard deduction---H.R. 4 (\$5.370 billion); Administration (\$8.140 billion); Coalition (\$2.405 billion).
3. Shelter deduction---H.R. 4 (\$4.1 billion); Administration (0); Coalition (0).

C. Issues for Advisors and Principals

1. Adjustable food stamp cap

H.R. 4---Caps food stamp spending at CBO's estimates for the cost of the program over seven years. USDA is required to adjust each year's obligation based on changes in participation and changes in the cost of food. If program funding requirements exceed allowed obligations, the Secretary must direct states to reduce benefits to stay within the obligation limits for the year; or Congress could enact savings in order to increase food stamp funding.

Administration/Coalition---Maintains annual appropriations cap. If program funding requirements exceed allowed appropriations, the Secretary must direct states to reduce benefits to stay within the appropriations limits for the year; or Congress could lift the food stamp cap with no pay/go effect.

2. State food assistance block grant

H.R. 4---States may operate the food stamp program under a block grant: (1) if a state is operating the electronic benefit transfer (EBT) program statewide; or (2) if a state has a rate or error (misspent federal funds) below an acceptable level; or (3) if a state has a rate of error (misspent federal funds) above an acceptable level and pays to the federal government the cost above that level. \$2,405 billion gross savings. \$680 million net savings.

Administration/Coalition---No proposal.

3. Overall savings Title X/seven years (not including non-citizens)

H.R. 4---\$25.6 billion

Administration---\$19 billion

Coalition---\$13.8 billion

4. School nutrition block grant demonstration

H.R. 4---A school lunch/breakfast block grant demonstration would allow a block grant to be established in each of the seven USDA regions on a demonstration basis and makes changes to the nutrition standards.

Administration/Coalition---No proposal. Maintains current structure of school nutrition programs and maintains current nutrition standards.

FOOD STAMP PROGRAM

A. AREAS IN COMMON

CBO ESTIMATES

1.	Annual adjustment of the maximum food stamp allotment based on 100% of the thrifty food plan	\$6,185
2.	Earnings of students H.R. 4---at 20 years	\$ 6
	Administration---at 18 years	\$ 75
3.	Energy assistance	\$2,800
4.	Comparable treatment for disqualification and failure to comply with other program requirements	\$ 300
5.	Collection of overissuances	\$ 175
6.	Cooperation with child support enforcement agencies (custodial and non-custodial)	\$ 150
7.	Minimum benefit	\$ 160
8.	Benefits on recertification	\$ 175
9.	State option for mandatory standard utility allowance	\$ 440
10.	Program integrity/retail food stores ---	
11.	Program integrity/food stamp participants	
12.	State administrative flexibility	
13.	Funding for American Samoa and Puerto Rico food assistance programs	
14.	Simplified food stamp program (Administration presumes AFDC entitlement, while H.R. 4 establishes an AFDC block grant.	\$ 145 (cost)
15.	EBT (cost neutrality and 2002 implementation)	

TOTAL \$10,321 BILLION SAVINGS

FOOD STAMP PROGRAM

B. OTHER ISSUES

1. Work requirements/time limits

H.R. 4--Able-bodied participants between the ages of 18 and 50 years, with no dependents must work at least half-time or participate in a specific training or work program after four months of food stamp benefits. The food stamp employment and training program is maintained. States are not required to provide training. \$4.450 billion savings.

Administration--No proposal

Coalition--Similar to H.R. 4 with a six month time limit and a requirement that states provide training. \$205 million savings.

2. Standard deduction

H.R. 4--Amount of current standard deduction is maintained and future indexing increases are eliminated. \$5.370 billion savings.

Administration--Reduces amount of current standard deduction for 1996, and 1997. Begins future indexing increases of the standard deduction in 1998. \$8.140 billion savings.

Coalition--Freezes the standard deduction for two years and then begins future indexing increases of the standard deduction. \$2.405 billion savings.

3. Shelter deduction

H.R. 4--Amount of current shelter deduction is maintained; future indexing increases and lifting the ceiling in 1997 on the shelter deduction are eliminated. \$4.100 billion savings.

Administration--No proposal. Maintains current law allowing for the ceiling on this deduction to be eliminated in January 1997.

Coalition--Same as Administration.

4. Other items that differ in specific areas but are in both H.R. 4 and the Administration's proposal.

a. Include young parents in their parents' households.

H.R. 4--\$1,655 billion savings

Administration--\$120 million savings

Coalition--\$similar to H.R. 4

b. Vehicle allowance

H.R. 4---keep vehicle allowance at current level. \$950 million savings.
Administration---begin indexing of vehicle allowance in 1997. \$260 million savings.

5. Other items that are included in H.R. 4 with no comparable Administration proposal.
- a. Commodities for the emergency food assistance program. \$1.8 billion cost.
 - b. Optional additional criteria for separate household status. \$375 million savings.
 - c. Vendor payments for transitional housing counted as income. \$68 million savings.
 - d. Disqualification \$32 million savings.
 - e. Disqualification for receipt of multiple benefits. \$30 million savings.
 - f. Disqualification relating to child support arrears. \$257 million savings.
 - g. Limitation on federal match for outreach. \$13 million savings.
 - h. Work supplementation/support program. \$135 million cost.
 - i. Employment initiatives program. \$11 million savings.
 - j. Eliminate indexing of homeless shelter allowance. \$15 million savings.
 - k. Assistance for community food projects. \$18 million cost.
- Total: Savings \$801 million
Cost \$1.953 billion
Net Cost \$1.152 billion

FOOD STAMP PROGRAM AND CHILD NUTRITION PROGRAMS

C. OTHER ISSUES

1. Adjustable food stamp cap

H.R. 4---Caps food stamp spending at CBO's estimates for the cost of the program over seven years. USDA is required to adjust each year's obligation based on changes in participation and changes in the cost of food. If program funding requirements exceed allowed obligations, the Secretary must direct states to reduce benefits to stay within the obligation limits for the year; or Congress could enact savings in order to increase food stamp funding.

Administration---No proposal. Maintains annual appropriations cap. If program funding requirements exceed allowed appropriations, the Secretary must direct states to reduce benefits to stay within the appropriations limits for the year; or Congress could lift the food stamp cap with no pay/go effect.

Coalition---Same as Administration.

2. State food assistance block grant

H.R. 4---States may operate the food stamp program under a block grant: (1) if a state is operating the electronic benefit transfer (EBT) program statewide; or (2) if a state has a rate or error (misspent federal funds) below an acceptable level (6% of food stamp benefits issued); or (3) if a state has a rate of error (misspent federal funds) above an acceptable level and pays to the federal government the amount of food stamp costs above that level. \$2,405 billion savings. However, if the state food assistance block grant is not included, the net change in food stamp savings is \$680 million due to the interaction effects calculated by CBO.

Administration---No proposal.

Coalition---No proposal.

3. Overall savings Title X seven years (not including non-citizens)

H.R. 4---\$25.6 billion

Administration---\$19 billion

Coalition---\$13.8 billion

4. School nutrition block grant demonstration

H.R. 4---A school lunch/breakfast block grant demonstration would allow a block grant to be established in each of the seven USDA regions on a demonstration basis and makes changes to the nutrition standards.

Administration---No proposal. Maintains current structure of school nutrition programs and maintains current nutrition standards.

Coalition---Same as Administration.

CHILD NUTRITION**Items in Agreement between H.R. 4 and Administration Proposal:**

- Savings level under H.R. 4 and Administration proposals (excluding aliens) are very similar. H.R. 4 -- \$3.7 billion/Administration -- \$3.4 billion.
- Establish a 2 tier reimbursement structure in family day care homes (difference in rates).
- Eliminate School Breakfast and Summer startup and expansion grants.
- Make NET funding discretionary.

5/30

December 28, 1995

SSI/SOCIAL SECURITY EARNINGS TEST ISSUES**A. TIER 1 (AREAS OF COMMONALITY)**

1. CHILDREN'S SSI--ELIGIBILITY CHANGES: All parties agree to definition of childhood disability; eliminate IFA eligibility for new enrollees; eliminate double-counting maladaptive behavior (all changes on enactment) [per H.R. 4].

CBO savings estimate: -\$5.6 billion.

B. TIER 2 (ISSUES FOR ADVISORS)

1. CHILDREN'S SSI--GRANDFATHER FOR IFA CHILDREN: Shall we provide:

- a. permanent grandfather (Administration), or
- b. partial grandfather #1--redeterminations in 1996 with certain IFA children no longer eligible as of 1/1/97 (Senate Democrats/Republicans, H.R.4), or
- c. partial grandfather #2--redeterminations in 1997, with certain IFA children no longer eligible as of 1/1/98 (Coalition Option).

Permanent Grandfather: CBO estimate: No savings.

Partial Grandfather #1 (thru 1/1/97): CBO savings estimate: -\$3.0 billion.

New Coalition Option #2 (thru 1/1/98)--CBO estimate: Requested.

2. ADULT SSI:

- a. All adults must reapply for benefits every three years if expected to improve (Coalition proposal), and/or
- b. Floating budget cap for SSI/SSDI continuing disability reviews (CDRs)--budget cap raised (with ceiling) for each dollar appropriated for CDRs.

CBO savings estimate for reapplication: -\$2.1 billion.

CBO estimate for New Option--CDRs: No savings or cost.

3. ADULT SSI--AGE OF ELIGIBILITY: Shall the age of eligibility for old-age SSI be raised beginning in 2003 consistent with the rise in the retirement age for full benefits for Social Security?

CBO estimate: No savings within budget window (savings begin in 2003).

4. SSI-MANDATORY STATE SUPPLEMENTS: Shall States continue to be required to provide mandatory cash supplements to SSI benefit amounts (applies to 48 States)?

CBO estimate: No savings.

5. SOCIAL SECURITY EARNINGS TEST:

- a. Shall raising the earnings test for seniors be included in this bill? If yes, to what level shall the earnings test be raised?

CBO cost estimate: \$7.0 billion (if raised to \$30,000 in 2002)

- b. If not, shall SSI savings from eliminating disability due only to drugs addiction and alcoholism be used to help pay for raising the earnings test for seniors in a separate bill?

CBO savings estimate: -\$2.9 billion

C. TIER 3 (ISSUES FOR PRINCIPALS)

1. Shall the amount of the cash benefits be determined according to a new standard (i.e., a child is eligible for 100 percent of adult benefit if he/she requires special personal assistance, otherwise the child receives 75 percent of the adult award), or shall all children remain eligible for 100 percent of the adult cash benefit?

CBO savings estimate from new standard: -\$3.6 billion

Issues for Discussion: Benefits for Noncitizens

Tier I: Issues of commonality

1. Deeming the sponsor's income to a noncitizen required until citizenship: Other issues for discussion include exemptions for persons over 75, persons becoming disabled after entering the U.S., persons who have worked for 20 or more qualifying quarters (Coalition) or 40 or more qualifying quarters (H.R. 4), and those with sponsors whose income falls below the national median.

- H.R. 4 \$5 B*
- Administration/Coalition \$5 B

* CBO scores no separate savings from the deeming requirements in H.R. 4. However, in the absence of a programmatic ban, H.R. 4 would save approximately \$5 billion by its deeming provisions alone. For clarity, these savings are subtracted from the savings attributable to the programmatic ban described below.

2. State authority: Agree on State and local governments' being authorized to follow Federal bans and exemptions in order to avoid an unfunded mandate in determining the eligibility of noncitizens (both legal and illegal) for public benefits. No savings impact.

3. Affidavits of support: Agree on making sponsorship documents legally enforceable. No savings impact.

Tiers II and III: Issues for advisors and principals

1. Programmatic ban (on SSI, food stamps, and other specified federal programs; for Medicaid, see below): Issues include both whether to ban a defined list of programs and, if so, what individuals (i.e. those working 40 quarters, the disabled, those over 75) will be excepted.

- H.R. 4 (excluding Medicaid and deeming savings) \$14 B
- Administration/Coalition \$ 0

2. Verification of legal status to be eligible for child nutrition and discretionary programs: Contested issue involves the burden of administrative requirements to determine legal status of applicants for benefits.

- H.R. 4 \$0.5 B
- Administration/Coalition \$0

3. Availability of Medicaid: Central issue is whether Medicaid will be included in any list of banned programs or will be in any other way restricted (such as through deeming) for noncitizens and, if so, what classes (i.e. disabled, over 75) will be excepted.

- H.R. 4 (assuming no Medicaid block grant) \$3.5 B
- Administration/Coalition \$0

(Savings are over 7 years, as scored by CBO.)

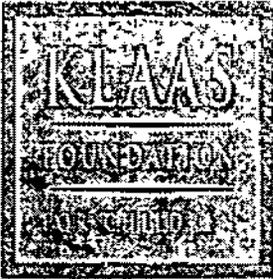
h:noncit

■ MARC KLAAS FOUNDATION FOR CHILDREN
P.O. Box 925, SAUSALITO, CA 94966
PHONE: (415) 331-6867 ■ FAX: (415) 331-5633
E-MAIL: klaas@erl.com

March 12, 1996

Mr. Bruce Reed
Domestic Policy Advisor
The White House
Washington, D.C. 20500

Dear Bruce:



By the time you receive this letter, you are hopefully in possession of several copies of the Foundation newsletter, the Klaas Action Review. I hope that it meets with your approval. Personally, I love the look and contents. The President's article is even better than I hoped it would be. Thank you for putting me into contact with that hard working devil Dennis Burke. I bugged him incessantly for the article for a period of several months, when, unfortunately, the government was closing down on a regular basis. The next newsletter features a guest article by Marion Wright Edelman, and focuses on the June 1, Stand Up For Children event in Washington. It should be published by the end of April.

Enclosed is a letter to the President by Lorna Hawkins, a very hard working, good hearted woman with a tragic history that I met a couple of years ago. She asked me to forward it to the President, but I forgot to send it with the newsletters. I would appreciate it if you see that she receives a reply.

I hope that all is well with your family and that your new baby is not keeping you up. I know that endlessly waking up at night is a drag, but it is really the best gift you will ever receive.

I am going to be in Washington at the end of March, to hold a press conference on the *Kids Off Lists* campaign. It is really an insidious little issue dealing with the collection, processing and distribution of children's privacy information to the highest seller. If you wish to know more about this issue or some of the other things the Foundation is up to, please visit our web-site (<http://www.klaaskids.inter.net>).

I will always be grateful for everything that you and the President have done for my family and the memory of Polly. It also looks like you will have a job for four more years. Just don't take your eye off of the target. Hope to see you soon. Until then, I am...

Your Friend,

Marc
Marc Klaas

CM -

Could you make sure the attached letter from Lorna Hawkins goes to the Press office and to Rahm? Thanks.

BR

Drive-By Agony

Stop the violence now!



- ◇
- ◇
- ◇
- ◇ The White House
- ◇ President of the United States
- ◇ Honorable Bill Clinton
- ◇ Washington D.C.

◇ Dear Bill

◇ I start this letter off with your first name, the one I am familiar with, is that ok?

◇ My heart is heavy today, like so many other days in my past life and experiences, tears are not far from my eyes. In 1988 I had a son name Joe, he was my first born, the night before Thanksgiving a group of black young men from a street gang here in Lynwood California, decided, that they were going to shoot someone, my son was the victim but not the intended target. I also had another son murdered in 1992 to a carjacking, his name was Gerald. To say that this has effected me tremendously both emotionally and physically is an under statement.

◇ Over the past seven years I have been dedicated to helping stop the violence, most of the time I was like a raging bull wanting to do everything and any thing that was positive to make changes in societies mind, about violence and it's effects.

◇ I have started a Cable T.V. show called Drive By Agony to vent my anger and pain and also allow others to do the same, started the Marches for Peace in 1991, developed a non-profit organization, a self help support group for victims of crime, spoken to thousand of youth regarding crime prevention, and what happen to my family, and help start a program called S.A.F.E. camp for youth between five and twenty-one.

◇ A coalition of organizations are working together to help make the movement against violence a reality, we need your support. Our organizations are; Women

against gun violence, Al Wooten Heritage foundation, Violence Prevention Coalition of Greater Los Angeles, The Brotherhood Crusade, Lynwood community violence task force, YWCA, Los Angeles Jr. League, The Los Angeles Sheriff's bike patrol, St Francis Medical Center, Charles R Drew Medial Center, and many grassroots organizations. The following States are involved, Wisconsin, Missouri, Nevada, Chicago, New York, and America Most Wanted will film in each state.

◇

◇ This year will mark the sixth March for Peace, and we are going National, please except this invitation for you , your family and staff to participate, in fact we need you to participate, and show the world that we are tired of seeing crime, and victims crying in our nations streets. I am also asking you to proclaim April 20, 1996 as a day for Peace throughout our nation, and calling for all citizens , not, to commit any violence against another person all day, as a symbol of respect to all that have been murdered over the years by violence and a dedication to the future to help stop violence where they are.. We are currently working on an initiative to present to our local policy makers regarding, crimes victims, and their siblings futures, an issue that is not being address by anyone.

◇

◇ I have worked and spent most of my savings, to assure the organization continues to exist, and it is part of my heart. I have spent money for funerals of my son's, and

◇

◇ money has been short in my life, but God has been my rock and my source through the years, and I thank him everyday for all that he has done.

◇

◇ Funding is needed to hire experienced office staff, and continue our efforts against violent crimes, currently I pay myself and a administrator, and our salaries aren't very much, yet we have accomplished a tremendous amount through our projects, dedication and volunteers.

◇

◇ Included is information regarding our organization and our projects .

◇

◇

◇ Thank You , for your continued support of victims of crime.

◇

◇ Sincerely Yours,

◇

◇ *Lorna Hawkins*

◇ Lorna Hawkins, President

◇

◇

◇