



FEB 13 1995

The Honorable E. Clay Shaw
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be

able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are key goals of child protection services. There are problems in a number of areas.

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

Benefits to Legal Immigrants

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

A handwritten signature in black ink, appearing to read "D. E. Shalala", written in a cursive style.

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

Summary of the Shaw Welfare Proposal (February 10)

TITLE I: BLOCK GRANT TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

- **Block Granting of AFDC:** Eliminates all existing statutory language on the purposes, administration and requirements of the AFDC, JOBS and EA programs and replaces them with a block grant to states. Eliminated, for example, are provisions on individual entitlements, fair hearings, state financial participation, consistent standards of need, who in the family is eligible, and statewide program availability. Separately, states would be required to operate, child support, child protection, and foster care and adoption programs.
- **Funding:** The block grant would be \$15.355 billion for each year from 1996 through 2000. Administration estimates show that this would save approximately \$13 billion over 5 years.
- **State Allotment:** The block grant money would be a capped entitlement to states. Each state would be allotted an amount equal to their average proportion of AFDC spending for 1991 through 1993.
- **Rainy Day Funds:** States may put unspent amounts of block grant funds into a rainy day account for years when more money is needed. Amounts above 120% of their annual allocation may be transferred into the state's general revenue fund. There would also be a national rainy day account of \$1 billion that states may borrow from and must pay back within 3 years.
- **Work requirements:** All recipients on the rolls for 24 months (including recipients currently on AFDC) would be required to be in a work activity, unless under age 20 and enrolled in school. For most states, this implies a participation rate of 40% or more. By statute a state's total work participation rate would be set at 2% in 1996 and would rise to 20% by 2003. Educational and training services would be allowed but not required. No definitions for standards for work activity are provided. Child care would not be guaranteed.
- **State Flexibility:** States would determine all rules relating to benefit levels and eligibility criteria. States may pay benefits to interstate immigrants at the level of their original state for up to 12 months. States would be allowed to transfer up to 20% -- or 30% -- of the funds to other block grants.
- **State Requirements:** Benefits must be used to serve families with a minor child. States are required to submit annual data on several measures and must submit to a bi-annual audit. Additionally, under provisions from title III of this act, state social service agencies would be required to provide the name and address of illegal aliens with children to the INS.
- **Prohibitions on States:** States cannot use federal block grant funds to provide benefits to:
 - (1) families who have been on the rolls for 5 cumulative years;
 - (2) Individuals that are receiving SSI or OAA (current law);
 - (3) non-citizens (except refugees and/or aged non-citizens who have resided in the U.S. more than 5 years);
 - (4) minor mothers with children born out-of-wedlock;
 - (5) children born while on AFDC (*i.e.*, *family cap*); and
 - (6) families not cooperating with the state child enforcement agency or who have not assigned to the state the child's claim rights against non-custodial parents (current law).(7) Additionally, beginning 1 year following the enactment of the bill, states must pay a reduced benefit to children whose paternity is not established. The amount and duration (for up to 6 months) would be determined by states.

- **Penalties:** If an audit determines that funds were spent inappropriate to the legislation, the misspent amounts can be withheld from future payments to the state. Failure to provide required performance data would be a 3% reduction state annual grant. Failure to participate in Income Eligibility Verification System results in a penalty of 1% of state annual grant.
- **Time Limits:** AFDC would no longer be an entitlement to individuals. States would be prohibited from using federal block grant dollars to provide benefits to a family that has been on the rolls 5 years. Since states determine all rules relating to benefit levels and eligibility, they could establish any time limit.
- **Medicaid:** Transitional Medicaid for recipients who leave due to employment would be eliminated. Recipients of assistance would be eligible for Medicaid. Current recipients that become ineligible for aid would retain Medicaid eligibility.

TITLE II: CHILD PROTECTION BLOCK GRANT

- **Block Grant for Child Protection Services:** The current open-ended entitlement program for IV-E Foster Care and Adoption Assistance Program and the IV-B Child Welfare Services program and Family Preservation and Support program, along with a number of discretionary programs related to child abuse and neglect, would be consolidated into a block grant to states.
- **Funding:** The funding would be \$4.145 billion in FY 1996, \$4.308 billion in FY 1997, \$4.471 billion in FY 1998, \$4.631 billion in FY 1999, and \$4.789 billion in FY 2000. Administration estimates show that resulting savings would be \$5.7 billion over 5 years.
- **State Allotment:** The block grant would be a five year capped entitlement to the states using (not yet specified in bill).
- **State Eligibility for Funds:** States must provide HHS with information on how they intend to use the funds and provide a series of certifications ensuring that procedures are in place on reporting of abuse and neglect and acting on those reports, removal of children and their placement in safe and nurturing settings, and for achieving permanent placement. A declaration of a state's quantifiable goals and their progress is also required.
- **Purpose and Use of Funds:** States may use funds in any manner they so choose to accomplish the purposes specified in the law. The purposes are identifying and assisting families at risk of abusing or neglecting their children; operating a system of receiving reports on abuse or neglect; investigating families reported; assisting troubled families in providing proper protection and nurturing their children; providing foster care; making timely decisions about permanent living arrangements; and continuing evaluation and improvement of child protection laws, regulations and services. Twenty percent of the funds can be transferred to the block grant under Title 1, the Social Services Block Grant, the food and nutrition block grant, and the Child Care and Development Block Grant.
- **Penalties:** If a required audit finds that states have used funds not consistent with the law, funds are to be withheld the following year. However, not more than 25 percent of a quarterly payment can be withheld. Also, the annual grant will be reduced by 3 percent if states fail to submit within 6 months the required data report.

- **Child Protection Goals:** States are required to protect children, investigate reports of abuse and neglect promptly, have permanency planning in place for children removed from their homes and dispositional hearings within 3 months of a fact-finding hearing, and out-of-home placements reviewed every 6 months unless the child is already in a long term placement.
- **Citizen Review Panels:** States are required to establish citizen review panels for each metropolitan region that is broadly representative of the community and meets at least quarterly. The panel is to review specific cases to determine state compliance and make a report available to the public.
- **Data Collection and Reporting:** Annual state data reports are required to be submitted to HHS that includes basic aggregate data on the numbers of children abused and neglected, in foster care, that received services, and other similar information. States must also provide data measuring their progress towards the goals in the law and a summary response to the citizen review panels findings and recommendations. The Secretary of HHS issues an annual report of this data and provides it to the public.
- **Limitation on Federal Authority:** Other than what's specified in the law, the Secretary cannot regulate the conduct of states or enforce any provision of the law.

TITLE III: RESTRICTING WELFARE FOR ALIENS

- **NonCitizens Ineligible for Assistance:** Under these provisions, except for the exceptions noted below, noncitizens would be ineligible for most federal assistance programs. However, adults and children would remain eligible for emergency medical services and immunizations, and several educational and training programs. States would be allowed to use state resources to provide other benefits to noncitizens at state option.
- **Exceptions:** Noncitizens over 75 (who have resided in the U.S. at least 5 years) are eligible for benefits. Refugees are eligible for benefits for up to five years after the date of their arrival. Other noncitizens currently living in the U.S. would become ineligible 1 year after the enactment of the provisions and would receive notification of their ineligibility.
- **Sponsorship:** Sponsorship documents would become legally binding until the noncitizen attained citizenship.

TITLE IV: SUPPLEMENTAL SECURITY INCOME REFORMS

- **Denial of Benefits to Addicts:** Individuals with a primary diagnosis of drug or alcohol addiction would no longer be eligible for SSI or Medicaid. (Note that the "primary diagnosis" criteria is different from the current "DA&A" definition that requires that the drug or alcohol addiction be "material to the finding of disability." Only about a third of current DA&A recipients have a primary diagnosis of alcoholism or drug addiction.)
- **SSI Restrictions to Disabled Children and Medical Services Block Grant:** Cash benefits would be restricted. Children would only receive cash benefits or new medical services based only on the medical listing criteria, not the individual functional assessment. Current SSI children receiving cash benefits because of a disability under the medical listing would continue to be eligible for cash, but children not already under SSI will only receive cash

payments if they are institutionalized or would be in an institution if the cash payment did not exist. Children considered disabled but not eligible for cash benefits will be eligible for additional medical services under a block grant. This block grant would be an entitlement to states for authorized medical and non-medical services to those children who qualify (those children eligible for SSI cash benefit or who are not eligible for cash but are disabled due to a condition in the medical listing).

PRELIMINARY ANALYSIS

Budgetary Impact of Shaw Welfare Proposal

Budget Outlays

Federal Expenditures on Baseline Programs
 President's Budget Baseline Estimates: Budget Outlays

	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000
AFDC Benefits	\$12,390	\$12,423	\$12,896	\$13,444	\$13,991	\$14,532	\$15,081
AFDC Administration	\$1,637	\$1,694	\$1,758	\$1,819	\$1,884	\$1,948	\$2,012
Emergency Assistance	\$506	\$792	\$922	\$1,006	\$995	\$1,038	\$1,101
JOBS	\$839	\$937	\$943	\$957	\$952	\$958	\$967
Total Federal Outlays	\$15,372	\$15,846	\$16,519	\$17,226	\$17,822	\$18,476	\$19,161
Block Grant Expenditures			\$15,355	\$15,355	\$15,355	\$15,355	\$15,355
Yearly Savings			\$1,164	\$1,871	\$2,467	\$3,121	\$3,806
Cumulative Savings							\$12,429

Source: FY96 President's Budget; ASMB FY96 Control Table

HHS/ASPE staff preliminary estimates based upon material provided by Chariman Shaw to House Ways and Means members.

**SUMMARY BUDGET TABLE FOR
SHAW CHILD PROTECTION BLOCK GRANT**

This table summarizes the likely budgetary impact of the Shaw proposal to block grant child welfare programs. As reflected in the table, between FY 1996 and FY 2000, states will lose almost \$5.6 billion, or 20 percent of their funding.

Notes:

1. FY 1994 levels are actual expenditures. Levels for FYs 1995-2000 reflect projected outlays based on the President's current services baseline.

2. CAPTA Community Based Family Resource Program (CBFRP) was first funded in FY 1995 as a consolidation of three programs: the Emergency Protection Grants Program; the CAPTA Community-Based Prevention Program; and the Family Resource and Support Center Program. The FY 1994 level reflects the sum of the levels for the three consolidated programs.

BUDGETARY IMPACT OF SHAW CHILD PROTECTION BLOCK GRANT PROPOSAL
 Current law estimates as compared to proposed block grant: Outlays in \$ millions

	13-Feb-95	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	5-year
		Actual	Estimate	Baseline	Baseline	Baseline	Baseline	Baseline	Total
IV-E Foster Care		\$2,655	\$3,118	\$3,506	\$3,740	\$4,090	\$4,471	\$4,884	\$20,691
IV-E Adoption Assistance		314	407	475	519	562	608	658	\$2,822
IV-E Independent Living		61	71	70	70	70	70	70	\$350
IV-B Child Welfare Services		267	304	301	308	318	328	338	\$1,592
IV-B Family Preservation/Support		1	67	148	212	237	253	263	\$1,112
IV-B Research and Demonstration		5	6	6	6	7	7	7	\$34
IV-B Training		4	4	4	5	5	5	5	\$24
CAPTA Commun. Family Resource Program		7	10	29	31	33	34	35	\$162
CAPTA State Grants		17	22	23	23	24	25	26	\$120
CAPTA Discretionary		12	16	15	15	16	17	17	\$81
Family Violence Prevention and Services		24	28	32	34	35	36	37	\$173
Social Services Research		10	15	15	15	16	16	17	\$79
Abandoned Infants		12	15	14	14	15	16	16	\$76
Adoption Opportunities		10	12	13	13	14	14	15	\$69
Family Support Centers		3	10	7	8	9	9	9	\$43
Family Unification Program (HUD) /a		77	76	78	81	83	86	88	\$416
Missing and Exploited Children (DoJ) /a		7	7	7	7	7	8	8	\$37
Children's Advocacy Centers (DoJ) /a		2	3	3	3	3	3	3	\$16
Prosecution of Child Abuse (DoJ) /a		1	2	2	2	2	2	2	\$8
Total, Child Welfare programs		\$3,489	\$4,192	\$4,749	\$5,107	\$5,544	\$6,006	\$6,498	\$27,905
Shaw Block Grant Level /a				\$4,145	\$4,308	\$4,471	\$4,631	\$4,789	\$22,344
Difference				-\$604	-\$799	-\$1,073	-\$1,375	-\$1,709	-\$5,561
Percent lost				-13%	-16%	-19%	-23%	-26%	-20%

FY 1994 figures are actual outlays. All other figures are based on Administration baseline projections.

/a Assumes all funds outlay in the year they are appropriated.

Comparison of Alternative AFDC Block Grant Distribution Formulas:
 State Winners and Losers Resulting from Allocating Block Grant Funds
 Based on the Average Federal Payments to States FY 1991 to FY 1993
 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	Gain	Percentage Change
WINNERS				
Michigan	\$842	\$744	\$98	13%
Pennsylvania	\$643	\$591	\$52	9%
California	\$3,557	\$3,507	\$50	1%
Massachusetts	\$476	\$439	\$37	8%
New Jersey	\$398	\$369	\$29	8%
Wisconsin	\$331	\$304	\$27	9%
Oklahoma	\$167	\$141	\$27	19%
Illinois	\$561	\$535	\$26	5%
Kentucky	\$191	\$168	\$23	14%
Louisiana	\$169	\$149	\$20	13%
Minnesota	\$273	\$255	\$18	7%
Maine	\$87	\$73	\$14	19%
Mississippi	\$87	\$77	\$11	14%
South Carolina	\$105	\$95	\$10	10%
Georgia	\$324	\$316	\$8	2%
Tennessee	\$178	\$171	\$8	5%
Ohio	\$712	\$704	\$8	1%
Nebraska	\$53	\$47	\$6	12%
North Carolina	\$284	\$279	\$5	2%
Iowa	\$128	\$123	\$5	4%
Vermont	\$48	\$44	\$4	9%
Connecticut	\$226	\$223	\$3	1%
Arkansas	\$58	\$55	\$3	5%
Wyoming	\$23	\$20	\$3	14%
Utah	\$72	\$69	\$3	4%
West Virginia	\$109	\$107	\$2	2%
Maryland	\$218	\$217	\$2	1%
North Dakota	\$24	\$22	\$2	7%
South Dakota	\$22	\$21	\$1	6%
Missouri	\$206	\$205	\$1	0%

* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

**Comparison of Alternative AFDC Block Grant Distribution Formulas:
State Winners and Losers Resulting from Allocating Block Grant Funds
Based on the Average Federal Payments to States FY 1991 to FY 1993
Versus the FY 1994 Distribution of Payments**

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	(Loss)	Percentage Change
LOSERS				
New York	\$1,914	\$2,183	(\$269)	-12%
Florida	\$492	\$532	(\$39)	-7%
Texas	\$409	\$442	(\$33)	-8%
Indiana	\$172	\$202	(\$30)	-15%
New Mexico	\$95	\$116	(\$21)	-18%
Arizona	\$192	\$208	(\$16)	-8%
Hawaii	\$80	\$92	(\$12)	-13%
District of Columbia	\$80	\$90	(\$10)	-12%
Kansas	\$89	\$98	(\$10)	-10%
Alabama	\$80	\$89	(\$9)	-10%
Puerto Rico	\$74	\$82	(\$8)	-10%
Virginia	\$147	\$154	(\$6)	-4%
Colorado	\$112	\$117	(\$6)	-5%
New Hampshire	\$33	\$38	(\$5)	-14%
Nevada	\$28	\$33	(\$5)	-15%
Rhode Island	\$81	\$86	(\$5)	-6%
Idaho	\$25	\$30	(\$5)	-16%
Guam	\$8	\$11	(\$3)	-30%
Alaska	\$59	\$62	(\$3)	-5%
Oregon	\$162	\$164	(\$2)	-1%
Washington	\$386	\$387	(\$1)	-0%
Montana	\$40	\$41	(\$1)	-2%
Virgin Islands	\$3	\$4	(\$1)	-6%
Delaware	\$25	\$25	(\$0)	-1%

* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

(continued)

Table Three

Hypothetical Impact In FY 1994 if an AFDC Block Grant Provision Similar to the
Shaw Welfare Proposal Had Been Enacted in FY 1990 Using Funding Levels Based on the
Distribution of Federal AFDC Payments to States in FY85-87

(Amounts in millions of dollars)

State	Block Grant: FY85-87 Average distribution, 97.5% of FY88 funding	FY94 Actual Expenditures	Difference	Percent Change
Alabama	\$63	\$81	(\$19)	-23%
Alaska	\$28	\$61	(\$33)	-54%
Arizona	\$58	\$204	(\$146)	-72%
Arkansas	\$42	\$51	(\$9)	-18%
California	\$2,106	\$3,461	(\$1,355)	-39%
Colorado	\$68	\$112	(\$45)	-40%
Connecticut	\$131	\$221	(\$90)	-41%
Delaware	\$16	\$23	(\$7)	-31%
District of Columb	\$54	\$87	(\$34)	-39%
Florida	\$196	\$527	(\$331)	-63%
Georgia	\$181	\$303	(\$122)	-40%
Guam	\$1	\$11	(\$10)	-90%
Hawaii	\$43	\$89	(\$46)	-52%
Idaho	\$18	\$28	(\$11)	-37%
Illinois	\$514	\$517	(\$4)	-1%
Indiana	\$115	\$196	(\$81)	-41%
Iowa	\$112	\$118	(\$6)	-5%
Kansas	\$55	\$94	(\$39)	-41%
Kentucky	\$115	\$156	(\$41)	-26%
Louisiana	\$129	\$136	(\$8)	-6%
Maine	\$65	\$72	(\$8)	-11%
Maryland	\$127	\$206	(\$79)	-39%
Massachusetts	\$288	\$429	(\$142)	-33%
Michigan	\$794	\$704	\$90	13%
Minnesota	\$199	\$247	(\$49)	-20%
Mississippi	\$66	\$67	(\$2)	-3%
Missouri	\$149	\$199	(\$50)	-25%
Montana	\$28	\$40	(\$12)	-29%

Notes:

* The table estimates the FY 1994 fiscal impacts of an AFDC Block Grant, assuming implementation of the grant in FY 1990. Total funding available to states is frozen \$10.030 billion- 97.5% of Federal AFDC payments to States in FY 1988. The State grant equals the percentage of the average State grant to total Federal payments to states between FY85 and FY87. This simulates the provisions in the Shaw welfare proposal.

** To avoid overstating the effect of a block grant, the FY94 Amount does not include JOBS expenditures.

*** FY94 Expenditure data provided by Office of Financial Management, Administration for Children and Family

**** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways Means members.

Table Three (con'd)

Hypothetical Impact in FY 1994 if an AFDC Block Grant Provision Similar to the
Shaw Welfare Proposal Had Been Enacted in FY 1990 Using Funding Levels Based on the
Distribution of Federal AFDC Payments to States in FY85-87

(Amounts in millions of dollars)

State	Block Grant: FY85-87 Average distribution, 97.5% of FY88 funding	FY94 Actual Expenditures	Difference	Percent Change
Nebraska	\$42	\$46	(\$4)	-10%
Nevada	\$10	\$32	(\$22)	-70%
New Hampshire	\$14	\$37	(\$23)	-62%
New Jersey	\$262	\$352	(\$90)	-26%
New Mexico	\$45	\$118	(\$72)	-62%
New York	\$1,299	\$2,138	(\$839)	-39%
North Carolina	\$138	\$266	(\$128)	-48%
North Dakota	\$14	\$22	(\$8)	-37%
Ohio	\$528	\$670	(\$142)	-21%
Oklahoma	\$80	\$137	(\$56)	-41%
Oregon	\$90	\$156	(\$66)	-42%
Pennsylvania	\$442	\$557	(\$116)	-21%
Puerto Rico	\$21	\$73	(\$52)	-72%
Rhode Island	\$51	\$83	(\$31)	-38%
South Carolina	\$86	\$93	(\$7)	-7%
South Dakota	\$15	\$20	(\$6)	-27%
Tennessee	\$88	\$169	(\$81)	-48%
Texas	\$188	\$417	(\$229)	-55%
Utah	\$49	\$66	(\$18)	-27%
Vermont	\$32	\$42	(\$10)	-24%
Virgin Islands	\$1	\$3	(\$3)	-77%
Virginia	\$125	\$147	(\$22)	-15%
Washington	\$228	\$379	(\$151)	-40%
West Virginia	\$83	\$101	(\$17)	-17%
Wisconsin	\$334	\$286	\$48	17%
Wyoming	\$10	\$19	(\$9)	-47%
Total	\$10,030	\$14,870	(\$4,840)	-33%

Notes:

* The table estimates the FY 1994 fiscal impacts of an AFDC Block Grant, assuming implementation of the grant in FY 1990. Total funding available to states is frozen \$10.030 billion- 97.5% of Federal AFDC payments to States in FY 1988. The State grant equals the percentage of the average State grant to total Federal payments to states between FY85 and FY87. This simulates the provisions in the Shaw welfare proposal.

** To avoid overstating the effect of a block grant, the FY94 Amount does not include JOBS expenditures.

*** FY94 Expenditure data provided by Office of Financial Management, Administration for Children and Families.

**** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

**Total State Losses Between FY 1996 and FY2000
Under Titles I & II of the Shaw Welfare Proposal**

(dollars in millions)

State	Estimates Based on National Growth Rates		
	Total 5 Year State Losses Under Title I	Total 5 Year State Losses Under Title II	Total 5 Year State Losses
Alabama	(\$108)	(\$26)	(\$134)
Alaska	(\$61)	(\$14)	(\$75)
Arizona	(\$262)	(\$53)	(\$316)
Arkansas	(\$28)	(\$32)	(\$60)
California	(\$2,241)	(\$923)	(\$3,163)
Colorado	(\$114)	(\$46)	(\$161)
Connecticut	(\$144)	(\$62)	(\$207)
Delaware	(\$24)	(\$5)	(\$29)
District of Columbia	(\$154)	(\$26)	(\$180)
Florida	(\$585)	(\$129)	(\$714)
Georgia	(\$199)	(\$51)	(\$250)
Guam	(\$24)	\$0	(\$24)
Hawaii	(\$127)	(\$12)	(\$139)
Idaho	(\$44)	(\$7)	(\$51)
Illinois	(\$268)	(\$264)	(\$532)
Indiana	(\$299)	(\$117)	(\$417)
Iowa	(\$73)	(\$32)	(\$105)
Kansas	(\$119)	(\$39)	(\$158)
Kentucky	\$2	(\$66)	(\$64)
Louisiana	(\$7)	(\$71)	(\$78)
Maine	\$11	(\$22)	(\$12)
Maryland	(\$160)	(\$95)	(\$255)
Massachusetts	(\$255)	(\$141)	(\$396)
Michigan	(\$95)	(\$218)	(\$313)
Minnesota	(\$121)	(\$65)	(\$187)
Mississippi	\$1	(\$16)	(\$16)
Missouri	(\$148)	(\$65)	(\$213)
Montana	(\$32)	(\$12)	(\$43)

**Total State Losses Between FY 1996 and FY2000
Under Titles I & II of the Shaw Welfare Proposal**

(dollars in millions)

State	Estimates Based on National Growth Rates		
	Total 5 Year State Losses Under Title I	Total 5 Year State Losses Under Title II	Total 5 Year State Losses
Nebraska	(\$7)	(\$22)	(\$28)
Nevada	(\$52)	(\$7)	(\$59)
New Hampshire	(\$61)	(\$15)	(\$75)
New Jersey	(\$263)	(\$56)	(\$319)
New Mexico	(\$200)	(\$16)	(\$217)
New York	(\$3,690)	(\$887)	(\$4,577)
North Carolina	(\$195)	(\$51)	(\$245)
North Dakota	(\$8)	(\$11)	(\$18)
Ohio	(\$491)	(\$219)	(\$710)
Oklahoma	(\$33)	(\$27)	(\$60)
Oregon	(\$137)	(\$44)	(\$181)
Pennsylvania	(\$176)	(\$284)	(\$460)
Puerto Rico	(\$101)	\$0	(\$101)
Rhode Island	(\$84)	(\$19)	(\$103)
South Carolina	(\$24)	(\$26)	(\$50)
South Dakota	(\$7)	(\$7)	(\$14)
Tennessee	(\$86)	(\$39)	(\$126)
Texas	(\$488)	(\$171)	(\$659)
Utah	(\$42)	(\$16)	(\$58)
Vermont	(\$16)	(\$15)	(\$31)
Virgin Islands	(\$5)	\$0	(\$5)
Virginia	(\$140)	(\$36)	(\$176)
Washington	(\$291)	(\$42)	(\$333)
West Virginia	(\$68)	(\$14)	(\$82)
Wisconsin	(\$83)	(\$82)	(\$166)
Wyoming	(\$1)	(\$3)	(\$3)
Grants not to states		(\$843)	(\$843)
Totals	(\$12,426)	(\$5,561)	(\$17,987)

Notes:

** Block Grant Allocation for Title I is based on the percentage distribution to states as listed in the Mark-up document of Feb. 13, 1995, 10:13 am.

** Savings from child care block grant are not included.

** Savings from Title II do not include savings from territories.

** This table does not include impacts of any rainy day funding.

** Estimates based on national growth rates assume that state AFDC spending will increase at the same rate as national AFDC spending.

** All estimates of future growth based on AFDC Actual Expenditures in FY94.

** Numbers in columns and rows may not add perfectly due to rounding.

STATE IMPACTS OF SHAW BLOCK GRANT PROPOSAL: TITLES I AND II

The attached table illustrates the five-year changes in funding to each state under Titles I and II of the House Republicans' Block Grant proposal as passed by the House Subcommittee on Human Resources. The first column shows the five-year reduction of funds to the states under Title I. Title I repeals AFDC and JOBS and replaces them with a capped block grant to the states, set at the 1994 level of federal outlays for AFDC benefits, JOBS, Emergency Assistance and related administration. Over the five-year period, FY 1996 through FY 2000, federal outlays to states under Title I will be \$12.4 billion less than current law projections as estimated in the President's budget proposal for FY 1996.

The second column shows the five-year reduction of funds to states under Title II. Title II repeals the current open-ended entitlement for the IV-E Foster Care and Adoption Assistance program, the IV-B Child Welfare Services program, the Family Preservation and Support program, and other discretionary programs related to child abuse and neglect, and it replaces them with a capped block grant to states. Over the five-year period, federal outlays to states would be reduced by \$5.6 billion under this proposal.

The third column displays the combined impact of Titles I and II. The block grant approach, as outlined in the markup materials supplied by the subcommittee, would reduce federal funding to states by a total of \$18 billion over five years.

Methodology

Title I: The state share of the block grant was computed by multiplying each state's percentage of the total block grant (as stated in the February 13 Mark-up document) by the amount of total funding available (\$15.355 billion).

To calculate the projected losses under Title I of the Republicans' welfare proposal, the fiscal year 1994 expenditures for AFDC benefits, administration, JOBS, and Emergency Assistance were first trended to FY 2000. This was done by increasing each state's expenditures for these programs by the projected national growth rate in budget outlays. Five-year costs were then computed by summing the total expenditures for each fiscal year from 1996 to 2000. Since expenditures are higher than budget outlays, the expenditure data were scaled to reflect budget outlays. Five-year funding losses were determined by subtracting each state's projected five-year expenditures under current law from what states would have received under the block grant during the same period.

Title II: The state share of the child welfare block grant was computed by multiplying the total allocated for each fiscal year as specified in the markup document by each state's percentage of the national FY93 child welfare expenditures. The estimate of each state's five-year change in federal revenue under the block grant proposal was calculated by multiplying the national five-year total reduction in funding by the states proportion of FY93 child welfare expenditures.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Principal Deputy
Assistant Secretary
for Legislation

Washington, D.C. 20201

Bruce —
FYI.

This is a complete set of materials provided to press and the 2 committees over the past two weeks.

I have also included ways and means materials for this week.

See you later.

Rich



FEB 13 1995

The Honorable E. Clay Shaw
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be

able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are, key goals of child protection services. There are problems in a number of areas.

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

Benefits to Legal Immigrants

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Shalala". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

Summary of the Current House Republican Welfare Proposal (February 21)

TITLE I: BLOCK GRANT TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

- **Block Granting of AFDC:** Eliminates all existing statutory language on the purposes, administration and requirements of the AFDC, JOBS and EA programs and replaces them with a block grant to states. Eliminated, for example, are provisions on individual entitlements, fair hearings, state financial participation, consistent standards of need, who in the family is eligible, and statewide program availability. Separately, states would be required to operate child support, child protection, and foster care and adoption programs.
- **Funding:** The block grant would be \$15.355 billion for each year from 1996 through 2000. Administration estimates show that this would save approximately \$12.5 billion over 5 years. The block grant is not adjusted for inflation and no state match is required.
- **State Allotment:** The block grant money would be a capped entitlement to states. Each state would be allotted a fixed amount equal to their average proportion of AFDC and EA benefits, and administrative spending (excluding JOBS) for 1991 through 1993.
- **Rainy Day Funds:** States may put unspent amounts of block grant funds into a rainy day account for years when more money is needed. Amounts above 120% of their annual allocation may be transferred into the state's general revenue fund. There would also be a national rainy day account of \$1 billion administered by the Secretary of HHS that certain states may borrow from and, with interest, must pay back within 3 years. Eligible states are those with 3-month average unemployment rates in excess of 6.5% and at least 10% higher than either of the previous 2 years. The maximum amount would be half the annual allocation or \$100 million, whichever is less.
- **Work requirements:** A state's total work participation rate would be set at 2% in 1996 and would rise to 20% by 2003. The mandatory work population would consist of all recipients on the rolls for 24 months (including recipients currently on AFDC) except those under age 20 and enrolled in school. Educational and training services would be allowed but not required. No definitions for standards for work activity are provided. The Secretary can reduce the block grant funding by up to 3% for failure to meet the annual participation standard. Child care would not be guaranteed.
- **State Flexibility:** States would determine all rules relating to benefit levels and eligibility criteria. The proposal eliminates current requirements for statewide standards of need and payment. States would be allowed to use their block grant funds in any manner that is reasonably calculated to accomplish the purpose of the bill. At the same time, the Secretary is prohibited from regulating the conduct of the states or enforcing any provision beyond what is specified in the bill. States may pay benefits to interstate immigrants at the level of their original state for up to 12 months. States would be allowed to transfer up to 30% of the funds to other block grants.
- **State Requirements:** Benefits must be used to serve families with a minor child. States are required to submit annual data on several measures and must submit to a bi-annual audit. Additionally, under provisions from title III of this act, state social service agencies would be required to provide the name and address of illegal aliens with children to the INS.

- **Prohibitions on States:** States cannot use federal block grant funds to provide benefits to:
 - (1) families who have been on the rolls for 5 cumulative years;
 - (2) Individuals receiving SSI or Old Age Assistance (current law);
 - (3) non-citizens (except certain refugees in the U.S. less than 5 years and aged non-citizens who have resided in the U.S. more than 5 years);
 - (4) minor mothers with children born out-of-wedlock;
 - (5) children born while parent is on AFDC or to parents who received welfare at any time during the 10 month period ending with the birth of the child (*i.e.*, *family cap*). However, these families would be eligible for Medicaid; and
 - (6) families not cooperating with the state child enforcement agency or who have not assigned to the state the child's claim rights against non-custodial parents (current law).

Additionally, beginning 1 year following the enactment of the bill, states must pay a reduced benefit (a fine) to children whose paternity is not established. The amount of the reduction (not to exceed the lesser of \$50 or 15% of the monthly benefit) and duration (from at least 3 months up to a maximum of 6 months) would be determined by states.

- **Penalties:** If an audit determines that funds were spent inappropriately, the misspent amounts can be withheld from future payments to the state. No single quarterly payment could be reduced by more than 25%. Failure to achieve the required work participation rate would result in a 3% reduction of the state's annual grant. Failure to provide required performance data would also result in a 3% reduction. Finally, failure to participate in Income Eligibility Verification System would result in a penalty of 1% of the state's annual grant.
- **Time Limits:** AFDC would no longer be an entitlement to individuals. States would be prohibited from using federal block grant dollars to provide benefits to a family that has been on the rolls 5 years. States could exempt up to 10% of the caseload from this requirement. However, since states determine all rules relating to benefit levels and eligibility, they could establish a time limit of less than 5 years for families to be on assistance.
- **Medicaid:** Transitional Medicaid for recipients who leave due to employment would be eliminated. Recipients of assistance would be eligible for Medicaid. Current recipients that become ineligible for aid would retain Medicaid eligibility.

TITLE II: CHILD PROTECTION BLOCK GRANT

- **Block Grant for Child Protection Services:** The current open-ended entitlement program for IV-E Foster Care and Adoption Assistance Program, the capped state entitlement IV-B Child Welfare Services program and Family Preservation and Support program, along with a number of discretionary programs related to child abuse and neglect, would be consolidated into a block grant to states.
- **Funding:** The funding would be \$4.145 billion in FY 1996, \$4.308 billion in FY 1997, \$4.471 billion in FY 1998, \$4.631 billion in FY 1999, and \$4.789 billion in FY 2000. Administration estimates show that resulting savings would be \$5.6 billion over 5 years.
- **State Allotment:** The block grant would be a five year capped entitlement to the states based on the amount spent by each states in 1993.

- **State Eligibility for Funds:** States must provide HHS with information on how they intend to use the funds and provide a series of certifications ensuring that procedures are in place on reporting of abuse and neglect and acting on those reports, for removal of children and placing them in safe and nurturing settings, and for achieving permanent placement. Also, a declaration of a state's quantifiable goals and its progress in meeting these goals is required.
- **Purpose and Use of Funds:** States may use funds in any manner they choose to accomplish the purposes specified in the law. The purposes are identifying and assisting families at risk of abusing or neglecting their children; operating a system of receiving reports on abuse or neglect; investigating families reported; assisting troubled families in providing proper protection and nurturing their children; providing foster care; making timely decisions about permanent living arrangements; and continuing evaluation and improvement of child protection laws, regulations and services. Thirty percent of the funds can be transferred to the block grant under Title 1, the Social Services Block Grant, the Food and Nutrition Block Grant, and the Child Care and Development Block Grant.
- **Penalties:** If a required audit finds that a state has used funds in a manner not authorized by law, funds are to be withheld the following year. However, not more than 25 percent of a quarterly payment can be withheld. Also, the annual grant will be reduced by 3 percent if a state fails to submit within 6 months the required data report.
- **Child Protection Goals:** States are required to protect children, investigate reports of abuse and neglect promptly, have permanency plans in place for children removed from their homes and dispositional hearings within 3 months of a fact-finding hearing, and out-of-home placements must be reviewed every 6 months unless the child is already in a long term placement.
- **Citizen Review Panels:** States are required to establish citizen review panels for each metropolitan region that is broadly representative of the community and meets at least quarterly. The panel is to review specific cases to determine state compliance and make a report available to the public.
- **Data Collection and Reporting:** Annual state data reports are required to be submitted to HHS that includes basic aggregate data on the numbers of children abused and neglected, in foster care, that received services, deaths that resulting from child abuse or neglect, and other similar information. States must also provide data measuring their progress in meeting the goals in the law and a summary response to the citizen review panels findings and recommendations. The Secretary of HHS would issue an annual report of the data and provide it to the public.
- **Limitation on Federal Authority:** Other than what's specified in the law, the Secretary cannot regulate the conduct of states or enforce any provision of the law.

TITLE III: RESTRICTING WELFARE FOR ALIENS

- **NonCitizens Ineligible for Assistance:** Under these provisions, except for the exceptions noted below, noncitizens would be ineligible for most federal assistance programs. However, adults and children would remain eligible for emergency medical services and immunizations, and several educational and training programs. States would be allowed to limit eligibility to noncitizens in the same manner as under federal law.

- **Exceptions:** Noncitizens over 75 (who have resided in the U.S. at least 5 years) are eligible for benefits. Refugees are eligible for benefits for up to five years after the date of their arrival. Current noncitizen recipients would become ineligible 1 year after the enactment of the provisions and would receive notification of their ineligibility.
- **Sponsorship:** Sponsorship documents would become legally binding until the noncitizen attained citizenship.

TITLE IV: SUPPLEMENTAL SECURITY INCOME REFORMS

- **Denial of Benefits to Addicts:** Individuals whose addiction to alcohol or drugs is *material to the finding of disability* would be made ineligible for SSI and would also lose their Medicaid eligibility. Existing law regarding representative payee requirements for addicts and alcoholics, treatment requirements, monitoring and testing are eliminated for SSI (but remain in effect for DI recipients).
- **SSI Eligibility Restrictions For Children with Disabilities:** The individual functional assessment (IFA) process for determining eligibility would be eliminated and only children who meet the listings of impairments would be eligible for the program. Children currently receiving SSI by virtue of an IFA determination would be dropped from the program 6 months after enactment. Cash benefits would be available only for children who meet the listings *and* are institutionalized or require the "full time attention" of a parent or home health provider; these children would also receive Medicaid benefits. Cash benefits would also continue for current recipients who meet the medical listings but not the institutionalized/otherwise institutionalized criteria.
- **New Block Grant for Children with Disabilities:** New applicants who meet the listings but not the institutionalized/otherwise institutionalized criteria would not receive cash benefits, but would be eligible for services under a new block grant. The block grant would be an entitlement to states for authorized medical and non-medical services. States would choose which services to provide, based on a list developed by SSA. States would not be allowed to offer cash. States would also decide which children received services; there would be no individual entitlement.

BUDGETARY IMPACTS

▶ This proposal will result in federal savings of over \$35 billion as funding for many federal programs is capped. The preliminary estimates of five year savings for each provision is shown below:

- ▶ Title I Cash Assistance Block Grant (Does not include child care repealers) \$12.5 billion
- ▶ Title II Child Protection Block Grant \$5.6 billion
- ▶ Title III Restricting Welfare For Aliens \$17.1 billion
- ▶ Title IV Supplemental Security Income Reform NA

CHILDREN AFFECTED

Cash Assistance

- ▶ After five years of implementation, states will not be able to use federal funds to support 1.5 million children because they were born to a young mother, born to current AFDC recipients, or were in a family that received AFDC for longer than five years.
- ▶ When this proposal is fully implemented, states will not be able to use federal funds to support 4.5 million to 5 million children for the reasons stated above. The number of children denied eligibility due to the four primary provisions denying eligibility are:
 - ▶ Benefits denied to children born to unmarried mothers under 18 650,000 children
 - ▶ Benefits denied to children born to current AFDC recipients 2.2 million children
 - ▶ Benefits denied to families who have received AFDC for two years or longer 7.3 million children
 - ▶ Benefits denied to families who have received AFDC for five years or longer 4.2 million children

SSI Reforms

- ▶ Based on an analysis of 812,411 children with disabilities who were determined eligible for SSI between February 1991 and December 1994, 251,108 (31 percent) would lose all SSI benefits. It is possible that, if allowed, approximately 103,000 of them might be able to requalify for SSI by meeting one of the listings.
- ▶ If the current House Republican proposal had been in effect in 1991, 63 percent to 75 percent of current eligibles would lose all cash benefits; states would have the discretion to serve them using block grant funds.

IMPACTS ON STATES

Cash Assistance

- ▶ If the current House Republican cash assistance block grant had been enacted in FY1990 and distributed funds according to FY1987-1989 spending levels, states would have received 28 percent less funding than they received under current law.
- ▶ In moving from a distribution formula based on FY94 spending to one based on FY1991-FY1993 spending, New York loses \$269 million and Michigan gains \$98 million.

Child Protection

- ▶ If the current House Republican child welfare block grant had been enacted in FY1988 using FY1987 levels of funding, states would have received 59 percent less funding than they would have received under current law in FY1993.

SSI Reforms

- ▶ States would receive block grants comprised of 75 percent of the funds currently paid directly to families. States could choose which services to provide from a list issued by SSA. States would decide which children to serve.

IMPACTS ON IMMIGRANTS

- ▶ The current House Republican proposal will eliminate eligibility for approximately 2.5 million legal immigrants.

AFDC Recipients in Work under House Republican Proposal and Current Law		
Average Monthly Caseload 1996	5,212,000	
CURRENT LAW REQUIREMENTS		
Number of Adults in Two Parent Families required to work under Current Law	205,000	4%
Number of Current Recipients working full or part time	360,000	7%
Number of JOBS participants in OJT, Work Supplementation or CWEP	30,000	.5%
TOTAL WORKING UNDER LAW IN 1996	595,000	11.5%
HOUSE REPUBLICAN PROPOSAL		
Required to participate in "work activities"	105,000	2%

Note: OJT is on the job training; CWEP is community work experience program
HHS\ASPE preliminary staff analysis based on 1993 Quality Control Data and 1993 JOBS Form
108 Data
13 Feb. 1995

PRELIMINARY ANALYSIS

Budgetary Impact of Shaw Welfare Proposal
Budget Outlays

Federal Expenditures on Baseline Programs
President's Budget Baseline Estimates: Budget Outlays

	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000
AFDC Benefits	\$12,390	\$12,423	\$12,896	\$13,444	\$13,991	\$14,532	\$15,081
AFDC Administration	\$1,637	\$1,694	\$1,758	\$1,819	\$1,884	\$1,948	\$2,012
Emergency Assistance	\$506	\$792	\$922	\$1,006	\$995	\$1,038	\$1,101
JOBS	\$839	\$937	\$943	\$957	\$952	\$958	\$967
Total Federal Outlays	\$15,372	\$15,846	\$16,519	\$17,226	\$17,822	\$18,476	\$19,161
Block Grant Expenditures			\$15,355	\$15,355	\$15,355	\$15,355	\$15,355
Yearly Savings			\$1,164	\$1,871	\$2,467	\$3,121	\$3,806
Cumulative Savings							\$12,429

Source: FY96 President's Budget; ASMB FY96 Control Table

HHS/ASPE staff preliminary estimates based upon material provided by Chariman Shaw to House Ways and Means members.

**SUMMARY BUDGET TABLE FOR
SHAW CHILD PROTECTION BLOCK GRANT**

This table summarizes the likely budgetary impact of the Shaw proposal to block grant child welfare programs. As reflected in the table, between FY 1996 and FY 2000, states will lose almost \$5.6 billion, or 20 percent of their funding.

Notes:

1. FY 1994 levels are actual expenditures. Levels for FYs 1995-2000 reflect projected outlays based on the President's current services baseline.

2. CAPTA Community Based Family Resource Program (CBFRP) was first funded in FY 1995 as a consolidation of three programs: the Emergency Protection Grants Program; the CAPTA Community-Based Prevention Program; and the Family Resource and Support Center Program. The FY 1994 level reflects the sum of the levels for the three consolidated programs.

BUDGETARY IMPACT OF SHAW CHILD PROTECTION BLOCK GRANT PROPOSAL
 Current law estimates as compared to proposed block grant: Outlays in \$ millions

	13-Feb-95	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	5-year
	Actual	Actual	Estimate	Baseline	Baseline	Baseline	Baseline	Baseline	Total
IV-E Foster Care		\$2,655	\$3,118	\$3,506	\$3,740	\$4,080	\$4,471	\$4,884	\$20,691
IV-E Adoption Assistance		314	407	475	519	562	608	658	\$2,822
IV-E Independent Living		61	71	70	70	70	70	70	\$350
IV-B Child Welfare Services		267	304	301	308	318	328	338	\$1,592
IV-B Family Preservation/Support		1	67	148	212	237	253	263	\$1,112
IV-B Research and Demonstration		5	6	6	6	7	7	7	\$34
IV-B Training		4	4	4	5	5	5	5	\$24
CAPTA Commun. Family Resource Program		7	10	29	31	33	34	35	\$162
CAPTA State Grants		17	22	23	23	24	25	26	\$120
CAPTA Discretionary		12	16	15	15	16	17	17	\$81
Family Violence Prevention and Services		24	28	32	34	35	36	37	\$173
Social Services Research		10	15	15	15	16	16	17	\$79
Abandoned Infants		12	15	14	14	15	16	16	\$76
Adoption Opportunities		10	12	13	13	14	14	15	\$69
Family Support Centers		3	10	7	8	9	9	9	\$43
Family Unification Program (HUD) /a		77	76	78	81	83	86	88	\$416
Missing and Exploited Children (DoJ) /a		7	7	7	7	7	8	8	\$37
Children's Advocacy Centers (DoJ) /a		2	3	3	3	3	3	3	\$18
Prosecution of Child Abuse (DoJ) /a		1	2	2	2	2	2	2	\$8
Total, Child Welfare programs		\$3,489	\$4,192	\$4,749	\$5,107	\$5,544	\$6,006	\$6,498	\$27,905
Shaw Block Grant Level /a				\$4,145	\$4,308	\$4,471	\$4,631	\$4,789	\$22,344
Difference				-\$604	-\$799	-\$1,073	-\$1,375	-\$1,709	-\$5,561
Percent lost				-13%	-16%	-19%	-23%	-26%	-20%

FY 1994 figures are actual outlays. All other Figures are based on Administration baseline projections.

/a Assumes all funds outlay in the year they are appropriated.

Similar to the Snow Child Protection Block Grant Had Been Adopted
 In FY 1988, Using FY 1987 Levels

(Dollars in Millions)

	Hypothetical Block Grant for FY 1993 a/	FY 1993: Actual State Claims b/	Difference c/	Percent Change
Alabama	\$10	\$13	-\$3	-25%
Alaska	1	6	-5	-80%
Arizona	9	26	-17	-68%
Arkansas	5	15	-9	-64%
California	234	558	-324	-58%
Colorado	14	27	-13	-49%
Connecticut	9	22	-13	-59%
Delaware	1	3	-1	-47%
Dist. of Col.	8	14	-6	-43%
Florida	22	68	-46	-68%
Georgia	21	37	-16	-42%
Hawaii	1	4	-4	-79%
Idaho	2	5	-2	-54%
Illinois	52	140	-89	-63%
Indiana	10	51	-42	-61%
Iowa	9	21	-12	-57%
Kansas	8	25	-16	-66%
Kentucky	15	43	-28	-65%
Louisiana	25	44	-19	-44%
Maine	8	14	-6	-45%
Maryland	24	52	-28	-54%
Massachusetts	11	70	-59	-84%
Michigan	94	140	-46	-33%
Minnesota	19	43	-24	-56%
Mississippi	6	9	-3	-34%
Missouri	26	41	-15	-37%
Montana	3	7	-3	-51%
Nebraska	7	14	-7	-51%
Nevada	2	5	-3	-61%
New Hampshire	3	9	-7	-70%
New Jersey	31	39	-8	-21%
New Mexico	7	10	-3	-32%
New York	293	864	-571	-66%
North Carolina	12	29	-16	-57%
North Dakota	3	7	-4	-61%
Ohio	49	131	-82	-62%
Oklahoma	10	15	-6	-37%

(Dollars in Millions)

	Hypothetical Block Grant for FY 1993 a/	FY 1993: Actual State Claims b/	Difference c/	Percent Change
Oregon	15	21	-7	-31%
Pennsylvania	70	205	-134	-66%
Rhode Island	6	14	-8	-55%
South Carolina	10	17	-7	-39%
South Dakota	2	4	-2	-51%
Tennessee	10	28	-17	-63%
Texas	44	107	-63	-59%
Utah	5	10	-6	-54%
Vermont	6	10	-4	-41%
Virginia	12	23	-10	-46%
Washington	12	28	-16	-58%
West Virginia	12	7	4	58%
Wisconsin	29	56	-27	-49%
Wyoming	0	2	-2	-82%
Territories	5	9	-3	-38%
U.S. TOTAL	\$1,302	\$3,162	-\$1,860	-59%

NOTES:

Programs in the Hypothetical Block Grant include Foster Care (Maintenance, Administration, and Training); Adoption Assistance (Maintenance, Administration and Training); Independent Living; and Title IV-B Child Welfare Services.

a/ Block grant levels computed by taking FY 1987 levels, and inflating them at the same rate as the rate included in the Shaw Child Protection Block Grant.

b/ Dollar amounts reflect state claims, adjusted for disallowances.

c/ May not add due to rounding.

**Comparison of Alternative AFDC Block Grant Distribution Formulas:
State Winners and Losers Resulting from Allocating Block Grant Funds
Based on the Average Federal Payments to States FY 1991 to FY 1993
Versus the FY 1994 Distribution of Payments**

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Bl Grant Allocation FY94 Distribution	Gain	Percentage Change
WINNERS				
Michigan	\$842	\$744	\$98	13%
Pennsylvania	\$643	\$591	\$52	9%
California	\$3,557	\$3,507	\$50	1%
Massachusetts	\$476	\$439	\$37	8%
New Jersey	\$398	\$369	\$29	8%
Wisconsin	\$331	\$304	\$27	9%
Oklahoma	\$167	\$141	\$27	19%
Illinois	\$561	\$535	\$26	5%
Kentucky	\$191	\$168	\$23	14%
Louisiana	\$169	\$149	\$20	13%
Minnesota	\$273	\$255	\$18	7%
Maine	\$87	\$73	\$14	19%
Mississippi	\$87	\$77	\$11	14%
South Carolina	\$105	\$95	\$10	10%
Georgia	\$324	\$316	\$8	2%
Tennessee	\$178	\$171	\$8	5%
Ohio	\$712	\$704	\$8	1%
Nebraska	\$53	\$47	\$6	12%
North Carolina	\$284	\$279	\$5	2%
Iowa	\$128	\$123	\$5	4%
Vermont	\$48	\$44	\$4	9%
Connecticut	\$226	\$223	\$3	1%
Arkansas	\$58	\$55	\$3	5%
Wyoming	\$23	\$20	\$3	14%
Utah	\$72	\$69	\$3	4%
West Virginia	\$109	\$107	\$2	2%
Maryland	\$218	\$217	\$2	1%
North Dakota	\$24	\$22	\$2	7%
South Dakota	\$22	\$21	\$1	6%
Missouri	\$206	\$205	\$1	0%

* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

**Comparison of Alternative AFDC Block Grant Distribution Formulas:
State Winners and Losers Resulting from Allocating Block Grant Funds
Based on the Average Federal Payments to States FY 1991 to FY 1993
Versus the FY 1994 Distribution of Payments**

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	(Loss)	Percentage Change
LOSERS				
New York	\$1,914	\$2,183	(\$269)	-12%
Florida	\$492	\$532	(\$39)	-7%
Texas	\$409	\$442	(\$33)	-8%
Indiana	\$172	\$202	(\$30)	-15%
New Mexico	\$95	\$116	(\$21)	-18%
Arizona	\$192	\$208	(\$16)	-8%
Hawaii	\$80	\$92	(\$12)	-13%
District of Columbia	\$80	\$90	(\$10)	-12%
Kansas	\$89	\$98	(\$10)	-10%
Alabama	\$80	\$89	(\$9)	-10%
Puerto Rico	\$74	\$82	(\$8)	-10%
Virginia	\$147	\$154	(\$6)	-4%
Colorado	\$112	\$117	(\$6)	-5%
New Hampshire	\$33	\$38	(\$5)	-14%
Nevada	\$28	\$33	(\$5)	-15%
Rhode Island	\$81	\$86	(\$5)	-6%
Idaho	\$25	\$30	(\$5)	-16%
Guam	\$8	\$11	(\$3)	-30%
Alaska	\$59	\$62	(\$3)	-5%
Oregon	\$162	\$164	(\$2)	-1%
Washington	\$386	\$387	(\$1)	-0%
Montana	\$40	\$41	(\$1)	-2%
Virgin Islands	\$3	\$4	(\$1)	-6%
Delaware	\$25	\$25	(\$0)	-1%

* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

(continued)

Table Three

Hypothetical Impact In FY 1994 if an AFDC Block Grant Provision Similar to the Shaw Welfare Proposal Had Been Enacted in FY 1990 Using Funding Levels Based on the Distribution of Federal AFDC Payments to States in FY85-87

(Amounts in millions of dollars)

State	Block Grant: FY85-87 Average distribution, 97.5% of FY88 funding	FY94 Actual Expenditures	Difference	Percent Change
Alabama	\$63	\$81	(\$19)	-23%
Alaska	\$28	\$61	(\$33)	-54%
Arizona	\$58	\$204	(\$146)	-72%
Arkansas	\$42	\$51	(\$9)	-18%
California	\$2,106	\$3,461	(\$1,355)	-39%
Colorado	\$68	\$112	(\$45)	-40%
Connecticut	\$131	\$221	(\$90)	-41%
Delaware	\$16	\$23	(\$7)	-31%
District of Columb	\$54	\$87	(\$34)	-39%
Florida	\$196	\$527	(\$331)	-63%
Georgia	\$181	\$303	(\$122)	-40%
Guam	\$1	\$11	(\$10)	-90%
Hawaii	\$43	\$89	(\$46)	-52%
Idaho	\$18	\$28	(\$11)	-37%
Illinois	\$514	\$517	(\$4)	-1%
Indiana	\$115	\$196	(\$81)	-41%
Iowa	\$112	\$118	(\$6)	-5%
Kansas	\$55	\$94	(\$39)	-41%
Kentucky	\$115	\$156	(\$41)	-26%
Louisiana	\$129	\$136	(\$8)	-6%
Maine	\$65	\$72	(\$8)	-11%
Maryland	\$127	\$206	(\$79)	-39%
Massachusetts	\$288	\$429	(\$142)	-33%
Michigan	\$794	\$704	\$90	13%
Minnesota	\$199	\$247	(\$49)	-20%
Mississippi	\$66	\$67	(\$2)	-3%
Missouri	\$149	\$199	(\$50)	-25%
Montana	\$28	\$40	(\$12)	-29%

Notes:

* The table estimates the FY 1994 fiscal impacts of an AFDC Block Grant, assuming implementation of the grant in FY 1990. Total funding available to states is frozen \$10.030 billion- 97.5% of Federal AFDC payments to States in FY 1988. The State grant equals the percentage of the average State grant to total Federal payments to states between FY85 and FY87. This simulates the provisions in the Shaw welfare proposal.

** To avoid overstating the effect of a block grant, the FY94 Amount does not include JOBS expenditures.

*** FY94 Expenditure data provided by Office of Financial Management, Administration for Children and Family Services.

**** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways and Means members.

**Hypothetical Impact In FY 1994 if an AFDC Block Grant Provision Similar to the
Shaw Welfare Proposal Had Been Enacted in FY 1990 Using Funding Levels Based on the
Distribution of Federal AFDC Payments to States in FY85-87**

(Amounts in millions of dollars)

State	Block Grant: FY85-87 Average distribution, 97.5% of FY88 funding	FY94 Actual Expenditures	Difference	Percent Change
Nebraska	\$42	\$46	(\$4)	-10%
Nevada	\$10	\$32	(\$22)	-70%
New Hampshire	\$14	\$37	(\$23)	-62%
New Jersey	\$262	\$352	(\$90)	-26%
New Mexico	\$45	\$118	(\$72)	-62%
New York	\$1,299	\$2,138	(\$839)	-39%
North Carolina	\$138	\$266	(\$128)	-48%
North Dakota	\$14	\$22	(\$8)	-37%
Ohio	\$528	\$670	(\$142)	-21%
Oklahoma	\$80	\$137	(\$56)	-41%
Oregon	\$90	\$156	(\$66)	-42%
Pennsylvania	\$442	\$557	(\$116)	-21%
Puerto Rico	\$21	\$73	(\$52)	-72%
Rhode Island	\$51	\$83	(\$31)	-38%
South Carolina	\$86	\$93	(\$7)	-7%
South Dakota	\$15	\$20	(\$6)	-27%
Tennessee	\$88	\$169	(\$81)	-48%
Texas	\$188	\$417	(\$229)	-55%
Utah	\$49	\$66	(\$18)	-27%
Vermont	\$32	\$42	(\$10)	-24%
Virgin Islands	\$1	\$3	(\$3)	-77%
Virginia	\$125	\$147	(\$22)	-15%
Washington	\$228	\$379	(\$151)	-40%
West Virginia	\$83	\$101	(\$17)	-17%
Wisconsin	\$334	\$286	\$48	17%
Wyoming	\$10	\$19	(\$9)	-47%
Total	\$10,030	\$14,870	(\$4,840)	-33%

Notes:

* The table estimates the FY 1994 fiscal impacts of an AFDC Block Grant, assuming implementation of the grant in FY 1990. Total funding available to states is frozen \$10,030 billion- 97.5% of Federal AFDC payments to States in FY 1988. The State grant equals the percentage of the average State grant to total Federal payments to states between FY85 and FY87. This simulates the provisions in the Shaw welfare proposal.

** To avoid overstating the effect of a block grant, the FY94 Amount does not include JOBS expenditures.

*** FY94 Expenditure data provided by Office of Financial Management, Administration for Children and Families.

**** NHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

**Total State Losses Between FY 1996 and FY2000
Under Titles I & II of the Shaw Welfare Proposal**

(dollars in millions)

State	Estimated Reasonable National Growth Rates		
	Total 5 Year State Losses Under Title I	Total 5 Year State Losses Under Title II	Total 5 Year State Losses
Alabama	(\$108)	(\$26)	(\$134)
Alaska	(\$61)	(\$14)	(\$75)
Arizona	(\$262)	(\$53)	(\$316)
Arkansas	(\$28)	(\$32)	(\$60)
California	(\$2,241)	(\$923)	(\$3,163)
Colorado	(\$114)	(\$46)	(\$161)
Connecticut	(\$144)	(\$62)	(\$207)
Delaware	(\$24)	(\$5)	(\$29)
District of Columbia	(\$154)	(\$26)	(\$180)
Florida	(\$585)	(\$129)	(\$714)
Georgia	(\$199)	(\$51)	(\$250)
Guam	(\$24)	\$0	(\$24)
Hawaii	(\$127)	(\$12)	(\$139)
Idaho	(\$44)	(\$7)	(\$51)
Illinois	(\$268)	(\$264)	(\$532)
Indiana	(\$299)	(\$117)	(\$417)
Iowa	(\$73)	(\$32)	(\$105)
Kansas	(\$119)	(\$39)	(\$158)
Kentucky	\$2	(\$66)	(\$64)
Louisiana	(\$7)	(\$71)	(\$78)
Maine	\$11	(\$22)	(\$12)
Maryland	(\$160)	(\$95)	(\$255)
Massachusetts	(\$255)	(\$141)	(\$396)
Michigan	(\$95)	(\$218)	(\$313)
Minnesota	(\$121)	(\$65)	(\$187)
Mississippi	\$1	(\$16)	(\$16)
Missouri	(\$148)	(\$65)	(\$213)
Montana	(\$32)	(\$12)	(\$43)

**Total State Losses Between FY 1996 and FY2000
Under Titles I & II of the Shaw Welfare Proposal**

(dollars in millions)

State	Estimates Based on National Growth Rates		
	Total 5 Year State Losses Under Title I	Total 5 Year State Losses Under Title II	Total 5 Year State Losses
Nebraska	(\$7)	(\$22)	(\$28)
Nevada	(\$52)	(\$7)	(\$59)
New Hampshire	(\$61)	(\$15)	(\$75)
New Jersey	(\$263)	(\$56)	(\$319)
New Mexico	(\$200)	(\$16)	(\$217)
New York	(\$3,690)	(\$887)	(\$4,577)
North Carolina	(\$195)	(\$51)	(\$245)
North Dakota	(\$8)	(\$11)	(\$18)
Ohio	(\$491)	(\$219)	(\$710)
Oklahoma	(\$33)	(\$27)	(\$60)
Oregon	(\$137)	(\$44)	(\$181)
Pennsylvania	(\$176)	(\$284)	(\$460)
Puerto Rico	(\$101)	\$0	(\$101)
Rhode Island	(\$84)	(\$19)	(\$103)
South Carolina	(\$24)	(\$26)	(\$50)
South Dakota	(\$7)	(\$7)	(\$14)
Tennessee	(\$86)	(\$39)	(\$126)
Texas	(\$488)	(\$171)	(\$659)
Utah	(\$42)	(\$16)	(\$58)
Vermont	(\$16)	(\$15)	(\$31)
Virgin Islands	(\$5)	\$0	(\$5)
Virginia	(\$140)	(\$36)	(\$176)
Washington	(\$291)	(\$42)	(\$333)
West Virginia	(\$68)	(\$14)	(\$82)
Wisconsin	(\$83)	(\$82)	(\$166)
Wyoming	(\$1)	(\$3)	(\$3)
Grants not to states		(\$843)	(\$843)
Totals	(\$12,426)	(\$5,561)	(\$17,987)

Notes:

- ** Block Grant Allocation for Title I is based on the percentage distribution to states as listed in the Mark-up document of Feb. 13, 1995, 10:13 am.
- ** Savings from child care block grant are not included.
- ** Savings from Title II do not include savings from territories.
- ** This table does not include impacts of any rainy day funding.
- ** Estimates based on national growth rates assume that state AFDC spending will increase at the same rate as national AFDC spending.
- ** All estimates of future growth based on AFDC Actual Expenditures in FY94.
- ** Numbers in columns and rows may not add perfectly due to rounding.

STATE IMPACTS OF SHAW BLOCK GRANT PROPOSAL: TITLES I AND II

The attached table illustrates the five-year changes in funding to each state under Titles I and II of the House Republicans' Block Grant proposal as passed by the House Subcommittee on Human Resources. The first column shows the five-year reduction of funds to the states under Title I. Title I repeals AFDC and JOBS and replaces them with a capped block grant to the states, set at the 1994 level of federal outlays for AFDC benefits, JOBS, Emergency Assistance and related administration. Over the five-year period, FY 1996 through FY 2000, federal outlays to states under Title I will be \$12.4 billion less than current law projections as estimated in the President's budget proposal for FY 1996.

The second column shows the five-year reduction of funds to states under Title II. Title II repeals the current open-ended entitlement for the IV-E Foster Care and Adoption Assistance program, the IV-B Child Welfare Services program, the Family Preservation and Support program, and other discretionary programs related to child abuse and neglect, and it replaces them with a capped block grant to states. Over the five-year period, federal outlays to states would be reduced by \$5.6 billion under this proposal.

The third column displays the combined impact of Titles I and II. The block grant approach, as outlined in the markup materials supplied by the subcommittee, would reduce federal funding to states by a total of \$18 billion over five years.

Methodology

Title I: The state share of the block grant was computed by multiplying each state's percentage of the total block grant (as stated in the February 13 Mark-up document) by the amount of total funding available (\$15.355 billion).

To calculate the projected losses under Title I of the Republicans' welfare proposal, the fiscal year 1994 expenditures for AFDC benefits, administration, JOBS, and Emergency Assistance were first trended to FY 2000. This was done by increasing each state's expenditures for these programs by the projected national growth rate in budget outlays. Five-year costs were then computed by summing the total expenditures for each fiscal year from 1996 to 2000. Since expenditures are higher than budget outlays, the expenditure data were scaled to reflect budget outlays. Five-year funding losses were determined by subtracting each state's projected five-year expenditures under current law from what states would have received under the block grant during the same period.

Title II: The state share of the child welfare block grant was computed by multiplying the total allocated for each fiscal year as specified in the markup document by each state's percentage of the national FY93 child welfare expenditures. The estimate of each state's five-year change in federal revenue under the block grant proposal was calculated by multiplying the national five-year total reduction in funding by the states proportion of FY93 child welfare expenditures.

EFFECTS OF THE CHILD PROTECTION BLOCK GRANT IN THE YEAR 2000

FY 2000 Current Law Estimate ¹ :	\$6,498,000,000
<u>FY 2000 Proposed Block Grant Level:</u>	<u>-\$4,789,000,000</u>
Amount of funds that are cut:	\$1,709,000,000
Estimated Federal cost per foster child in FY 2000 ² :	\$15,282
Number of foster care slots lost ³ :	111,831

¹Based on Current Services estimates from the President's FY 1996 Budget

²Projection based on Federal share of costs for Federally subsidized foster care.

³Assumes that States apply the \$1.7 billion cut to foster care.

HOW CHILDREN QUALIFIED FOR SSI
1991 - 1994
(Includes Institutionalized)

State	Total Number of Children Found Eligible for SSI 2/91 - 12/94	Number of Children Who Qualified for SSI by IFA	Number of Children Who Qualified for SSI by Meeting a Listing
Alabama	23,237	7,631	15,606
Alaska	951	186	765
Arizona	9,087	2,056	7,031
Arkansas	16,454	8,723	7,731
California	59,339	9,534	49,805
Colorado	8,791	1,197	7,594
Connecticut	4,344	1,177	3,167
Delaware	1,842	326	1,516
District of Columbia	2,405	488	1,917
Florida	46,107	8,827	37,280
Georgia	21,677	3,952	17,725
Hawaii	807	73	734
Idaho	3,904	1,538	2,366
Illinois	46,415	15,503	30,912
Indiana	17,362	6,013	11,349
Iowa	7,137	1,904	5,233
Kansas	8,100	2,587	5,513
Kentucky	18,356	8,254	10,102
Louisiana	36,372	17,507	18,865
Maine	2,087	270	1,817
Maryland	10,313	2,825	7,488
Massachusetts	14,321	3,551	10,770
Michigan	36,361	13,074	23,287
Minnesota	9,951	2,946	7,005

HOW CHILDREN QUALIFIED FOR SSI
1991 - 1994
(Includes Institutionalized)

State	Total Number of Children Found Eligible for SSI 2/91 - 12/94	Number of Children Who Qualified for SSI by IFA	Number of Children Who Qualified for SSI by Meeting a Listing
Mississippi	21,394	9,302	12,092
Missouri	17,203	6,055	11,148
Montana	1,783	384	1,399
Nebraska	3,373	894	2,479
Nevada	2,423	298	2,125
New Hampshire	1,491	126	1,365
New Jersey	18,776	5,051	13,725
New Mexico	5,303	1,345	3,958
New York	70,115	26,415	43,700
North Carolina	23,403	10,425	12,978
North Dakota	1,018	173	845
Ohio	45,229	10,893	34,336
Oklahoma	9,192	1,681	7,511
Oregon	5,837	958	4,881
Pennsylvania	36,387	12,495	23,892
Rhode Island	2,006	582	1,424
South Carolina	14,145	3,853	10,292
South Dakota	2,166	831	1,335
Tennessee	17,785	4,356	13,429
Texas	42,969	13,331	29,638
Utah	4,180	1,070	3,110
Vermont	1,269	87	1,182
Virginia	18,551	7,567	10,984
Washington	10,834	2,960	7,874
West Virginia	7,268	2,291	4,977

HOW CHILDREN QUALIFIED FOR SSI**1991 - 1994****(Includes Institutionalized)**

State	Total Number of Children Found Eligible for SSI 2/91 - 12/94	Number of Children Who Qualified for SSI by IFA	Number of Children Who Qualified for SSI by Meeting a Listing
Wisconsin	20,448	7,370	13,078
Wyoming	1,055	431	624
Other*	1,076	144	932
TOTAL	812,411	251,108	561,303

*includes Office of International Operations cases, Federal DOS cases, and Northern Mariana Islands cases as well as cases with invalid DDS codes.

HOW TO READ: For Alabama, of 23,237 determinations of eligibility from 1991 through 1994, 7,631 qualified by undergoing an IFA; 15,606 met a listing from the Listing of Impairments.

NOTE:

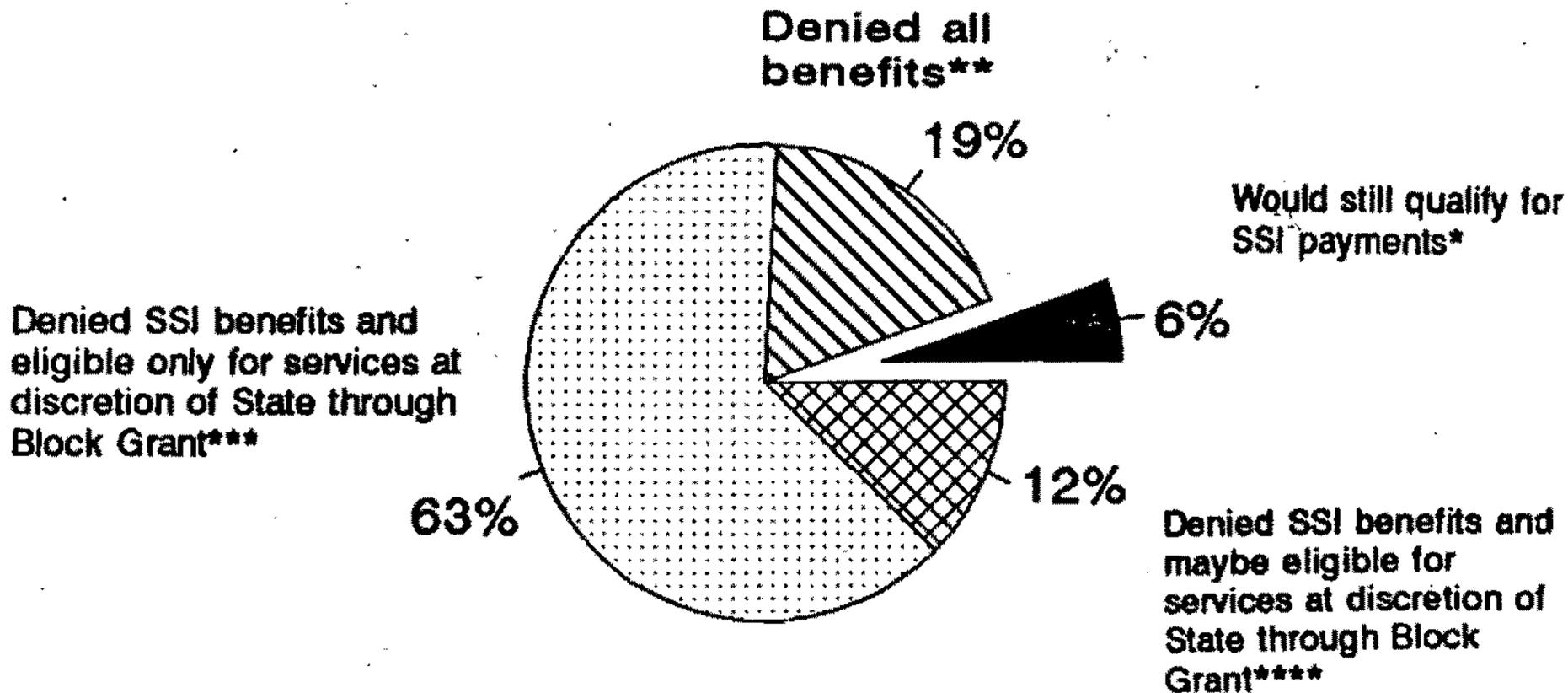
The numbers in this table reflect all children who became eligible for SSI from 1991-1994. These numbers have not been adjusted to reflect terminations from rolls during this period.

SOURCE: SSI Childhood Disability Determinations (2/11/91-12/31/94), Office of Disability, Division of Disability Programs and Studies/SSA.

IMPACT OF SHAW PROPOSAL ON DISABLED CHILDREN WHO WERE GRANTED SSI BENEFITS

IF PLAN HAD BEEN IN PLACE STARTING IN 1991

(Total Children Who Qualified Since 1991: 812,411)



*Includes institutionalized children and those who would be institutionalized without SSI payments

**Children currently qualified only under individual functional assessment (Zebley)

***Children currently qualified under medical listings

****Children who would have qualified under IFA, and may qualify under medical listings



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D. C. 20201

FEB 22 1995

The Honorable William F. Goodling
Chairman
Committee on Economic and Educational Opportunities
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for child care consolidation and the repeal of several child welfare programs under consideration by the Committee on Economic and Educational Opportunities.

The Administration believes that both child care and child welfare are important issues for American families, and both issues have a distinguished bipartisan history in the Congress and in this Committee. Child care is of significance to millions of working parents and their children, as well as to those families who are trying to gain a foothold in the labor market. Child welfare services assist millions of our most vulnerable children and families in this Nation each year, often in times of crisis.

The Administration looks forward to working cooperatively with the Congress to pass bipartisan child care legislation and to reform and strengthen the child welfare system. The Administration has, however, serious concerns that a number of the features of the Chairman's mark would undermine the values of work and family to which we are all committed, and might undermine the economic independence of families and the safety and well-being of children.

Child Care

The Administration believes that quality child care is an important component of a welfare reform strategy that is truly about work. Successful child care policy promotes the economic independence of families and children's healthy development; provides parents with real choices among quality alternatives for children of all ages; and encourages continuity of care for the child, regardless of changes in the parent's employment.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It continued the assurance of child care as families move toward self-sufficiency, and made important new investments in child care for working poor families. At the same time, it extended health, safety, and quality provisions to all the major federal child care programs.

These important supports that enable parents to work and to ensure children's safe and healthy development appear to be missing from the Chairman's mark before you. Therefore,

the Administration has a number of concerns:

- o The proposed legislation provides no assurance of child care to AFDC recipients who work or are preparing to work – even if a state requires them to participate in work or training. We should and must require all parents to become active and productive workers. And at the same time, we should assist them in their efforts to care for their children so that their children are not left home alone or in unsafe situations.
- o The proposed legislation may require states to choose between serving families making the transition from welfare to work and working families that need child care assistance to keep them from falling onto welfare. With a cap on total funding for child care far below projected spending under current law, and no separate guaranteed source of child care assistance for welfare recipients, the legislation could conceivably reduce assistance by limiting availability to only approximately 200,000 of the million children of hard working American families by FY 2000 currently receiving federal child care support. The Administration believes that we should support working families and that families should not have to go on welfare to receive child care assistance. Moreover, as demonstrated by the waiver applications the Department has received, states which are committed to making AFDC recipients work view child care as an indispensable tool in their efforts.
- o The proposed legislation repeals provisions for children's health and safety contained in the Child Care and Development Block Grant. These provisions were passed with bipartisan support in Congress and signed into law by President Bush after an extensive national debate. They represent a carefully crafted balance between state flexibility and the national interest in children's safety and healthy development. The provisions do not specify any standards at the federal level but instead require that states have such standards in three areas: control of infectious diseases, physical premises safety, and provider training. A study released in the last few weeks reported that most child care is far from adequate and that 40 percent of infant-toddler centers provide poor quality care. We believe that the proposed legislation could increase risks to children's basic health and safety.
- o The proposed legislation also repeals the provision in the Child Care and Development Block Grant that provides resources for quality care, as well as early childhood, before-school and after-school programs. This provision has been instrumental in ensuring that parents have choices among quality alternatives for their children. States have used these resources to build the supply of quality care, provide critical consumer education to parents, improve licensing and monitoring, and increase the training and supports to child care providers. The repeal of this provision raises concerns.

The Administration supports an approach to child care that genuinely supports work for parents, and safety and healthy development for children. Such an approach would assume child care for families moving toward self-sufficiency and expand child care opportunities for working families who want to avoid welfare dependency. We believe that ensuring quality choices for parents, and providing for continuity of services for children and families, should be an element of such a proposal.

Child Welfare.

Children become part of the child welfare system because they have been abused or neglected or are in danger of abuse or neglect. The Administration has serious concerns, expressed in the letter to Ways and Means Subcommittee Chairman Clay Shaw and Ranking Member Harold Ford last week, about the proposed block grant approach to child protection. There is unanimous agreement that the system for serving abused and neglected children and their families is seriously overburdened and unable to respond adequately to the needs of children today. The block grant approach potentially endangers the safety of these children by reducing funds for services and for foster and adoptive homes, eliminating critical protections for their well-being, and potentially halting progress in states that are moving forward on the reforms that are needed in this system.

The proposed legislation consolidates existing programs into a block grant with nominal federal oversight and reduces resources significantly from the current services baseline. The Administration has serious concerns about these provisions. First, the proposed legislation caps spending for child protection at \$5.6 billion less than projected baseline spending over 5 years. This cut could force states to gamble with children's well-being -- choosing whether to leave maltreatment reports uninvestigated, leave children in unsafe homes with minimal services, cut payments to foster parents, or eliminate prevention. Second, the proposed legislation virtually eliminates federal monitoring and accountability mechanisms and also eliminates federal support for research, training, technical assistance, and demonstration projects. It would be virtually impossible for the Federal Government to assure the safety of children or help states improve their systems.

The Chairman's mark repeals the Abandoned Infants Assistance Act, the Child Abuse Prevention and Treatment Act, the Adoption Opportunities Program, the Crisis Nurseries Act, the Missing Children's Assistance Act, and the Family Support Centers program under the Stewart B. McKinney Homeless Assistance Act. The activities authorized under these programs would be permitted but not required under the Child Protection Block Grant approved by the Ways and Means Subcommittee on Human Resources.

In addition to general concerns about the block granting of child protection funds, the Administration has several specific concerns about the proposed repeal of programs within the jurisdiction of your Committee.

- o The proposed legislation repeals the Adoption Opportunities program and eliminates the Adoption Assistance program, leaving it up to states whether they can afford the subsidies that enable many special needs children to find permanent homes. These repeals could slow the progress that has been made on adoptions since 1988.
- o The legislation repeals the Abandoned Infants program, which was established to respond to the continuing crises of AIDS and crack cocaine. These crises have disproportionate effects on families and child welfare systems in selected urban areas.
- o The proposed legislation eliminates all direct federal support for non-profit agencies, community-based organizations and public-private partnerships, such as Children's Trust Funds, as well as all earmarked support for prevention of child abuse and neglect.

The Administration is committed to improving the child welfare system. The system must ensure the safety of children and strengthen the capacity of parents to nurture healthy children. Given the critical nature of these services, the Administration supports an approach to change that provides states and communities with flexibility to develop services that are responsive to the needs of their citizens, but within the context of a national framework that maintains a commitment to federal resources, and strong, effective protections for children and families.

In summary, the Administration looks forward to working with the Committee in a bipartisan fashion to promote two key goals: work for families and safety and healthy development for children. But we are concerned that the proposed legislation does not move toward these goals. It does nothing to provide child care that would move families from welfare to work, and it risks moving families who are now working back onto welfare as they lose child care assistance. It weakens protections for children's safety in child care, and gambles with their well-being if they are abused or neglected. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession or growing family needs. We believe there are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter also was sent to Representative William Clay and members of the Committee on Economic and Educational Opportunities.

Sincerely,



Donna E. Shalala

ESTIMATED REDUCTION IN FEDERAL SPENDING FOR CHILD CARE FROM PROPOSED CHILD CARE BLOCK GRANT
(Numbers in millions)

ESTIMATED REDUCTION IN FEDERAL SPENDING UNDER CHILD CARE BLOCK GRANT USING HHS BUDGET AUTHORITY BASELINE FIGURES	1996	1997	1998	1999	2000	5 Year Total
AFDC/JOBS	734	784	829	869	911	4,127
TCC	220	234	248	260	272	1,234
At-Risk	300	300	300	300	300	1,500
CCDBG	1,049	1,049	1,049	1,049	1,049	5,245
Child Devment Associate Scholarships	1	1	1	2	2	7
Dependent Care Planning and Devment Grants	13	14	14	14	15	70
Native Hawaiian Family Centers (CBO est.)	5	5	6	6	6	28
SUBTOTAL HHS BASELINES	2,322	2,387	2,447	2,500	2,555	12,211
CHILD CARE BLOCK GRANT	1,943	1,943	1,943	1,943	1,943	9,715
REDUCED SPENDING FOR CHILD CARE	-379	-444	-504	-557	-612	-2,496
PERCENT REDUCTION IN SPENDING	-16%	-19%	-21%	-22%	-24%	-20.4%

Notes:

1. This Child Care Block Grant freezes funding at the FY1994 levels estimated in CBO's baseline.
2. The numbers above are HHS estimates based on baseline figures from the President's FY1996 budget except for the Native Hawaiian Family Centers estimate which is from the CBO baseline.
3. CBO estimates were based on January 1995 CBO Baseline figures. They estimate five year savings of \$1.7b or a 15 percent reduction in spending. These differ from HHS estimates due to baseline differences.
4. Savings projected by the EEO committee are based on CBO baseline figures.

REDUCED FEDERAL CHILD CARE ASSISTANCE FOR STATES AND CHILDREN IN FY2000

	LOSS IN FEDERAL CHILD CARE ASSISTANCE FROM BLOCK GRANT	REDUCTION IN CHILDREN RECEIVING FEDERAL CHILD CARE ASSISTANCE
ALABAMA	\$11.3	6,970
ALASKA	\$1.5	930
ARIZONA	\$10.3	6,350
ARKANSAS	\$4.6	2,840
CALIFORNIA	\$53.7	33,130
COLORADO	\$6.3	3,890
CONNECTICUT	\$7.0	4,320
DELAWARE	\$1.9	1,170
DISTRICT OF COLUMBIA	\$1.8	1,110
FLORIDA	\$25.7	15,850
GEORGIA	\$21.2	13,080
HAWAII	\$2.0	1,230
IDAHO	\$2.4	1,480
ILLINOIS	\$22.1	13,630
INDIANA	\$12.3	7,590
IOWA	\$4.8	2,960
KANSAS	\$6.4	3,950
KENTUCKY	\$10.6	6,840
LOUISIANA	\$11.3	6,970
MAINE	\$3.0	1,230
MARYLAND	\$11.1	6,850
MASSACHUSETTS	\$16.3	10,060
MICHIGAN	\$15.2	9,380
MINNESOTA	\$11.1	6,850
MISSISSIPPI	\$6.6	4,070
MISSOURI	\$12.0	7,400
MONTANA	\$1.9	1,170
NEBRASKA	\$5.0	3,080
NEVADA	\$1.9	1,170
NEW HAMPSHIRE	\$2.1	1,300
NEW JERSEY	\$10.5	6,480
NEW MEXICO	\$5.3	3,270
NEW YORK	\$37.0	22,830
NORTH CAROLINA	\$27.7	17,090
NORTH DAKOTA	\$1.5	930
OHIO	\$28.9	17,830
OKLAHOMA	\$11.3	6,970
OREGON	\$8.8	5,430
PENNSYLVANIA	\$24.2	14,930
PUERTO RICO	\$7.7	4,750
RHODE ISLAND	\$2.7	1,670
SOUTH CAROLINA	\$7.9	4,870
SOUTH DAKOTA	\$1.5	930
TENNESSEE	\$16.8	10,360
TEXAS	\$44.4	27,390
UTAH	\$6.8	4,190
VERMONT	\$1.6	990
VIRGINIA	\$11.3	6,970
WASHINGTON	\$16.4	10,120
WEST VIRGINIA	\$4.5	2,780
WISCONSIN	\$10.1	6,230
WYOMING	\$1.4	860
TRIBES	\$18.4	11,350
TERRITORIES	\$3.1	1,910
ALL STATES	\$612.0	377,680
Percent Reduction	24.0%	

Notes:

1. The block grant amount is set at FY1994 CRO Baseline levels.
2. Funds are allocated according to HHS figures on FY1994 expenditures and allocations.
3. FY2000 figures are FY1994 allocations and expenditures adjusted by the national growth rate figures.
4. Children served was determined by dividing total federal allocations and expenditures by an average federal expenditure figure of \$1621. This is not a full-time equivalent.
5. Numbers may not exactly equal national figures due to rounding.

**REDUCED FEDERAL CHILD CARE ASSISTANCE FOR STATES
AND CHILDREN IN FY 2000**

This table shows FY 2000 losses in funding and in numbers of children receiving federal assistance under the new child care block grant.

FUNDING LOSS

The funding loss is the difference between the FY 2000 block grant distribution and the expected FY 2000 funding level under current law. FY 2000 funds are distributed according to the proportion of federal child care funds received in FY 1994, as is proposed in the draft EEO bill.

REDUCTION IN CHILDREN RECEIVING FEDERAL CHILD CARE ASSISTANCE

The reduction in children is derived from the State's funding loss and the national average child care funding per child. Average funding per child was calculated by dividing the total federal child care funding in FY 1993 by the total number of children served through federal child care programs in that year. This number is not a full-time equivalent cost. It does not contain state or parent contributions to the cost of care. The FY 1993 funding per child was inflated to FY 2000 according to the HHS baseline.

**Table 3 – Effect of the Personal Responsibility Act
on USDA Food Assistance Programs by State in Fiscal Year 1996**
(Dollars in millions)

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Alabama	\$818	\$713	- \$105	- 13
Alaska	97	84	- 13	- 13
Arizona	663	554	- 109	- 16
Arkansas	422	403	- 19	- 4
California	4,170	4,820	650	16
Colorado	412	417	5	1
Connecticut	297	248	- 49	- 17
Delaware	92	58	- 34	- 37
District of Columbia	137	85	- 52	- 38
Florida	2,194	1,804	- 389	- 18
Georgia	1,209	934	- 275	- 23
Hawaii	215	198	- 17	- 8
Idaho	127	176	49	38
Illinois	1,741	1,483	- 258	- 15
Indiana	713	691	- 22	- 3
Iowa	297	266	- 31	- 11
Kansas	307	270	- 37	- 12
Kentucky	740	582	- 157	- 21
Louisiana	1,141	765	- 376	- 33
Maine	188	167	- 21	- 11
Maryland	576	404	- 172	- 30
Massachusetts	608	577	- 32	- 5
Michigan	1,390	1,109	- 281	- 20
Minnesota	508	490	- 18	- 4
Mississippi	730	603	- 127	- 17
Missouri	810	754	- 56	- 7
Montana	111	140	29	26
Nebraska	187	176	- 12	- 6
New Hampshire	89	94	5	5
New Jersey	836	704	- 132	- 16
New Mexico	361	321	- 40	- 11
Nevada	145	150	5	3
New York	3,101	2,661	- 440	- 14
North Carolina	930	849	- 81	- 9
North Dakota	86	76	- 9	- 11

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Ohio	1,768	1,287	- 481	- 27
Oklahoma	528	475	- 53	- 10
Oregon	410	346	- 64	- 18
Pennsylvania	1,617	1,465	- 152	- 9
Rhode Island	128	101	- 27	- 21
South Carolina	602	546	- 56	- 9
South Dakota	99	95	- 4	- 4
Tennessee	983	743	- 241	- 24
Texas	3,819	2,685	- 1,134	- 30
Utah	234	277	43	18
Vermont	76	66	- 10	- 13
Virginia	783	597	- 185	- 24
Washington	660	444	- 216	- 33
West Virginia	405	309	- 96	- 24
Wisconsin	467	442	- 25	- 5
Wyoming	57	57	*	1
Total	40,764	35,600	- 5,164	- 13

Notes: Individual cells may not sum to totals because of rounding.

Total includes the Commonwealth of Puerto Rico, other territories and outlying areas, and Indian Tribal Organizations.

This table assumes that Congress appropriates the full amount authorized for fiscal year 1996.

* equals less than \$1 million.

Welfare Reform Daily Talking Points
Monday, February 13, 1995

**WELFARE REFORM MUST BE STRONG ON WORK,
NOT CRUEL TO CHILDREN**

Today, Clay Shaw's House Subcommittee on Human Resources begins marking up the Personal Responsibility Act, the welfare reform plan contained in the *Contract with America*. Over the past week, Democrats have united against the Republican proposal, which is tough on children and low-income families, but weak on requiring work. As House Democratic Leader Richard Gephardt said on Friday, "for the Republicans, welfare reform is just a way of passing the buck, kicking people off the welfare rolls, and leaving innocent children out in the street."

- o In fact, the work requirements in the Personal Responsibility Act would be weaker than those under current law. In 1996, under current law, 11.5 percent of welfare recipients (595,000 people) would be working -- either in part-time private sector jobs or in mandatory work programs. In contrast, under the Republican plan, only two percent of welfare recipients (105,000 people) would be required to participate in "work activities" in 1996.
- o President Clinton's principles for welfare reform will not change. As he said in his State of the Union address: "We have to help those on welfare move to work as quickly as possible, to provide child care and teach them skills if that's what they need for up to two years. And after that, there ought to be a simple hard rule: anyone who can work must go to work."

This Administration believes that:

- o Welfare reform must be about a paycheck, not a welfare check. We won't have ended welfare as we know it until the central focus of the program is to move people off welfare and into a private sector job so that they can support themselves and their families.
- o Our goal must be to lift people up from dependence to independence, not to punish them because they happen to be poor, young, or unmarried. We intend to work with Congress on a bipartisan basis, but we continue to oppose any plan to deny assistance to young mothers, break up families, punish children for their parents' past mistakes, or put children in orphanages.
- o Tough child support enforcement must be a centerpiece of welfare reform. We're pleased that House Republicans intend to adopt our proposals for child support enforcement, which was a key agreement reached at the Working Session on Welfare Reform. If we're going to end welfare as we know it, we must make sure that all parents -- fathers and mothers alike -- take responsibility for the children they bring into this world.

REPUBLICAN ASSAULT ON CHILDREN CONTINUES

Today, the Subcommittee on Human Resources will continue to mark up the House Republicans' welfare reform plan, focusing on provisions to eliminate or reduce federal assistance to abused, neglected and disabled children. The Republican assault on children began late last night, as the subcommittee majority continued to insist that unwed teenage mothers and their children be ineligible for assistance. The Republican proposal would simply end benefits to these young mothers, while doing nothing to address the critical problems of teen pregnancy and welfare dependency.

- o **Short on work, long on punishing kids.** Yesterday, Secretary Shalala sent a letter to subcommittee members restating the Administration's position that the Republican bill punishes innocent children, while doing nothing to require serious work-based reform. "It does nothing to move people from welfare to work, and it does not require everyone who can work to go to work," she wrote. "It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways."
- o **Their solution: orphanages.** Last night, House Republicans stuck with their position on orphanages, defeating a Democratic amendment that would assure that children would not be taken from their homes simply because of the economic circumstances, age, or marital status of their parents. Republicans also defeated a Democratic amendment that -- instead of cutting off aid to teen mothers entirely -- would condition benefits on a minor mother agreeing to live at home, stay in school, and identify her child's father.
- o **More cruelty to kids.** Today, Republicans are expected to insist on child welfare provisions that would reduce federal assistance to abused, neglected and abandoned children by \$5.6 billion. Along with the provisions cutting off assistance to disabled children, and to children born to unmarried mothers under 18, this portion of the Republican plan represents a new level of cruelty to children.
- o **Republicans say it best.** In today's *Wall Street Journal*, Senator Olympia Snowe specifically criticized the requirement that states eliminate federal assistance for all unmarried parents under age 18. "Denying them payments isn't going to rectify a bad situation," she said. "It's going to make it worse for the child and the teenager who is having the baby." Representative Henry Hyde made a similar point last week in a *New York Times* interview. "The children need clothing, shelter, and nurture," he said. "You don't want to reward promiscuous pregnancy, but on the other hand, you don't want to make the children suffer for the transgressions of their parents." And the Heritage Foundation's Robert Rector told *Knight Ridder* that "This is major embarrassment to many Republicans. They have whittled down the work requirement to nothing."

Welfare Reform Daily Talking Points
Wednesday, February 15, 1995

THIS IS WELFARE REFORM?

Today, the Subcommittee on Human Resources is expected to finish action on the House Republicans' welfare reform plan, marching in lockstep to pass the wrong-headed proposals in the *Contract with America*. On Monday, Republicans refused to accept Democratic amendments to strengthen their weak work requirements. Yesterday, they insisted on reducing federal assistance to abused, neglected and abandoned children by billions of dollars. Today, they're expected to turn their attacks against disabled children, postpone action on child support enforcement, and pass a bill that gets the problem right -- but the solution fundamentally wrong.

- o **Still weak on work.** On Monday, Republicans voted against requiring teen mothers to stay in school and participate in education and training as a condition of receiving benefits. They stuck with meaningless work requirements that would have even fewer welfare recipients working than under current law. And Democrats had to force the subcommittee majority to add even a modest penalty for states that don't meet the bill's minimal work standards.
- o **Still cruel to kids.** The Republican approach is clear: punish children for their parents' mistakes, and abandon the federal role for protecting abused and neglected children. Today, they will go even further -- and Democrats will offer amendments to protect disabled children from arbitrary benefit cuts. Republican plans to cut back on SSI come at a time when a blue-ribbon commission is already studying more thoughtful reforms -- and offer more proof that cruelty, not caring, is the Republican approach to change.
- o **All punishment and no parental responsibility.** After promising to add child support enforcement provisions to their bill, Republicans now plan to postpone action on child support for weeks -- until the bill reaches the full committee. Just last week, President Clinton urged Republicans to support strong child support enforcement. "If we're going to end welfare as we know it," he wrote Chairman Shaw, "we must make sure that all parents -- fathers and mothers alike -- take responsibility for the children they bring into this world." This remains the Administration's position -- and Democrats will take the battle to the full committee.
- o **Right problem, wrong solution.** Democrats believe that the welfare system must be fundamentally reformed -- but in a way that rewards work, requires parental responsibility, and prevents teen pregnancy and welfare dependency. Weak on work and cruel to kids, the Republican legislation does nothing to truly reform the welfare system. We won't have ended welfare as we know it until its central focus is to move single parents off welfare and into a private sector job so they can support themselves and their families.

Welfare Reform Daily Talking Points
Thursday, February 16, 1995

REPUBLICAN PLAN WOULD CUT FUNDS TO STATES

Yesterday, House Republicans passed a bill out of subcommittee that gets welfare reform backwards. Weak on work and tough on kids, the Republican legislation does nothing to truly reform the welfare system. Today, Democratic members of Congress and governors will join together to point out another fundamental flaw in the current bill: it would create a massive cost shift to states.

- o **Passing the buck to the states.** While certain states would fare worse than others under the current Republican funding proposal, all states would suffer in the end. States would lose almost \$18 billion in federal funding over five years under the Republicans' plan to block grant AFDC cash assistance and child welfare funding. This capped block grant would not adjust for recessions, population growth, or other events that could increase the need for services -- even though the National Governors Association recently adopted a bipartisan policy statement insisting that any welfare reform proposal must address these factors.
- o **Governors speak out.** In order to create real, lasting welfare reform that rewards work, requires parental responsibility, prevents teen pregnancy, and reduces welfare dependency, states must have adequate resources to get the job done. As Governor Carper said in a letter to the other governors this morning, "I understand that this block grant proposal does not include adjustments for recessions, population growth, disasters, and other events that could result in an increased need for services." Governor Carnahan also said today that "Democratic Governors want real welfare reform that moves people from dependency to self-sufficiency, from the welfare rolls to private payrolls. The Republican plan doesn't help us achieve that goal."
- o **Children would lose.** Governor Carper also noted the risk to children in today's letter to governors. "I believe that this proposal's reduction in funding and lack of a safety net threatens to limit the very flexibility we seek to make work pay more than welfare. In particular, I have deep concerns about this proposal's impact on children."
- o **Reform must be real.** The Administration remains committed to working with Congress and the nation's governors to craft bipartisan welfare reform legislation that is tough and fair. The American people want to see the welfare system changed from one that is about a paycheck, not a welfare check. That means that its central focus must be to move single parents off welfare and into a private sector job so they can support themselves and their families.

Welfare Reform Daily Talking Points
Friday, February 17, 1995

THE WEEK THAT WAS

This week, House Republicans passed a bill out of subcommittee that is weak on work and tough on children. The Clinton Administration, members of Congress, governors, and former welfare recipients spoke out against the shortsighted and punitive provisions in the current Republican proposal.

- o **Secretary Shalala:** "The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the [Republican proposal] that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work."
- o **Representative Steny Hoyer of Maryland:** "Welfare must become a step-up, not a step-down. Welfare reform must reconnect recipients to the world of work and reestablish the traditional American values of family, work, and individual responsibility."
- o **Representative Harold Ford of Tennessee:** "The bill we are about to approve is mean-spirited and shortsighted. It punishes children for the mistakes of their parents, and it asks us to embark on a great experiment. But that experiment is using our most important -- and vulnerable -- resources as guinea pigs. I won't be part of an experiment that uses America's children as crash test dummies."
- o **Governor Tom Carper of Delaware:** "The Republican ADFC proposal is the first of several that, when taken together, would deny welfare recipients who go to work in low-wage jobs the child care, health care and nutrition assistance they need to keep their children healthy and safe. That is simply impractical and wrong."
- o **Representative Sander Levin of Michigan:** The Republican plan would "send the bucks and get out of the way, no matter who the kids are, the level of abuse, or the failure of the state to do a good job."
- o **Ellen T. Harold, former welfare recipient, quoted in *U.S. News and World Report*:** "I have yet to see any mention of the accountability and responsibility of the father ... This should be a major focus of any welfare reform as most of the women receiving Aid to Families with Dependent Children do so because of lack of child support."

THE TOUGHEST POSSIBLE CHILD SUPPORT ENFORCEMENT

All parents -- fathers and mothers alike -- must take responsibility for the children they bring into this world. That's why the Clinton Administration has proposed new measures to create a tougher, more aggressive child support enforcement system. And that's also why the President insists that tough child support enforcement must be a centerpiece of real welfare reform.

Last week, after promising to include child support provisions in their legislation, the Human Resources Subcommittee postponed action. But, the Administration will continue to press for measures to collect child support from the shocking two-thirds of absent parents who now don't pay a dime. For millions of mothers and children, child support payments can mean the difference between self-sufficiency and dependence on welfare.

The Administration's strategy includes:

- o **Seizing tax refunds.** Today, HHS announced the collection of a record \$703 million in delinquent child support for 1993 by garnishing income tax refunds of non-paying parents. Benefiting nearly one million families, the amount was 13 percent more than collections for 1992. As Secretary Shalala said today, "We want there to be no escape for those parents who seek to avoid responsibility for their children."
- o **The Clinton commitment.** Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs -- a proactive way to establish a father's responsibility early in a child's life. In addition, President Clinton has proposed annual expansions in child support enforcement, increasing resources by more than 25 percent since taking office. In 1993, the federal-state child support enforcement system collected a record \$9 billion from non-custodial parents.
- o **Prosecuting non-payers.** Billions of dollars more in support is owed to nine million children whose parents have crossed state lines and failed to pay. The Justice Department is aggressively investigating and prosecuting these cases under the Child Support Recovery Act. As Attorney General Janet Reno said, "We intend to make sure that children are not the victims of parents who don't care."
- o **Improvements through welfare reform.** Building on the best state and federal initiatives, President Clinton's child support plan would help boost child support collections to \$20 billion in the year 2000. As President Clinton said in his State of the Union Address, "If a parent isn't paying child support, they should be forced to pay. We should suspend drivers' licenses, track them across state lines, make them work off what they owe. That is what we should do. Governments do not raise children, people do."

TAKING FOOD FROM CHILDREN

Today, the Committee on Economic and Educational Opportunities begins marking up the child care and child nutrition provisions in the House Republicans' welfare reform proposal. The Republican plan would block-grant and reduce funding for federal child nutrition programs and the Special Supplemental Nutrition programs for Women, Infants and Children (WIC).

- o **The Clinton commitment to childhood nutrition.** The Clinton Administration is opposed to block-granting nutrition programs. We agree that these programs must be more flexible and easier for states to administer. But we won't support changes that jeopardize children's health. Only a national system of nutrition programs can establish and meet nutrition standards that respond to economic changes and ensure that children's health will be protected.
- o **Slamming school children.** The block grant proposal would cut federal funding for the school-based programs by \$2 billion over five years, and it would reduce WIC funding by \$5.3 billion over the same period. Under the block grant proposal, 400,000 fewer women, infants and children would be provided for than under the President's 1996 Budget proposal. Federal programs now expand to meet nutrition needs during recessions and increases in child poverty. But block grants won't protect children during economic downturns. Nutrition assistance would be reduced or unavailable when children need it most.
- o **Children must be fed.** As today's Washington Post editorial says, "The WIC program represents precisely the sort of thing the government should be doing, which is focusing on realistic efforts to help kids ... WIC works; there's no reason to turn it into a block grant. Similarly, the lunch program gives food directly to kids through the schools, with an accent on helping the poorest children." Federal nutrition programs provide a foundation for children to grow on -- childhood nutrition must be protected under welfare reform.
- o **Slashing standards.** National standards for nutrition protect children regardless of where they live. For the past fifty years, federal nutrition standards have helped children lead healthy lives. The Republican plan could create wide variations in nutrition standards across states, without any accountability mechanisms to ensure that those standards would be met. Children's health would suffer if states shifted resources away from nutrition programs to meet budget shortfalls.
- o **States and students would suffer.** Under the Republican plan's allocation formula, states that serve more total meals would fare better. Since it costs more to serve free meals to poor children, states would have an incentive to serve more affluent students. And without national standards, states might also be inclined to cut the quality or amount of food they provide in order to serve more meals overall.

FIRST "BOYS TOWN," NOW "HOME ALONE"

Today, the Committee on Economic and Educational Opportunities will finish marking up the child care, child welfare, and child nutrition provisions in the House Republicans' welfare reform proposal. The Republicans continue to be tough on children and weak on work, focusing their most recent assault on child care. While claiming to move people into work, the Republican plan actually limits work opportunities by cutting the lifeline that child care provides. The committee bill reduces already scarce child care slots, pits working families against welfare recipients for child care assistance, and would make it harder, not easier, for single parents to leave welfare for work.

- o **Home alone.** For Republicans, choice in child care means staying on welfare or leaving children home alone. The Republican plan reduces federal funding for child care by \$2.5 billion, or 20 percent, over five years. In the year 2000, over 377,000 child care slots would be lost under the bill -- even though real welfare reform will require more child care, not less, as single mothers leave the rolls for work. Nevertheless, the committee majority defeated an amendment last night that would have states provide child care for parents who they require to participate in work or training. This is no movie: the real world is far too dangerous for children to be left unsupervised and unprotected.
- o **To work or not to work, that is the question.** Families should not have to choose welfare over work in order to care for their children. Already, many states report long waiting lists for working-poor child care. Under the Republican plan, states could be forced to make further cuts in assistance for these families if forced to divert funds to families on welfare. For example, California would lose slots for 33,130 children; New York for 22,830 children; and Pennsylvania for 14,930 children.
- o **Working families protest.** Today, Senator Dodd and Representative Pelosi will join the National Association of Child Care Resource and Referral Agencies to speak out against the proposed child care cuts. Hundreds of working families from across America will visit members of Congress with personal stories about the importance of safe, affordable, and accessible child care.
- o **The Clinton child care commitment.** The Clinton Administration believes that quality child care is essential to real welfare reform that moves people into work. As Secretary Shalala wrote to House committee members yesterday, "The Administration supports an approach to child care that genuinely supports work for parents, and safety and healthy development for children. Such an approach must guarantee child care for families moving towards self-sufficiency, and must expand child care opportunities for working families who want to avoid welfare dependency. We believe that any serious proposal must ensure quality choices for parents, and provide for continuity of services for children and families."

Welfare Reform Daily Talking Points
Friday, February 24, 1995

"WORKFAKE"

Yesterday, Republicans in Congress offered more proof that they're weak on work and cruel to kids, by passing a bill to end the school lunch program -- and refusing to assure children safe child care while their mothers attend school and job training. Today's question: will they have figured out by Tuesday, when the Ways and Means Committee is scheduled to start action on their version of "welfare reform," that the real issue is work?

Our prediction: after reading today's issue of the *New Republic*, look for the committee to strengthen their work requirements and add tough new child support enforcement provisions to their bill -- actions the Administration has been urging for weeks.

Highlights from today's piece, aptly titled "Workfare Wimp-Out," include:

- o **Workfake.** "The House Republicans say they will put 'at least 1 million cash welfare recipients in work programs by 2003,' but the 'work' could be completely phony. Workfake, you might call it ... It's all the more fake because the Shaw bill provides no money to make it real."
- o **What is "work?"** "Under the bill, a governor could declare ... that checking a book out of a library counts as a 'work activity.' Leafing through the want ads might also qualify, or circulating a resume or attending a 'self esteem' class."
- o **Preserving the status quo.** "The bill unveiled by Shaw requires that, in 1996, states place 2 percent of the welfare caseload in 'work activities.' The requirement rises to 20 percent -- not the contract's 50 percent -- by 2003 ... With a little creative bookkeeping -- say, by counting all those who work, even for a few days, over the course of a year -- most governors could meet the 20 percent "work activity" standard without doing anything they're not already doing."
- o **Criticism from within.** "Robert Rector, the Heritage Foundations's welfare expert, called the Shaw work provisions a 'major embarrassment.' Jack Kemp issued a statement warning that Republicans were squandering welfare reform in the pursuit of a decentralized 'funding mechanism.'"
- o **The bottom line.** "The Republicans' welfare reform is looking less like a menace and more like a fraud."
- o **Even the *Washington Times*?** Last week, in a *Washington Times* editorial, Stephen Chapman sounded a similar theme, stating that Republicans "have made a wrong turn on the road to welfare reform. The issue is forcing recipients to accept work, or at least pursue it, as a condition of receiving benefits. President Clinton's plan to 'end welfare as we know it' would impose such a requirement after two years on the rolls, cutting off payments to anyone who refuses."



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
WASHINGTON, D.C. 20201**

PHONE: (202) 690-7627

FAX: (202) 690-7380

TO:

FROM:

NAME: Bruce Reed

NAME: Jim Hicken for Rich Tompkins

OFFICE: _____

OFFICE: _____

ROOM NO.: _____

ROOM NO.: _____

PHONE NO.: _____

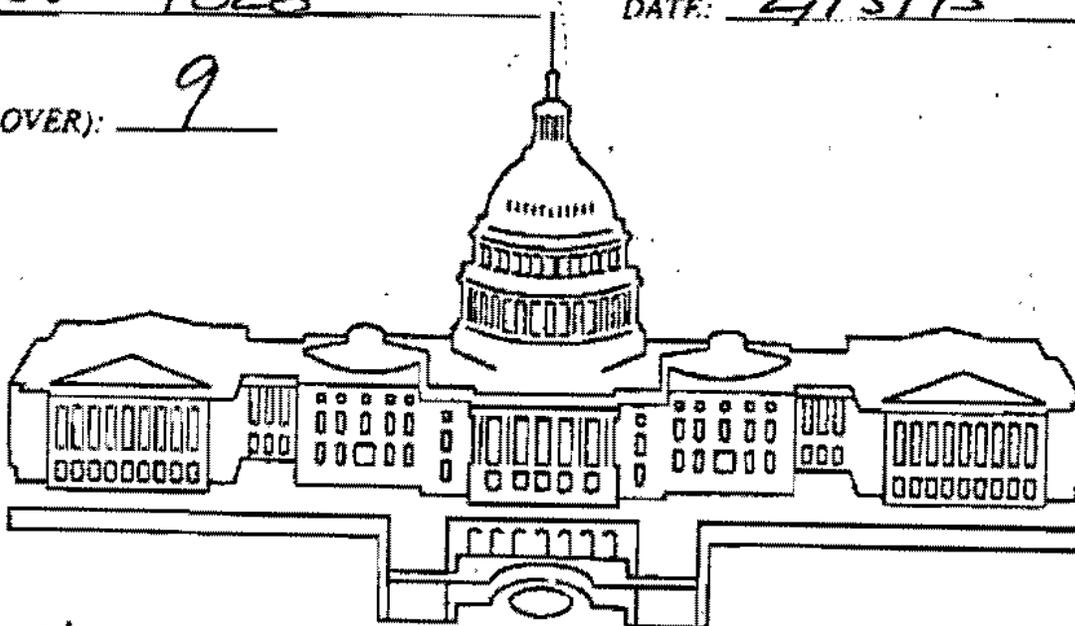
PHONE NO.: _____

FAX NO.: 456-7028

DATE: 2/15/95

TOTAL PAGES

(INCLUDING COVER): 9



REMARKS:

Urgent: Please Hand Deliver:

Welfare Reform Letter Stating Administration Views
on the Chairman's Mark.

The Honorable E. Clay Shaw
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark on welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year the President submitted a bold welfare reform bill which embodied these values, The Work and Responsibility Act of 1994. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It said to teen mothers that they would have to live at home, stay in school and identify the baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark which appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will only succeed if it successfully moves people from welfare to work.

Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families which have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in, and clear responsibilities for states to provide, education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; and it would put parents to work, not just cut them off.

Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility, and encourage the involvement, of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one which allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state ought to be expected to establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation repeals the requirement that states provide cash assistance to two-parent families where a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to keep people from needing it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be able

to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood—18 years—for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option to not increase benefits for children born to mothers on welfare.

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs that are tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals which significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes are also key goals of child protection services. There are problems in a number of areas.

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the

parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected

Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper state efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to

help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5 year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

Benefits to Legal Immigrants

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad. These legal immigrants are required to pay taxes; many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation fails to enact serious work-based reform. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative

approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

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

LRM NO: 326

FILE NO: 15

2/13/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 10

TO: Legislative Liaison Officer - See Distribution below.
FROM: Janet FORSGREN (for) *C. Mustain* (for)
Assistant Director for Legislative Reference
OMB CONTACT: Chris MUSTAIN 395-3923
Legislative Assistant's line (for simple responses): 395-7362

URGENT

SUBJECT: HEALTH AND HUMAN SERVICES Proposed Report RE: HR4, Personal Responsibility Act of 1995

DEADLINE: TODAY 3:30 PM Monday, February 13, 1995

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

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

COMMENTS:**AGENCIES:**

217-JUSTICE - Sheila F. Anthony - (202) 514-2141

330-LABOR - Robert A. Shapiro - (202) 219-8201

429-National Economic Council - Sonyla Matthews - (202) 456-2174

EOP:

Ken Apfel
Doug Stalger
Barry White
Keith Fontenot
Stacy Dean
Mike Ruffner
Chris Ellertson
Richard Bavier
Larry Matlack
Bhannah Koss
Wendy Taylor
Art Stiglie
Mark Miller
Andy Allison
Lin Liu
Bob Damus
Chuck Konigsberg
Bruce Reed
Jeremy Ben-Ami
David Levine
Clarissa Cerda
Pat Griffin
Jim Murr
Janet Forsgren

URGENT

**RESPONSE TO
LEGISLATIVE REFERRAL MEMORANDUM**

**LRM NO: 326
FILE NO: 16**

If your response to this request for views is simple (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.

If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

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

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

**TO: Chris MUSTAIN 395-3923
Office of Management and Budget
Fax Number: 395-8148
Branch-Wide Line (to reach legislative assistant): 395-7362**

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

SUBJECT: HEALTH AND HUMAN SERVICES Proposed Report RE: HR4, Personal Responsibility Act of 1995

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

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

The Honorable E. Clay Shaw
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark on welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year the President submitted a bold welfare reform bill which embodied these values, The Work and Responsibility Act of 1994. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It said to teen mothers that they would have to live at home, stay in school and identify the baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark which appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will only succeed if it successfully moves people from welfare to work.

Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- o It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.
- o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families.
- o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health coverage and make it harder for people to move from welfare to work.
- o The proposed legislation would deny all cash assistance to families which have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in, and clear responsibilities for states to provide, education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; and it would put parents to work, not just cut them off.

Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility, and encourage the involvement, of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one which allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state ought to be expected to establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation repeals the requirement that states provide cash assistance to two-parent families where a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to keep people from needing it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be able

to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood--18 years--for the mistakes of their parents.
- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.
- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option to not increase benefits for children born to mothers on welfare.

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs that are tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowance for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states

running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.
- o The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals which significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes are also key goals of child protection services. There are problems in a number of areas.

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the

parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper state efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to

help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5 year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

Benefits to Legal Immigrants

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad. These legal immigrants are required to pay taxes; many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation fails to enact serious work-based reform. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative

approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real welfare reform and its desire to work cooperatively with Congress to achieve it.

VIEWS LETTER: DRAFT

Dam writing to express the administration's views on the Chairman's mark on welfare reform legislation under consideration of the House Ways and Means Subcommittee on Human Resources.

The administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility with accountability, and the protection of children. Last year we submitted a bold welfare reform bill which embodied these values, The Work and Responsibility Act of 1994. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It said to teen mothers that they would have to live at home, stay in school and identify the baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The admin:

We look forward to working cooperatively with Congress in a bipartisan way to pass bold welfare reform legislation this year. We have, however, serious concerns about a number of features of the Chairman's mark which appear to undermine the values to which we are all committed. ~~The administration seeks to end welfare as we know it by~~ promoting work, family, Work and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will only succeed if it moves people from welfare to work.

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. We believe that no adult who is able to work should receive welfare for an unlimited time without working. We believe that from the first day someone comes onto welfare, they should be required to participate in job search, ^{or education,} or training activities needed to move them off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. ~~And no needy family should arbitrarily lose benefits when an adult is genuinely willing to work, and no work is available.~~ *Individuals who are* *should have the opportunity to work.*

We therefore have serious concerns about the chairman's mark before you:

- o It ~~eliminates~~ requirements that recipients immediately participate in work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by Ronald Reagan in 1988.
- o The proposed legislation includes only minimal and toothless requirements that recipients work. ~~Though~~ The bill requires ^{that} persons on more than 2 years

*Rich
is to 7405*

In many ways, work requirements are

engage in "work activities". ^{loosely defined by the state welfare bureaucracy, rather than a} ~~it allows states to define these in whatever ways it sees fit.~~ ^{fit. And it includes very low participation standards, ~~are very low.~~ included requirements seem even weaker than those in current law.} ~~fit. And it includes very low participation standards, included requirements seem even weaker than those in current law.~~

real
work
work requirement that calls for real work.

o The proposed legislation provides no assurance of child care to recipients who work or are preparing to work—even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work nor to those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low income working families. Other proposals under consideration by the Congress appear to cut child care funding even from its current inadequate level.

too vague

o The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This ^{would further} ~~appears to~~ reduce health coverage and make it ~~more~~ ^{harder for people to} rather than less likely that ~~someone can~~ move from welfare to work.

o The proposed legislation would deny all cash ^{assistance} ~~assistance~~ to families which have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The admin.

We support an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by subsidizing child care; and it would put parents to work, not just ~~out the door~~ ^{cut them off.}

Parental Responsibility

The administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. We consider child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children. We were pleased that you have agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. We look forward to working closely with you on this issue in the coming weeks.

The only child support provision included thus far is one which allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision

seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. We see no reason why should the child be punished during this period.

We believe it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. Once the mother has done all she can, the family should qualify for aid, and then the state ought to be expected to establish paternity within one year.

The administration believes that the welfare system should encourage the formation and continuation of two parent families. We are therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation repeals the requirement that states provide cash assistance to two parent families where a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single parent families better than two parent families.

We support an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

to keep people from reading it in the first place. ~~the~~

The Administration, ~~the Congress~~ and the American people agree that the best reform of welfare would be ~~prevention of the need for it.~~ Teen pregnancy is a tragedy for the girl, for her baby, and for the society. We believe that welfare reform must send a very strong message to young people that they should not ~~have children~~ ^{get pregnant or father a child} until they are ready and able to care for them, and that if they do have children, they will not be able to escape the obligations and responsibilities of parenthood. ~~At the same time,~~ We must be ^{especially} concerned about the well-being of the children who are born to young mothers, because they are ~~so~~ ^{especially} far more likely to grow up poor.

We therefore have serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish a child ^{for} their entire childhood--18 years--for the mistakes of ~~his or her~~ ^{their} parents.
- o The proposed legislation does not require that teen mothers live at home, staying in school, and identify the father. ~~As such it~~ may make the prospects for mother and child even worse. *It weakens requirements in current law, and*

- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

We support an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency and identify the father of the child. We also support a ~~program~~ national campaign to prevent teen pregnancy. ~~And most importantly, we~~ ^{It is time} ~~to~~ ^{for} a community based strategy ~~designed to ensure all parts of the community get together to~~ send a clear message about abstinence and responsible parenting.

to enlist parents, civic, religious, and business leaders in

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs that are tailored to their unique circumstances and needs. Already we have granted waivers to nearly half the states for welfare reform demonstrations. ~~At the same time we believe the American public~~ ^{wants} national welfare reform that ~~embodies~~ ^{shall} the values of work and responsibility, and that it ~~in a way~~ ^{deceives} assures ~~that~~ ^{for payers} federal money is being spent prudently and appropriately. ~~We also~~ ^{not put} believe that the funding mechanisms for welfare should ~~neither~~ ^{not put} children ~~of~~ ^{at risk} states in times of recession, population increase or unpredictable growth in demand.

that
~~Believe should~~

In this context we have serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states' running out of money before the end of the year, and being forced to deny or lower benefits to needy families. It could preclude states from investing ^{in job placement} in work programs, in education and training, ~~and~~ ^{and} in supports for working families.

- o The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance increase self-sufficiency.

- o The proposed legislation provides for virtually no accountability at all. ^{for failure or lack of accountability.} ~~on the states are allowed, and the most extreme is a 25 percent withholding of funds for a very limited set of problems.~~ ^{There are no incentives for good performance, and virtually no} ~~There is no provision for the recovery of monies paid out fraudulantly or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than state bureaucracies, Nothing allows us to even monitor if the money is being used to help parents gain self-sufficiency, require work, and~~

or for ensuring monitoring whether federal

enforce parental responsibility. Indeed the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

significantly
 We support proposals which increase state flexibility but also ensure accountability for achieving national goals. We support a funding mechanism that ~~responds to the varying needs of families and states, and that recognizes the need for investments in programs and services aimed at self-sufficiency and at supporting working families.~~ *will not put children and states at risk down the road, and that enables states to ~~manage~~ succeed in moving people from welfare to work and to support working families.*

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at-risk of abuse by their parents and who need special in home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes are also key goals of child protection services. There are problems in a number of areas:

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- o As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

*NOTE:
 You need a sentence on supporting family cap as state option under Teen Pregnancy section, top of p. 4.*

Child Protective Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The administration has serious concerns about this approach.

- o The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper state efforts to improve their child abuse prevention and child protection systems.
- o The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether or not they will significantly sustain the subsidies that enable many special needs children to find permanent homes and whether they will honor commitments to those adoptive families that now receive subsidies.
- o The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.
- o The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that did not disadvantage either states who have been heavy spenders, or states which are only beginning to improve their systems.

We agree that substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. We support a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

We are deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- o The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months 125,000 to 175,000 disabled children would lose all SSI benefits--some would lose Medical protection as well--without any method of appeal or reconsideration. And in the future no child, no matter how disabled will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable of our citizens, in the poorest families.
- o Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on these the most vulnerable of children and the parents who care for

them. Note that the 5 year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees ~~no need for hasty action~~ ^{the need for careful reform} in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues. The Commission is scheduled to report later this year. We believe prudence suggests that we should wait until this bipartisan commission has an opportunity to make recommendations.

Benefits to Legal Immigrants

We strongly believe that illegal aliens should not be eligible for government welfare support. ~~But we are troubled by the measures aimed at legal immigrants.~~ ^{legal immigrants} We strongly favor holding sponsors accountable for ~~those~~ ^{and making the sponsors' commitment of support a legally binding contract.} they bring into this country. ^{is} But the blanket prohibition of all benefits to legal immigrants who are not yet citizens ~~seems~~ ^{is} too broad. These legal immigrants are required to pay taxes, to serve in the armed forces, and contribute to their communities. Under this bill a veteran who works and pays taxes for many years and becomes disabled would be unable to qualify for SSI or Medicaid. This seems extreme and unfair. We favor a more limited approach focussed on sponsor responsibility.

and ~~it~~ ^{could} ~~create~~ ^{shift} substantial financial burdens to the states.