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WR
WTW

TO: BRUCE REED
FROM: BILL SIGNER
SUBJECT: WOTC
DATE: MAY 20, 1997

Bruce,

I am glad that we got a moment to talk about WOTC this afternoon. On the question of refundability of not-for-profits, I think that you might have a receptive customer in Senator D'Amato. I think that you are correct that Archer will not accept this concept, and the place to pursue it is on the Senate side.

I am enclosing for you two independent revenue estimates, one of which I prepared and one of which was prepared by Carl Cohen of CIC, Inc. in Indianapolis (CIC has 18% of the WOTC marketplace). As you can see, our numbers are virtually the same and total nearly \$100 million less than Treasury and Joint Tax's revenue estimates.

I am enclosing copies of the Rangel-Houghton WOTC extension bill and four WOTC White Papers which we put together on proposed renewal of WOTC, job displacement or "churning", why employers do not hire welfare recipients, and changes from TJTC to WOTC. If our revenue estimates are correct, the cost of Rangel-Houghton can be incorporated into the revenue estimates provided by Treasury and Joint Tax.

The only other change that would lead to dramatic results is reducing the period of time on welfare needed to qualify for WOTC from nine continuous months to any six of the last 18 months. That would allow many more welfare recipients to qualify for WOTC.

I am also enclosing the Lowey refundable tax credit proposal. To keep track with Rangel-Houghton, this should be tiered at 20% for 120-399 hours and 30% for 400 or more hours.

REVENUE ESTIMATE FOR WOTC

DOL indicates that during the first six months of WOTC there were 159,000 requests for certification (RFC) filed.

In the first 3 months (Oct. - Dec.), 5,600 RFCs were processed; of which 4,000 were granted and 1,600 were denied. This represents a denial rate of 28.6%.

Assuming a 25% denial rate and that the 159,000 more accurately represents the participation for a 3 month period, on an annualized basis the participation rate is 477,000 (159,000 for one quarter x 4 quarters = 636,000 RFCs x a 75% certification rate = 477,000 certifications on an annualized basis.)

Based upon historical experience, 50 to 60% will not meet the 400 hour minimum work requirement. This means that approximately 238,500 individuals will be certified and meet the minimum work requirement.

Assuming a net credit of \$1,100 (maximum net credit is \$1,365), the cost of WOTC should be less than \$ 263,000,000 per year.

Based upon the above assumptions, we believe the estimated cost of WOTC for a one year program would be:

Estimated Requested for Certification filed per year	636,000
Less those denied (25%)	<u>-159,000</u>
Net WOTC eligibles hires per year	477,000
Assuming a conservative 50% of certified employees do not meet 400 hour requirement per year	<u>-238,500</u>
TOTAL NUMBER OF CERTIFIED EMPLOYEES WHO MEET THE 400 HOUR REQUIREMENT PER YEAR	238,500
Estimated average net value of the a WOTC for employees who work more than 400 hours.	\$ 1,100
Estimated cost for a one year WOTC extension	\$262,350,000

CIC Projections For WOTC in FY 1997, FY 1998

Interviews

9/96 - 4/97	460,936
5/97 - 9/97	583,333
Total	1,043,269

Referrals to Job Service at 10.1%	105,370
Rejection rate 33%	
Certs issued 66%	69,544
Reached 400 hrs. 45%	31,294

If CIC is 18% of total nation then projected certifications for FY 1997 nationwide	173,855
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% on AFDC = 67.2%
% on foodstamps = 20.2%

1997 AFDC certifications over 400 hrs.	116,830
1997 foodstamp certifications	35,118

About 40% of those certified in FY 1997 will work more than 120 hours but less than 400 hours. Therefore, 154,537 certifications will be received but will not be valid including 103,745 welfare certifications.

If FY 1998 interviews are at the same rate as projected last five months of FY 1997	1,399,999
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Referrals at 10.1%	141,399
rejection rate = 33.3%	
certs issued = 66.6%	94,171
reached 400 hrs.	42,376

If CIC is 18% of total nation for FY 1998 total certifications issued FY 1998	235,422
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FY 1998 AFDC certifications	158,203
FY 1998 Foodstamp certifications	47,555



Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156-3125

Vanda B. McMurtry
Senior Vice President
Federal Government Relations
TEL: (860) 273-0721
FAX: (860) 273-4479

July 15, 1997

Bruce N. Reed
Assistant to the President for Domestic Policy
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Bruce:

I wanted to let you know that Ron Compton, Chairman and Chief Executive Officer of Aetna Inc., has joined the board of directors of the Welfare-To-Work Partnership. Sponsored by the Clinton Administration, this independent, non-partisan, national effort of the business community to help move those on public assistance into jobs in the private sector will meet a critical need in the aftermath of welfare reform.

As a full member of the Welfare-To-Work Partnership, Aetna is committed to developing a program to recruit welfare recipients for permanent positions within the company. The initial plan is for Aetna to select two sites, one in Connecticut, to pilot the program. Later, the program will be improved and extended to other locations as appropriate.

You may be interested to know that Gerald Greenwald, the chairman of the board of directors of the Welfare-To-Work Partnership, is also a member of the board of directors of Aetna. Messrs. Greenwald and Compton have worked together on many projects over the years and they intend to play leading roles in this effort.

Please feel free to call me if you have any questions or comments on Aetna's participation in the Welfare-To-Work Partnership.

Sincerely,

Vanda B. McMurtry

JUL 17 1997

JAMES P. MORAN
8th DISTRICT OF VIRGINIA

COMMITTEE
ON
APPROPRIATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-4608

WASHINGTON OFFICE:
1214 LONGWORTH HOUSE
OFFICE BUILDING
WASHINGTON, DC 20515-4608
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SUBCOMMITTEE ON DISTRICT OF
COLUMBIA
RANKING MINORITY MEMBER
SUBCOMMITTEE ON INTERIOR

DISTRICT OFFICE:
51158 FRANCONIA RD.
ALEXANDRIA, VA 22310
(703) 971-4700

July 15, 1997

Mr. Erskine Bowles
White House Chief of Staff
The White House
Washington, D.C. 20500

Dear Erskine:

To follow-up on our conversation of earlier this afternoon, I am attaching additional information regarding the job training program that has been developed by Mitretek Systems, Inc., of McLean, Virginia. As I said, Mitretek proposes a public/private partnership under which welfare recipients would be trained in COBOL programming in order to meet the significant manpower requirements of the year 2000 problem.

This is an outstanding proposal that is wholly consistent with the administration's goals in several respects. The proposal would be focused on the Anacostia area of Washington, and would include measures to pre-screen potential participants to ensure that they have the aptitude for this particular work. Mitretek, whose President and CEO is Lydia Thomas — a dynamic African American woman, is willing to invest \$100,000 in this project, which carries a total cost of approximately \$500,000. This modest investment would achieve the twin goals of training welfare recipients in a burgeoning industry and addressing one of our nation's most challenging technological goals.

In the absence of this or similarly pro-active measures by our government, I am concerned that much of the work associated with the year 2000 problem will be performed offshore.

I will be pursuing funding for this project through the appropriations process. I would welcome the administration's support of these efforts and would be pleased to set-up a meeting to discuss this proposal.

*Send to
Chief of Staff to the President
could be a good idea*

JPM/pjr

Send to Bruce Reed

Cynthia - I ran into Jim Moran + talked to him about this. EB's right - it could be very good.

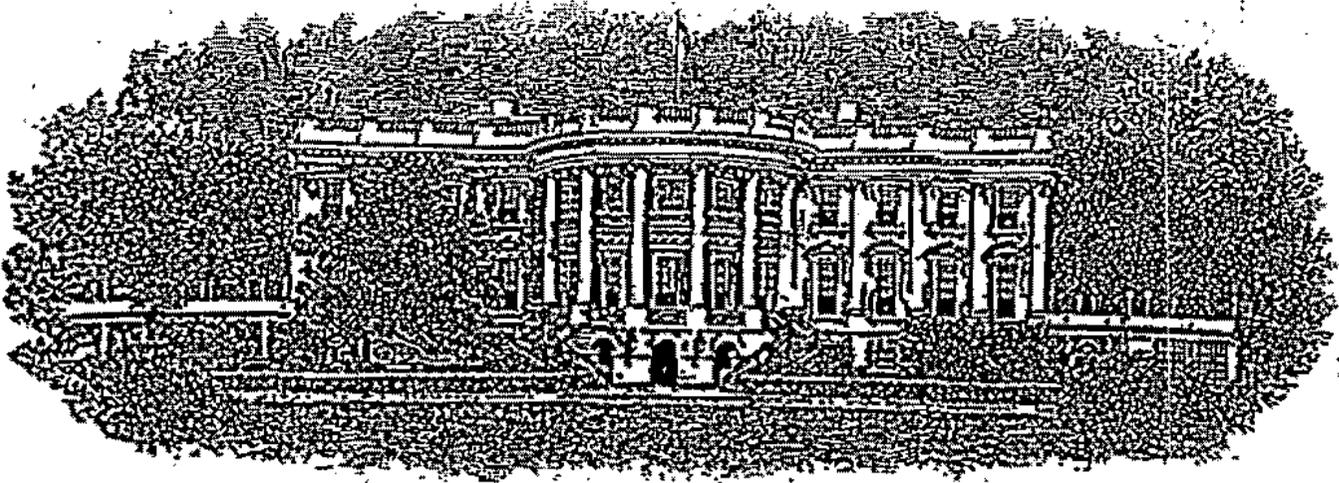
Bruce

Erskine, This is private contractor in India to do the idea for the Fed. for thousands of welfare recipients

*h. area
program
win-win
initially
ing jobs.*

Jim

The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: Bruce Reed / Elena Kagan

FAX NUMBER: 6-2878

TELEPHONE NUMBER: _____

FROM: CYNTHIA RICE, SPECIAL ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY

TELEPHONE NUMBER: 456-2846 (phone) 456-7431 (fax)

PAGES (INCLUDING COVER): _____

COMMENTS: **★** URGENT - Attached is a
copy of the Senate Finance Committee
Draft - Please hold close - May not
be public

INCOME SECURITY PROVISIONS--DISCUSSION DRAFT

CONTINUE SSI ELIGIBILITY FOR CERTAIN NONCITIZENS

1. SSI eligibility will be maintained for all legal noncitizens who were in the U.S. and receiving SSI benefits as of August 22, 1996.
2. Legal noncitizens who were in the U.S. on August 22, 1996, will be eligible to qualify for SSI disability benefits for a limited period of time in the future.
3. SSI eligibility of refugees, asylees, and Cuban and Haitian entrants will be extended from 5 to 7 year.

Budget target: \$9.7 billion

ESTABLISH "WELFARE TO WORK" PROGRAM

4. "Welfare to work" state grants
 - a. \$3 billion of funds will be available for states to assist long-term welfare recipients or those who are at risk of long-term dependency.
 - i. 75 percent of the funds will be provided through formula grants to the states. The formula will be based on the state's population under the national poverty level, unemployment rates, and welfare caseload; a small state minimum will apply.
 - ii. 25 percent of the funds will be awarded by the Secretary of HHS based on competition.
 - b. The grants will be administered through state TANF programs.
 - c. \$100 million of funds will be reserved in 2001 to be distributed among the states based on their performance in increasing the earnings of long-term welfare recipients or who are at risk of long-term welfare dependency.
5. Use of grant funds

Funds will be used to assist long-term welfare recipients or those who are at risk of long-term dependency move into the workforce including for:

- a. job creation through public or private sector employment wage subsidies;
- b. on-the-job training;

- c. contracts with job placement companies or public job placement programs;
- d. job vouchers; and,
- e. job retention or support services if such services are not otherwise available.

Preliminary CBO score: \$3 billion

AUTHORIZE DEMONSTRATION AUTHORITY FOR INTEGRATED ENROLLMENT SERVICE SYSTEMS FOR HEALTH AND HUMAN SERVICES PROGRAMS

6. The Secretary will be authorized to approve up to 10 state projects which integrate the eligibility and enrollment determination functions for federal and state health and human services benefit programs.
7. The integrated enrollment service system as submitted by the state of Texas to the Department of Health and Human Services and the Department of Agriculture will be deemed approved and eligible for federal financial participation.
8. Each project will be required to provide an evaluation as to the effectiveness in improving client service.

H.R. 1048, "WELFARE REFORM TECHNICAL CORRECTIONS ACT OF 1997"

9. H.R. 1048, the "Welfare Reform Technical Corrections Act of 1997" with the following modifications:
 - a. Delete all provisions relating to Title II of the Social Security Act.
 - b. Add a correction to the sanction for failure to meet minimum participation rates.

Preliminary CBO score: \$0

UNEMPLOYMENT INSURANCE PROVISIONS

10. Increase the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages.
11. Clarify that states have full discretion in setting their own Unemployment Insurance (UI) base periods for determining eligibility for unemployment insurance benefits.
12. Inmates of penal institutions who participate in prison work programs will not be eligible for coverage under the Federal Unemployment Tax Act (FUTA) programs for such prison work.

Preliminary CBO score: -\$1 billion

*They're
chomping at the*

MINIMUM

WAGE

again

AMERICA HAS A WAGE FLOOR.

It's the federal minimum wage, and it's one of our oldest and most fundamental protections for working families. It's there because Americans believe that all people who work are entitled to a reasonable wage. It's there to

prevent employers from driving wages down by pitting one group of workers against another. And it's there to give millions of working poor a chance to support their families and contribute

A. PHILIP RANDOLPH INSTITUTE
 ACCORN
 AFL-CIO
 AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
 AMERICANS FOR DEMOCRATIC ACTION
 AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES
 AMERICAN FRIENDS SERVICE COMMITTEE
 BAZELON CENTER FOR MENTAL HEALTH LAW
 BREAD FOR THE WORLD
 BUILDING & CONSTRUCTION TRADES DEPARTMENT, AFL-CIO
 BUSINESS & PROFESSIONAL WOMEN, USA
 CAMPAIGN FOR AMERICA'S FUTURE
 CATHOLIC CHARITIES USA
 CENTER FOR COMMUNITY CHANGE
 CENTER FOR WOMEN POLICY STUDIES
 CHURCH WOMEN UNITED
 COALITION OF LABOR UNION WOMEN
 COALITION ON HUMAN NEEDS
 COMMUNICATIONS WORKERS OF AMERICA
 DISABILITY RIGHTS EDUCATION & DEFENSE FUND
 1999 NATIONAL HEALTH & HUMAN SERVICE EMPLOYEES UNION
 FOOD RESEARCH & ACTION CENTER
 JEWISH LABOR COMMITTEE
 LEADERSHIP CONFERENCE ON CIVIL RIGHTS
 MCAULLEY INSTITUTE
 MIGRANT LEGAL ACTION PROGRAM
 NAACP
 NATIONAL CENTER FOR THE EARLY CHILDHOOD WORK FORCE
 NATIONAL COMMITTEE ON PAY EQUITY
 NATIONAL COUNCIL OF JEWISH WOMEN
 NATIONAL COUNCIL OF LA RAZA
 NATIONAL COUNCIL OF SENIOR CITIZENS
 NATIONAL EMPLOYMENT LAW PROJECT
 NATIONAL INTERFAITH COMMITTEE FOR WORKER JUSTICE
 NATIONAL JOBS WITH PEACE CAMPAIGN
 NATIONAL LAW CENTER ON HOMELESSNESS & POVERTY
 NATIONAL ORGANIZATION OF WOMEN
 NATIONAL URBAN LEAGUE
 NATIONAL WOMEN'S LAW CENTER
 NETWORK: A NATIONAL CATHOLIC SOCIAL JUSTICE LOBBY
 NOW, NATIONAL ASSOCIATION OF WORKING WOMEN
 NOW LEGAL DEFENSE & EDUCATION FUND
 SERVICE EMPLOYEES INTERNATIONAL UNION
 SIGMA PUBLIC EDUCATION & RESEARCH FOUNDATION
 UNION OF AMERICAN HEBREW CONGREGATIONS
 UNITARIAN UNIVERSALIST SERVICE COMMITTEE
 UNITE, UNION OF NEEDLETRADERS, INDUSTRIAL & TEXTILE EMPLOYEES
 UNITED AUTO WORKERS
 UNITED CHURCH OF CHRIST, OFFICE FOR CHURCH IN SOCIETY
 UNITED FOOD & COMMERCIAL WORKERS
 UNITED HEBREW TRADES DIVISION OF THE JEWISH LABOR COMMITTEE
 WELFARE LAW CENTER
 WIDER OPPORTUNITIES FOR WOMEN
 WISCONSIN JOBS NOW COALITION
 WOMEN WORK: THE NATIONAL NETWORK FOR WOMEN'S EMPLOYMENT
 WOMEN EMPLOYED
 WOMEN'S LEGAL DEFENSE FUND
 WORKING TODAY

to their communities.

But some members of Congress are trying to weaken this basic protection—again. They're proposing to chomp away at our wage floor by creating different classes of workers—some who are entitled to the minimum wage and some who aren't. They want to exempt people required to work in state "workfare" programs from the minimum wage and other basic employment rights—civil rights, organizing rights, job safety, family and medical leave and protections against sexual harassment.

If they succeed, they will create a perverse incentive to fire workers who earn low wages and replace them with others who are paid even less.

They'll destroy any possibility that welfare reform can reduce dependency on welfare by leading people into real jobs with real wages.

They'll undermine the minimum wage we raised just last year—an increase Americans overwhelmingly supported—so that working poor families could rise from poverty through the dignity of work.

Can America afford to pay workfare participants the minimum wage? We can't afford not to. America can't stand more erosion of workers' living standards—especially for those in the lowest-wage jobs who are already hurting the most.

Stop the new attack on the minimum wage.

Call your representatives in Congress and tell them that American voters support the minimum wage—for all workers.



Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP

cc: See the distribution list at the bottom of this message

Subject: Archer Substitute Mark

My quick read of Archer's substitute is that it's generally good news for us:

Major Problems

Legal Immigrants. The mark still grandfathers in elderly non-disabled rather than covering those who become disabled in the future. The battle continues.

Possible Problems

Welfare to Work Tax Credit is smaller than we proposed, allowing only a credit of 35% of up to \$10,000 in wages during the first year (ours was 50%), which rises to 50% of \$10,000, like ours, in the second year of employment. The credit sunsets in the year 2000.

Local TANF agency involvement in Welfare to Work. Allows the PICs "sole authority" to expend funds they receive "pursuant to an agreement with the agency that is administering the State program" -- i.e., the local TANF agency.

Vocational Education. As you know, the subcommittee narrowed the percentage of people who could count as working while in vocational education or high school -- but not as much as expected. They reported out a bill saying up to 30% of those required to work could be doing vocational education or completing high school (if under age 20).

Our SAP argued for no change, saying that "The Administration is concerned with several provisions approved by the Subcommittee that were not in the budget agreement. For example, the agreement did not address making changes in the TANF work requirements regarding vocational education or educational services for teen parents."

Archer's mark, compared to the subcommittee bill, allows more people attending school to count as working by keeping the percentage at 30% of those required to work but not counting teen parents in high school within that cap until 1999.

Things We Like

Welfare to Work: Same as subcommittee except it attempts to further target the hard-to-serve by requiring at least 90 percent of beneficiaries for competitive grant programs to (1) have 2 of 3 of the following characteristics -- a) not completed high school and has low skills; b) needs substance abuse treatment for employment; c) has poor work history -- AND (2) either a) been on welfare 30 months or more or b) is within 12 months of being ineligible. The earlier draft had been (1) OR (2).

Legal Immigrants. Several onerous provisions have been changed, including: 1) The provision requiring sponsors to have incomes of at least \$40,000 has been dropped; 2) SSI and Medicaid

benefits for asylees and aliens whose deportation has been withheld are extended from 5 years to 7 (earlier version extended only refugees); 3) A clarification is added on Cuban/Haitian entrants and certain Amerasian noncitizens which would provide these groups with benefits → something that was I believe we proposed as a technical ealier this year; 4) The bill makes clear that immigrants whose SSI is restored will also get Medicaid;

Things to Note

Welfare to Work Funds and Child Care. Language has been added to clarify that welfare to work funds for "support services" cannot be used for child care. I don't know if we think that's a problem or not, but HHS is arguing that temporary child care (i.e. for someone in job search) should be allowed.

FLSA. The mark adds language saying all federal and state health and safety laws shall apply to the working conditions of recipients and that workers' compensation must be provided to such workers on the same basis as it would be for other workers. Also, it clarifies that under their proposal 1) first, a welfare recipient would have to work as many hours as TANF + food stamp grant would allow when the minimum wage was applied; and 2) then the state can choose or combine i) counting Medicaid, housing, child care and/or ii) completing the work hours through job search or various educational activities.

Message Copied To:

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LEVINE_P @ A1 @ CD @ LNGTWY
Emily Bromberg/WHO/EOP
Cynthia A. Rice/OPD/EOP

DRAFT SAP FOR FINANCE

Edited Saturday 6/14 to reflect the Roth Release. To be edited further on Monday. BW

Query for those familiar with the mores of this committee: Is it acceptable or offensive to try to add credibility to our preferences by citing to provisions passed by the House committees?

[Up-Front paragraph on positive aspects of welfare to work]

Welfare to Work -- We are pleased that the Chairman's mark includes a number of provisions that address the Administration's priorities, including: providing formula grant funds to States based on poverty, unemployment, and adult welfare recipients; a sub-state allocation of the formula grant that appears similar to the formula passed by two House Committees, to ensure targeting on areas of greatest need; gives grantees appropriate flexibility to use the funds for a broad array of activities that give promise of resulting in permanent placement in unsubsidized jobs; awards some funds on a competitive basis; and creates a performance fund to reward States that are successful in placing long-term welfare recipients. We look forward to working with the Committee to refine these concepts. However, a number of other provisions, discussed below, raise serious concerns.

[Later section on Concerns with WTW]

Welfare-to-Work -- The following serious concerns are raised by the Chairman's Mark:

Local Program Administration. The challenge of welfare reform -- moving welfare recipients into permanent, unsubsidized employment -- will be greatest in our Nation's large urban centers, especially those with the highest number of adults in poverty. Cities and other local areas have been entrusted by Congress with the responsibility for administration of other Federal job training funds. The Administration strongly believes that a substantial amount of all welfare-to-work funds should be managed by cities and other local areas which have the experience to address most effectively the challenge of moving long term welfare recipients into permanent, unsubsidized employment that reduces or eliminates dependency.

The Mark, however, provides for local administration of formula grant funds only through the TANF agency. The Mark's competitive grant structure does not ensure that an appropriate portion of funds outside rural areas will be administered by cities with most adults in poverty. In addition, the competitive grant portion is only 25% of the total funds available, still further limiting the resources for cities with the greatest need.

Close coordination of Welfare to Work activity with the State-TANF agency and State TANF strategy is clearly essential. However, Welfare to Work would have a far greater likelihood of success for welfare recipients if it were primarily administered by cities and local areas. The Administration urges the Committee to incorporate provisions for management of Welfare to Work funds by cities and other local areas, as has been urged by Senate Labor and Human Resources Committee Chairman Jeffords, and incorporated

Stacy

into Welfare to Work programs passed by two House committees. The Administration also urges that the formula and competitive funds each receive 50% of the total available, as is provided in the Ways and Means Committee approach.

- Federal Administering Agency. The Chairman's Mark would put the program under the Secretary of Health and Human Services. While consistency with Federal TANF strategies is essential, to be successful, the Welfare to Work program activities must be closely aligned with the workforce development system overseen by the Secretary of Labor. Thus, the Administration believes that the Secretary of Labor should administer this program. This is also the approach taken in the bills passed by the House Ways and Means and Education and Workforce Committees.
- Worker Protections. The Mark does not address worker protections. We believe the proposal should include adequate non-displacement provisions and worker protections addressing such issues as civil rights, unsafe workplaces, and hours. We therefore strongly urge the Committee to adopt, at a minimum, these provisions as found in H.R. 1385, the House-passed job training reform bill.
- Evaluation. We appreciate the inclusion of a substantial set-aside for evaluation by the Secretary of Health and Human Services; her leadership is appropriate in order to ensure the assessment of the impact of Welfare to Work in the context of overall TANF policy. However, we believe it is equally important to have the Secretaries of Labor and Housing and Urban Development consulted on the evaluation's design and implementation, so that it may also take into proper account the relationship of Welfare to Work to other workforce development strategies and to urban policy.
- Performance bonus. The Administration applauds the inclusion in the Mark of a performance bonus fund focused on increased earnings. However, it is essential that such bonuses be paid only in recognition of impacts over and above what is achieved by States with their TANF and other funds. Welfare to Work resources should clearly lead to net additional positive outcomes for welfare recipients. In addition, the highest goal for Welfare to Work, and therefore for bonuses, should be the placement of the hardest to employ in permanent, unsubsidized jobs whose earnings are sufficient to reduce substantially, or eliminate, welfare dependency.
- Distribution of funds by year. It does not appear that the Mark's allocation of \$3 billion in budget authority across FY 1998-2000 will, when combined with the program structure, result in an outlay pattern consistent with an estimate of zero outlays in FY 2002, as provided in the Bipartisan Budget Agreement. The Department of Labor is available to work with the Committee to craft a BA distribution that does satisfy this outlay goal.

Privatization of Welfare Programs. The Chairman's mark would allow the eligibility and enrollment determination functions of federal and state health and human services benefits programs -- including Medicaid, WIC, and Food Stamps -- in ten states to be privatized. While certain program functions, such as computer systems, can currently be contracted out to private

entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. The Administration believes that changes to current law would not be in the best interest of program beneficiaries and strongly opposes this provision.

CASD\TEMP\ROTH_WTW.WPD

June 16, 1997

The Honorable William Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman,

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996 and making other important changes. The Senate Finance Committee mark for inclusion in the FY 1998 budget reconciliation bill is, however, inconsistent with the budget agreement in this key area. Consequently, if the Committee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call on the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

We appreciate the fact that the Committee includes several provisions that were part of the budget agreement that the Administration supports, such as in the areas of refugee and asylee eligibility, welfare to work, and EITC compliance.

Refugee and Asylee Eligibility -- The budget agreement would extend the exemption period from five to seven years for refugees, asylees, and those who are not deported because they would likely face persecution back home. The Administration supports the Committee's mark which implements this policy and also extends the exemption to Cuban and Haitian entrants.

Welfare to Work -- We are pleased that the Committee is considering provisions that meet a number of the Administration's priorities for the program such as providing funds for jobs where they are needed to help long-term recipients, giving grantees appropriate flexibility to use the funds to create successful job placement and job creation programs, awarding some funds on a competitive basis, and creating a performance fund to reward States that are successful in

working with long-term welfare recipients. We look forward to working with the Committee on this proposal, and to addressing certain items raised later in this letter.

Earned Income Tax Credit -- The Chairman's mark includes three proposals made by Treasury to improve EITC compliance. The mark would deny EITC for ten years for those who fraudulently claim the EITC; would toughen recertification requirements for those denied the EITC as a result of deficiency procedures; and would impose due diligence requirements for paid preparers. Treasury has proposed three other legislative compliance measures which we hope the Committee will also consider.

With regard to benefits for immigrants, however, we have serious concerns that the mark does not reflect the budget agreement. The Administration has separately transmitted draft legislative language on June 4th that reflects the budget agreement's provisions on benefits to immigrants.

Continued SSI and Medicaid Benefits for Legal Immigrants -- The Administration strongly opposes the provision that denies coverage to many legal immigrants who were in the United States when the welfare law was signed but who become severely disabled after that date. The budget agreement explicitly states, "Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who enter the U.S. prior to August 23, 1996." The Committee mark fails to reflect that agreement by grandfathering those now receiving SSI and only providing benefits for new applicants for only a very limited time. A policy that only grandfathers immigrants who were on the SSI rolls on August 22, 1996, protects 75,000 fewer immigrants than the budget agreement in the year 2002.

By contrast, the agreement targets the most vulnerable individuals by providing a safety net for all immigrants in the country when the welfare law was signed who have suffered -- or may suffer in the future -- a disabling accident or illness. In addition, the Administration believes the budget agreement assumed that all legal immigrants currently receiving SSI benefits would continue receiving benefits during the disability review, as has always been the practice.

Finally regarding immigrants, the Administration urges the adoption of a provision to protect the benefits of those who have been on the SSI rolls prior to 1979. Generally these are elderly citizens over the age of 90 who do not possess the required birth certificates or other documents necessary to establish eligibility.

In addition to the provisions in the Subcommittee's action related to immigration, the Administration has the following serious concerns:

Welfare-to-Work -- TO BE ADDED

Unemployment Insurance Integrity -- The Committee mark does not include the provision of the budget agreement that achieves \$763 million in mandatory savings over five years through an increase in discretionary spending of \$89 million in 1998 and \$467 million over five years. These savings are a key component of the budget agreement. The discretionary spending that the agreement assumes, and which would be subject to appropriation, would support the necessary additional eligibility reviews, tax audits, and other integrity activities that, the evidence demonstrates, will yield the savings. We urge the Committee to adopt this provision to achieve the specified savings. The Administration has separately transmitted draft legislative language on June 6th that reflects the budget agreement's provisions on this provision.

State SSI Administrative Fees -- It does not appear that the Committee intends to include a provision, comparable to that included in the House Ways and Means Committee mark and consistent with the budget agreement, to increase the administrative fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for Social Security Administration (SSA) administrative expenses. The Administration encourages the Committee to do so.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,

Franklin D. Raines
Director

Identical letter to the Honorable

Language that may or may not be used:

THIS MAY NOT BE RELEVANT -- DON'T KNOW WITHOUT SEEING LEGISLATIVE LANGUAGE. WE WILL HERE FROM IID. As noted above, the agreement provided for both SSI and Medicaid eligibility for disabled legal immigrants. The Committee's action, however, also fails to guarantee Medicaid coverage for all disabled legal immigrants who continue

to receive SSI. For States in which SSI eligibility does not guarantee Medicaid coverage and for States that choose not to provide Medicaid coverage to legal immigrants who were in the U.S. prior to August 23, 1996, legal immigrants who receive SSI would not be guaranteed continued Medicaid coverage. To conform to the policy in the budget agreement, the Committee should explicitly guarantee Medicaid coverage to disabled legal immigrants.



Cynthia A. Rice

06/12/97 10:16:09 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP, Emil E. Parker/OPD/EOP
bcc:
Subject: Re: MOE 

You asked whether HHS running numbers on how much states are required to spend at 80% and 75% MOE, and whether the new program is worth their while. HHS had initially done these just for CA, but now at my request have done them for all states. In a nutshell they show:

In only 11 states would the welfare to work formula grant be larger than the cost of the state increasing its MOE from 75% to 80%. This assumes only half the \$3 billion is distributed by formula. The states that are helped are the poor, low benefit states: Alabama, Arkansas, Idaho, Kentucky, Louisiana, New Mexico, South Carolina, South Dakota, Tennessee, Texas, and West Virginia. If 100% of funds were distributed by formula, then in all but 16 states, the welfare to work grant would be higher than the cost of the state raising its MOE from 75% to 80%.

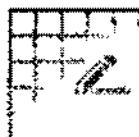
If one assumes that all states are at 75% MOE when these funds become available, then it is clear that some states may forfeit their formula funds rather than increase their MOE. That is not necessarily a bad outcome, however, because funds not obligated return to the fund to be distributed the next year. In other words, if wealthier states forfeit their funds, they'll be more funding available for poorer states the next year -- thus a higher MOE helps target funds to poor states.

But because HHS expects few states to meet the high participation rates required of two parent families (75% rising to 90% in 1999), nearly all states are expected to be required to spend 80% of historic state spending to obtain the full TANF block grant. Therefore, for a state already at 80%, the welfare to work formula money is definitely "worth it."

There is another, possibly more difficult issue regarding the match. Why would a state put up a 33% match for funds that will flow directly to the locals? I think the state could require the locals to put up the match; but these are poor, local jurisdictions. There's some danger that some funds could go unspent because neither the state nor the locals are willing to put up the match. However, local buy-in is clearly important to creating good programs, so some kind of match is important. Perhaps some language could be added at a later date to give the Secretary the authority to waive the match in certain circumstances. We'll have to give that some thought.

Regarding your second question, I've asked for but not yet received the data.

Bruce N. Reed



Bruce N. Reed
06/09/97 12:29:50 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: Elena Kagan/OPD/EOP

Subject: MOE

Is HHS running numbers on how much states are required to spend at 80% and 75% MOE, and whether the new program is worth their while?

It would also be interesting to know which states, because of caseload drop, will be required to spend more on MOE in 1997 than they would have if the law hadn't passed.



Cynthia A. Rice

06/12/97 05:44:11 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Senate Finance Committee Mark

We're faxing you and our working group the two pager from Senate Finance:

Welfare to work: 75% of funds formula grant to states, administered by TANF agency. No mention of substate formula, implying the governors have discretion. 25% of funds awarded by HHS based on competition. \$100 million for performance bonus. Use of funds like Ways and Means (job creation, on-the-job training, contracts with job placement companies or programs; job vouchers; job retention or support services).

Texas Privatization: Deems Texas proposal approved as submitted, and authorizes Secretary to approve up to 10 state projects integrating eligibility and enrollment determinations.

Legal Immigrants: The proposal starts with the House Ways and Means grandfathering proposal, and adds in temporary benefits for the disabled-after-entry group we are defending. The Ways and Means costs only \$9.0 billion while the budget agreement set aside \$9.7 billion. The Senate takes that unclaimed \$700 million and proposes to allow legal immigrants in the country as of 8/96 to qualify for benefits for "a limited period of time." OMB guesses that the \$700 million will pay for benefits for about 1 ½ years.

Technical Corrections Act/HR 1048: The proposal incorporates the House technicals bill, minus anything related to SSDI/Social Security. This was done so that the bill won't violate the procedural firewall against including Social Security in a reconciliation bill and raise a point of order. We're not sure yet what "b" refers to ("add a correction to the sanction for failure to meet minimum participation rates").

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Emily Bromberg/WHO/EOP
Kenneth S. Apfel/OMB/EOP
Barry White/OMB/EOP
Keith J. Fontenot/OMB/EOP
Emil E. Parker/OPD/EOP

1 pages

FAX TO: John Hilley - 456-6220
Janet Murguia - 456-2604
Chris Jennings - 456-5557
Nancy Ann Min DeParle - 395-7289
Bruce Reed - 456- 2878

FROM: Rich Tarplin

Attached is the summary of Amendments from Ways and Means
and Commerce Markups from yesterday.

Welfare to Work and Related Welfare Amendments

Hayworth offered an amendment to allow noncustodial parents to participate in welfare to work activities. Adopted by unanimous consent.

Tanner offered an amendment to revise the welfare to work grant programs to direct a portion of the funds to performance bonuses. It was rejected 16 to 19.

Cardin offered an amendment to strengthen the labor protections and displacement provisions in the welfare to work grant program. It was passed on voice vote.

Camp offered an amendment to allow states the option to use tables of benefits to count toward minimum wage calculations. It was passed on voice vote.

Stark offered an amendment to strike the vocational education/teen parent provision in the chairman's mark. It failed 16 to 21.

Kennelly offered an amendment to take the teen parents out of the vocational education cap. It passed 20 to 17.

Stark offered an amendment to strike the Fair Labor Standards exemptions from the chairman's mark. It failed 16-22.

Levin offered and then withdrew an amendment to lift the cap on the contingency fund.

See other amendments to immigrant provisions...

Full Ways and Means Committee Mark-up - 6/10/97

Matsui offered an amendment to strike the provision that repeals the SSI maintenance of effort requirement for SSI. The amendment failed by a vote of 23-16.

Becerra offered an amendment to restore all legal immigrants cuts but was withdrawn.

Becerra offered an amendment to provide eligibility for immigrants who were in the country before August 22, 1996 but became disabled after entry. This amendment would be offset by the additional revenues of approximately \$2.3 billion that have identified (unemployment compensation). This amendment failed by a vote of 19-20. Republicans voting in favor of the amendment included Thomas (CA), Johnson (CT), and Collins (GA).

Levin announced that he would offer the budget agreement language at Rules Committee.

English offered an amendment to allow entertainers to work while receiving pensions to receive unemployment. They will work on redrafting the amendment to include other fields and will be offered during the Tax mark-up.

Coyne offered an amendment to strike the Pennington language. This amendment failed by a vote of 17-22.

Archer/Shaw Substitute - passed by voice vote.

Reporting of the bill - passed by a vote of 21-18. The Democratic members and Republicans - Herger (CA) and Collins (GA) opposed the bill.

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON HEALTH AND ENVIRONMENT

Budget Reconciliation Mark-Up
June 10, 1997

MEDICARE

Amendment in the nature of a substitute, as amended (Bilirakis)
Adopted 15-11; Furse voted for

Amendments to Bilirakis substitute amendment (Chairman's mark)

1. Strike MSA provisions in substitute (Pallone)
Failed 10-14

1(a) Amendment to Pallone MSA (Ganske)
Withdrawn
2. Part B premium protection for SLMBies (Waxman)
Failed 9-14
3. Two year competitive bidding demo (Barton)
Adopted on voice vote
4. Reduce MSA demo enrollment from 500,000 to 100,000 and apply savings to
elimination of mammography copay (Brown)
Failed 11-13
5. Move MSA demo start date to 1/1/98 instead of 1/1/99 (Ganske)
Adopted 13-10; Hall voted for.
6. Strike malpractice liability language (Waxman)
Failed on voice vote
7. Patient protections; definition of medical necessity (Norwood)
Adopted on voice vote
8. PSOs - exempt from solvency/capitalization requirements; require compliance
with consumer protection laws (Green/Deutsch)
Adopted on voice vote
9. Grievances/dispute resolution; expedited review of denials of care (Coburn/Brown)
Adopted on voice vote

10. Require reporting to ensure that savings from medical malpractice punitive damage caps go toward Medicare fund (Stupak)
Failed 8-14
11. AAPCC change to 50/50 blend (Ganske/Stupak)
Withdrawn
12. Medigap portability (Green)
Withdrawn
13. Medical appropriateness - patient/doctor decisions have priority (Coburn)
Adopted 17-10 on split vote
14. Medigap open enrollment period for under 65 disabled at Medicare eligibility (Furse)
Failed 11-14
15. Center of excellence (Ganske)
Failed 7-15
16. Provider/practitioner hiring/contracting - non-discrimination standard required (Pallone)
Adopted on voice vote
17. Area-adjusted rates - reducing geographic variations (Deutsch)
Withdrawn
18. Office of Medicare Advocacy - establish within HCFA (Pallone)
Failed 10-15
19. Fraud and abuse - increase kickback penalty, establish 1% administrative surcharge on fraudulent billing repayment (Stupak)
Failed 11-14
20. PSOs - interim certification/licensure waivers (Deutsch)
Adopted 21-6
21. Prescription drug counseling/education - reimburse pharmacists (Pallone)
Failed 12-13

MEDICAID

Amendment in the nature of a substitute, as amended (Bilirakis)

Adopted 16-12; Barton voted no; Hall and Furse voted yes

Amendments to Bilirakis substitute amendment (Chairman's mark)

1. SLMB premium protections (Waxman)
Failed 12-15
2. DSH cuts - make baseline 1995 actuals, not 1997 allotment (Barton)
Withdrawn
3. Brown amendment withdrawn
4. Patient protections - prudent layperson definitions and gag rule restrictions (Ganske)
Adopted on voice vote
5. Exempt special needs children from mandatory managed care (Strickland/Brown)
Withdrawn
6. Strike transitional DSH support for California (Barton)
Failed 6-16
7. Children's mental health (Strickland)
Withdrawn
8. Medical appropriateness - patient/doctor decisions have priority (Coburn)
Adopted 17-11
9. Strike repeal of Boren (Pallone)
Adopted 15-13; Deal, Whitfield voted yes
10. SSI IFA kids - strike language restoring Medicaid benefits (Greenwood)
Withdrawn
11. FQHC cost reimbursement - strike cost-based reimbursement repeal (Stupak)
Withdrawn
12. Payment for OB/Peds practitioners - ensure reasonable pay rates (Eshoo/Waxman)
Adopted on voice vote

13. Payment for physicians assistants (Towns)
Adopted 17-11 (note: may include nurse practitioners)
14. 1115 Medicaid demos - allow 3 year extensions with Secretary's approval (Furse)
Adopted by voice vote

CHILDREN'S HEALTH

Amendment in the nature of a substitute, as amended (Bilirakis)
Adopted on a voice vote

Amendments to Bilirakis substitute amendment (Chairman's mark)

1. Amendment in the nature of a substitute to Chairman's mark (Dingell/Roukema)
Failed 13-15
2. Special needs kids - ensure states provide appropriate services (Lazio)
Adopted on a voice vote
3. Amendment in the nature of a substitute to the Chairman's mark (Pallone/Eshoo)
Failed 13-16 (Hall voted against)
4. Presumptive eligibility for children - state option (DeGette)
Withdrawn
5. Voluntary purchasing coops (Stupak)
Withdrawn
6. Strike Hyde abortion language in Kids bill (DeGette)
Failed 11-16 (Greenwood voted yes; Stupak and Hall voted no)
7. Mental health parity for kids (Strickland)
Withdrawn

THE WELFARE TO WORK PARTNERSHIP

FACSIMILE TRANSMITTAL SHEET

TO:	FROM:
Kathy For Bruce Reed	Grace For Eli Segal
COMPANY:	DATE:
The White House	June 10, 1997
FAX NUMBER:	TOTAL NO OF PAGES INCLUDING COVER:
456-5542	3
PHONE NUMBER:	SENDER'S EXTENSION NUMBER:
456-6515	303
RE:	

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

As we discussed.

1250 CONNECTICUT AVENUE, NW
SUITE 610
WASHINGTON, DC 20036
PHONE (202) 955-3005 • FAX (202) 637-9195

MEMORANDUM

TO: The President
FROM: Eli J. Segal
DATE: June 9, 1997
SUBJECT: August 22 Event

On August 22, 1997, -- the first anniversary of your signing the landmark welfare reform legislation -- I recommend a highly evocative event with the Welfare to Work Partnership, showcasing how much good has happened without soft pedaling the fact that more needs to be done.

This memo lays out the potential message and contents of the day and asks for your specific commitment for August 22. I know it is unusual to get a time commitment this far in advance, especially during your likely vacation. If it becomes impossible to make that commitment, we'll just proceed in the ordinary course and look to September for our next significant event.

I envision a giant step beyond the "welfare to work" event at the White House three weeks ago: on August 22, hundreds of companies of all sizes and sectors come together in a city somewhere in the heartland and make specific commitments to you to a specific number of jobs for those on public assistance within a one year period. Here's the anticipated story line:

"Today in Indianapolis, exactly one year after President Clinton signed the historic legislation ending welfare as we know it, 211 business leaders committed to him that they would find jobs for 2,865 welfare recipients in the Indianapolis area within one year. These 211 business leaders join thousands of others who have made similar commitments in their communities throughout the United States. What seemed so controversial only a year ago looks a lot different today. When President Clinton signed

the bill, there were 4,000,000 adults receiving welfare benefits; today that number has been reduced by 1,000,000. And what's more important, the evidence is mounting that hundreds of thousands of those leaving the welfare rolls are finding productive jobs in the private sector."

On this last point, I am hopeful that we will have a system in place by August 22 so we can report an impressive number of jobs our "members" alone have delivered already and will deliver over the next year.

A message like this takes the words of the White House event, your State of the Union Address, your various speeches at, and since bill signing, and turns it into a story of momentum and success which will go right at the skeptics. In this last context, we can certainly add to the event several CEOs and small business owners each standing proudly with their employees, all formerly welfare recipients.

We can also use the event to unveil our "best practices" manual; our 800 number; our database of service providers and companies who have or will hire; and our PSA campaign which will focus on destigmatizing welfare recipients and demystifying the process of going from welfare to work.

I have asked the CEOs of our five founding companies to hold August 22 open for this event until we get an indication whether it is consistent with your plans. I am hopeful that you can signal whether or not we can count on the day so planning in earnest can begin.

Yes, August 22 can be reserved for this purpose _____

No, August 22 cannot be reserved at this point _____

EJS/gho



Cynthia A. Rice

06/06/97 02:24:53 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP
Subject: Daschle--New Proposal on Welfare to Work

Joan Huffer from Daschle's staff called to follow-up on our meeting yesterday. In order to accommodate our concerns, she proposes to amend their proposal in the following way:

Of the total amount of funds:

- 20% would be formula funds to 100 cities with most poor people
- 30% would be formula funds to states directly to PICs, who would perhaps have to consult with local IVA agency re: spending
- 50% competitive funds to local governments (cities and counties) in high poverty/high unemployment areas.

Long-term recipients definition changed to 30 months or more

Match changed to 33%

No performance bonus

What do you think of this?

Message Sent To:

Bruce N. Reed/OPD/EOP
Susan A. Brophy/WHO/EOP
Emily Bromberg/WHO/EOP
Emil E. Parker/OPD/EOP
Barry White/OMB/EOP
Richard J. Tarplin @ 690-7380 @ fax
Raymond Uhalde @ 219-6827 @ fax
Geri Palast @ 219-5288 @ fax
Mary Bourdette @ 690-8425 @ fax

THE WHITE HOUSE
WASHINGTON

To Brian
Cynthia
Diana

File - welfare legislation

May 29, 1997

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Elena Kagan *ek*

SUBJECT: Welfare to Work Proposal

Attached is the one-pager we sent to the Hill late last week outlining the Administration's position on the design of the \$3 billion welfare-to-work fund. Also attached are one-pagers we received this afternoon on the House Republican and Democratic proposals. The legislative process is moving quickly, with House Ways and Means Republicans planning to draft legislation this weekend, hold a subcommittee markup on Friday June 6, and hold a full committee markup early the next week.

We had a productive meeting this afternoon with the Departments of Labor, HHS, HUD, and Treasury. We agreed that we should emphasize the following list of priorities to House Ways and Means staff at our meeting tomorrow morning:

- Half of all welfare-to-work funds should go directly to cities, with cities and states subject to identical rules and program requirements. (The House Republican proposal would give all the money to states for distribution.)
- All funds should be awarded competitively, to promising welfare-to-work projects -- not distributed based on a formula. Under this enterprise zone model, the grants would be awarded by the Department of Labor in consultation with HHS and HUD. (The House Republicans would distribute at least 80% of the funds on a formula basis.)
- A portion of the funds -- 20% in our proposal -- should be distributed as performance-based bonuses, to encourage the job placement and retention of long-term welfare recipients living in especially high poverty/high unemployment areas. (The House Republicans have no such provision.)
- States and cities should be permitted to use the funds to create public sector jobs in areas of high unemployment. (The House Republicans would not permit this use.)
- Strong language prohibiting worker displacement should be included. (The House Republican draft does not include such language.)

The House Democratic alternative is somewhat vague, but it basically comports with our views on all of these issues.

You should know how the exact language of the budget agreement reads on these issues. It states that the funds shall be "allocated to States through a formula and targeted within a State to areas" with high poverty and unemployment. It then states that "a share of the funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions."

We still have a number of technical issues where we must clarify the Administration's position. In particular, we have not reached closure on (1) the precise manner in which the performance bonus would work, (2) whether job training is an allowable use of the funds, and (3) whether economic development projects that would employ welfare recipients would qualify for funding. Secretary Rubin may raise the first two issues tomorrow; Secretary Cuomo will raise the third.

The most important unresolved issue is one that Secretary Shalala will raise with you tomorrow. Now that we have clarified our position that the Department of Labor should administer this program, she does not believe that it should be part of the TANF welfare block grant. HHS staff have told us that Hill staff are willing to discuss this issue, even though the budget agreement specifically refers to these funds as part of TANF.

All participants in today's meeting (including Barry White from OMB) agreed that we should not try to produce additional paper (either a fuller summary, specs, or legislation) prior to the Ways and Means markup. Time is extremely short, and we have always found it exceedingly difficult to reduce a welfare-to-work plan to writing. The Treasury Department suggested revisiting the issue of sending up legislation after the Ways and Means markup.

Administration's Welfare to Work Jobs Challenge Proposal

Consistent with the budget agreement, this proposal would add \$3.0 billion in capped mandatory spending to TANF for welfare-to-work in areas with high poverty and unemployment to help long-term recipients get and keep jobs.

Funding:

- Challenge grants would be awarded on a competitive basis to States, cities, and counties who have submitted applications for welfare to work programs for long term welfare recipients. Preference will be given to programs operating in areas with high poverty and unemployment rates.
- 50% of funds would be earmarked for States, and 50% for cities and counties. At least 20 percent of the total would be provided as performance-based bonus grants to reward success in placing and retaining long-term recipients in jobs. To apply, states must meet an 80 percent TANF maintenance of effort.
- Grants would be awarded by the Department of Labor in consultation with the Department of Health and Human Services and the Department of Housing and Urban Development.

Allowable uses:

- Private sector wage subsidies;
- Contracts with job placement companies or public job placement programs;
- Job vouchers;
- Job retention services;
- Job creation in high unemployment areas and on Indian reservations.

The program shall include strong assurances of nondisplacement and nondiscrimination.

Republican

Overview of Possible
\$3 Billion Welfare-to-Work Funding
May 27, 1997

1. How divided among states. In proportion to poverty, unemployment, number on IV-A. States would have up to 3 years to spend each year's allocation.
2. How disbursed within states. Governors must distribute at least 80 percent of their funds to political subdivisions within their state based on a formula developed in collaboration with State Human Resource Investment Councils. Poverty levels must be the most important factor in the formula of every state; at least half the weight of the formula must be poverty. Other factors that governors may take into account include, but are not limited to, welfare use, long-term welfare dependency, and unemployment. At their option, governors may distribute up to 20 percent of the state allotment to projects, such as saturation grants for depressed areas, that have nationwide or statewide significance.
3. State administering agency. Funds must be administered through the state TANF agency but must be distributed to and spending approved by the Private Industry Councils (and successor organizations) at the local level.
4. What state must do to qualify:
 - 80% MOE
 - 1 for 2 state/federal match (cannot be used for any other federal match)
 - submit plan as an amendment to their section 402 state plan
 - agree to evaluation
 - 15% administrative cap
8. Eligible individuals. At least 80 percent of a state's funds must be spent on long-term recipients (18 months or more) and those with multiple barriers.
9. Evaluation set aside. The Secretary of HHS will receive funds equal to .5 percent of the annual amount and develop her own evaluation plan. The evaluation plan must be developed in consultation with the Secretary of Labor.
10. Allowable activities:
 - Private sector wage subsidies;
 - On-the-job training;
 - Contracts with job placement companies or public job placement programs;
 - Job vouchers;
 - Job retention services.
11. Set-aside for Indians. 1%
12. Penalty. States that fail to meet the terms of their state plan will be required to return all unspent funds.

Democratic Principles for a Welfare-to-Work Initiative

May 28, 1997

Purpose.-- The budget agreement provides a total of \$3 billion in capped mandatory funds for a welfare-to-work initiative. These funds should be used only to expand the supply of jobs for low-skilled workers at high risk of reaching welfare time limits.

Eligible participants.-- For this grant program, eligible participants should be limited to those TANF recipients who have had no significant work experience in the past year, who have received cash assistance for more than 36 months, and who have participated in a job search program under TANF without securing employment.

Distribution of funds.-- Grants should be awarded by the Department of Labor, in consultation with the Departments of HHS and HUD, to both States and communities on the basis of merit to those proposing the most innovative and promising approaches to creating job opportunities for hard to employ welfare recipients. A substantial portion of all grants should be awarded to those areas of a State with the highest combination of unemployment and job shortage, without unnecessary duplication of effort between the State and community grants. One percent of available funds should be reserved for evaluation. The remaining funds should be awarded on merit to the entity in the State responsible for meeting the TANF work requirements, with authority for that agency to contract for any allowable activity. Any unused funds should be reallocated to qualified applicants and grantees.

Allowable activities.-- Under these grants, States and communities should be permitted to offer any combination of the following activities: (1) wage subsidies to expand the supply of private sector jobs; (2) job creation in private nonprofit or public agencies designed to address pressing community needs; (3) contracts with job placement companies or public job placement programs; (4) job coaches; and (5) retention or support services for employment purposes. The program should include strong assurances of nondisplacement and nondiscrimination.

Performance bonuses.-- A portion of the funds should be set aside in later years for performance bonuses to States to reward placement and retention of long-term TANF/AFDC recipients in permanent jobs.

HHS role.-- Grants should be awarded to a State only if the Department of Health and Human Services determines that (1) the State cannot meet its TANF work requirements without additional funds; (2) total State spending on TANF work activities in the prior fiscal year exceeded State spending on JOBS programs in fiscal year 1996; (3) the State has met 100 percent of its maintenance-of-effort requirements under TANF; and (4) the State has the ability and resources to carry out the proposed project.

File - welfare legislation

To Tomica
Cyathia
Diana

POSSIBLE SHAW MARK

(From Deborah Altman)

TANF AMENDMENTS

1. FLSA - minimum wage
 - Workfare is not employment
 - States *must* count the value of food stamps and TANF cash assistance, divided by the minimum wage, toward the hours of participation rules
 - States *may* count the value of housing, child care, and Medicaid, divided by the minimum wage, toward the hours of participation rules
 - Once maximum workfare hours have been reached, States *may* count hours spent on other allowable activities (job search, education and training)
2. Welfare-to-work (budget agreement)
3. 20 percent - vocational education
4. Title XX transfer
5. Clarify pro-rata benefit reduction

SSI AMENDMENTS

1. McCrery - disabled child issue
2. California maintenance of effort
3. SSI fees (budget agreement)
4. Border Indians

LEGAL IMMIGRANTS

1. Grandfather those on the rolls as of August 22 but no new applicants (altered version of budget agreement)
2. Refugees - 7 years (budget agreement)
3. If the sponsor has income of 150 percent of poverty, the alien is not eligible for SSI or Medicaid]
4. Public charge deportation
5. No welfare entry pledge
6. No one on welfare can be a sponsor
7. AIDS
8. Definition of means-tested programs

UNEMPLOYMENT COMPENSATION

1. Pennington
2. Actors
3. Christian schools
4. Poll workers
5. Trust fund ceiling (budget agreement)
6. Anti-fraud (budget agreement)
7. Indians

J:\DCOLTON\WP\Welfare 97\5-28 Shaw mark emllnc.wpd

POSSIBLE SUBCOMMITTEE AMENDMENTS

May 28, 1997

GENERAL AMENDMENT

1. **Limit the mark to items in the budget agreement**
 - Welfare-to-work
 - SSI fees
 - Restore benefits to legal immigrants, including new applicants present in the US on August 22, 1996
 - Refugees
 - UI trust fund ceiling
 - UI anti-fraud

TANF AMENDMENTS

1. **FLSA - minimum wage**
 - Work off benefit, then count job search and education
 - training for 12 months, then its wages
 - strike "workfare is not employment"
2. **Welfare-to-Work**
 - Modifications to Shaw mark
 - Blue Dogs proposal
 - Proposal based on Democratic principles
3. **Miscellaneous**
 - 20 percent - vocational education -- take out teen parents
 - Title XX transfer -- limit to 10 percent
 - Contingency fund -- Lift funding cap

SSI AMENDMENTS

1. **California maintenance of effort**
 - Strike ?

LEGAL IMMIGRANTS

- 1. **Restoration of benefits to aliens**
 - Pure budget agreement (include new applicants)
 - Add disabled after entry paid for (?) With extension of the FUTA tax
 - Small new entrants provision?

- 2. **Non-Ways and Means issues**
 - Strike ?

UNEMPLOYMENT COMPENSATION

- 1. **Pennington**
 - alternative?

WELFARE REFORM AND THE BIPARTISAN BUDGET AGREEMENT

- The Administration strongly opposes the House Ways and Means Subcommittee proposal, which violates the bipartisan budget agreement, treats disabled legal immigrants unfairly, and prevents working welfare recipients from getting a minimum wage.
- The Administration is pleased that the Ways and Means Subcommittee \$3 billion welfare-to-work proposal meets many of the Administration's priorities. These include: targeting funds to areas and individuals with high needs; directing funds to cities and local governments, awarding some funds competitively, and allowing communities to create successful job placement and creation programs.
- But the provisions of the Subcommittee proposal addressing legal immigrants and the minimum wage are clearly unacceptable.

Legal Immigrants

- The Ways and Means Subcommittee's proposed amendment to the welfare law clearly violates the negotiated, bipartisan budget agreement policy to restore a minimal safety net for disabled legal immigrants. The Subcommittee's proposal would restore SSI and Medicaid benefits only to immigrants *already receiving* benefits prior to August 23, 1996; by contrast, the bipartisan budget agreement policy restores SSI and Medicaid benefits to *any immigrant in the country* as of that date who is or becomes disabled.
- The Ways and Means Subcommittee proposal would protect 75,000 fewer immigrants than the budget agreement by the year 2002. And in leaving unprotected any person who becomes disabled after August 22, 1996, it fails to target assistance to the most vulnerable individuals.

Minimum Wage

- The Administration also strongly opposes the Ways and Means Subcommittee's provision on the minimum wage, which undermines the fundamental goals of welfare reform.
- The Administration believes strongly that everyone who can work must work -- and that those who work should earn the minimum wage, whether they are coming off of welfare or not.
- The House Ways and Means Subcommittee proposal does not meet this test. It effectively creates a subminimum wage for workfare participants. And it weakens the welfare law's work requirements.

LEGAL IMMIGRANTS AND THE BIPARTISAN BUDGET AGREEMENT

The Ways and Means Subcommittee's proposed amendment to the welfare law clearly violates the negotiated, bipartisan budget agreement policy to restore a minimal safety net for disabled *legal* immigrants. The Subcommittee's proposal would restore SSI and Medicaid benefits only to immigrants (both the disabled and non-disabled elderly) *already receiving* benefits prior to August 23, 1996; by contrast, the bipartisan budget agreement policy restores SSI and Medicaid benefits to *any* immigrant *in the country* as of that date who is or becomes disabled. The budget agreement targets assistance to the most vulnerable individuals.

- **THE WAYS AND MEANS SUBCOMMITTEE PROPOSAL IGNORES VULNERABLE IMMIGRANTS WHO BECOME DISABLED AFTER AUGUST 22, 1996:** This proposal abandons many legal immigrants who were in the U.S. when the welfare law was signed but become severely disabled after that date. In contrast, the bipartisan budget agreement protects these immigrants.
- **BY THE YEAR 2002, THE WAYS AND MEANS SUBCOMMITTEE PROPOSAL WOULD PROTECT 75,000 FEWER IMMIGRANTS THAN THE BUDGET AGREEMENT.** This number grows to 125,000 by the year 2007.

Example: A legal immigrant family entered the country 3 years ago. Both the father and mother have worked full-time since then, and have an annual income of about \$25,000, but neither job provides health insurance for themselves or the family. Their 5 year-old son becomes severely disabled in a car accident next year. Under the budget agreement, he would be eligible for SSI and Medicaid; under the Ways and Means Subcommittee's proposal he would be denied SSI -- and potentially denied Medicaid.

Question: Doesn't the Ways and Means Subcommittee proposal treat the elderly better than the Administration's proposal, while the Administration's policy favors the disabled? Isn't this really a wash?

Answer: The parties to the budget agreement already made the decision about where to target limited resources. The agreement explicitly states the policy of restoring SSI and Medicaid eligibility to immigrants who are or become disabled and who are in the U.S. as of August 22, 1996. This is one of the specific policies agreed to by the President and the Congressional leadership. Furthermore, the Leadership Council of Aging Organizations and the Consortium of Citizens with Disabilities state that they will not support "any reductions in benefits to immigrants with disabilities in order to provide them to other groups of immigrants."

The Administration believes that the budget agreement appropriately targets the most vulnerable individuals. It provides for all immigrants in the country when the welfare law was signed who have suffered -- or may suffer in the future -- a disabling accident or illness. At the same time, the agreement will result in restoring benefits to a full 80% of the caseload as of August 22, 1996 -- all of those now classified as disabled plus approximately two-thirds of the elderly caseload who can be reclassified as disabled.

WELFARE TO WORK

We are pleased that the Ways and Means subcommittee has included in its mark a \$3 billion welfare-to-work proposal that meets many of the Administration's priorities:

- It directs funds where they're needed most: to help long term recipients in cities and other communities with large numbers of poor people;
- It awards some funds on a competitive basis, assuring the best use of scarce resources;
- It provides communities with appropriate flexibility to use the funds to create successful job placement and creation programs.

We are pleased that Congressman Shaw was willing to work in a bipartisan basis to incorporate many of the Administration's priorities.

We are, however, deeply disappointed at the subcommittee draft's lack of adequate worker protections and non-displacement provisions, and urge the subcommittee to add language that will better protect against worker displacement.

The President proposed a \$3 billion welfare to work program last fall and fought to have it included in the bipartisan balanced budget agreement. A centerpiece of the President's second-term agenda, the proposal will help move one million adults from welfare to work by the year 2000.

MINIMUM WAGE AND WORKFARE

Background: The Labor Department has concluded that the Fair Labor Standards Act (FLSA) applies to welfare recipients in workfare or other subsidized employment programs in the same way as that law applies to all other employees. This means that most welfare recipients in these programs will receive at least the minimum wage.

The House Ways and Means Subcommittee on Human Resources proposes to amend the welfare law so that welfare recipients engaged in workfare would not be employees for the purposes of the Fair Labor Standards Act or any other federal law. Although requiring the minimum wage for hours worked, the proposal would permit states to count child care, Medicaid, and housing benefits in their calculation of the minimum wage. It would also allow states to count additional hours of job search, education, and training toward the welfare law's work requirements.

The Administration strongly opposes the Ways and Means Subcommittee's provision on the minimum wage and welfare work requirements.

- This Ways and Means Subcommittee proposal would undermine the fundamental goals of welfare reform. The Administration believes strongly that everyone who can work must work -- and that those who work should earn the minimum wage, whether they are coming off of welfare or not.
- The House Ways and Means Subcommittee proposal does not meet this test. It effectively creates a subminimum wage for workfare participants. And it weakens the welfare law's work requirements.
- This Subcommittee proposal also was not addressed in the budget agreement between the White House and Congress and should therefore not be included in the reconciliation bill.



FACSIMILE TRANSMISSION COVER SHEET

TO: Elena Kagan / Bruce Reed

FAX NUMBER: 6-5542

TELEPHONE NUMBER: _____

FROM: CYNTHIA RICE, SPECIAL ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY

TELEPHONE NUMBER: 456-2846 (phone) 456-7431 (fax)

PAGES (INCLUDING COVER): 5

COMMENTS: _____

ID:

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THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 5, 1997

The Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996; extending from five to seven years the exemption in last year's welfare law for refugees and asylees for the purposes of SSI and Medicaid; and making other important changes.

We have reviewed the Subcommittee's draft markup document, however, and we have found a number of provisions that are inconsistent with the budget agreement in these and other areas. Consequently, if the Subcommittee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call on the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

We appreciate the fact that the Subcommittee has a mark that includes several provisions that the Administration supports, such as in the areas of welfare to work and State SSI administrative fees.

Welfare to Work -- We are pleased the budget agreement includes the President's \$3 billion welfare-to-work proposal and that the Subcommittee included provisions that meet many of the Administration's priorities. Specifically, we are pleased that the mark provides funds for jobs where they are needed most to help long-term recipients in high unemployment-high poverty areas; directs funds to local communities with large numbers of poor people; awards some funds on a competitive basis, assuring the best use for scarce resources; and gives

communities appropriate flexibility to use the funds to create successful job placement and job creation programs.

Though your mark does not address a performance fund, we appreciate your willingness to consider a mechanism to provide needed incentives and rewards for placing the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency. In addition, we stand ready to continue to provide assistance in refining targeting factors.

State SSI Administrative Fees -- The Administration is pleased that the Subcommittee has included a provision, consistent with the budget agreement, to increase the administrative fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for Social Security Administration (SSA) administrative expenses.

In a number of areas, however, we have serious concerns with provisions that do not reflect the budget agreement. The Administration has separately transmitted draft legislation that reflects the budget agreement's provisions on benefits to immigrants.

Continued SSI and Medicaid Benefits for Legal Immigrants -- The Administration strongly opposes the provision that denies coverage to many legal immigrants who were in the United States when the welfare law was signed but who become severely disabled after that date. The budget agreement explicitly states, "Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who enter the U.S. prior to August 23, 1996." The mark fails to reflect that agreement by only "grandfathering" those now receiving SSI, therefore dropping those who would become disabled in the future and would be eligible for benefits under the agreement. Instead of enacting the budget agreement, the Subcommittee would grandfather immigrants who were on the SSI rolls on August 22, 1996, thus protecting 75,000 fewer immigrants than the budget agreement by the year 2002. By contrast, the agreement targets the most vulnerable individuals by providing a safety net for all immigrants in the country when the welfare law was signed who have suffered -- or may suffer in the future -- a disabling accident or illness.

In contrast with the budget agreement, which was designed to restore benefits, the markup document would provide SSI and Medicaid benefits to immigrants now on the rolls only if the immigrant has no sponsor, the sponsor has died, or the sponsor has income under 150 percent of the poverty level. The Administration strongly opposes this provision, which would cut off about 100,000 severely disabled legal immigrants who would receive benefits under the budget agreement. We understand that the Subcommittee may drop this provision, and we hope that is true.

As noted above, the agreement provided for both SSI and Medicaid eligibility for disabled legal immigrants. The mark, however, also fails to guarantee Medicaid coverage for all disabled legal immigrants who continue to receive SSI. For States in which SSI eligibility does

not guarantee Medicaid coverage and for States that choose not to provide Medicaid coverage to legal immigrants who were in the U.S. prior to August 23, 1996, legal immigrants who receive SSI would not be guaranteed to continue receiving Medicaid. To conform to the policy in the budget agreement, the Subcommittee should include a provision in its bill to explicitly guarantee Medicaid coverage to disabled legal immigrants who continue to receive SSI.

Refugee and Asylee Eligibility – The budget agreement would extend the exemption period from five to seven years for refugees, asylees, and those who are not deported because they would likely face persecution back home. However, the Subcommittee's proposal would provide that extension for refugees and not for asylees and others. Such asylees and others should receive the additional two years to naturalize.

In addition to the provisions in the Subcommittee markup related to immigration, the Administration has the following concerns:

Unemployment Insurance Integrity – The Subcommittee draft does not include the provision of the budget agreement that achieves \$763 million in mandatory savings over five years through an increase in discretionary spending of \$89 million in 1998 and \$467 million over five years. These savings are a key component of the budget agreement. The discretionary spending that the agreement assumes, and which would be subject to appropriation, would support the necessary additional eligibility reviews, tax audits, and other integrity activities that, the evidence demonstrates, will yield the savings. We urge the Subcommittee to adopt this provision to achieve the specified savings.

The Federal Unemployment Account – The Administration supports the proposed increase in the Federal Unemployment Account ceiling, which reflects the budget agreement. The mark, however, does not accomplish another aspect of the agreement, because it only "authorizes" \$100 million to the States in 2000-2002 for Unemployment Insurance administrative funding, rather than making the payments mandatory as the agreement provides. We look forward to working with the Subcommittee to address this issue.

The Subcommittee mark also includes a number of provisions that were not specifically addressed in the budget agreement, and about which the Administration has serious concerns. They include the following:

Minimum Wage and Workfare – The Administration strongly opposes the Subcommittee's proposal on the minimum wage and welfare work requirements.

First, the proposal goes beyond the scope of the budget agreement and, thus, should not be included in the reconciliation bill.

Second, the proposal would undermine the fundamental goals of welfare reform. The Administration believes strongly that everyone who can work must work, and those who work

should earn the minimum wage — whether they are coming off of welfare or not. The proposal does not meet this test.

Worker Protections in Welfare to Work — We are deeply disappointed in the Subcommittee draft's lack of adequate worker protection and non-displacement provisions. We strongly urge the Subcommittee to adopt, at a minimum, the provisions included in H.R. 1385, the House-passed job training reform bill.

Repeal of Maintenance of Effort Requirements on State Supplementation of SSI Benefits — Historically, the Administration has strongly opposed the repeal of maintenance-of-effort requirement because it would let States significantly cut, or even eliminate, benefits to nearly 2.4 million poor elderly, disabled, and blind persons. Congress instituted the maintenance-of-effort requirement in the early 1970s to prevent States from transferring Federal benefit increases from SSI recipients to State treasuries. The proposal also could cause some low-income elderly and disabled individuals to lose SSI entirely and to lose Medicaid coverage as well. The Administration opposed this proposal in last year's welfare reform debate.

Other TANF Provisions — The Administration is concerned with several provisions in the mark that were not in the budget agreement. For example, the agreement did not address making changes in the TANF work requirements regarding vocational education and educational services for teen parents. The Administration opposes the provision allowing States to divert TANF funds away from welfare-to-work efforts to other social service activities.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,



Franklin D. Raines
Director

Identical letter to the Honorable Sander Levin

June 5, 1997

FAX FOR SECRETARY RUBIN
SYLVIA MATHEWS
GENE SPERLING
JOHN HILLEY
BARBARA CHOW
MARTHA FOLEY
JANET YELLEN
RON KLAIN
RAHM EMANUEL
BRUCE REED
ELANA KAGAN
ALAN COHEN

FROM: Jack Lew

Number of pages following this cover: 4

Attached for your information is the Administration's letter to Ways and Means Human Resources Subcommittee Chairman Clay Shaw regarding the markup today at 3 pm.

(If there are any problems with the transmission of this fax, or if you would like us to use another fax number, please call ext. 54840. Thank you.)



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 5, 1997

The Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996; extending from five to seven years the exemption in last year's welfare law for refugees and asylees for the purposes of SSI and Medicaid; and making other important changes.

We have reviewed the Subcommittee's draft markup document, however, and we have found a number of provisions that are inconsistent with the budget agreement in these and other areas. Consequently, if the Subcommittee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call on the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

We appreciate the fact that the Subcommittee has a mark that includes several provisions that the Administration supports, such as in the areas of welfare to work and State SSI administrative fees.

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communities appropriate flexibility to use the funds to create successful job placement and job creation programs.

Though your mark does not address a performance fund, we appreciate your willingness to consider a mechanism to provide needed incentives and rewards for placing the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency. In addition, we stand ready to continue to provide assistance in refining targeting factors.

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In contrast with the budget agreement, which was designed to restore benefits, the markup document would provide SSI and Medicaid benefits to immigrants now on the rolls only if the immigrant has no sponsor, the sponsor has died, or the sponsor has income under 150 percent of the poverty level. The Administration strongly opposes this provision, which would cut off about 100,000 severely disabled legal immigrants who would receive benefits under the budget agreement. We understand that the Subcommittee may drop this provision, and we hope that is true.

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First, the proposal goes beyond the scope of the budget agreement and, thus, should not be included in the reconciliation bill.

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should earn the minimum wage -- whether they are coming off of welfare or not. The proposal does not meet this test.

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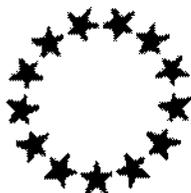
I look forward to working with you to implement the historic budget agreement.

Sincerely,



Franklin D. Raines
Director

Identical letter to the Honorable Sander Levin



NATIONAL
GOVERNORS
ASSOCIATION



AMERICAN PUBLIC WELFARE ASSOCIATION



NATIONAL CONFERENCE OF STATE LEGISLATURES

June 5, 1997

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

Dear Mr. Chairman:

We are writing to express our views on the Chairman's mark of the balanced budget reconciliation act to be considered by the Ways and Means Subcommittee on Human Resources. We fully support key provisions of your proposal, particularly the clarification that states may directly transfer Temporary Assistance to Needy Families (TANF) block grant funds into the Social Services Block Grant without first having to also transfer funds into the child care block grant, and the repeal of the mandatory maintenance-of-effort requirement applicable to state Supplemental SSI benefits. Both of these will enhance state flexibility and we are grateful to you for your leadership on these issues.

Vocational Educational Training. We strongly oppose the proposal contained in Sec. 9003 of the Chairman's mark that would further restrict the number of adults in vocational educational activities or teen parents in school that could count toward meeting the work participation rates. The welfare law, as enacted, already imposed a strict limit: No more than 20% of a state's TANF caseload could be engaged in these activities and count toward meeting the work participation rate. The proposal contained in the Chairman's mark would further limit those who would count to 20% of the state's work participation rate. For example, in FY 1997, this imposes an effective cap of 5% rather than the 20% enacted in the law. In FY 1997, this limit would be completely filled by teens who are mandated to complete their high school education. As a result of this four-fold reduction of the cap, no adults involved in vocational educational activities would count toward the work participation rate. We do not believe this was the intent of Congress when the law was adopted.

Governors, state legislators, and state administrators all support a "work first" approach as reflected in the welfare reform initiatives and TANF implementation in every state. However, we also believe that there are some individuals for whom time-limited participation in education and training would be an appropriate activity. Numerous studies have found that welfare recipients that participate in vocational training earn higher wages than those who do not, thereby reducing welfare dependency and recidivism. The welfare reform law, as enacted, gives states the flexibility to offer some education and training within a "work first" approach. Many state have already adopted their welfare reform initiatives based on the law and have made decisions about the availability of these services. The proposed new cap would place states at risk of financial penalties and greatly limit the state flexibility and discretion that we believe is essential to

successful to state implementation of the TANF program. We strongly urge you to support any amendment to strike Sec. 9003.

Welfare-to-Work Grants. With regard to the new \$3 billion Welfare-to-Work grant program, we urge the Subcommittee to support fundamental changes in the design of this proposed initiative so that the funds can be used in the most efficient and effective manner to support job retention and job creation efforts. First, we strongly believe that the funds should be directed to the states. States should then have the ability to allocate funds in the manner each state determines to be most appropriate so that the most dependent and least skilled welfare clients in *both* rural and urban poverty areas can be served. Under the current formula in the Chairman's mark, rural areas with severe job shortages and long term welfare clients may never receive funding to meet their needs. We believe the proposed structure that would direct nearly one half of these funds to the Private Industry Councils (PICs) on a formula basis and nearly one half to cities and PICs on a competitive basis largely bypasses the states and dilutes the potential effectiveness of this new funding.

Furthermore, we oppose the federal government mandating the administrative structure the state must employ to direct and use these new funds. To the fullest extent possible, we believe these funds must be administered closely with the new TANF work programs and the state must have the ability to designate the delivery system—in some states this may be through the workforce development system, in other states through the social services system. The state should determine which is best. The proposed structure would only permit states to channel these funds to the PICs, some of whom may have had little experience in serving the "hardest to place" welfare clients. Finally, we believe the maintenance-of-effort (MOE) requirement of this program should be identical to the TANF 75 percent MOE requirement. For some states, the cost of increasing state expenditures to the 80 percent level required by this proposal will exceed the total amount of funds that a state could receive under this proposal.

We are committed to working with you as Congress continues to refine this new program so that the program is structured in a way to reach the welfare clients with the greatest needs.

Legal immigrants. We strongly believe that the termination of SSI and Medicaid benefits to legal immigrants who were in the country prior to enactment of the welfare law should be rectified. The action created an unacceptable cost shift to some state and local governments. We are concerned, however, about a provision that appears to continue this cost shift by retroactively applying income thresholds to sponsors. We urge you to delete this provision denying SSI and Medicaid benefits to legal immigrants with sponsors whose income exceeds 150% of the poverty level.

New penalty. We are concerned about the provision that would impose a new penalty on states that fail to reduce assistance for recipients who refuse to work. While states do intend to implement the sanction provision, we are concerned that the data collection and reporting that would be necessary to verify state compliance would create an excessive administrative burden and new cost. We urge Congress to focus on positive program outcomes and delete this new penalty.

Contingency fund. We also urge you to consider the reconciliation bill as an opportunity to make several needed changes to the contingency fund. Several existing provisions in the welfare law will make it difficult for states to access the contingency fund during periods of economic hardship—thereby defeating the purpose of the fund. Even if a state's spending equaled 100% maintenance-of-effort (MOE) for the basic TANF block grant, it might not be eligible for the contingency fund because the definition for MOE under the contingency fund is defined much more narrowly than for TANF. As a result, it will be very difficult for states to meet the criteria even while investing in a high level of spending on welfare programs if they have any MOE spending in separate state programs, as is permitted under TANF. We recommend that Congress change the contingency fund MOE requirement to mirror the TANF MOE with respect to qualified state spending.

Additionally, we are also concerned about an end-of-the year "reconciliation" provision in the contingency fund that effectively reduces a state's federal matching rate if the state received funds for fewer than 12 months in a fiscal year. We recommend that the reconciliation provision be revised so that states can receive their full match rate.

Thank you for consideration of our views.

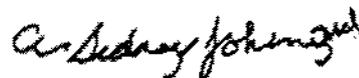
Sincerely,



Raymond C. Schepach
Executive Director
National Governors'
Association



William T. Pound
Executive Director
National Conference of
State Legislatures



A. Sidney Johnson, III
Executive Director
American Public Welfare
Association

POSSIBLE SUBCOMMITTEE AMENDMENTS

June 5, 1997

Subtitle A -- TANF AMENDMENTS

- 1. FLSA - minimum wage**
 - a. Strike the provision (STARK/COYNE)

- 2. Welfare-to-Work**
 - a. 60 percent competitive grants; 40 percent formula (LEVIN)
 - b. For both competitive and formula funds, the appropriate TANF agency would apply and receive funds with authority to contract for any allowable activity; add requirement that the PIC approve the TANF agency's plan (MATSUD)
 - c. In year 3, any funds set aside (up to 20 percent of the competitive grant funds) by the Secretary could be used for performance bonuses to competitive and/or formula grantees (LEVIN/full Committee?)
 - d. Labor protections from Workforce Committee negotiations (LEVIN)

- 3. Miscellaneous**
 - a. Strike 20 percent - vocational education (STARK)
 - b. Contingency fund -- Lift funding cap (LEVIN)
 - c. Study of job vacancies (STARK)

Subtitle B -- SSI AMENDMENTS

- 1. Eliminate State SSI maintenance of effort requirement**
 - a. Strike (MATSUD)

Subtitle C -- CHILD SUPPORT ENFORCEMENT

No amendments

Subtitle D -- LEGAL IMMIGRANTS

- 1. Restoration of benefits to aliens**
 - a. Pure budget agreement (include new applicants) **(LEVIN)**
 - b. Strike provision making legal immigrants ineligible if the sponsor has income above 150 percent of poverty **(LEVIN)**
 - c. Add present before August 22 but disabled after **(LEVIN)**

- 2. Non-Ways and Means issues**
 - a. Strike entry pledge

Subtitle E -- UNEMPLOYMENT COMPENSATION

- 1. Pennington**
 - a. Strike provision **(LEVIN)**

SUBSTITUTE

- 1. Limit the mark to items in the budget agreement (LEVIN)**
 - a. Welfare-to-work (as modified by Democratic amendments)
 - b. SSI fees
 - c. Restore benefits to legal immigrants, including new applicants present in the US on August 22, 1996
 - d. Refugees
 - e. UI trust fund ceiling
 - f. UI fraud provision

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P. 1/4

The National Immigration Forum's

Benefits Bulletin

A Look At How the Welfare Law Will Affect Legal Immigrants

June 4, 1997

**Contents > REP. CLAY SHAW'S BUDGET PROPOSAL MAY
LOOK SWEET, BUT IT SURE TASTES SOUR TO
ELDERLY AND DISABLED LEGAL IMMIGRANTS**

Contact: Angie Kelley (202) 544-0004 ext. 19

4 pages total

**Proposal Candy Coats the Poison Pill of New Restrictions
by Pretending to Offer Coverage to More Elderly**

Rep. Clay Shaw (R-FL) today proposed to undermine the budget agreement, despite the fact that it has received overwhelming bipartisan support in both the House and the Senate. The agreement restores benefits for certain legal immigrants now and in the future. Rep. Shaw, Chairman of the House Ways and Means Human Resources Subcommittee, is advocating for a significantly scaled-back restoration of benefits to elderly and disabled legal immigrants that brazenly violates both the letter and the spirit of the bi-partisan agreement, and if adopted, might eventually threaten the overall balanced budget deal.

The Shaw proposal promises to help the elderly, when in fact it is designed to reduce coverage for the elderly now and in the future. The proposal cleverly alleges to "expand" coverage to all elderly legal immigrants currently receiving Supplemental Security Income (SSI) "in exchange" for eliminating SSI for those legal immigrants currently in the country who need it in the future. In fact, the bi-partisan budget agreement will ultimately cover current elderly SSI recipients as they become too old and disabled to support themselves. But the budget agreement goes farther and also covers legal immigrants who were in the country as of August 23, 1996 and need SSI in the future. For example, a now healthy 65-year old who was in the U.S. last August and later develops Alzheimers would receive benefits under the bi-partisan budget agreement but would not under Rep. Shaw's proposal. The Shaw proposal is a ruse designed to obfuscate the fact that the most vulnerable will have no assistance in the future.

Rep. Shaw's proposal further limits benefits to legal immigrants by the imposition of a 150% poverty line income requirement. This provision states that current SSI recipients will be required to locate their sponsor and provide the Social Security Administration (SSA) with income information about the sponsor. If the sponsor is found to have an income above 150% of the poverty line (\$23,400 annual income for a family of four), the current recipient will lose their SSI benefits, whether the sponsor can support them or not. This provision will narrow even further the number of legal immigrants who will continue receiving benefits. Moreover, it's certain to be an administrative nightmare on the SSA who will have to ascertain and verify the income level of hundreds of thousands of sponsors.

BI-Partisan Budget Deal	The Shaw Proposal
<p><u>Covered:</u></p> <ul style="list-style-type: none">All disabled recipients receiving SSI as of 8/23/96;Elderly recipients receiving SSI as of 8/23/96 who requalify as disabled; and,Legal immigrants who were in the U.S. as of 8/23/96, and become disabled in the future.	<p><u>Covered:</u></p> <ul style="list-style-type: none">Disabled and elderly recipients receiving SSI as of 8/23/96 as long as their sponsor has an income below 150% of the poverty line (\$23,400 for a family of four).

Attached to this *Benefits Bulletin* is a letter from the Leadership Council of Aging Organizations (note signatories) that states they will not "support any reductions in benefits to immigrants with disabilities in order to provide them to other groups of immigrants."

LEADERSHIP COUNCIL
of
AGING ORGANIZATIONS

June 5, 1997

The Honorable William Archer
1102 Longworth House Office Building
Washington, DC 20510

Dear Chairman Archer:

The undersigned members of the Leadership Council of Aging Organizations (LCAO) are deeply concerned about the extent to which legal immigrants will be harmed under the welfare reform law enacted in August of last year. The law cut \$22 billion in services to immigrants legally here who played by the rules -- a full 44% of the cuts in the overall legislation. We believe that these benefits should be restored, and will continue to urge the Congress to act as swiftly as possible to reinstate them.

We believe that the budget agreement between Congress and the White House, which proposes to reinstate \$9.7 billion in Supplemental Security Income (SSI) to immigrants with disabilities, represents significant progress. By aiding immigrants with disabilities who were in the U.S. at the time of the law's enactment, including those who were in the country on that date and who become disabled in the future, this agreement will at least serve those with the most severe needs whose lives literally depend on SSI. This is an important step; at a minimum, final action by the Committee must preserve access to SSI for all of these individuals.

We also remain concerned about the fate of elderly immigrants who rely on SSI for their survival, and immigrants who will come in the future and will face extraordinary hardship due to a crisis in their own -- or their sponsors' -- lives. As the Committee continues the budget reconciliation process, we strongly urge that you identify additional resources to preserve SSI eligibility for all legal immigrants. We will not, however, support any reductions in benefits to immigrants with disabilities in order to provide them to other groups of immigrants.

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15:15

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Sincerely,

AARP

Alzheimer's Association

AFSME Retiree Program

American Association of Homes and Services for the Aging

American Geriatrics Society

Asociacion Nacional Pro Personas Mayores

Association of Jewish Aging Services

Association for Gerontology in Higher Education

Association for Gerontology and Human Development in Historically Black Colleges and Universities

B'nai B'rith Center for Senior Housing and Services

National Asian Pacific Center on Aging

National Association of Area Agencies on Aging

National Association of Retired Federal Employees

National Association of State Units on Aging

National Caucus and Center on Black Aged, Inc.

National Council of Senior Citizens

National Council on the Aging, Inc.

National Hispanic Council on Aging

National Osteoporosis Foundation

Older Women's League

Job Creation & Retention Block Grant

One of the greatest concerns raised by the new welfare law is that sufficient jobs will not be available, particularly in depressed urban and remote rural areas, to move poor parents from welfare into permanent employment. According to estimates from the Congressional Budget Office (CBO), states already will have to invest an estimated \$12.3 billion over the next six years in work and training programs above the level of funding included in the block grant in order to comply with the new work requirements.

Much has been said rhetorically about the need to require welfare recipients to work. Now we need to find ways to remove the barriers to ensure that they can work. The overwhelming majority of welfare households are headed by women (94%). About 60% of these women have children younger than 6 six years of age. If we are serious about moving welfare recipients from welfare to work, we must be serious about removing the barriers to work. The myth about welfare is that families receive it forever. The reality about welfare is that families cycle on and off. In the first year of welfare receipt, about half of those receiving welfare leave the system. By the end of the second year, about 70% have left. By the end of five years, about 90% have left. The problem is that over two-thirds of these families return to welfare. Often quite quickly. Often for longer periods of time.

To ensure that welfare recipients can not only get a job, but keep a job, states and communities need to work together. The plight of some nine million children is at stake. Under welfare reform, the federal government is requiring a dramatic increase in personal responsibility from parents on welfare. To help these single women, who are balancing the need to care for their children and financially hold their own, we propose additional resources through the Job Creation and Retention Block Grant. It's not just about getting a job; it's about keeping a job. It's about self-sufficiency.

Job Creation and Retention Block Grant:

The Job Creation and Retention Block Grant has the following goals:

- to focus on job creation and retention for long-term welfare recipients (those who have received cash assistance for longer than 18 months);
- to reach those who are at highest risk of reaching federal or state time limits; and
- to provide maximum state flexibility while rewarding job creation & retention.

State Plan:

The state shall submit a plan to the Secretary of Labor, which includes the following:

- Description of activities for ensuring that former TANF or food stamp recipients placed in jobs are able to remain in the workforce for at least nine months;
- Description of activities for creating jobs through wage subsidies or contracts with private nonprofit agencies that would not otherwise have existed in the absence of such subsidies or contracts;
- Description of a job retention and creation voucher program in the event that a state chooses to implement such an option;
- Description of the relationship between activities supported under this block grant and activities undertaken by the state and participating communities under TANF;

- Description of qualifying communities within the state that will be served by the block grant and assurances that the state will target urban and rural areas with high rates of poverty;
- Description of the population groups to be served by the block grant;
- Assurances that the state/city and any qualifying communities would participate in the evaluation carried out under this block grant if selected by the Secretary to do so;
- Assurances that the state will comply with nondiscrimination and nondisplacement rules in administering the block grant; and,
- Assurances that the state will consult with local county elected officials, community development organizations, nonprofit providers, private industry councils, local employment service agencies, and other appropriate planning agencies in order to ensure effective coordination with other programs and activities at the state, county and community level. Public-private partnerships would be encouraged.

Eligible States:

A state may apply for funds if:

- it has an approved state plan for welfare to work
- a state has met or exceeded the 80 percent maintenance of effort as defined under TANF

Eligible Individuals:

- long-term recipients of cash assistance (18 months or more, not necessarily consecutive) or who are in danger of exhausting federal or state time limits and who have already been through a job search process
- individuals who have exhausted TANF assistance or who are at risk of returning to TANF (but not those terminated from TANF due to refusal to work)
- non custodial parents with child support orders

Payments to States:

50 percent of the funds would be allocated to states with approved plans based on each state's percentage of the poverty population (or, possibly food stamp recipients if that's a better data source). States without approved plans would not be eligible for funds. Once states receive funding, state legislatures must enact legislation implementing the state's block grant program.

States are required to spend funds received under this block grant in qualifying communities within the state. A "qualifying community" for purposes of this block grant is a jurisdiction with poverty and unemployment rates at least 20 percent higher than the state average. The term "community" can be defined by the applicant and can constitute a range of political subdivisions including multiple-county regions or just a neighborhood. Regional applications would be allowable if there is an existing appropriate regional entity with the capacity to administer the program. States shall be allowed to select among reasonable and reliable data sources to demonstrate the level of need within particular communities, subject to guidelines issued by the Secretary. States will determine which qualifying communities to serve.

Prior to disbursement of funds, and out of the entire pot of money (not just the formula program) 1 percent would be set aside for Native American tribes that choose to run their own job creation and retention program on reservations. Tribes would submit applications to the Secretary of Labor in the same manner as states.

Competitive Grants:

50 percent of the funds would be used to establish a competitive grant program for cities and counties with large poverty populations and which administer their own work programs. The area to be served must meet the same definition of qualified community as in the block grant program, (does not need to be an entire city or county). Cities and counties would use the funds for job creation and retention programs consistent with the terms of this act. At least 30 percent of these grants would be directed toward rural areas. Regional applications would be allowable if there is an existing appropriate regional entity with the capacity to administer the program.

Preference for grants would be given to:

- Projects that would serve areas of greatest poverty;
- Projects that emphasize job creation or retention;
- Projects which explicitly address those with barriers to work including no work history, low basic skills, history of substance abuse, victims of domestic violence;
- Projects which are innovative or creative in their approaches;
- Projects which include a strategy to help people achieve a living wage.

Performance Grants:

As part of the formula grant program, the Secretary shall withhold from each state 20 percent of the funds with an additional performance-based grant (based on job placement and retention) from the remaining 20% based on placements. The bonus payments will be made as follows:

- a \$1,000 bonus payment for placement and retention of an eligible individual for at least 9 months in an unsubsidized job of a long-term (18 months+) TANF recipient (or previous AFDC) ;
- a \$1,000 bonus payment for use of wage subsidies, vouchers, contracts with private nonprofit agencies to create a job that lasts at least 9 months and would not otherwise have existed in the absence of such subsidy, voucher, or contract;
- a \$500 bonus payment if the individual retained in a job under either the preceding bullets lacks a high school degree, has inadequate basic academic skills, or resides in an area with an unemployment rate in excess of 7 percent;
- an additional \$500 bonus payment if the individual gets a GED prior to placement; and,
- an additional \$500 bonus payment for increases in wages such that a participating household's income exceeds the poverty level as the result of the program.

For purposes of this block grant, "retention" is defined as meeting one of the two following standards: (a) continuous employment of an individual in a single job for at least 9 months; or (b) immediate re-employment of an individual who loses a job during the first 9 months following placement such that the individual is employed for at least 9 months out of the 12 month period following initial placement (ie: an individual's first job may not work out, but the second or third job that the individual gets may turn into a long-lasting job.)

Bonus money can only be used to put welfare recipients to work or retain welfare recipients in the workforce. Bonus money doesn't need to be matched, but it cannot be used as matching money for any other federal program.

If claims for performance bonuses exceed the total amount of funds available for performance bonuses, the Secretary shall make a pro rata reduction in the amount of each individual performance bonus.

Matching Requirements:

States must meet 20% match requirements for receipt of their basic formula grant. No match is required to receive bonus payments. The 20 percent match must be in cash. The 20 percent state match cannot be counted toward the maintenance of effort requirement to receive TANF the state is exceeding 80 percent maintenance of effort as defined under TANF in which case the state may use the overage to reduce its match. The Secretary of Labor would have flexibility to assess tribal matching contributions on a case by case basis depending upon resources available to each tribe.

Those states that are exceeding the maintenance of effort requirements under TANF would receive a proportionate decrease in their matching requirements to receive a formula grant.

Use of Funds:

Block grant funds shall be used to assist TANF recipients and food stamp recipients (and former recipients) in obtaining and retaining private sector employment. Funds could be used for:

- pre-employment services such as job-readiness, counseling, and the purchase of uniforms or tools; 2) short term assistance to those on the job who need emergency help to deal with problems like loss of child care, unreliable transportation, or family crises; 3) re-employment services such as case management, assistance in resolving problems so the individual can go back to work, and other steps to facilitate re-employment, or 4) short-term, job specific training.
- Wage subsidies to private employers and contracts to private nonprofit agencies to create jobs that last at least 9 months and would not otherwise have existed in the absence of such subsidy or contract, including but not limited to jobs created through micro enterprise development. Such contracts can also be used to establish revolving loan funds or technical and financial assistance to create jobs for TANF or former TANF recipients.
- Job retention vouchers given directly to recipients that could be redeemed by private job placement agencies that successfully place former TANF or food stamp recipients in an unsubsidized job that is held for at least 9 months.

Vouchers:

Eligible individuals could be given a job retention or creation voucher to be redeemed by private employers or by private agencies who provide job retention services or sponsor job creation projects. States must establish minimum standards for employers and private agencies interested in participating who have been approved for participation in the voucher program. States would set the terms for redemption of vouchers, but no more than 25 percent of the voucher could be redeemed until the eligible individual has been employed for at least nine months.

In the event a state chooses to implement a voucher program, it should include plans to provide consumers with information about the effectiveness and experience of providers or use other mechanisms to ensure accountability and evaluate providers.

Prohibited Uses of Funds:

- Funds can't be used to satisfy matching requirements under other programs
- Funds can't be used to displace current workers (fire employees, layoff employees, cut hours or otherwise reduce their pay) or fill union vacancies;
- Funds can't be used to create jobs in the public sector, except for Indian reservations and areas designated as Labor Surplus Areas by the U.S. Department of Labor or otherwise determined to have an insufficient number of jobs for low-skilled individuals in accordance with standards developed by the Secretary of Labor.

Interaction with TANF:

Assistance under this section shall not count toward TANF time limit.

Job creation and retention block grant funds are to supplement, not supplant, TANF money, and the state plan shall describe such efforts.

Individuals who are receiving assistance under the block grant who lost eligibility for TANF because of earnings from employment shall be counted in TANF participation rates.

At the request of the state, and if consistent with the goals and objectives of the proposed plan, those participating in 'vocational education activities' shall be considered as meeting the work participation requirements, without regard to overall limitation included in last year's law.

At the request of the state, and if consistent with the goals and objectives of the proposed plan, those participating in 'vocational education training' may do so for up to 24 months, for purposes of meeting the work participation requirements.

Formula grants would be given to the state entity responsible for meeting the TANF work requirements.

Administration:

Each state's share of administrative funds shall be based on the state's share of the total block grant. Administrative expenditures shall not exceed 7 percent of total spending. The Secretary of Labor would define "administrative." Interactive retention services designed to retain eligible individuals in the workforce would not be considered administrative costs.

Funding:

Mandatory appropriation to the Department of Labor of the following amounts:

FY98	\$0.7 billion
FY99	\$0.7 billion
FY00	\$1.0 billion
FY01	\$0.6 billion

Funds would be available until expended.

Evaluation:

The Secretary of Labor shall be required to contract with an appropriate entity for the design and implementation of a rigorous, multi-site evaluation of major strategies utilized and activities supported by states under this program. The Secretary is authorized to select no more than five sites to participate in a full-scale evaluation designed to assess the net impact of state/city programs through random assignment or other appropriate means. Less intensive data collection and evaluation mechanisms may be utilized to gather information about the activities undertaken by other states/cities receiving grants under the program. A total of one percent of funds available under the block grant would be reserved for the costs of evaluation activities.

In the event that a state/city's activities, or a portion thereof, is selected for inclusion in the evaluation, the Secretary is authorized to waive a portion of the matching requirement in recognition of increased administrative and data-collection costs incurred by the state/city in conjunction with the evaluation.

1 **TITLE IX—COMMITTEE ON WAYS**
2 **AND MEANS—NONMEDICARE**
3 **Subtitle A—TANF Block Grant**

4 **SEC. 9001. WELFARE-TO-WORK GRANTS.**

5 (a) GRANTS TO STATES.—Section 403(a) of the So-
6 cial Security Act (42 U.S.C. 603(a)) is amended by adding
7 at the end the following:

8 “(5) WELFARE-TO-WORK GRANTS.—

9 “(A) NONCOMPETITIVE GRANTS.—

10 “(i) ENTITLEMENT.—A State shall be
11 entitled to receive from the Secretary a
12 grant for each fiscal year specified in sub-
13 paragraph (H) of this paragraph for which
14 the State is a welfare-to-work State, in an
15 amount that does not exceed the lesser
16 of—

17 “(I) 2 times the total of the ex-
18 penditures by the State (excluding
19 qualified State expenditures (as de-
20 fined in section 409(a)(7)(B)(i)) and
21 expenditures described in section
22 409(a)(7)(B)(iv)) during the fiscal
23 year for activities described in sub-
24 paragraph (C)(i) of this paragraph; or

1 “(II) the allotment of the State
2 under clause (iii) of this subparagraph
3 for the fiscal year.

4 “(ii) WELFARE-TO-WORK STATE.—A
5 State shall be considered a welfare-to-work
6 State for a fiscal year for purposes of this
7 subparagraph if the Secretary, after con-
8 sultation (and the sharing of any plan or
9 amendment thereto submitted under this
10 clause) with the Secretary of Health and
11 Human Services and the Secretary of
12 Housing and Urban Development, deter-
13 mines that the State meets the following
14 requirements:

15 “(I) The State has submitted to
16 the Secretary (in the form of an ad-
17 dendum to the State plan submitted
18 under section 402) a plan which—

19 “(aa) describes how, consist-
20 ent with this subparagraph, the
21 State will use any funds provided
22 under this subparagraph during
23 the fiscal year;

24 “(bb) specifies the formula
25 to be used pursuant to clause (vi)

1 to distribute funds in the State,
2 and describes the process by
3 which the formula was developed;
4 and

5 "(cc) contains evidence that
6 the plan was developed in con-
7 sultation and coordination with
8 sub-State areas.

9 "(II) The State has provided the
10 Secretary with an estimate of the
11 amount that the State intends to ex-
12 pend during the fiscal year (excluding
13 expenditures described in section
14 409(a)(7)(B)(iv)) for activities de-
15 scribed in subparagraph (C)(i) of this
16 paragraph.

17 "(III) The State has agreed to
18 negotiate in good faith with the Sec-
19 retary of Health and Human Services
20 with respect to the substance of any
21 evaluation under section 413(j), and
22 to cooperate with the conduct of any
23 such evaluation.

24 "(IV) The State is an eligible
25 State for the fiscal year.

1 “(V) Qualified State expenditures
2 (within the meaning of section
3 409(a)(7)) are at least 80 percent of
4 historic State expenditures (within the
5 meaning of such section), with respect
6 to the fiscal year or the immediately
7 preceding fiscal year.

8 “(iii) ALLOTMENTS TO WELFARE-TO-
9 WORK STATES.—The allotment of a wel-
10 fare-to-work State for a fiscal year shall be
11 the available amount for the fiscal year
12 multiplied by the State percentage for the
13 fiscal year.

14 “(iv) AVAILABLE AMOUNT.—As used
15 in this subparagraph, the term ‘available
16 amount’ means, for a fiscal year, the sum
17 of—

18 “(I) 50 percent of the sum of—

19 “(aa) the amount specified
20 in subparagraph (H) for the fis-
21 cal year, minus the total of the
22 amounts reserved pursuant to
23 subparagraphs (F) and (G) for
24 the fiscal year; and

1 “(bb) any amount reserved
2 pursuant to subparagraph (F)
3 for the immediately preceding fis-
4 cal year that has not been obli-
5 gated; and

6 “(II) any available amount for
7 the immediately preceding fiscal year
8 that has not been obligated by a State
9 or sub-State entity.

10 “(v) STATE PERCENTAGE.—As
11 used in clause (iii), the term ‘State
12 percentage’ means, with respect to a
13 fiscal year, $\frac{1}{3}$ of the sum of—

14 “(aa) the percentage rep-
15 resented by the number of indi-
16 viduals in the State whose in-
17 come is less than the poverty line
18 divided by the number of such in-
19 dividuals in the United States;

20 “(bb) the percentage rep-
21 resented by the number of unem-
22 ployed individuals in the State di-
23 vided by the number of such indi-
24 viduals in the United States; and

1 “(cc) the percentage rep-
2 resented by the number of indi-
3 viduals who are adult recipients
4 of assistance under the State
5 program funded under this part
6 divided by the number of individ-
7 uals in the United States who are
8 adult recipients of assistance
9 under any State program funded
10 under this part.

11 “(vi) DISTRIBUTION OF FUNDS WITH-
12 IN STATES.—

13 “(I) IN GENERAL.—A State to
14 which a grant is made under this sub-
15 paragraph shall distribute not less
16 than 85 percent of the grant funds
17 among the service delivery areas in
18 the State, in accordance with a for-
19 mula which—

20 “(aa) determines the
21 amount to be distributed for the
22 benefit of a service delivery area
23 in proportion to the number (if
24 any) by which the number of in-
25 dividuals residing in the service

1 delivery area with an income that
2 is less than the poverty line ex-
3 ceeds 5 percent of the population
4 of the service delivery area, rel-
5 ative to such number for the
6 other service delivery areas in the
7 State, and accords a weight of
8 not less than 50 percent to this
9 factor;

10 "(bb) may determine the
11 amount to be distributed for the
12 benefit of a service delivery area
13 in proportion to the number of
14 adults residing in the service de-
15 livery area who are recipients of
16 assistance under the State pro-
17 gram funded under this part
18 (whether in effect before or after
19 the amendments made by section
20 103(a) of the Personal Respon-
21 sibility and Work Opportunity
22 Reconciliation Act first applied to
23 the State) for at least 30 months
24 (whether or not consecutive) rel-
25 ative to the number of such

1 adults residing in the other serv-
2 ice delivery areas in the State;
3 and

4 "(cc) may determine the
5 amount to be distributed for the
6 benefit of a service delivery area
7 in proportion to the number of
8 unemployed individuals residing
9 in the service delivery area rel-
10 ative to the number of such indi-
11 viduals residing in the other serv-
12 ice delivery areas in the State.

13 "(II) SPECIAL RULE.—Notwith-
14 standing subclause (I), if the formula
15 used pursuant to subclause (I) would
16 result in the distribution of less than
17 \$100,000 during a fiscal year for the
18 benefit of a service delivery area, then
19 in lieu of distributing such sum in ac-
20 cordance with the formula, such sum
21 shall be available for distribution
22 under subclause (III) during the fiscal
23 year.

24 "(III) PROJECTS TO HELP LONG-
25 TERM RECIPIENTS OF ASSISTANCE

1 INTO THE WORK FORCE.—The Gov-
2 ernor of a State to which a grant is
3 made under this subparagraph may
4 distribute not more than 15 percent of
5 the grant funds (plus any amount re-
6 quired to be distributed under this
7 subclause by reason of subclause (II))
8 to projects that appear likely to help
9 long-term recipients of assistance
10 under the State program funded
11 under this part (whether in effect be-
12 fore or after the amendments made by
13 section 103(a) of the Personal Re-
14 sponsibility and Work Opportunity
15 Reconciliation Act first applied to the
16 State) enter the work force.

17 “(vii) ADMINISTRATION.—

18 “(I) IN GENERAL.—A grant
19 made under this subparagraph to a
20 State shall be administered by the
21 State agency that is administering, or
22 supervising the administration of, the
23 State program funded under this part,
24 or by another State agency designated
25 by the Governor of the State.

1 “(II) SPENDING BY PRIVATE IN-
2 DUSTRY COUNCILS.—The private in-
3 dustry council for a service delivery
4 area shall have sole authority to ex-
5 pend the amounts provided for the
6 benefit of a service delivery area
7 under subparagraph (vi)(I), after con-
8 sultation with the agency that is ad-
9 ministering the State program funded
10 under this part in the service delivery
11 area.

12 “(B) COMPETITIVE GRANTS.—

13 “(i) IN GENERAL.—The Secretary, in
14 consultation with the Secretary of Health
15 and Human Services and the Secretary of
16 Housing and Urban Development, shall
17 make grants in accordance with this sub-
18 paragraph, in fiscal years 1998 and 2000,
19 to eligible applicants based on the likeli-
20 hood that the applicant can successfully
21 make long-term placements of individuals
22 into the work force.

23 “(ii) ELIGIBLE APPLICANTS.—As used
24 in clause (i), the term ‘eligible applicant’

1 means a private industry council or a polit-
2 ical subdivision of a State.

3 “(iii) DETERMINATION OF GRANT
4 AMOUNT.—In determining the amount of a
5 grant to be made under this subparagraph
6 for a project proposed by an applicant, the
7 Secretary shall provide the applicant with
8 an amount sufficient to ensure that the
9 project has a reasonable opportunity to be
10 successful, taking into account the number
11 of long-term recipients of assistance under
12 a State program funded under this part,
13 the level of unemployment, the job oppor-
14 tunities and job growth, the poverty rate,
15 and such other factors as the Secretary
16 deems appropriate, in the area to be served
17 by the project.

18 “(iv) TARGETING OF 100 CITIES WITH
19 GREATEST NUMBER OF PERSONS WITH IN-
20 COME LESS THAN THE POVERTY LINE.—
21 The Secretary shall use not less than 75
22 percent of the funds available for a fiscal
23 year for grants under this subparagraph to
24 make grants to cities that are among the
25 100 cities in the United States with the

1 highest number of residents with an in-
2 come that is less than the poverty line.

3 “(iv) FUNDING.—For grants under
4 this subparagraph for each fiscal year
5 specified in subparagraph (H), there shall
6 be available to the Secretary an amount
7 equal to the sum of—

8 “(I) 50 percent of the sum of—

9 “(aa) the amount specified
10 in subparagraph (H) for the fis-
11 cal year, minus the total of the
12 amounts reserved pursuant to
13 subparagraphs (F) and (G) for
14 the fiscal year; and

15 “(bb) any amount reserved
16 pursuant to subparagraph (F)
17 for the immediately preceding fis-
18 cal year that has not been obli-
19 gated; and

20 “(II) any amount available for
21 grants under this subparagraph for
22 the immediately preceding fiscal year
23 that has not been obligated.

24 “(C) LIMITATIONS ON USE OF FUNDS.—

1 “(i) ALLOWABLE ACTIVITIES.—An en-
2 tity to which funds are provided under this
3 paragraph may use the funds to move into
4 the work force recipients of assistance
5 under the program funded under this part
6 of the State in which the entity is located,
7 by means of any of the following:

8 “(I) Job creation through public
9 or private sector employment wage
10 subsidies.

11 “(II) On-the-job training.

12 “(III) Contracts with job place-
13 ment companies or public job place-
14 ment programs.

15 “(IV) Job vouchers.

16 “(V) Job retention or support
17 services if such services are not other-
18 wise available.

19 “(ii) REQUIRED BENEFICIARIES.—An
20 entity that operates a project with funds
21 provided under this paragraph shall expend
22 at least 90 percent of all funds provided to
23 the project for the benefit of recipients of
24 assistance under the program funded
25 under this part of the State in which the

1 entity is located who meet the require-
2 ments of any of the following subclauses:

3 “(I) The individual has received
4 assistance under the State program
5 funded under this part (whether in ef-
6 fect before or after the amendments
7 made by section 103 of the Personal
8 Responsibility and Work Opportunity
9 Reconciliation Act of 1996 first apply
10 to the State) for at least 30 months
11 (whether or not consecutive).

12 “(II) At least 2 of the following
13 apply to the recipient:

14 “(aa) The individual has not
15 completed secondary school or
16 obtained a certificate of general
17 equivalency, and has low skills in
18 reading and mathematics.

19 “(bb) The individual re-
20 quires substance abuse treatment
21 for employment.

22 “(cc) The individual has a
23 poor work history.

1 The Secretary shall prescribe such
2 regulations as may be necessary to in-
3 terpret this subclause.

4 “(III) Within 12 months, the in-
5 dividual will become ineligible for as-
6 sistance under the State program
7 funded under this part by reason of a
8 durational limit on such assistance,
9 without regard to any exemption pro-
10 vided pursuant to section
11 408(a)(7)(C) that may apply to the
12 individual.

13 “(iii) LIMITATION ON APPLICABILITY
14 OF SECTION 404.—The rules of section
15 404, other than subsections (b), (f), and
16 (h) of section 404, shall not apply to a
17 grant made under this paragraph.

18 “(iv) PROHIBITION AGAINST PROVI-
19 SION OF SERVICES BY PRIVATE INDUSTRY
20 COUNCIL.—A private industry council may
21 not directly provide services using funds
22 provided under this paragraph.

23 “(v) PROHIBITION AGAINST USE OF
24 GRANT FUNDS FOR ANY OTHER FUND
25 MATCHING REQUIREMENT.—An entity to

1 which funds are provided under this para-
2 graph shall not use any part of the funds
3 to fulfill any obligation of any State, politi-
4 cal subdivision, or private industry council
5 to contribute funds under other Federal
6 law.

7 “(vi) DEADLINE FOR EXPENDI-
8 TURE.—An entity to which funds are pro-
9 vided under this paragraph shall remit to
10 the Secretary any part of the funds that
11 are not expended within 3 years after the
12 date the funds are so provided.

13 “(D) INDIVIDUALS WITH INCOME LESS
14 THAN THE POVERTY LINE.—For purposes of
15 this paragraph, the number of individuals with
16 an income that is less than the poverty line
17 shall be determined based on the methodology
18 used by the Bureau of the Census to produce
19 and publish intercensal poverty data for 1993
20 for States and counties.

21 “(E) DEFINITIONS.—As used in this para-
22 graph:

23 “(i) PRIVATE INDUSTRY COUNCIL.—
24 The term ‘private industry council’ means,
25 with respect to a service delivery area, the

1 private industry council (or successor en-
2 tity) established for the service delivery
3 area pursuant to the Job Training Part-
4 nership Act.

5 “(ii) SECRETARY.—The term ‘Sec-
6 retary’ means the Secretary of Labor, ex-
7 cept as otherwise expressly provided.

8 “(iii) SERVICE DELIVERY AREA.—The
9 term ‘service delivery area’ shall have the
10 meaning given such term for purposes of
11 the Job Training Partnership Act.

12 “(F) SET-ASIDE FOR INDIAN TRIBES.—1
13 percent of the amount specified in subpara-
14 graph (H) for each fiscal year shall be reserved
15 for grants to Indian tribes under section
16 412(a)(3).

17 “(G) SET-ASIDE FOR EVALUATIONS.—0.5
18 percent of the amount specified in subpara-
19 graph (H) for each fiscal year shall be reserved
20 for use by the Secretary of Health and Human
21 Services to carry out section 413(j).

22 “(H) FUNDING.—To carry out this para-
23 graph, there are authorized to be appro-
24 priated—

1 “(i) \$700,000,000 for each of fiscal
2 years 1998 and 1999;

3 “(ii) \$1,000,000,000 for fiscal year
4 2000; and

5 “(iii) \$600,000,000 for fiscal year
6 2001.

7 “(I) BUDGET SCORING.—Notwithstanding
8 section 457(b)(2) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985, the
10 baseline shall assume that no grant shall be
11 made under this paragraph or under section
12 412(a)(3) after fiscal year 2001.”.

13 (b) GRANTS TO INDIAN TRIBES.—Section 412(a) of
14 such Act (42 U.S.C. 612(a)) is amended by adding at the
15 end the following:

16 “(3) WELFARE-TO-WORK GRANTS.—

17 “(A) IN GENERAL.—The Secretary shall
18 make a grant in accordance with this paragraph
19 to an Indian tribe for each fiscal year specified
20 in section 403(a)(5)(H) for which the Indian
21 tribe is a welfare-to-work tribe, in such amount
22 as the Secretary deems appropriate, subject to
23 subparagraph (B) of this paragraph.

24 “(B) WELFARE-TO-WORK TRIBE.—An In-
25 dian tribe shall be considered a welfare-to-work

1 tribe for a fiscal year for purposes of this para-
2 graph if the Indian tribe meets the following re-
3 quirements:

4 “(i) The Indian tribe has submitted to
5 the Secretary (in the form of an addendum
6 to the tribal family assistance plan, if any,
7 of the Indian tribe) a plan which describes
8 how, consistent with section 403(a)(5), the
9 Indian tribe will use any funds provided
10 under this paragraph during the fiscal
11 year.

12 “(ii) The Indian tribe has provided
13 the Secretary with an estimate of the
14 amount that the Indian tribe intends to ex-
15 pend during the fiscal year (excluding trib-
16 al expenditures ; described in section
17 409(a)(7)(B)(iv)) for activities described in
18 section 403(a)(5)(C)(i).

19 “(iii) The Indian tribe has agreed to
20 negotiate in good faith with the Secretary
21 of Health and Human Services with re-
22 spect to the substance of any evaluation
23 under section 413(j), and to cooperate with
24 the conduct of any such evaluation.

1 “(C) LIMITATIONS ON USE OF FUNDS.—
2 Section 403(a)(5)(C) shall apply to funds pro-
3 vided to Indian tribes under this paragraph in
4 the same manner in which such section applies
5 to funds provided under section 403(a)(5).”

6 (c) FUNDS RECEIVED FROM GRANTS TO BE DIS-
7 REGARDED IN APPLYING DURATIONAL LIMIT ON ASSIST-
8 ANCE.—Section 408(a)(7) of such Act (42 U.S.C.
9 608(a)(7)) is amended by adding at the end the following:

10 “(G) INAPPLICABILITY TO WELFARE-TO-
11 WORK GRANTS AND ASSISTANCE.—For purposes
12 of subparagraph (A) of this paragraph, a grant
13 made under section 403(a)(5) shall not be con-
14 sidered a grant made under section 403, and
15 assistance from funds provided under section
16 403(a)(5) shall not be considered assistance.

17 (d) EVALUATIONS.—Section 413 of such Act (42
18 U.S.C. 613) is amended by adding at the end the follow-
19 ing:

20 “(j) EVALUATION OF WELFARE-TO-WORK PRO-
21 GRAMS.—The Secretary—

22 “(1) shall, in consultation with the Secretary of
23 Labor, develop a plan to evaluate how grants made
24 under sections 403(a)(5) and 412(a)(3) have been
25 used; and

1 “(2) may evaluate the use of such grants by
2 such grantees as the Secretary deems appropriate, in
3 accordance with an agreement entered into with the
4 grantees after good-faith negotiations.”.

5 **SEC. 9002. LIMITATION ON AMOUNT OF FEDERAL FUNDS**
6 **TRANSFERABLE TO TITLE XX PROGRAMS.**

7 (a) **IN GENERAL.**—Section 404(d) of the Social Secu-
8 rity Act (42 U.S.C. 604(d)) is amended—

9 (1) in paragraph (1), by striking “A State
10 may” and inserting “Subject to paragraph (2), a
11 State may”; and

12 (2) by amending paragraph (2) to read as fol-
13 lows:

14 “(2) **LIMITATION ON AMOUNT TRANSFERABLE**
15 **TO TITLE XX PROGRAMS.**—A State may use not
16 more than 10 percent of the amount of any grant
17 made to the State under section 403(a) for a fiscal
18 year to carry out State programs pursuant to title
19 **XX**”.

20 (b) **RETROACTIVITY.**—The amendments made by
21 subsection (a) of this section shall take effect as if in-
22 cluded in the enactment of section 103(a) of the Personal
23 Responsibility and Work Opportunity Reconciliation Act
24 of 1996.

1 **SEC. 9003. CLARIFICATION OF LIMITATION ON NUMBER OF**
2 **PERSONS WHO MAY BE TREATED AS EN-**
3 **GAGED IN WORK BY REASON OF PARTICIPA-**
4 **TION IN EDUCATIONAL ACTIVITIES.**

5 (a) **IN GENERAL.**—Section 407(c)(2)(D) of the Social
6 Security Act (42 U.S.C. 607(c)(2)(D)) is amended to read
7 as follows:

8 “(D) **LIMITATION ON NUMBER OF PER-**
9 **SONS WHO MAY BE TREATED AS ENGAGED IN**
10 **WORK BY REASON OF PARTICIPATION IN EDU-**
11 **CATIONAL ACTIVITIES.**—For purposes of deter-
12 mining monthly participation rates under para-
13 graphs (1)(B)(i) and (2)(B) of subsection (b),
14 not more than 20 percent of the number of in-
15 dividuals in all families and in 2-parent fami-
16 lies, respectively, in a State who are treated as
17 engaged in work for a month may consist of in-
18 dividuals who are determined to be engaged in
19 work for the month by reason of participation
20 in vocational educational training, or deemed to
21 be engaged in work for the month by reason of
22 subparagraph (C) of this paragraph.”

23 (b) **RETROACTIVITY.**—The amendment made by sub-
24 section (a) of this section shall take effect as if included
25 in the enactment of section 103(a) of the Personal Re-

1 sponsibility and Work Opportunity Reconciliation Act of
2 1996.

3 **SEC. 9004. REQUIRED HOURS OF WORK.**

4 (a) IN GENERAL.—Section 407 of the Social Security
5 Act (42 U.S.C. 607) is amended by adding at the end the
6 following:

7 “(j) LIMITATION ON NUMBER OF HOURS PER
8 MONTH THAT A RECIPIENT OF ASSISTANCE MAY BE RE-
9 QUIRED TO WORK FOR A PUBLIC AGENCY OR NONPROFIT
10 ORGANIZATION.—

11 “(1) IN GENERAL.—A State to which a grant
12 is made under section 403 may not require a recipi-
13 ent of assistance under the State program funded
14 under this part to be assigned to a work experience,
15 on-the-job training, or community service position
16 with a public agency or nonprofit organization dur-
17 ing a month for more than the allowable number of
18 hours determined for the month under paragraph
19 (2).

20 “(2) ALLOWABLE NUMBER OF HOURS.—

21 “(A) IN GENERAL.—Subject to subpara-
22 graph (B), the allowable number of hours deter-
23 mined for a month under this paragraph is—

1 “(i) the value of the includible bene-
2 fits provided by the State to the recipient
3 during the month; divided by

4 “(ii) the minimum wage rate in effect
5 during the month under section 6 of the
6 Fair Labor Standards Act of 1938.

7 “(B) STATE OPTION TO TAKE ACCOUNT OF
8 CERTAIN WORK ACTIVITIES.—

9 “(i) IN GENERAL.—In determining
10 the allowable number of hours for a month
11 for a sufficiently employed recipient, the
12 State may subtract from the allowable
13 number of hours calculated under subpara-
14 graph (A) the number of hours during the
15 month for which the recipient participates
16 in a work activity described in paragraph
17 (6), (8), (9), or (11) of subsection (d).

18 “(ii) SUFFICIENTLY EMPLOYED RE-
19 CIPIENT.—As used in clause (i), the term
20 ‘sufficiently employed recipient’ means,
21 with respect to a month, a recipient who is
22 employed during the month for a number
23 of hours that is not less than—

24 “(I) the sum of the dollar value
25 of any assistance provided to the re-

1 recipient during the month under the
2 State program funded under this part,
3 and the dollar value equivalent of any
4 benefits provided to the recipient dur-
5 ing the month under the food stamp
6 program under the Food Stamp Act
7 of 1977; divided by

8 “(II) the minimum wage rate in
9 effect during the month under section
10 6 of the Fair Labor Standards Act of
11 1938.

12 “(3) DEFINITION OF VALUE OF THE INCLUD-
13 IBLE BENEFITS.—As used in paragraph (2)(A), the
14 term ‘value of the includible benefits’ means, with
15 respect to a recipient—

16 “(A) the dollar value of any assistance
17 under the State program funded under this
18 part;

19 “(B) the dollar value equivalent of any
20 benefits under the food stamp program under
21 the Food Stamp Act of 1977;

22 “(C) at the option of the State, the dollar
23 value of benefits under the State plan approved
24 under title XIX, as determined in accordance
25 with paragraph (4);

1 “(D) at the option of the State, the dollar
2 value of child care assistance; and

3 “(E) at the option of the State, the dollar
4 value of housing benefits.

5 “(4) VALUATION OF MEDICAID BENEFITS.—An-
6 nually, the Secretary shall publish a table that speci-
7 fies the dollar value of the insurance coverage pro-
8 vided under title XIX to a family of each size, which
9 may take account of geographical variations or other
10 factors identified by the Secretary.

11 “(5) TREATMENT OF RECIPIENTS ASSIGNED TO
12 CERTAIN POSITIONS WITH A PUBLIC AGENCY OR
13 NONPROFIT ORGANIZATION.—A recipient of assist-
14 ance under a State program funded under this part
15 who is engaged in work experience or community
16 service with a public agency or nonprofit organiza-
17 tion shall not be considered an employee of the pub-
18 lic agency or the nonprofit organization. Nothing in
19 this paragraph shall be construed to affect the em-
20 ployment status of any other individual participating
21 in a work activity pursuant to this part.”.

22 (b) RETROACTIVITY.—The amendment made by sub-
23 section (a) of this section shall take effect as if included
24 in the enactment of section 103(a) of the Personal Re-

1 sponsibility and Work Opportunity Reconciliation Act of
2 1996.

3 **SEC. 9005. PENALTY FOR FAILURE OF STATE TO REDUCE**
4 **ASSISTANCE FOR RECIPIENTS REFUSING**
5 **WITHOUT GOOD CAUSE TO WORK.**

6 (a) IN GENERAL.—Section 409(a) of the Social Secu-
7 rity Act (42 U.S.C. 609(a)) is amended by adding at the
8 end the following:

9 “(13) PENALTY FOR FAILURE TO REDUCE AS-
10 SISTANCE FOR RECIPIENTS REFUSING WITHOUT
11 GOOD CAUSE TO WORK.—

12 “(A) IN GENERAL.—If the Secretary deter-
13 mines that a State to which a grant is made
14 under section 403 in a fiscal year has violated
15 section 407(e) during the fiscal year, the Sec-
16 retary shall reduce the grant payable to the
17 State under section 403(a)(1) for the imme-
18 diately succeeding fiscal year by an amount
19 equal to not less than 1 percent and not more
20 than 5 percent of the State family assistance
21 grant.

22 “(B) PENALTY BASED ON SEVERITY OF
23 FAILURE.—The Secretary shall impose reduc-
24 tions under subparagraph (A) with respect to a

1 (2) in subparagraph (C), by adding at the end
2 the following: "Before commencing a redetermina-
3 tion under the 2nd sentence of subparagraph (A), in
4 any case in which the individual involved has not al-
5 ready been notified of the provisions of this para-
6 graph, the Commissioner of Social Security shall no-
7 tify the individual involved of the provisions of this
8 paragraph."

9 **SEC. 9102. REPEAL OF MAINTENANCE OF EFFORT RE-**
10 **QUIREMENTS APPLICABLE TO OPTIONAL**
11 **STATE PROGRAMS FOR SUPPLEMENTATION**
12 **OF SSI BENEFITS.**

13 Section 1618 of the Social Security Act (42 U.S.C.
14 1382g) is repealed.

15 **SEC. 9103. FEES FOR FEDERAL ADMINISTRATION OF STATE**
16 **SUPPLEMENTARY PAYMENTS.**

17 (a) FEE SCHEDULE.—

18 (1) OPTIONAL STATE SUPPLEMENTARY PAY-
19 MENTS.—

20 (A) IN GENERAL.—Section 1616(d)(2)(B)
21 of the Social Security Act (42 U.S.C.
22 1382e(d)(2)(B)) is amended—

23 (i) by striking "and" at the end of
24 clause (iii); and

1 (ii) by striking clause (iv) and insert-
2 ing the following:

3 "(iv) for fiscal year 1997, \$5.00;

4 "(v) for fiscal year 1998, \$6.20;

5 "(vi) for fiscal year 1999, \$7.60;

6 "(vii) for fiscal year 2000, \$7.80;

7 "(viii) for fiscal year 2001, \$8.10;

8 "(ix) for fiscal year 2002, \$8.50; and

9 "(x) for fiscal year 2003 and each succeeding
10 fiscal year—

11 "(I) the applicable rate in the preceding
12 fiscal year, increased by the percentage, if any,
13 by which the Consumer Price Index for the
14 month of June of the calendar year of the in-
15 crease exceeds the Consumer Price Index for
16 the month of June of the calendar year preced-
17 ing the calendar year of the increase, and
18 rounded to the nearest whole cent; or

19 "(II) such different rate as the Commis-
20 sioner determines is appropriate for the State."

21 (B) CONFORMING AMENDMENT.—Section
22 1616(d)(2)(C) of such Act (42 U.S.C.
23 1382e(d)(2)(C)) is amended by striking
24 "(B)(iv)" and inserting "(B)(x)(II)".

1 (2) MANDATORY STATE SUPPLEMENTARY PAY-
2 MENTS.—

3 (A) IN GENERAL.—Section
4 212(b)(3)(B)(ii) of Public Law 93-66 (42
5 U.S.C. 1382 note) is amended—

6 (i) by striking “and” at the end of
7 subclause (III); and

8 (ii) by striking subclause (IV) and in-
9 sserting the following:

10 “(IV) for fiscal year 1997, \$5.00;

11 “(V) for fiscal year 1998, \$6.20;

12 “(VI) for fiscal year 1999, \$7.60;

13 “(VII) for fiscal year 2000, \$7.80;

14 “(VIII) for fiscal year 2001, \$8.10;

15 “(IX) for fiscal year 2002, \$8.50; and

16 “(X) for fiscal year 2003 and each succeeding
17 fiscal year—

18 “(aa) the applicable rate in the preceding
19 fiscal year, increased by the percentage, if any,
20 by which the Consumer Price Index for the
21 month of June of the calendar year of the in-
22 crease exceeds the Consumer Price Index for
23 the month of June of the calendar year preced-
24 ing the calendar year of the increase, and
25 rounded to the nearest whole cent; or

1 “(bb) such different rate as the Commis-
2 sioner determines is appropriate for the State.”.

3 (B) CONFORMING AMENDMENT.—Section
4 212(b)(3)(B)(iii) of such Act (42 U.S.C. 1382
5 note) is amended by striking “(ii)(IV)” and in-
6 serting “(ii)(X)(bb)”.

7 (b) USE OF NEW FEES TO DEFRAY THE SOCIAL SE-
8 CURITY ADMINISTRATION'S ADMINISTRATIVE EX-
9 PENSES.—

10 (1) CREDIT TO SPECIAL FUND FOR FISCAL
11 YEAR 1998 AND SUBSEQUENT YEARS.—

12 (A) OPTIONAL STATE SUPPLEMENTARY
13 PAYMENT FEES.—Section 1616(d)(4) of the So-
14 cial Security Act (42 U.S.C. 1382e(d)(4)) is
15 amended to read as follows:

16 “(4)(A) The first \$5 of each administration fee as-
17 sessed pursuant to paragraph (2), upon collection, shall
18 be deposited in the general fund of the Treasury of the
19 United States as miscellaneous receipts.

20 “(B) That portion of each administration fee in ex-
21 cess of \$5, and 100 percent of each additional services
22 fee charged pursuant to paragraph (3), upon collection for
23 fiscal year 1998 and each subsequent fiscal year, shall be
24 credited to a special fund established in the Treasury of
25 the United States for State supplementary payment fees.

1 The amounts so credited, to the extent and in the amounts
2 provided in advance in appropriations Acts, shall be avail-
3 able to defray expenses incurred in carrying out this title
4 and related laws.”.

5 (B) MANDATORY STATE SUPPLEMENTARY
6 PAYMENT FEES.—Section 212(b)(3)(D) of Pub-
7 lic Law 93-66 (42 U.S.C. 1382 note) is amend-
8 ed to read as follows:

9 “(D)(i) The first \$5 of each administration fee as-
10 sessed pursuant to subparagraph (B), upon collection,
11 shall be deposited in the general fund of the Treasury of
12 the United States as miscellaneous receipts.

13 “(ii) The portion of each administration fee in excess
14 of \$5, and 100 percent of each additional services fee
15 charged pursuant to subparagraph (C), upon collection for
16 fiscal year 1998 and each subsequent fiscal year, shall be
17 credited to a special fund established in the Treasury of
18 the United States for State supplementary payment fees.
19 The amounts so credited, to the extent and in the amounts
20 provided in advance in appropriations Acts, shall be avail-
21 able to defray expenses incurred in carrying out this sec-
22 tion and title XVI of the Social Security Act and related
23 laws.”.

24 (2) LIMITATIONS ON AUTHORIZATION OF AP-
25 PROPRIATIONS.—From amounts credited pursuant

1 to section 1616(d)(4)(B) of the Social Security Act
2 and section 212(b)(3)(D)(ii) of Public Law 93-66 to
3 the special fund established in the Treasury of the
4 United States for State supplementary payment
5 fees, there is authorized to be appropriated an
6 amount not to exceed \$35,000,000 for fiscal year
7 1998, and such sums as may be necessary for each
8 fiscal year thereafter.

9 **Subtitle C—Child Support** 10 **Enforcement**

11 **SEC. 9201. CLARIFICATION OF AUTHORITY TO PERMIT CER-**
12 **TAIN REDISCLOSURES OF WAGE AND CLAIM**
13 **INFORMATION.**

14 Section 303(h)(1)(C) of the Social Security Act (42
15 U.S.C. 503(h)(1)(C)) is amended by striking "section
16 453(i)(1) in carrying out the child support enforcement
17 program under title IV" and inserting "subsections (i)(1),
18 (i)(3), and (j) of section 453".

19 **Subtitle D—Restricting Welfare** 20 **and Public Benefits for Aliens**

21 **SEC. 9301. EXTENSION OF ELIGIBILITY PERIOD FOR REFU-**
22 **GEES FROM 5 TO 7 YEARS FOR SSI, TANF, AND**
23 **OTHER BENEFITS.**

24 (a) SSI AND OTHER BENEFITS.—Section
25 402(a)(2)(A) of the Personal Responsibility and Work Op-

1 portunity Reconciliation Act of 1996 (8 U.S.C.
2 1612(a)(2)(A)) is amended—

3 (1) by striking “5 years after the date”;

4 (2) in clause (i) by inserting “7 years after the
5 date” after “(i)”; and

6 (3) in clauses (ii) and (iii) by inserting “5 years
7 after the date” before “an”.

8 (b) TANF AND OTHER BENEFITS.—Section
9 402(b)(2)(A)(i) of the Personal Responsibility and Work
10 Opportunity Reconciliation Act of 1996 (8 U.S.C.
11 1612(b)(2)(A)(i)) is amended by striking “5 years” and
12 inserting “7 years”.

13 **SEC. 9302. SSI ELIGIBILITY FOR ALIENS RECEIVING SSI ON**
14 **AUGUST 22, 1996.**

15 (a) IN GENERAL.—Section 402(a)(2) of the Personal
16 Responsibility and Work Opportunity Reconciliation Act
17 of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding after
18 subparagraph (D) the following new subparagraph:

19 “(E) ALIENS RECEIVING SSI ON AUGUST
20 22, 1996.—With respect to eligibility for bene-
21 fits for the program defined in paragraph
22 (3)(A) (relating to the supplemental security in-
23 come program), paragraph (1) shall not apply
24 to an alien—

1 “(i) who was receiving such benefits
2 on August 22, 1996; and

3 “(ii)(I) on whose behalf an affidavit of
4 support was not executed for purposes of
5 the Immigration and Nationality Act; or

6 “(II) on whose behalf an individual
7 executed an affidavit of support but the in-
8 dividual is deceased or the individual’s in-
9 come is below 150 percent of the Federal
10 poverty line.”.

11 (b) CONFORMING AMENDMENTS.—Section
12 402(a)(2)(D) of the Personal Responsibility and Work Op-
13 portunity Reconciliation Act of 1996 (8 U.S.C.
14 1612(a)(D)) is amended—

15 (1) by striking clause (i);

16 (2) in the subparagraph heading by striking
17 “BENEFITS” and inserting “FOOD STAMPS”;

18 (3) by striking “(ii) FOOD STAMPS”;

19 (3) by redesignating subclauses (I), (II), and
20 (III) as clauses (i), (ii), and (iii).

21 **SEC. 9303. SSI ELIGIBILITY FOR PERMANENT RESIDENT**
22 **ALIENS WHO ARE MEMBERS OF AN INDIAN**
23 **TRIBE.**

24 Section 402(a)(2) of the Personal Responsibility and
25 Work Opportunity Reconciliation Act of 1996 (8 U.S.C.

1 1612(a)(2)) (as amended by section 9302) is amended by
2 adding after subparagraph (E) the following new subpara-
3 graph:

4 “(F) PERMANENT RESIDENT ALIENS WHO
5 ARE MEMBERS OF AN INDIAN TRIBE.—With re-
6 spect to eligibility for benefits for the program
7 defined in paragraph (3)(A) (relating to the
8 supplemental security income program), para-
9 graph (1) shall not apply to an alien who—

10 “(i) is lawfully admitted for perma-
11 nent residence under the Immigration and
12 Nationality Act; and

13 “(ii) is a member of an Indian tribe
14 (as defined in section 4(e) of the Indian
15 Self-Determination and Education Assist-
16 ance Act).”.

17 **SEC. 9304. PUBLIC CHARGE PLEDGE.**

18 (a) **IN GENERAL.**—As a requirement for the issuance
19 of any visa under the Immigration and Nationality Act,
20 an alien shall provide a signed acknowledgement of the
21 public charge ground for exclusion and removal and a
22 pledge that the alien will not become a public charge while
23 present in the United States.

24 (b) **TEXT OF PLEDGE.**—The text of the pledge under
25 subsection (a) shall be as follows: “I acknowledge and un-

1 derstand that as an alien in the United States I will be
2 deportable and subject to removal from the United States
3 should I become a public charge and I will be excluded
4 from the United States in the future. I will not become
5 a public charge so as not to become a burden to the tax-
6 payers of the United States.”

7 **SEC. 9305. VERIFICATION OF ELIGIBILITY FOR STATE AND**
8 **LOCAL PUBLIC BENEFITS.**

9 (a) **IN GENERAL.**—The Personal Responsibility and
10 Work Opportunity Reconciliation Act of 1996 is amended
11 by adding after section 412 the following new section:

12 **“SEC. 413. AUTHORIZATION FOR VERIFICATION OF ELIGI-**
13 **BILITY FOR STATE AND LOCAL PUBLIC BENE-**
14 **FITS.**

15 “A State or political subdivision of a State is author-
16 ized to require an applicant for State and local public ben-
17 efits (as defined in section 411(e)) to provide proof of eli-
18 gibility.”

19 (b) **CLERICAL AMENDMENT.**—Section 2 of the Per-
20 sonal Responsibility and Work Opportunity Reconciliation
21 Act of 1996 is amended by adding after the item related
22 to section 412 the following:

“Sec. 413. Authorization for verification of eligibility for state and local public
benefits.”

1 **Subtitle E—Unemployment**
2 **Compensation**

3 **SEC. 9401. CLARIFYING PROVISION RELATING TO BASE PE-**
4 **RIODS.**

5 (a) **IN GENERAL.**—No provision of a State law under
6 which the base period for such State is defined or other-
7 wise determined shall, for purposes of section 303(a)(1)
8 of the Social Security Act (42 U.S.C. 503(a)(1)), be con-
9 sidered a provision for a method of administration.

10 (b) **DEFINITIONS.**—For purposes of this section, the
11 terms “State law”, “base period”, and “State” shall have
12 the meanings given them under section 205 of the Fed-
13 eral-State Extended Unemployment Compensation Act of
14 1970 (26 U.S.C. 3304 note).

15 (c) **EFFECTIVE DATE.**—This section shall apply for
16 purposes of any period beginning before, on, or after the
17 date of the enactment of this Act.

18 **SEC. 9402. INCREASE IN FEDERAL UNEMPLOYMENT AC-**
19 **COUNT CEILING.**

20 Section 902(a)(2) of the Social Security Act (42
21 U.S.C. 1102(a)(2)) is amended by striking “0.25 percent”
22 and inserting “0.5 percent”.

1 **SEC. 9403. SPECIAL DISTRIBUTION TO STATES FROM UNEM-**
2 **PLOYMENT TRUST FUND.**

3 (a) IN GENERAL.—Section 903 of the Social Security
4 Act (42 U.S.C. 1103) is amended by adding after sub-
5 section (c) the following new subsection:

6 “(d)(1) For the purpose described in paragraph (3),
7 there are authorized to be appropriated, from amounts
8 otherwise available in the employment security administra-
9 tion account, the Federal unemployment account, or the
10 extended unemployment compensation account,
11 \$100,000,000 for each of fiscal years 2000, 2001, and
12 2002.

13 “(2) Any amount appropriated pursuant to this sub-
14 section for a fiscal year shall be allocated among the
15 States in accordance with the same formula as is used to
16 allocate funds among the States for administration of
17 State unemployment compensation laws under title III for
18 such fiscal year.

19 “(3) The amount allocated to a State under this sub-
20 section for any fiscal year shall be transferred to the ac-
21 count of such State in the Unemployment Trust Fund,
22 to be used for expenses incurred by the State for adminis-
23 tration of its unemployment compensation law.

24 “(4) Transfers under this subsection for any fiscal
25 year shall be made at the beginning of such fiscal year,
26 but only after all transfers required to be made at the

1 beginning of such fiscal year have been made under sec-
2 tion 901(f)(3)(B), section 902(a), and subsection (a).

3 “(5) Subsection (b) shall apply with respect to
4 amounts under this subsection in the same manner as it
5 applies with respect to amounts under subsection (a).”

6 (b) CONFORMING AMENDMENTS.—

7 (1) Subparagraph (B) of section 3304(a)(4) of
8 the Internal Revenue Code of 1986 is amended—

9 (A) by striking “(B)” and inserting
10 “(B)(i)”,

11 (B) by adding “and” after the semicolon,
12 and

13 (C) by adding at the end the following new
14 clause:

15 “(ii) the amounts specified by section
16 903(d) of the Social Security Act may be used
17 for expenses incurred by the State for adminis-
18 tration of its unemployment compensation
19 law;”

20 (2) Paragraph (2) of section 3306(f) of such
21 Code is amended—

22 (A) by striking “(2)” and inserting
23 “(2)(A)”,

24 (B) by adding “and” after the semicolon,
25 and

1 (C) by adding at the end the following new
2 subparagraph:

3 "(B) the amounts specified by section 903(d) of
4 the Social Security Act may be used for expenses in-
5 curred by the State for administration of its unem-
6 ployment compensation law;"

7 (3) Section 303(a)(5) of the Social Security Act
8 (42 U.S.C. 503(a)(5)) is amended by inserting after
9 the second proviso the following: "*Provided further,*
10 That the amounts specified by section 903(d) of the
11 Social Security Act may be used for expenses in-
12 curred by the State for administration of its unem-
13 ployment compensation law;"

14 **SEC. 9404. INTEREST-FREE ADVANCES TO STATE AC-**
15 **COUNTS IN UNEMPLOYMENT TRUST FUND**
16 **RESTRICTED TO STATES WHICH MEET FUND-**
17 **ING GOALS.**

18 (a) **IN GENERAL.**—Paragraph (2) of section 1202(b)
19 of the Social Security Act (42 U.S.C. 1322(b)) is amend-
20 ed—

21 (1) by striking "and" at the end of subpara-
22 graph (A),

23 (2) by striking the period at the end of sub-
24 paragraph (B) and inserting ", and", and

1 (3) by adding at the end the following new sub-
2 paragraph:

3 “(C) the average daily balance in the account of
4 such State in the Unemployment Trust Fund for
5 each of 4 of the 5 calendar quarters preceding the
6 calendar quarter in which such advances were made
7 exceeds the funding goal of such State (as defined
8 in subsection (d)).”

9 (b) FUNDING GOAL DEFINED.—Section 1202 of the
10 Social Security Act is amended by adding at the end the
11 following new subsection:

12 “(d) For purposes of subsection (b)(2)(C), the term
13 ‘funding goal’ means, for any State for any calendar quar-
14 ter, the average of the unemployment insurance benefits
15 paid by such State during each of the 3 years, in the 20-
16 year period ending with the calendar year containing such
17 calendar quarter, during which the State paid the greatest
18 amount of unemployment benefits.”

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to calendar years beginning after
21 December 31, 1997.

Welfare to Work Talking Points

6/4/97

We are pleased that the Ways and Means subcommittee has included in its mark a \$3 billion welfare to work proposal that meets many of the Administration's priorities:

- It provides additional funds for jobs where they're needed most: to help long term recipients in high unemployment/high poverty areas;
- It directs funds to cities and local governments with large numbers of poor people;
- It awards some funds on a competitive basis, assuring the best use for scarce resources;
- It provides communities with appropriate flexibility to use the funds to create successful job placement and creation programs.

We are pleased that Congressman Shaw was willing to work in a bipartisan basis to incorporate many of the Administration's priorities. We continue to urge the Committee to add stronger language to better protect against worker displacement and to provide additional incentives for success through performance bonuses.

The President proposed a \$3 billion welfare to work program last fall and fought to have it included in the bipartisan balanced budget agreement. A centerpiece of the President's second-term agenda, the proposal will help move one million adults from welfare to work by the year 2000.

Nratt
6/4/97

The Job Creation and Retention Block Grant

This proposal, consistent with the budget agreement, would provide \$3 billion in capped mandatory spending for welfare-to-work efforts involving long-term welfare recipients and areas of high poverty.

Funding

- 50% to states via formula grants and 50% to local communities via a competitive grant process. 20% of the state funds would be awarded as performance bonuses based upon success with job placement and retention of welfare recipients. At least 25% of the local community funds will be reserved for rural areas.

Eligible Individuals and Communities

- Individuals to be assisted: long-term welfare recipients; those who have exhausted their TANF eligibility (or who are in danger of doing so); former TANF recipients at risk of returning to TANF; or, non-custodial parents with child support arrearages.
- Areas with poverty and unemployment rates at least 20% higher than the state average can be assisted with these funds. States and communities will have great flexibility in selecting the communities -- or parts of communities -- to be served.

Allowable Uses

- States and communities would have flexibility in the methods of job creation and retention they will employ. Specifically, states and communities can support pre- and post-employment assistance, such as counseling or help with child care or transportation emergencies. They can also use wage subsidies -- to the extent they are used to create new jobs -- and job retention vouchers, which can be redeemed by private job placement agencies successful in placing and retaining welfare recipients in jobs. Support of public sector jobs would be permitted only in designated Labor Surplus Areas or on Indian reservations.

Protections

- Jobs created with these funds could not displace current workers or fill union vacancies.

Administration

- The Labor Department would run the program at the federal level and the state agency responsible for meeting TANF work requirements will be the recipient of the formula funding. No more than 7% of funds given to states and communities could be spent on administrative expenses.

Summary of Human Resources Budget Reconciliation Provisions

June 1997

Subtitle A: Temporary Assistance for Needy Families (TANF) Block Grant

1. To Help Long-Term Welfare Recipients. Welfare-to-Work Grants. The reconciliation proposal includes a new \$3 billion welfare-to-work block grant, designed to provide States and local governments added assistance in helping the most dependent and least skilled welfare recipients move into the workforce.
2. Transfer of Funds Between Block Grants. The 30 percent transfer provision in the welfare reform law is simplified so that States can transfer funds between the cash and social services block grants without the current requirement that they transfer into the child care block grant \$2 for every \$1 transferred into social services. This direct transfer will provide States greater flexibility in designing their overall welfare program.
3. Limitation on Education Activities Counting as Work. Rather than restrict to 20 percent the proportion of persons in all families and in 2-parent families who may be treated as engaged in work by reason of vocational education training, secondary education, or education related to employment, this provision restricts to 20 percent the proportion of persons who may qualify as meeting the work standard by reason of vocational education, secondary education, and other education related to employment. This provision increases the number of people who can meet the work requirement by engaging in actual work rather than educational activities.
4. Giving States the Flexibility They Need by Counting Federal Cash and Non-Cash Benefits in Meeting Minimum Wage and Welfare Work Requirements. Work experience and community service positions in the public and non-profit sectors are exempt from minimum wage laws. However, States may not require recipients to work more hours than the combined value of benefits under the IV-A (TANF Block Grant) program and the food stamp program. In addition, States may also add the value of child care, housing, and medical benefits, and may allow individuals to participate in education and training activities to satisfy any remaining hours of the welfare work requirements.
5. Penalty Against States for Not Reducing Assistance Pro Rata for Failure to Work. The welfare reform law requires that States reduce welfare checks at least *pro rata* for individuals who fail to perform required work. The reconciliation proposal requires the Secretary of HHS, in implementing this provision, to reduce the annual TANF grant amount by between 1 and 5 percent in the case of States that do not reduce individuals' TANF assistance *pro rata* for failure to work.

Subtitle B: Supplemental Security Income

1. SSI Children's Reviews. This provision specifies that: (1) all children subject to a SSI redetermination under the terms of the welfare reform law must be reviewed within the 18 months following enactment of the welfare reform law (that is, by February 22, 1998 rather than by August 22, 1997 as provided for in the welfare reform law); and (2) any child whose redetermination does not occur during this initial 18-month period is to be assessed as quickly as possible thereafter. The new child eligibility standards apply to reviews under both circumstances.

2. Repeal of Maintenance of Effort Requirements Applicable to Optional State Programs for Supplementation of SSI Benefits. The maintenance of effort requirement applicable to optional State programs for supplementation of SSI benefits is repealed. This repeal allows States to lower their supplemental SSI benefits.

3. State SSI Administrative Fees. The administrative fees the federal government charges States for including their State supplemental SSI payments in the federal SSI check are increased.

Subtitle C: Child Support Enforcement

1. SSA and IRS Information Use Regarding Child Support. The welfare reform law generally allows for the Department of HHS to redisclose wage and claim information from the Child Support Enforcement Program's Directory of New Hires to the Social Security Administration and to the Internal Revenue Service. However, unemployment insurance law limits such redisclosure, contradicting this policy with regard to wage and claim information obtained from unemployment compensation agencies. This wording is amended to clarify that HHS is authorized to share information with the Social Security Administration and the Internal Revenue Service.

Subtitle D: Restricting Welfare and Public Benefits for Aliens

1. Refugee Eligibility Extended from 5 to 7 Years. The welfare reform law guarantees refugees' eligibility for welfare benefits during their first 5 years after arrival in the U.S. This change would lengthen the period of welfare eligibility to the first 7 years following refugees' arrival in the U.S., permitting many the opportunity to naturalize without interruption in benefits.

2. Continued SSI and Medicaid Benefits for Qualified Aliens Receiving SSI Benefits on August 22, 1996. Legal noncitizens who were enrolled in the SSI program as of August 22, 1996 (the date of enactment of the welfare reform law) remain eligible for SSI and Medicaid, despite underlying restrictions in the welfare law. "Qualified aliens" (as defined in the welfare law) who were in the country but not on the rolls would not be eligible to receive SSI in the future unless they naturalized, worked for 10 years, or served in the U.S. armed forces.

3. Requiring Aliens to Look to Their Sponsors for Support Before Looking to Taxpayers by Restricting the Restoration of SSI and Medicaid Benefits for Aliens with Sponsors on Whom to Depend. The grandfather provision that continues the welfare eligibility of aliens receiving SSI benefits on August 22, 1996 is limited to only those noncitizens who entered the U.S. without sponsors, whose sponsors have died, or whose sponsors have limited means with which to provide for the noncitizen's support (evidenced by income below 150 percent of the poverty level).

4. Exemption from Noncitizen SSI Restrictions for "Border Indians". Permanent resident Indians who are members of tribes along the U.S./Canada and U.S./Mexico border are to remain eligible for SSI, despite restrictions in the welfare law on noncitizen eligibility for benefits.

5. Noncitizen Entry Pledge Not to Accept Welfare. Noncitizens arriving in the U.S. must sign a pledge acknowledging that they understand that becoming a public charge constitutes grounds for deportation. The document states that the noncitizen "will not become a public charge, so as not to become a burden to the taxpayers of the United States."

6. Authorizing State Verification. States or political subdivisions are authorized to require an applicant for State or local public benefits to provide proof of eligibility.

Subtitle E: Unemployment Compensation

1. Clarifying Provision Relating to Unemployment Base Periods. This provision clarifies that States have complete authority to set their own base periods used in determining individuals' eligibility for unemployment insurance benefits (this long-term understanding has been called into question by a recent Illinois federal appellate court decision in a case known as *Pennington v. Doherty*).

2. Increase in the Federal Unemployment Account Ceiling and Special Distribution to States from the Unemployment Trust Fund. This provision doubles the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages, resulting in more FUTA revenues being held in federal accounts rather than being transferred into State benefit accounts (where they are likely to trigger state tax cuts). In addition, for each of fiscal years 2000, 2001, and 2002, \$100 million is authorized to be transferred from the Federal UI accounts to the State accounts for use by States in administering their UI programs.

3. Interest-free Advances to State Accounts in the Unemployment Trust Fund Restricted to States That Meet Funding Goals. States that maintain adequate reserves (defined as sufficient to cover, in 4 out of the 5 most recent calendar quarters, the average benefits paid during the 3 years out of the last 20 years in which the State paid the greatest unemployment benefits) are allowed to receive interest-free federal loans for the operation of State UI program activities.

POSSIBLE SUBCOMMITTEE AMENDMENTS

June 3, 1997 (Revised)

GENERAL AMENDMENT

1. **Limit the mark to items in the budget agreement**
 - a. Welfare-to-work (as modified by Democratic amendments)
 - b. SSI fees
 - c. Restore benefits to legal immigrants, including new applicants present in the US on August 22, 1996
 - d. Refugees
 - e. UI trust fund ceiling

TANF AMENDMENTS

1. **FLSA - minimum wage**
 - a. Strike the whole provision (Stark)
 - b. Strike language that permits States to count housing, child care and Medicaid; make clear that Secretary must consider application of minimum wage policy as reasonable cause for not meeting the work participation requirements

2. **Welfare-to-Work**
 - a. 60 percent competitive grants; 40 percent formula
 - b. For both competitive and formula funds, the appropriate TANF agency would apply and receive funds with authority to contract for any allowable activity; add requirement that the PIC approve the TANF agency's plan
 - c. In year 3, any funds set aside (up to 20 percent of the competitive grant funds) by the Secretary could be used for performance bonuses to competitive and/or formula grantees
 - d. Labor protections (from Workforce Committee)
 - e. Blue Dogs proposal

3. Miscellaneous

- a. 20 percent - vocational education -- take out teen parents (Stark)
- b. Contingency fund -- Lift funding cap (Drafting issues: do we need to get rid of para (C) (i) on pg 19; Will 20 percent of the family assistance grant ever exceed \$2 billion?)
- c. George Brown study of job vacancies (Stark)

SSI AMENDMENTS

1. Eliminate State SSI maintenance of effort requirement

- a. Strike (Matsui)

2.4m - 345,000 state only

LEGAL IMMIGRANTS

1. Restoration of benefits to aliens

- a. Pure budget agreement (include new applicants)
- b. Strike provision making legal immigrants ineligible if the sponsor has income above 150 percent of poverty
- c. Add present before August 22 but disabled after
- d. Small new entrants provision?

2. Non-Ways and Means issues

- a. Strike definition of means-test programs (Stark)
- b. Strike public charge deportation, entry pledge, welfare-receipt by sponsors, AIDS/communicable disease

UNEMPLOYMENT COMPENSATION

I. Pennington

- a. alternative?
- b. Strike provision

Facsimile Cover Sheet

To: Cynthia Rice

Phone: _____

Fax: 456 7431

From: Deborah Colton
Committee on Ways and Means

Phone: 202-225-4021

Fax: 202-225-1284

Date: _____

Pages including this
cover page: _____

Comments:

Tentative Minimum Wage Provision
May 27, 1997

1. Clarify that workfare participants in the public and nonprofit sectors are not employees for purposes of the Fair Labor Standards Act or any other federal law.
2. However, states may not require recipients to participate in workfare for a number of hours greater than the welfare benefits package divided by the appropriate minimum wage.
 - In conducting the hours-of-work computation, states must count cash and other benefits under Title IV-A and food stamps.
 - States may count Medicaid, child care, and housing benefits (for the purpose of valuing Medicaid, the Secretary of HHS must publish an annual table of the insurance value of Medicaid coverage for families of various sizes. The Secretary may include geographical variations in her table).
 - States may (in addition to the step above) satisfy any remaining hours of the work requirement by counting job search, job readiness activities, basic skills education, vocational education training, job skills training, high school or GED completion. None of these additional activities would be subject to the Fair Labor Standards Act.

Example: The State of Freedonia has a minimum wage of \$6 per hour, and a typical family receives \$400 in cash welfare and \$200 in food stamps per month. The current work requirement is 30 hours per week or 120 hours per month. Because the value of the welfare benefit package (\$600 in cash plus food stamps) is not enough to cover the minimum wage (\$6 times 120 hours, meaning the package "pays" \$5 per hour), the State has three choices: (1) count other benefits (such as child care, housing, or Medicaid) in calculating the total welfare benefits package; (2) satisfy the remaining 5 hours of work required per week* through education and training activities listed above; or (3) some combination of (1) and (2).

*\$600 in basic benefits divided by the minimum wage of \$6 equals 100 hours of work per month payable at the minimum wage, leaving a remainder of 20 hours per month or 5 hours per week.

SUMMARY OF MAJOR BENEFITS FOR IMMIGRANTS PROVISION

Provision	SSI and Medicaid cuts for immigrants in WR	Final Budget Agreement	H.R. Subcommittee Markup
SSI and Medicaid	<p><i>Most current recipients</i> -- banned from receiving SSI. State option to deny Medicaid</p> <p><i>Most future immigrants</i> -- banned from receiving SSI. In Medicaid, 5 year ban and thereafter, deeming until citizenship</p>	<p><i>Restore SSI and Medicaid eligibility for disabled immigrants who entered the country prior to August 23, 1996</i> -- exempt current and future immigrants from the ban if they are or become disabled and are in the country before August 23, 1996</p>	<p>Restore SSI and Medicaid eligibility for legal immigrants who were receiving SSI benefits on August 22, 1996. This "grandfathering" is <u>restricted to</u>: (a) those without sponsors; (b) those whose sponsors have died; or (c) those whose sponsors have incomes below 150% of poverty level</p>
SSI and Medicaid for refugees and asylees	<p><i>Refugee exemption</i> -- refugees and asylees are exempt from the SSI and Medicaid bans for their first five years</p>	<p>same as budget proposal -- extend the refugee exemption period from 5 to 7 years</p> <p><i>refugees</i></p>	<p>Extending the exemption period from 5 to 7 years <u>would only apply to refugees.</u></p>
CBO 98-02 Cost Estimate	<p>\$21.3 billion in savings -- (\$12.9 billion in SSI, \$3.2 billion in Food Stamps, \$5.2 billion in Medicaid savings). WR also included \$1.2 billion in EITC savings from illegal immigrants</p>	<p>\$9.7 billion (5 year cost) -- (\$8.0 billion in SSI cost and \$1.7 billion in Medicaid cost).</p>	
Number of immigrants affected	<p>Over 415,000 legal immigrants who are currently on the rolls will lose their SSI benefits in August, 1997</p>	<p>In FY 98, would restore SSI benefits for 320,000 legal immigrants currently on the rolls and approximately 195,000 adults would have Medicaid coverage restored</p> <p>In addition, offers a safety net for future <u>applicants</u> (those who entered the U.S. prior to August 23, 1996)</p>	<p>In FY 98, would restore SSI benefits for 220,000 legal immigrants currently on the rolls.</p> <p>There is no policy for future applicants</p>

*Ans = 98 only
Shows 220,000 yr
1/2 ban on 15 yrs.
"Death will take care of this problem"
AARP?
→ will event*

**BENEFITS FOR IMMIGRANTS ISSUES
WHICH MAY BE INTRODUCED AT RULES COMMITTEE**

- 1) Immigrants who use means tested benefits would be considered a public charge and as a consequence subject to deportation and prevented from naturalizing.
- 2) For purposes of the benefit restrictions in Welfare Reform, means tested benefits would be defined to include most mandatory and discretionary programs.
- 3) Illegal immigrants would be excluded from HIV treatment.
- 4) To be able to sponsor an immigrant, an individual cannot have been receiving welfare benefits for the last 3 years.

The first three provisions were included in the Illegal Immigration Reform Conference bill and removed during negotiations with the Administration.

**OTHER BENEFITS FOR IMMIGRANTS ISSUES
IN MARKUP**

No use of welfare entry pledge. Future immigrants who enter must pledge to not accept welfare. This provision would not appear to constrain access to benefits but would have a chilling affect for immigrants who are eligible for benefits under current rules, such as veterans and refugees and asylees.

E. CLAY SHAW, JR., FLORIDA, CHAIRMAN
SUBCOMMITTEE ON HUMAN RESOURCES

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JIM MCINERNEY, LOUISIANA
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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

June 4, 1997

MEMORANDUM

TO: Members, Subcommittee on Human Resources

FROM: Clay Shaw, Chairman

RE: Materials for Markup of Budget Reconciliation Human Resources
Items, on Friday, June 6, 9:00 a.m., B-318 Rayburn HOB

Attached are background materials for the June 6 Subcommittee markup:

1. Legislative text for Budget Reconciliation Human Resources Items; and
2. A description of Budget Reconciliation Human Resources Items.

I would like to request that all amendments which you expect to offer during the markup be submitted to the Human Resources Subcommittee office (B-317 RHOB), by 4:00 p.m., Thursday, June 5. I also intend to offer an amendment in the nature of a substitute at the markup, which I expect to distribute to you on Thursday. I request that you provide 150 copies of any amendment at the markup Friday.

Attachments

File - welfare legislation -

To Bruce
Cynthia
Diana**POSSIBLE SHAW MARK**

(From Deborah Altman)

TANF AMENDMENTS

1. FLSA - minimum wage
 - Workfare is not employment
 - States *must* count the value of food stamps and TANF cash assistance, divided by the minimum wage, toward the hours of participation rules
 - States *may* count the value of housing, child care, and Medicaid, divided by the minimum wage, toward the hours of participation rules
 - Once maximum workfare hours have been reached, States *may* count hours spent on other allowable activities (job search, education and training)
2. Welfare-to-work (budget agreement)
3. 20 percent - vocational education
4. Title XX transfer
5. Clarify pro-rata benefit reduction

SSI AMENDMENTS

1. McCrery - disabled child issue
2. California maintenance of effort
3. SSI fees (budget agreement)
4. Border Indians

LEGAL IMMIGRANTS

1. Grandfather those on the rolls as of August 22 but no new applicants (altered version of budget agreement)
2. Refugees - 7 years (budget agreement)
3. If the sponsor has income of 150 percent of poverty, the alien is not eligible for SSI or Medicaid]
4. Public charge deportation
5. No welfare entry pledge
6. No one on welfare can be a sponsor
7. AIDS
8. Definition of means-tested programs

UNEMPLOYMENT COMPENSATION

1. Pennington
2. Actors
3. Christian schools
4. Poll workers
5. Trust fund ceiling (budget agreement)
6. Anti-fraud (budget agreement)
7. Indians

J:\DCOLTON\WPI\Welfare 97\5-28 Shaw mark outline.wpd

POSSIBLE SUBCOMMITTEE AMENDMENTS

May 28, 1997

GENERAL AMENDMENT

1. **Limit the mark to items in the budget agreement**
 - Welfare-to-work
 - SSI fees
 - Restore benefits to legal immigrants, including new applicants present in the US on August 22, 1996
 - Refugees
 - UI trust fund ceiling
 - UI anti-fraud

TANF AMENDMENTS

1. **FLSA - minimum wage**
 - Work off benefit, then count job search and education
 - training for 12 months, then its wages
 - strike "workfare is not employment"
2. **Welfare-to-Work**
 - Modifications to Shaw mark
 - Blue Dogs proposal
 - Proposal based on Democratic principles
3. **Miscellaneous**
 - 20 percent - vocational education -- take out teen parents
 - Title XX transfer -- limit to 10 percent
 - Contingency fund -- Lift funding cap

SSI AMENDMENTS

1. **California maintenance of effort**
 - Strike ?

LEGAL IMMIGRANTS

1. **Restoration of benefits to aliens**
 - Pure budget agreement (include new applicants)
 - Add disabled after entry paid for (?) With extension of the FUTA tax
 - Small new entrants provision?

2. **Non-Ways and Means Issues**
 - Strike ?

UNEMPLOYMENT COMPENSATION

1. **Pennington**
 - alternative?