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FOR YOUR INFORMATION & ANY COMMENTS.

M. Lefcowitz

DRAFT:

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GETTING FROM WELFARE TO WELL AND FAIR

by Mark Jay Lefcowitz

The ongoing and seemingly endless debate over welfare policy has been rekindled by the Clinton Administration's "reform" proposal. Once again the American public is being subjected to the same old debate.

On one side are the humanists (the "liberals") who focus on the human suffering and the social costs caused by poverty. On the other side are the moralists (the "conservatives") who focus both on the real dollar costs of welfare programs that never seem to work very well, and the poor themselves who never seem to take personal or collective responsibility for the perpetuation of their own condition.

Both sides have legitimate points to make, but both sides stubbornly refuse to acknowledge the reasonableness of the other's point of view. And so the debate goes on and on with no change - ultimately - in the fundamental welfare policy that is produced by this debate.

The Welfare Dilemma

Let us finally grapple with the social and moral dilemmas implied by these two seemingly incompatible points of view and for once tackle their policy implications unswervingly.

For starters, let us admit that in our complex modern society there are both financial winners and financial losers. Among the losers are those who for any number of reasons are so disenfranchised and so dysfunctional that they can't even compete: the poor. Moreover, let us acknowledge that the poor do not always cause their own disenfranchisement, nor do they always perpetuate their own dysfunctions; and even if in either case they did exclusively contribute and perpetuate their own needy circumstances, our sense of justice demands that we offer assistance to those less fortunate than ourselves.

On the other hand, let us also agree that in our eagerness to help the less fortunate, our past efforts have caused - through the law of unintentional consequences - great harm to both society and the poor themselves. The theory which presumes that any problem can be solved if your intentions are pure enough and if you throw enough money at it has long-since proved to be false. So, too, has the postulate which presumes that all social ills are institutional, beyond the capabilities of mere individuals to alleviate them for themselves, through their own efforts and by their own initiative. We know that the maternalistic axiom which presumes the socially and economically disadvantaged to

be individually and collectively powerless to change their own circumstances is often false.

Let us agree, as well, that the tangled web of federal, state and local legislation and regulations which comprises our welfare system is collectively cumbersome, wasteful, often inconsistent, and sadly impotent. We can't seem to really help the people who really need help. Neither can we seem to prevent those who desire to fraudulently enter the welfare system from taking advantage of society's largess.

It is true: there is a great deal of welfare fraud. And it is also true that those individuals who do commit fraud are almost never prosecuted because the legal costs associated with the prosecution of welfare cheaters are often more expensive in real dollars and staff time than the cost of the fraud itself.

It is an open secret that most welfare recipients lie to one extent or another about their exact circumstances. Neither should it be very surprising that there exist many more "intact" welfare households than our welfare statistics might indicate. Also this country's inconsistent immigration policies, mixed-up and muddled welfare regulations, and overly interfering yet at the same time remote judicial system has foolishly encouraged the immigration of poverty and out-and-out fraud from outside our own borders.

But in our haste to decry this fraud let us not lose sight of the fact that the poverty levels used today are so out of touch with reality that they almost

invite fraud. We have built, piece-meal, a Catch-22 system which encourages lying because telling the truth almost always makes an individual ineligible for its benefits. Once the lie is told, a great deal of effort is needed to prevent the lie from being detected. Instead of putting the bulk of their efforts into changing their circumstances, most welfare recipients spend most of their time in the survival technique of either appearing dysfunctional enough to stay eligible for welfare or hiding the true facts of their circumstances to stay eligible for welfare...more often both.

When placed in a survival situation, most people most of the time will survive any way they can, with whatever resources are handy to them. Little is thought is given to the impact or the consequences of their actions, beyond fulfilling their immediate need for food, shelter, clothing, and safety. It is not reasonable nor rational for us to expect that any individual should or would meekly do without these bare essentials of human existence.

Last, let us admit that what society gives the poor is woefully inadequate and mostly inappropriate. Programs designed to give individuals a hand-up as opposed to a hand out have pretty much failed across the board -- with some notable exceptions. Neither are there any rigorous standards to really determine whether any particular program has "succeeded". In those programs that do succeed in moving families out of poverty and into mainstream economic life, the mitigat-

ing variable seems to be the leadership of a single individual at the local level, not the program itself.

All too often the providers of welfare and human services are the real recipients of our welfare system, not the clients who come to that system for help.

Let us agree, too, that the primary reason that our welfare system is a failure is because we never demand its recipients to invest very much of them-selves into it. We give services and benefits; we almost never really demand that the recipient give effort and commitment in return.

Last, let us agree that society's financial ability to help the poor is extremely limited. Under present political and economic circumstances, benefits are more likely to be cut at the very time when they are needed most. The reality is: helping someone out of poverty is often a long and always expensive undertaking. Unless something changes the situation, there is neither the political will nor the financial largess to accommodate the real needs of our poor and working poor.

A Two Tier System of Welfare

Is there a way for the welfare system to take into account these opposing - seemingly contradictory - points of view? The answer is: Yes. There exists a source of funding for welfare programs never considered before, presumed to be totally impossible: the poor, themselves.

Our notion of welfare is an outmoded vestige of an

era long-since past. It lacks dignity, it lacks flexibility, it lacks accountability, and most of all it doesn't work. Welfare need not be the meager gift of crumbs from society-at-large's table in the grand tradition of *noblesse oblige*. That tradition, the belief in the obligation of the privileged, comes from a time and place whose values and base assumptions our society has long-since discarded. Rather, our ideal society is one in which all have equal opportunity and all have equal obligation according to their ability. We strive for a society in which all have equal human privilege and all have equal human responsibilities - both to society and to themselves. It is only because of this ideal that our society strives toward the empowerment of the powerless. Only with such empowerment can we as a society truly demand accountability and responsibility from each of its members. Our present welfare system does not reflect these ideals, and therefore does not promote these new, valued social goals. As a result, welfare - as practiced today - is neither exceedingly gratifying to the provider nor is it extremely satisfying to the recipient.

In the place of *noblesse oblige* we should substitute a social model more in harmony with the goals for which we all strive: the good neighbor.

We are social animals. Because of this all too human trait, it is right and proper for each of us to expect assistance from our neighbors during times of great need. But it is also right and proper for those

neighbors to expect repayment from us of that very same assistance once the emergency is past. It is no more unreasonable for society at-large to demand repayment of its assets from those it has aided during their time of need.

In our society of bedroom communities and anonymous neighbors, this is a tradition worth trying to save.

But how can we reach such a goal? The welfare system we have created is over-weighted with the heavy and unwieldy baggage of our overly litigious society. We have built a justice system which acknowledges that we all may appeal to a higher authority when government has treated us unfairly. Through numerous class action suits by various welfare groups and litigation by scores of welfare recipients a body of administrative law and court decisions now exist which allows the individual welfare recipients to avoid being dropped from the welfare rolls almost at will.

The answer is a two tier system of welfare: a high end - if you will, *filet mignon* - program and a low end - peanut butter and jelly sandwich - program.

On the upper level, the high end welfare program would be voluntary. It would offer comprehensive services: individual and group therapy, social services, medical coverage, housing assistance, job counseling and training, educational assistance, etc; everything that anyone could possibly need to assist them in moving from poverty to mainstream economic life. The precise proportion of the pay-back to be determined by the

recipient's citizenship status, state and local municipality residency status, and the presence of a verifiable work history and history of taxpaying.

At the lower level, the low end program which would offer only the most minimum of benefits; not even making the pretence of giving of assisting people out of poverty. The low end program: a straight forward grant for a limited period of time. The higher end system: a loan by society which would be repaid by the recipient once full-employment had been obtained and immune to any and all bankruptcy proceedings. Each would provide food, shelter and safety - perhaps not fancy, but food, shelter and safety nonetheless - for each recipient.

It is important to note here that in neither case would either of the programs in this two tiered system be a "free lunch". Both programs would utilize heavy intake screening procedures to insure the accuracy of all information given by the client on their citizenship status, state and local residency status, educational and employment history, past financial management history, etc. Both systems would require mandatory community service and/or part-time employment as a condition of eligibility, except in life/health threatening situations. And each would be highly structured and require other traditional eligibility requirements common to current welfare programs. This would be particularly true with the high end program, which would offer considerably greater benefits programs and opportunities to the recipient than its less-comprehensive

companion.

In both programs, welfare recipients could be discontinued from their benefits in the event that they failed to cooperate with agency personnel or failed to comply with agency regulations. In those instances where the welfare of children were to be jeopardized due to a loss of food, shelter or safety because a parent's, specified relative's or legal guardian's failure to cooperate or failure to comply, child protective services would be brought into the case to insure the safety of the children until such time as cooperation or compliance was re-established.

Tough Love

The object of this proposed two-tiered system is not be punitive. Instead, its purpose is to insist on functional, rational self-interest and self-help behavior by the recipient's of welfare.

Mandatory community service and/or part-time employment would be a condition of eligibility, not because such activity would invariably lead to full-time employment but because such activity is good for the welfare recipient at a broad range of self-image and social skills levels. A high degree of structure would be imposed upon recipients, not as a punitive means of social control but rather as means of requiring each recipient to actively invest in themselves and their families through functional and self-interest behavior. And last re-payment of society's resources (depending on

which program was opted for) would be insisted upon, not to discourage participation in welfare programs but rather to underscore and formalize the responsibilities of the social contract which the welfare recipient is entering into with his fellow citizens and neighbors.

In the Book of Genesis, Cain asks the question: "Am I my brother's keeper?" Throughout history, the answer to that basic human question has always been a resounding: Yes. But it is also clear that our brothers and sisters must also be their own keepers, as well. For if they have no care for themselves, then any care they may receive from the hands of others will be wasted and meaningless.

We must insist on a welfare system in which its recipients get well, and a system which is both fair to the society at-large who is giving the assistance and fair to the recipient who is receiving it. In the final analysis, we must love our neighbors as we would ourselves, and be tough enough to insist that they love themselves, too.

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Mark Lefcowitz is a freelance writer specializing in public welfare issues. He has served as a welfare caseworker for over fourteen years; ten years with the Pennsylvania Department of Public Welfare, and subsequently the Fairfax County Department of Human Development, Fairfax, Virginia, where he is currently employed.

Mr. Lefcowitz has testified of the affect of immigration on welfare before the United States House of Representatives, Committee on Ways and Means, Subcommittee on Human Resources.

Hudson Institute

Leslie Lenkowsky
President

December 27, 1993

The Honorable Gerald Whitburn
Secretary of Health and Human Services
One W. Wilson Street
P.O. Box 7850
Madison, WI 53707-6850

Dear Secretary Whitburn:

All of us who have been following the efforts Governor Thompson and you have made to change welfare policies were exhilarated by the news that Wisconsin has decided to "sunset" its current system and put a new one in its place by 1999. This is precisely the sort of bold step that must be taken if we are really to do something about the problems created by our existing programs. More tinkering -- or more grandstanding -- in Washington will not do. As they have in education, the states must take charge and those of us who know Governor Thompson are not surprised to find Wisconsin in the lead.

The purpose of this letter is to offer the services of Hudson Institute in helping you to rethink and redesign your welfare system. As you know, for over thirty years, Hudson has specialized in "thinking about the unthinkable," in producing unconventional, yet practical solutions to the largest and most difficult problems policy-makers face. Recently, we have developed a major focus on education, workforce, and other human resources issues and brought onto our staff a talented group of researchers with considerable academic and professional experience in these subjects. We not only would regard working with you and your associates as an exciting opportunity, but also believe we know how to accomplish the daunting task ahead of you.

As I understand the legislation just enacted, you are charged with putting together a blue-ribbon working group to produce a new welfare plan by 1995. *Hudson Institute could assist you by serving as the staff of -- or principal consultant to -- this committee.* In that role, we would help to produce consensus on the key objectives for a new welfare system, translate these goals into detailed program options, identify the critical transitional issues (including those involving the Federal government), and provide a plan for implementation. We could also help to analyze the costs and impacts upon current welfare recipients of various alternatives.

Herman Kahn Center
P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-9639

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Three years ago, we undertook a similar exercise for a blue-ribbon committee of Indiana business leaders, who wanted to develop a completely new education policy for our state. The result was the COMMIT plan, which has been widely praised as one of the most comprehensive and detailed outlines for state-level school restructuring ever put forth. It has influenced proposals in several states, including Michigan, and given Hudson the institutional experience needed to help produce a new welfare system for Wisconsin.

Our senior staff also has the wide range of expertise that will be needed by your working group. In addition to me (a writer on and participant in welfare policy-making at the national and state levels for twenty years), other members of the Hudson team could include:

Anna Kondratas, former Assistant Secretary of Housing and Urban Development, and a specialist on food stamps, homelessness, and community development;

John Weicher, former Assistant Secretary of Housing and Urban Development, and an expert on housing policy and poverty;

Deborah Daniels, former U. S. attorney for Indiana, who directed the "Weed and Seed" program at the Department of Justice and is also an authority on child support enforcement;

David Weinschrott, a health economist, who has studied Medicaid and other medical programs for the low-income population;

Sally Kilgore, former director of the U. S. Department of Education's Office of Research and a specialist on education for the disadvantaged;

Arnold Packer, former Assistant Secretary of Labor and an expert on employment and job-training programs.

I would also expect that the staff of Hudson's new Competitiveness Center, which is chaired by former Vice President Dan Quayle, would play a role in this project.

Not least important, we at Hudson share the vision Governor Thompson and you have for a new welfare system. As the enclosed articles indicate, we believe that our programs must strengthen families, encourage self-sufficiency, and help build communities. Moreover, we also think that, if skillfully done, support for these goals -- and the measures to achieve them -- can be created across the political spectrum.

I gather that the legislation which called upon you to establish the blue-ribbon working group appropriated no funds for it. If Hudson were to serve as its staff or as a consultant, we would undertake to raise the necessary money from foundations and corporations. In view of the national interest in improving our welfare programs and the unique situation in Wisconsin, I feel reasonably confident of being able to do so.

I realize it is somewhat presumptuous to make a proposal like this to you. However, the extraordinary opportunity Governor Thompson and you have to deal with our nation's most intractable domestic problem and our desire to be -- and confidence that we can be -- of assistance to you impel me to do so. I hope you are interested in what I have suggested and I will be glad to come to Madison to talk further with you about it.

Sincerely,

Leslie Lenkowsky
Leslie Lenkowsky
President

Enclosures

Post
PLEASE PRINT
AS STAMPED
THANK
YOU

Hudson Institute

Leslie Lenkowsky
President

Herbert Kahn Center, P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 FAX 317-545-9639

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Hudson Briefing Paper

August 1993

Number 155

Welfare Policy: Is There Common Ground?

By Anna Kondratas

Welfare policy has been one of the most hotly debated issues since President Johnson declared "war" on poverty in the mid-1960s. Early in the debate the lines were drawn quite clearly. Liberals emphasized the need for the federal government to help less fortunate members of society. Conservatives emphasized the high costs of welfare both for taxpayers and recipients.

The war on poverty failed. In fact, it coincided with a vast increase in numbers of poor people across the country. By the 1980s, in response to mounting evidence that federal welfare programs had failed both taxpayers and recipients, the two sides of the debate began to find a number of points on which they had common ground. Both sides agreed that too many people were on welfare; that the goal of welfare should be to help recipients become independent of the state; that development of good character among recipients is crucial; and that welfare recipients should be required to work if possible.

Hence a bipartisan drive for welfare reform came into being. In the 1980s various states began implementing work programs, and the federal government affirmed the trend in the Family Support Act of 1988, which made welfare receipt contingent on participation in employment and training programs. Unfortunately, saying that recipients should work proved much easier than making it happen, because the vast majority of welfare recipients are single women with children. These reforms were immediately followed by a huge increase in welfare caseloads, which rose by more than 25 percent in the late eighties and early nineties.

As it became clear that work programs alone would not decrease welfare dependency, states began to pass reforms intended to solve behavioral problems such as having children out of wedlock, neglecting to obtain prenatal care, and failing to ensure that one's children attend school. More than half the states have proposed or enacted programs designed to change lifestyles and life expectations of those on welfare. These programs are likely to be more successful than work programs alone, but not much more so. Policymakers are becoming increasingly aware of the need to treat the social and economic factors that help create welfare dependency.

Empowerment and asset-based welfare reform comprise the latest approach. Both Right and Left agree that the government should use welfare to empower people to take control of their lives. Grass-roots activism is an important element of the effort. If the Clinton administration remains committed to such an approach, the nation will enjoy an unprecedented opportunity to bring on "the end of welfare as we know it."

THE THREE KEYS TO SUCCESSFUL WELFARE REFORM

Since 1961, the United States has had eight presidents. Their priorities and views have differed widely, but on one issue, all of them have agreed: that our welfare program is a disgrace and needs to be replaced. Each of President Clinton's predecessors made a major effort to do so; none succeeded. To the contrary, the number of families now receiving Aid to Families with Dependent Children (AFDC) exceeds 5 million, an all-time high.

Next year, President Clinton will take his turn. So too will Indiana Governor Evan Bayh and Indianapolis Mayor Stephen Goldsmith. What have we learned in the last three decades that might help them fashion a program that will lower the number of public assistance recipients? Not as much as we should have, but three important conclusions are clear:

First, *only work works*. The primary approach of welfare reformers in the past thirty years has been to rely on social services, education, and training to get welfare recipients into the labor force. Unfortunately, while some efforts have claimed to be successful, the evidence that this strategy will make much of a dent in the welfare rolls is not persuasive.

This is partly because such services are extremely costly and time-consuming, and depend upon having many more skilled caseworkers and trainers than we currently have. As a result, they are hard to provide on a large scale. In addition, these kinds of programs require participants who are strongly motivated to get off welfare, a group not always in large supply. Finally, even with

additional education and training, many welfare recipients are unable to qualify for jobs that pay much more than their combined welfare, housing, food and other benefits.

In the last few years, another approach has begun to gain favor among both liberals and conservatives. It emphasizes placing welfare recipients directly in jobs, leaving social services, education, and training to a secondary role. Often coupled with this are limits (or sharp reductions) in welfare benefits.

The initial evidence, particularly from California and Wisconsin, suggests that this strategy is more successful than one relying more heavily on social services. Likewise, America Works, a for-profit firm that operates as an employment agency for welfare recipients, claims a high rate of job placement and retention. (It has just opened a branch in Indianapolis.) President Clinton's endorsement of limiting welfare recipients to two years on AFDC indicates he accepts a work-oriented approach and may include a version of it in his proposal.

To be sure, finding jobs for people on welfare may not be easy or inexpensive (especially if the public sector becomes the employer of last resort). Nor will they pay high wages, at least initially. But if what welfare recipients really need most are incentives and opportunities to enter the labor force at any level, the direct route may be the best.

Second, *welfare is a family affair*. When AFDC was established in 1935, the typical recipients were expected to be coal-miners'

widows, who had not yet qualified for social security survivors' benefits. Now, the welfare rolls consist overwhelmingly of women (with children) who have been divorced or deserted by their husbands, or who were never married to the fathers of the children at all. Indeed, because AFDC eligibility depends chiefly on the absence of a husband from the home, many experts believe the program actually contributes to the break-up of families.

Whether or not this is the case, the growth in illegitimate births in the United States has clearly fueled the increase in the welfare rolls. In Indiana, for example, 15.6 percent of all births occurred to unwed mothers in 1980; in 1991, this figure was 28.3 percent. (The comparable numbers for Marion County are 26 percent and 38.3 percent. For non-whites, they are nearly twice as large.) A large proportion of these women and children wind up on welfare and tend to stay there for long periods of time.

With family planning and other kinds of social services seemingly having little impact in lowering the number of single-parent households, policy-makers have increasingly turned toward attempts to promote greater parental responsibility for children. The most notable of these (especially in Indianapolis, where then-County prosecutor Goldsmith was at its forefront) has been a much strengthened effort to collect child support payments from absent fathers. In addition, as evidenced by the growing number of youngsters in foster care, the courts have become increasingly inclined to take custody of children whose parents have been

unwilling or unable to provide proper supervision.

While such measures send the important message that two people should not start a family until ready to do so, they are more reactive than proactive. If we really want to reduce the number of single-parent families (and thereby, the size of the welfare rolls), we need to look for ways to favor marriage, such as by giving married couples larger children's tax deductions or tightening divorce laws. And our leaders -- especially in government, the media, and religious bodies -- should be constantly underscoring the importance of the two-parent family, while avoiding the kind of trendy relativism (seen, for example, in this month's hit movie, *Mrs. Doubtfire*) that sees no kind of family as generally better than any other.

Finally, *communities count*. Holding a job or raising a family is hard enough under the best of circumstances. In neighborhoods where crime and violence are prevalent, schools are wastelands, and jobs have disappeared, the difficulties are much greater. And reforming welfare is much harder as well, not least of all because social resources (like role-models or worthwhile community groups) are hard-pressed or in short supply.

To deal with neighborhood problems, a variety of efforts are now underway, ranging from better policing to "enterprise zones" to far-reaching plans for school reform. They share a desire to "empower" local residents to take control of their own communities, rather than depend upon new government programs to "renew" them.

As a result, they complement efforts at welfare reform and their success will, in turn, contribute to the latter's. Policy-makers would do well to build on this connection.

Whether they will or not remains to be seen. The history of welfare reform attempts is replete with grand designs that have amounted to nothing. Will the effort we are about to begin be different? It could be if we heed the lessons about welfare policy thirty years of trying have taught us.

Leslie Lenkowsky is president of Hudson Institute. 1080 words.

January 22, 1994

MEMORANDUM FOR BRUCE REED
FROM: DIANA YIN
SUBJECT: EX-WELFARE PROJECT

I wanted to make sure you knew that I have discontinued the welfare reform project. I did not know you were reluctant to continue with the project yourself.

Obviously, I regret that the project was postponed, as my master's degree presumed its completion. However, I understand that the broader political assessments of the Administration vary with changing contexts. Shelving welfare reform for the year may have been the most astute decision at this time.

Nevertheless, I believe that you are personally committed to reforming the welfare system, and I'm sorry that your attention has also been disproportionately diverted to some of the days' other salient issues.

Finally, you may be relieved to know that I have found another project to fulfill my thesis requirement. Moreover, I do not regret the time I spent thinking about how to sell welfare reform to the states and appreciate the opportunity to aid your efforts. (However, I must confess that I am again disillusioned with the possibility of combining politics and policy.)

Thank you again for your time, and good luck.

A handwritten signature in cursive script, appearing to read "Diana Yin", with a long horizontal flourish extending to the right.

JBA
OK except for CSA

To: Mary Jo Bane
David Ellwood
Bruce Reed
Wendell Primus
Kathi Way

From: Jeremy Ben-Ami

Subject: Revised General Talking Points and Q and A's

Date: January 4, 1994

Attached are two versions of general welfare reform talking points (one-page and three pages) and a set of our latest Q and A's on several welfare reform issues. Melissa Skolfield and I have worked together to develop these for general use by Working Group members, and staff at the White House and other agencies. We get frequent calls for "the latest talking points" and would like to give these fairly general distribution within the administration.

Please review these materials and give us your comments by Friday, January 7.

Thanks.

cc: Melissa Skolfield
Mary Bourdette
John Monahan
Ann Rosewater

/ ONE-PAGE VERSION**FROM WELFARE TO WORK: THE CLINTON WELFARE REFORM PLAN****Nearly Everyone Agrees: Current Welfare System Is Broken**

- people who work are often worse off than those on welfare
- system does not help people become independent
- noncustodial parents provide little support to their children
- single parent families get help that two parent families can't get

Broad Consensus for Change

- across ideological lines
- biggest critics are the very people system is supposed to be helping

Reform Must Build on and Support Core American Values of Work and Responsibility

- work should pay
- welfare system should provide access to education and training so work is possible
- those who can work should work to support their family
- promote more responsible decision making regarding childbearing
- both parents should be responsible for supporting their children, not just the custodial parent

Fundamental Transformation of the Culture and Mission of the Welfare System

- current system: solely focussed on eligibility determination, checkwriting
- our vision: a system focussed on helping people become self-sufficient, independent

To Get There, We Must:**1. Promote Parental Responsibility and Prevent Teen Pregnancy**

- must intensify efforts to reduce teen pregnancy
- encourage two-parent families
- must do better at sending message about responsibilities that come with parenting

2. Reward Those Who Go to Work by Making Work Pay

- EITC -- \$21 billion expansion; must get it out more regularly
- Child care -- expand access for those who work and those in education and training
- Health care -- universal access under health care reform critical

3. Provide Access to Education and Training, Impose Time Limits, and Expect Work

- Build on Family Support Act: system should be based on mutual obligations
- expand JOBS - build welfare system around JOBS, not checkwriting
- Cash assistance for those who can work cannot go on forever
- There will be work for those who cannot find a private sector job within two years

4. Enforce Child Support

- Strongly convey that both parents are responsible for supporting their children
- universal paternity establishment and improved enforcement

5. Reinvent Government Assistance

- Simplify, streamline rules and requirements across programs
- Attack waste, fraud and abuse by better coordination across programs, technology
- Basing federal oversight on performance, not process

THREE PAGE
VERSION

FROM WELFARE TO WORK: THE CLINTON WELFARE REFORM PLAN

NEARLY EVERYONE AGREES: CURRENT WELFARE SYSTEM IS BROKEN

People who work are often worse off than those on welfare

- lose their health care
- take home less money
- can't get child care

Welfare system does not help people to work, support their families

- driven solely by eligibility rules, benefit calculations, writing checks
- provides little help in getting education, training, skills

Noncustodial Parents are not held accountable for supporting their children

Single parent families get benefits, services unavailable to equally poor two parent families

HUGE CONSENSUS FOR CHANGE

Across party lines

Across the country, reform efforts are being tried by state and local leaders

System most despised by the very people it is supposed to be helping -- the recipient

REFORM MUST BUILD ON, NOT UNDERMINE CORE AMERICAN VALUES OF WORK AND RESPONSIBILITY

We Must Fundamentally Transform the Culture and Mission of the Welfare System

System focused on income maintenance must shift to one promoting and supporting work

Workers focused on eligibility determination and checkwriting must shift to promoting self-sufficiency and economic independence

Build on the Family Support Act and its foundation of mutual responsibility between government and those seeking assistance.

FIVE AREAS OF CHANGE IN CREATING A WORK-BASED SUPPORT SYSTEM

1. Promote Parental Responsibility and Prevent Teen Pregnancy

Must prevent people from going onto welfare in the first place -

- if we are to end long-term welfare dependency.
- out-of-wedlock births have doubled in 15 years
- nearly one of three babies in America born to unwed mother
- poverty rate in families headed by unmarried mother is 63 percent

We must send strong signals that:

- young people should not become parents until they are able to support their children
- children who have children face tremendous obstacles to self-sufficiency
- parents have to accept responsibility for supporting their children

We must restructure a system that currently favors single parent families so that we do not discourage marriage and family.

We must intensify our efforts to reduce teen pregnancy.

2. Reward Those Who Work by Making Work Pay

Three key steps to Make Work Pay

1. EITC

- dramatic \$21 billion expansion is already in place
- now must focus on how to get it out to people more regularly

2. Health Care

- President's health care reform plan will provide universal access to health care - ensuring that no one will have to stay on welfare to maintain health coverage for their family

3. Child Care

- We can't expect single mothers to participate in education and training and then go to work unless they have care for their children

3. Make Welfare a Transitional Assistance System that

- provides access to education and training,
- time limits cash assistance for those who can work,
- and provides work opportunities for those who cannot find work

Expand the JOBS program -- the centerpiece of the Family Support Act

- good program, but serves too few people
- we will increase funding and the federal match and demand that many more participate

All those seeking assistance will be put on a track toward work immediately

- everyone will sign a social contract
- everyone will develop an individual plan specifying how they will move toward self-sufficiency

All those who can work will be expected to work to support their families

- cash assistance will be time limited for those who can work
- everyone will be expected to seek work before the time limit
- best time limit is one that no one reaches

When cash assistance ends, those who have not found work will be offered work opportunities to allow them to support their families

- emphasis on finding people jobs in the private sector
- community service work if jobs not available

4. Enforce Child Support

Both parents are responsible for supporting their children

In current system, paternities are not established, child support orders are not being entered and updated, and orders are not being enforced.

Key steps:

1. Establish paternity for all out-of-wedlock births
2. Simplify system for establishing and updating support orders
3. Improve enforcement
4. Explore ways of ensuring that single parents can count on regular child support

NO

5. Reinvent Government Assistance

Current System is Complex, Frustrating for Workers and Clients

- multiple programs with conflicting rules
- complexity leads to waste, fraud, abuse

Key Steps:

1. Simplify, streamline rules, requirements across programs
2. Maximize use of technology to combat waste, fraud, abuse
3. Give states flexibility
4. Focus federal oversight on performance, not process

WELFARE REFORM QUESTION AND ANSWERS

TIMING

Q: The timing of welfare reform seems to be slipping. Do you anticipate introducing a plan this year? Does welfare reform remain a priority?

A: Welfare reform is a top priority for the President and for the administration. The President's Working Group is developing a plan for the President's consideration that will be ready early this year. The Group is actively consulting with members of Congress, state and local officials, advocacy groups and welfare recipients to refine its proposals. Passing health care reform remains the administration's top priority, however, and the exact timing of the introduction of welfare reform legislation will depend on the progress of the health care initiative.

COST/FINANCING

Q: The Working Group has claimed that its plan will be deficit neutral, yet it is calling for expanded education and training, child care, and a public work program. How does it plan to pay for these things?

A: The budget rules require that every new proposal comply with "pay-as-you-go" financing rules. Therefore, any new expenditures to reduce welfare dependency will have to be financed through savings in other programs. No decisions on financing have been made yet.

Q: Some estimates have put the cost of welfare reform as high as \$30 billion a year. Why does reforming welfare cost money rather than save it?

A: None of our estimates are anywhere near as high as the figure you mentioned. We currently spend \$22 billion a year on a system that traps and fosters dependency in the very people it is supposed to help. There is universal agreement that training people to work, and providing them with supports such as child care costs more than simply providing people with checks. Even the Republican bill is estimated by CBO to call for \$12 billion over 5 years in new spending. Over the long run, these investments should pay off in reduced caseloads and welfare spending.

WHERE ARE THE JOBS

Q: Where will the jobs come from for welfare recipients who reach the time limit. Won't this require a massive new public sector jobs program?

A: Clearly the best time limit is one which no one reaches. Right now, 70 percent of new applicants for welfare leave the rolls within two years. A major problem is that many of them lose their jobs and return to welfare. A major focus of this effort will be to help people keep their jobs.

Furthermore, the entire focus of the revamped welfare system will be getting people into jobs in the private sector within the two years. We anticipate that the package of reforms we introduce will mean that relatively few people actually reach the time limit without finding a job.

We are committed to providing those who cannot find a job with the opportunity to work to support their families. Here again, our focus will be on working with the private sector to arrange on-the-job training opportunities or community service work if necessary.

Q: Does this meant that you are considering providing cash subsidies to private sector employers to give jobs to welfare recipients?

We are looking at a wide range of strategies for providing opportunities for able-bodied adults on welfare to work to support their families. We have not made any decisions on how best to structure such a program, but we are committed to finding ways to employ people in the private sector.

PARTICIPATION OF WELFARE CLIENTS

Q: Why is there no one on welfare on the President's Working Group?

A: The President appointed a Working Group consisting of his top administration staff to recommend a welfare reform plan. He clearly charged them, however, with soliciting input from and involving a wide range of people affected by the welfare system, particularly current AFDC recipients. To that end, the Working Group has held hearings, conducted focus groups of welfare recipients, and sought opinions from a wide range of sources including people who receive public assistance and who work in the welfare system. The input of state and local governments and members of the House and Senate has been vitally important to the Working Group.

Republican Plan

Q: What is the Administration's reaction to the plan introduced by House Republicans?

A: We are pleased that the Republicans in the House of Representatives have entered the debate on welfare reform. We are looking closely at their legislation as we work with Congress and the states and localities to continue the development of the administration's plan. Many of their proposals address the President's vision for reform, which stresses work, family, opportunity and responsibility.

Clearly there is broad consensus throughout the country and across party lines for fundamental change in the welfare system. The emphasis in the Republican plan on work and parental responsibility is very much in keeping with the President's goals.

While we applaud their emphasis on work, some elements of the plan concern us, such as the cap on the Earned Income Tax Credit -- a powerful work incentive which has bipartisan support -- and the across-the-board cuts in cost-effective nutrition programs which are likely to shift costs to the states.

Q: Do you think you will be able to work with the Republicans to create a bipartisan consensus in light of this plan?

A: We look forward to working with Congress on a bipartisan basis to develop a plan which fulfills the President's vision of a welfare system which truly helps people to work and become self-sufficient.

WAIVERS

Q: Are the waivers being approved by the administration indicative of the direction the Administration will take with its welfare reform package?

A: No. Our approval of demonstration projects shows that the Clinton administration is serious about providing states the flexibility to test innovative approaches to solving difficult problems. The President is very committed to providing the states flexibility to experiment, but these waivers do not necessarily indicate anything about the direction we are heading with welfare reform generally.



FACSIMILE TRANSMISSION COVER SHEET
ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF THE ASSISTANT SECRETARY
370 L'ENFANT PROMENADE, S.W.
WASHINGTON, D.C. 20447

FAX: (202) 401-~~6954~~⁴⁶²⁸ CONFIRM: (202) 401-~~9890~~³³⁵⁷

DATE: _____

TO NAME: BRUCE LEED

FROM NAME: JEREMY BEN-AM

OFFICE: _____

PHONE: 401-6954

PHONE: _____

COVER + _____ PAGES

FAX NO: 456-7431

MESSAGE:

OFFICE USE ONLY
 TIME SENT: _____
 OPERATOR: _____

DATE: _____

Welfare Reform Questions and Answers

Q: What shape will welfare reform take?

Parents who play by the rules should have an income at or above the poverty threshold. They should not have to make a choice between work and access to health care. The enhanced EITC provisions enacted under OBRA 93 and the Administration's Health Care Reform package will go a long way in helping working families continue to work and adequately support their families.

We will improve child support and make both parents responsible for supporting their children. Both parents have a responsibility to support their children, yet only about one-third of potentially eligible custodial parents receive any court-ordered support. One parent should not have to do the work of two. If all eligible single-parent families received adequate and updated awards, it would cut welfare rolls, lift families out of poverty and contribute to controlling government expenditures and reducing the debt.

We will make work possible and provide education, training and other services. A rational economic world may not be enough to bring all welfare recipients into the labor market. Some have deficiencies in human capital or face other personal and social barriers. Education, training, and support services need to be available to ensure that recipients are prepared to succeed in a competitive labor market. Existing training programs need to be expanded, improved and better coordinated.

Once we realize the other objectives, a time-limited transitional system of income support followed by work will be created. Welfare without work will not longer be an entitlement. At the end of the transitional period, those who don't find private sector jobs will be expected to support their families through public sector work opportunities.

Q: Where will the jobs be for welfare recipients who reach the time limit. Won't this require a massive new public sector jobs program?

A: The President is committed to developing a welfare reform proposal that provides people with the skills and services they need to get and hold a job in the private sector. We anticipate that most of the people in a transitional assistance program would in fact find a job before they reach the time limit for their benefits.

For those who do reach the time limit, we are committed to providing them with the opportunity to work either in the private sector, for a non-profit, or if necessary in the public sector. We do not anticipate this becoming a massive workfare program.

Q: Does this mean that you are considering providing cash subsidies to private sector employers to give jobs to welfare recipients?

A: We are looking at a wide range of strategies for providing opportunities for able-bodied adults on welfare to work to support their families. We have not made any decisions on how best to structure such a program, but we are committed to finding ways to employ people in the private sector.

Q: Would this version of reform save money or cost more money?

A: The plan will be deficit neutral and it will be phased in gradually, fully-funded by offsets and savings. Moreover, nothing is more expensive than the current system in terms of keeping people out of the work force. This also has enormous psychological costs for these families. We will have a time limit. We do believe that welfare should be a transitional program.

Q: Which states have had waivers approved by the Clinton Administration?

A: We have approved welfare reform demonstrations in Georgia, Illinois, Iowa, Vermont, Virginia, Wisconsin, and Wyoming. Requests are pending from 15 other states.

Q: Are the approved demonstrations indicative of the direction the Administration will take?

A: No. Our approval of these demonstrations shows that the Clinton Administration is serious about providing states with the flexibility to test innovations. We remain committed to allowing states to experiment with welfare demonstrations.

Q: Do you think the Republican plan bears any resemblance to what you will be proposing?

The President has made no decisions on the nature of his welfare reform plan. We appreciate the Republicans' interest in helping the President carry out his campaign pledge.

Our approach will be based on the four values of work, family, opportunity and responsibility, and we're encouraged by the degree to which the Republican plan mirrors those goals. However, we seek a plan which emphasizes, rather than limits, efforts to make work pay such as the Earned Income Tax Credit. We believe much more can be done to crack down on parents who do not pay child support. Most importantly, we want a plan which does more to help people become self-sufficient?

Q: How do you react to such suggestions as family caps, an end to benefits for immigrants, or mandatory paternity establishment?

A: The Working Group has not reached any conclusions or presented any options to the President on any specific aspects of the plan. It will be a while before we will be able to comment specifically on any such proposals.

Q: Why hasn't the Working Group come forward with its plan yet?

We are continuing our work according to our original timetable, and will have proposals ready for the President's consideration later this year. President Clinton has been a leader in welfare reform for almost a decade, and we want to present a bold, comprehensive plan that will truly end welfare as we know it. Already, we have taken three important steps with the expansion of the EITC, the introduction of health care legislation and new legislation mandates which require all states to have programs which provide opportunities to establish paternity at the time of the child's birth.

We also believe it is important to consult with governors, members of Congress from both parties, people within the welfare system, and others before we make any final decisions. We have recently completed a series of five regional hearings in Chicago; Washington, D.C., Cranford, New Jersey, Sacramento, and Memphis.

Attachment III

Fact Sheets

The following fact sheets are in use:

- * AFDC
- * AFDC-UP
- * EITC
- * Child Support Enforcement
- * Child Care Programs

The following are new drafts:

- * JOBS -- the original sheet is being revised to be included in this section.
- * Waivers

Please let us know your comments, changes, or additions that should be included in this list.

Fact Sheet

**ADMINISTRATION FOR
CHILDREN AND FAMILIES**

OFFICE OF FAMILY ASSISTANCE**Aid to Families
with Dependent Children Program**

Aid to Families with Dependent Children (AFDC) provides financial assistance to needy families with dependent children. Federal and state governments share in its cost. The federal government provides broad guidelines and program requirements. Responsibility for program formulation, benefit determinations, and administration lies with the states. Eligibility for benefits varies by state and is based on the state's standard of need as well as the income and resources available to the recipient.

Eligibility Requirements

In order to be eligible for AFDC, a family must have a dependent child who is:

- Under age 18 (A state may elect to extend the age limit to include 18-year-olds who are expected to complete secondary school or the equivalent level of vocational or technical training before turning 19.);
- Deprived of parental support or care because of a parent's death, continued absence, incapacity, or the unemployment of the principal family earner in a two-parent family under the AFDC-Unemployed Parent (UP) program;
- Living in the home of a parent or other specified, close relative;
- A resident of the state; and
- A U.S. citizen or an alien permanently and lawfully residing in the U.S.

Along with the dependent child, an application for AFDC includes any eligible natural or adoptive parent and any eligible blood-related or adoptive sibling with whom the child is living.



Income and Financial Need Considerations

Each state sets its own need standard for determining eligibility. The term "need standard" refers to what a state determines that a particular size family needs to live. A state takes into consideration the needs as well as the income and resources of all individuals in the assistance unit. The state "disregards" some family income, thus permitting it to be retained along with AFDC payments.

The determination of income eligibility is a two-step process. First, the gross income of the assistance unit, after applicable disregards, cannot exceed 185 percent of the state-determined need standard. The disregards include the first \$50 per month of child support received by the family and optional earned income disregards for certain students.

Second, the family income is compared to the state's need standard. In addition to the disregards described above for the 185 percent test, the state must disregard the Earned Income Tax Credit (EITC) and the following amounts of earned income:

- \$90 per month for work expenses for individuals employed full- or part-time;
- For an individual who received AFDC in at least one of the prior four months:
 - a) all of the monthly earned income of a child who is a full-time student or who is a part-time student and not employed full-time;
 - b) \$30 and one-third of such person's remaining income for the first four consecutive months, and \$30 for each of the eight subsequent months;
- For full-time workers -- actual expenses for dependent care up to \$175 per month for each dependent child who is at least age two or each incapacitated adult, and up to \$200 per month for each dependent child who is under age two. (For part-time workers, a lesser amount may be applicable at state option.)

Resource Limitations

The federal statute sets a maximum limit of \$1,000 in resources per assistance unit. Resources include such things as stocks, bonds, and real property. The family's place of residence, burial plots, and funeral agreements valued up to \$1,500 are excluded from this resource limit as is that amount of equity in an automobile. The state may set lower dollar amounts for total resources, funeral agreements, and the automobile, and may also exclude from consideration household necessities.

Benefit Calculations

Each state establishes its own payment standard to determine the assistance unit's benefit amount. The payment standard may be lower than the need standard and is generally the amount which the state actually pays to a family for assistance. The state determines the benefit amount by considering the countable income of all persons included in the assistance unit and applying it against the state's payment standard. Income disregarded in determining eligibility is also disregarded in calculating benefits.

Work Program Requirements

The Family Support Act of 1988 established a Job Opportunities and Basic Skills Training (JOBS) program and revamped the requirements for state-operated welfare-to-work programs. All states have JOBS programs in place. The program provides training, work experience, and education opportunities for AFDC recipients. Unless otherwise exempt, AFDC recipients are required to participate in JOBS as a condition of eligibility. The goal of JOBS is to promote self-sufficiency.

Program Operation

All 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam participate in the AFDC program. American Samoa is authorized under the Family Support Act of 1988 to operate an AFDC program. States must submit plans and plan amendments to the Department of Health and Human Services for approval.

Federal Financial Participation

The federal government reimburses the states for operating an AFDC program with matching funds. Federal financial participation is provided to the states at different rates for various activities. Administrative and training costs are matched at a 50 percent rate; optional fraud control activities at 75 percent; and statewide automated information systems at 90 percent. AFDC benefit payment costs are matched under a formula which takes into account a state's per capita income relative to national per capita income. The federal matching rate for AFDC benefits may range from 50 percent for states with the highest per capita income to 83 percent for the state with the lowest per capita income.

Caseload and Expenditures – Fiscal Year 1992**AFDC Caseload**

Average No. of Monthly Families _____	4,768,495
Average No. of Monthly Recipients _____	13,625,342

Benefit Expenditures

Total _____	\$21.9 billion
Average Monthly Benefits (per Family) _____	\$383.45
Average Monthly Benefits (per Recipient) _____	\$134.20

**ADMINISTRATION FOR
CHILDREN AND FAMILIES**

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OFFICE OF FAMILY ASSISTANCE

AFDC Unemployed Parent Program

The Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) program provides assistance to families in which a child is deprived because one of the parents in the household is unemployed. Under the provisions of the Family Support Act of 1988, the program is mandatory in all states.

The Family Support Act of 1988 allows certain states to limit the period of assistance. However, these states must provide eligible families with AFDC-UP benefits for at least six months a year. AFDC-UP covers families in which both parents are living in the household and the principal earner, whether the father or the mother, is unemployed.

Eligibility Requirements

In order to be eligible for AFDC-UP, a family must meet all of the regular eligibility requirements for AFDC. A family must have a dependent child who is:

- under age 18;
- living in the home of both parents;
- a resident of the state; and
- a U.S. citizen or alien permanently and lawfully residing in the U.S.

In addition, eligibility is based on the unemployment of the parent who is the principal earner. The principal earner is whichever parent earned the greater amount of income in the 24-month period immediately preceding application for aid.

Before a family can receive aid, the principal earner must have been unemployed for at least 30 days. As defined in regulation, a person who works less than 100 hours a month is considered to be unemployed.

The principal earner must demonstrate a recent attachment to the labor force by having (a) six or more quarters of work in any 13-calendar-quarter period ending within one year prior to application for aid, or (b) received (or qualified for) unemployment compensation within one year prior to application for aid.

A principal earner may establish quarters of work in the following ways:

- Receive \$50.00 or more of earned income in a calendar quarter;
- Qualify for a quarter of coverage under the Social Security program; or
- Participate in the Job Opportunities and Basic Skills Training (JOBS) program.

At the option of the state, a principal earner may establish up to four of the six required quarters of work in the following ways:

- Attend an elementary school, a secondary school, or a vocational or technical training course full-time that is designed to prepare the individual for gainful employment; or
- Participate in an education or training program established under the Job Training Partnership Act (JTPA).

If qualified, the principal earner must apply for and accept unemployment compensation.

Work Requirements

In any month, including the 30-day period prior to receipt of aid, the principal earner cannot refuse, without good cause, a bona fide offer of employment.

If the principal earner is exempt from participating in work or training activities because of living too far away from the JOBS program location, that individual must register with a public employment office in the state.

At least one parent in a family must participate for at least 16 hours a week in a work supplementation program, a community or other work experience program, on-the-job training, or a state-designed work program.

If a parent is under age 25 and has not completed high school, the state may require the parent to participate in educational activities directed at attaining a high school diploma (or equivalent), or in another basic education program.

If the principal earner fails to meet the work and training requirements, and the second parent is not participating in JOBS, the needs of the principal earner and of the other parent will not be taken into account in determining the family's need for assistance and the amount of its assistance payment.

Caseload and Expenditures -- Fiscal Year 1992

AFDC-UP Caseload

Average Monthly Families-----	321,771
Average Monthly Recipients -----	1,347,755

AFDC-UP Benefit Expenditures

(Federal and State) -----	\$2.1 billion
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AFDC-UP Average Monthly Benefits

Per Family -----	\$550.46
Per Recipient -----	\$131.42

HHS FACT SHEET DRAFT

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

August, 1993

A Brief Overview of the EITC and Welfare Reform

Contrary to popular understanding, work is not a guarantee to escaping poverty. In 1991, 9.2 million workers were poor, 2.1 million of whom worked full-time, year-round. Fully 5.5 million people lived in poor families with children which contained one full-time, year-round worker.

The Earned Income Tax Credit (EITC) is a refundable tax credit designed to help the working poor. The credit offsets the tax liability of low-income heads of household and is paid as a percentage of earnings to a certain maximum.

The recently-passed reconciliation bill includes a major expansion of the EITC which would achieve President Clinton's goal of enabling families of four with a full-time worker to reach the poverty line. The five-year cost of this expansion is \$20.8 billion, with \$7.0 billion spent in fiscal year 1998.

Under the provision, working poor families with two or more children would receive a \$4 wage supplement through the EITC for every \$10 of the first \$8,425 they earn. A family of four with full-time, full-year minimum wage earnings would receive the maximum credit of \$3,370.

For families with two or more children, the credit phases out at a rate of 21 cents for each dollar earned above \$11,000. Eligible tax filers making up to \$27,000 in earnings will still receive a credit.

For the first time, a credit will also be available for low-income workers without children. A childless worker would receive a maximum credit of \$306 based on earnings between \$4,000 and \$5,000. Nearly five million workers without children who have very low incomes (less than \$9,000) and are between the ages of 25 and 64 would also benefit.

Compared to the situation with no EITC at all, the enacted legislation would amount to a 40 percent higher return from working for low-income families with children. Compared to current law, a two-parent family with two children and one wage-earner working full-time at minimum wage would get \$1,375 more per year. In effect, this raises the pay for such a person by 16 percent over the situation under prior law.

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The expansion will substantially increase the anti-poverty effectiveness of government tax and welfare policy. In 1994, when the enacted legislation is fully implemented, approximately 1.5 million people will be removed from poverty, even if no more people go to work. And we expect more people to go to work.

Enactment of the expanded EITC is an important first step in the welfare reform effort. One of the major principles in reforming welfare is to "make work pay." The expansion of the EITC significantly increases the return from work and increases the incentive to begin work. It lays a solid foundation for the Administration's welfare reform plan--anticipated later this year--to make work a more viable option than welfare.

ADMINISTRATION FOR CHILDREN AND FAMILIES

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OFFICE OF CHILD SUPPORT ENFORCEMENT

Child Support Enforcement Program

The goal of the Child Support Enforcement (CSE) Program, which was established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are financially supported by both their parents. Recent laws, including the Family Support Act of 1988, provide for strong child support enforcement measures to assure that parental responsibility is met.

The CSE program is usually run by state and local human services departments, often with the help of prosecuting attorneys, other law enforcement agencies, and officials of family or domestic relations courts.

Child Support Enforcement services are available automatically for families receiving assistance under Aid to Families with Dependent Children (AFDC) programs. A family receives up to the first \$50 of any current child support each month without a decrease in the AFDC payment. Any remainder reimburses the state and federal governments for AFDC payments made to the family. AFDC recipients must assign to the state any rights to support that they or eligible children may have.

Child support services are also available to families not receiving AFDC who apply for such services. Child support payments that are collected on behalf of non-AFDC families are sent to the family. For these families, states must charge an application fee of up to \$25, but may pay such fee from state funds. Some states may also charge for the cost of services rendered.

The most recent census data show that in 1989 approximately 10 million women were raising a total of 16 million children under age 21 whose fathers were not living in the household. Of these women, only 58 percent, or 5.7 million women had been awarded child support. Among the women due child support payments in 1989, half received the full amount due, a quarter received partial payment, and a quarter received nothing. Of the total \$16.3 billion owed for child support in 1989, \$5.1 billion was not paid.

During FY 1992, almost \$8 billion in child support payments was collected under this program. Paternity was established for more than 515,000 children that year, clearing the way for the establishment of child support orders and other vital links between the children and their non-custodial parents.



There are four major services provided by the Child Support Enforcement Program:

1. Locating Absent Parents
2. Establishing Paternity
3. Establishing Child Support Obligations
4. Enforcing Child Support Orders

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1. **Locating Absent Parents** - Child support enforcement officials use local information and resources of State and Federal Parent Locator services to locate parents for child support enforcement, or to find a parent in parental kidnapping/custody disputes.

These resources include:

State:	Federal:
Motor Vehicles/Drivers Licenses	Internal Revenue Service
Employment/Unemployment Records	Department of Defense
State Income Tax	Social Security Administration
Public Assistance Records	Veterans Administration
	Selective Service System
	Federal civilian personnel records

About four million cases are processed annually by the Federal Parent Locator Service. The FPLS provides an address in approximately 80 percent of the cases submitted.

2. **Establishing Paternity** - Establishing paternity (legally identifying a child's father) is a necessary first step for obtaining an order for child support when children are born out of wedlock. Establishing paternity also provides access to:

- Social security, pension and retirement benefits;
- Health insurance and information; and
- Interaction with members of both parents' families

Many fathers voluntarily acknowledge paternity. Otherwise, father, mother, and child can be required to submit to genetic tests. The results are highly accurate. States must have procedures which allow paternity to be established at least up to the child's eighteenth birthday.

3. **Establishing Support Obligations** - States must have guidelines to establish how much a parent should pay for child support. Support agency staff can take child support cases to court, or to an administrative hearing process to establish the order. Health insurance coverage can also be ordered.

4. **Enforcing Child Support Orders** - A parent can be required to pay child support by income withholding -- money held out of the paycheck by the employer and sent to the child support office or court. Overdue child support can be collected from federal and state income tax refunds. Liens can be put on property, and the property itself may even be sold with the proceeds used to pay child support arrearages. Unpaid child support can be reported to credit bureaus so that a parent who owes child support may have trouble making purchases on credit.

ADMINISTRATION FOR CHILDREN AND FAMILIES

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CHILD CARE PROGRAMS

The Administration for Children and Families (ACF) administers a variety of programs to help low-income families obtain child care services. ACF child care services focus on assisting individuals in low-income families who are employed, or are in training for employment, and who need child care to achieve or sustain self-sufficiency. Child care assistance is available through the states in the following four programs: the Child Care and Development Block Grant; At-Risk Child Care; Child Care for AFDC Recipients; and Transitional Child Care.

Child Care and Development Block Grant (CCDBG)

The Child Care and Development Block Grant provides low-income families with the financial resources to find and afford quality child care for their children. In addition, CCDBG increases the availability of early childhood development and before- and after-school care services. Funds are available to states, Indian Tribes, and territories to provide grants, contracts, and certificates for child care services for low-income families. To be eligible, a family must need child care either because a parent is working, attending a training or educational program, or because the family receives or needs to receive protective services.

This program emphasizes the role of parents in choosing the care that best meets their family's child care needs. Parents may choose from a variety of child care providers, including center-based, family child care and in-home care, care provided by relatives, and sectarian child care providers.

Grantees must ensure that child care providers meet minimum health and safety requirements and set procedures. In addition, during normal hours of operation, parents must have unlimited access to their children and the providers.

FY 1992 funds were awarded to 261 grantees, including 52 states, 4 territories, and 205 Indian Tribes.

Since September 1991, ACF has provided states with more than \$1.5 billion in CCDBG funds. For FY 1993, almost \$893 million is available. No state matching funds are required.



At-Risk Child Care

The At-Risk Child Care program gives states the option of providing child care to low-income working families who are not receiving AFDC, who need child care in order to work, and who would be at risk of becoming dependent on AFDC if they did not receive child care assistance. Families must contribute to the cost of care according to their ability to pay.

The central point of program planning, design, and administration with the state welfare agency. In this way, state agencies, which also have the responsibility for providing welfare, employment, and related services under the Job Opportunities and Basic Skills Training (JOBS) program, can coordinate child care with these services.

States may provide child care in the following ways:

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- Directly;
- By arranging care through providers by use of purchase of service contracts or vouchers;
- By providing cash or vouchers in advance to the family;
- By reimbursing the family;
- By adopting such other arrangements as the state agency deems appropriate.

All child care providers must meet applicable state and local standards and allow for parental access.

Congress appropriated \$300 million for this program for FY 1993. State matching funds are required.

Title IV-A Child Care

Title IV-A Child Care provides funds for AFDC applicants and recipients through the AFDC and JOBS programs. This financial support allows them to pursue employment or work training and approved education which will help them to become economically self-sufficient.

Congress appropriated \$371 million for FY 1993. State matching funds are required. In FY 1991, 154,720 families, including those receiving transitional child care, were served.

Transitional Child Care

Transitional child care continues child care assistance for up to 12 months after a recipient leaves AFDC as a result of increased work hours, higher wages, or the loss of earned income disregards. Congress appropriated \$75 million in federal funds for FY 1993. State matching funds are required. For FY 1992, a monthly average of over 60,000 children were served.

Other ACF Child Care Activities

Several other ACF activities play a vital role in the delivery of child care services:

- AFDC Child Care Disregards support AFDC recipients' efforts to work by providing offsets against income from work for a portion of recipients' child care costs.
- The Head Start program, while not specifically targeted to provide child care, offers comprehensive services to enhance the development of low-income pre-school children. Head Start and the CCDBG can develop mutually beneficial arrangements

to provide extended day child care for Head Start children who need it due to their parents' work or training schedules, or to provide CC&DBG recipients with a Head Start experience.

- Dependent Care Planning and Development Grants are made to states to pay 75 percent of the planning and development costs for establishing information and referral systems and school-age child care.
- The Social Services Block Grant (SSBG) enabled states to provide social services which are best suited to the needs of its residents. Services can include child care.
- Child Welfare Services are available to states to provide child care and to help child care centers meet licensing requirements. In addition, as a complement to the state grant program, the Temporary Child Care/Crisis Nurseries program awards grants to public and non-profit agencies for research, demonstration, and training.

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WELFARE WAIVERS

In February of 1993 President Clinton met with the nation's governors to talk about his commitment to welfare reform. As part of this process the President made it clear he wanted to encourage state creativity and flexibility in the administration of public assistance programs. In the past year 4 state waivers for welfare reform programs have been approved.

GEORGIA - Georgia has created a program known as the Personal Accountability and Responsibility Project. The program provides family planning and parenting services and allows the state to deny increases in benefits for families that have additional children after they have been receiving welfare for two years.

The waiver allows Georgia to reduce welfare payments when an able bodied adult refuses an offer of full-time employment or quits a job without a cause if they are not caring for children under the age of 14.

The waiver was approved on November 1, 1993.

IOWA - Under Iowa's welfare demonstration project AFDC recipients will be encouraged to take jobs and accumulate assets through a new program of Individual Development Accounts. Funds deposited in the accounts will not be counted as ordinary income and can be withdrawn only to pay for education, training, home ownership, business start-up or family emergencies.

AFDC recipients will be encouraged to take jobs under a new formula which disregards 50 percent of their earnings in the calculation of welfare payments. During the first four months of employment, all income will be disregarded for individuals who do not have significant work histories.

The current law limiting each family's assets to \$1,000 will be substantially changed to enable each member of an AFDC family to possess up to \$5,000 in assets. The vehicle asset ceiling will also rise from \$1,500 to \$3,000 per automobile.

The waiver also allows for the creation of a Family Investment Program for AFDC parents. They will be eligible for enhanced training and support services in exchange for an agreement that welfare receipt will be temporary or time time-limited.

The waiver was granted on August 8, 1993 and the demonstration will run for five years.

VERMONT - Vermont's "Family Independence Project" (FIP) will encourage AFDC families to work by enabling them to keep more income and accumulate more assets than is normally allowed.

The plan also requires that most people who have received AFDC for a certain period of time be required to participate in public or community service jobs (30 months for single parent families, 15 months for families participating in the unemployed parent component of AFDC). When people stay on welfare for more than 30 months the state will be able to restrict the way they can spend their welfare checks and bar them from choosing cash for food stamps.

FIP allows child support payment to bypass the state and go directly to the custodial parent entitled to receive them.

The demonstration was approved on April 12 and will run for 7 years and be rigorously evaluated by using experimental and control groups.

WISCONSIN - On November 1, 1993, Wisconsin was granted a waiver to operate a welfare demonstration program called "Work Not Welfare" in two counties. The program includes several significant and controversial provisions.

- The program will limit the receipt of AFDC benefits to two years in a four-year period. Once benefits are exhausted, recipients will be ineligible for 36 months. Exceptions will be made under certain conditions, such as a lack of appropriate jobs in a depressed economic area.
- The program requires people on AFDC to work or look for jobs.
- The program provides case management, employment activities and work experience to facilitate employment.
- The program allows child support payments to bypass the state and go directly to the custodial parent entitled to receive them.

The demonstration will be carefully evaluated and will run for 11 years.

The
George
Washington
University

WASHINGTON, DC

UNIVERSITY PROFESSOR

December 6, 1993

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

Dear Mr. Reed:

The enclosed new memo by Dr. Amitai Etzioni may be of interest regarding the current debate about subsidizing private firms to place welfare recipients, such as America Works.

Sincerely,



Alyssa Quails
Research Assistant

Enclosure:

"A Note on the Limits of America Works and Company"

A NOTE ON THE LIMITS OF AMERICA WORKS AND COMPANY

Recently the press has been full of laudatory reports on profit making companies that have succeeded in placing welfare recipients in well-paying and lasting jobs. It is very understandable that such placements would be very attractive for all concerned. It also fits into the thinking of those who find privatization ideologically attractive. But before one jumps to conclude that such efforts can be a major part of the drive to place hundred thousands, if not millions, of welfare clients in paying jobs, please note:

1. As far as I can determine so far, these endeavors have not been submitted to any outside independent rigorous evaluation which other programs have been subject to.

2. Press reports on the success of these efforts ignore the very small number of welfare recipients that actually have been placed. Thus, America Works reports that it placed "approximately 740 welfare recipients" but the data cited about the fact that these previous welfare recipients continue to work where they have been placed, the pay they receive, etc., etc. -- is based on 341, a total of 290 who actually were reached.

3. Creaming is extremely likely to have taken place. Profit making companies would act against their most elementary self-interest if

they did not seek to place first those easy to place, few of which exist in any population. The available reports provide no information on the relevant attributes of those placed (e.g., are they high school graduates? with previous work experience? age? etc.).

The claim that these companies can train welfare recipients within one week to be effective employees strongly suggests that those few they did place are not typical, let alone hard-core, welfare recipients but atypical members of the program.

4. There is no evidence whatsoever, and no attempts were made to collect data, if the welfare clients hired (for which those who hire them are subsidized) did not simply displace others.

In conclusion: We need urgently to have an independent evaluation of these efforts. They may well be of some service, but to make them a main building stone of welfare reform may well turn out to build on shaky foundations.

Memo by Amitai Etzioni



UNIVERSITY PROFESSOR

November 18, 1993

Mr. Bruce Reed
Deputy Assistant to the President for Domestic Policy
Domestic Policy Council
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. Reed:

The enclosed memo by Dr. Amitai Etzioni may be of interest regarding welfare reform. It argues, among other points, that there is no reason to wait for two years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alyssa Qualls".

Alyssa Qualls
Research Assistant

Enclosure:
"Curbing Illegitimacy"

NOV 22 1993
1600 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20500

CURBING ILLEGITIMACY

THE PROBLEM:

Illegitimate births are undesirable in themselves AND increase the hard-core welfare population. The problem is well known, and hence is not further discussed here other than to note that if illegitimate birth rates could be reduced, this would significantly decrease the number of those on welfare and especially those most likely to stay longest on welfare (high school dropouts with children). It is not enough to get people off welfare; we also must curtail the flow of new people into welfare. To reduce teen pregnancy we best draw on two different strategies: changing the teen culture and modifying the incentives and penalties that influence illegitimacy.

RESPONSES:

1) A social-change agent approach:

Human resource centers should be opened in public schools. School-based health care clinics and vocational counseling should be folded into these centers, as well as family education (including but not limited to sex education). Some employment preparation services may be added.

Staff should draw on peer counseling as the best available method to encourage responsible behavior. Peers should be selected from those most suited for the task, and may be a year or two older than those they counsel. The counselors would be given the

requisite training and supervision. Studies show peer counselors, which may include teen mothers who "have been there", can speak effectively to the ill consequences of premature parenting. Studies also report that being a counselor has a salutary effect on those who do the counseling.

Such social-change agents, drawn from among the ranks of those that must be reached, have been useful in the past. The US Department of Agriculture has used peers to encourage resistant farmers to change their growing patterns. And in the 19th century, YMCAs used young men to socialize "rowdy" peers who recently migrated to the cities from rural communities. High school students on welfare could be required to perform a similar service, as part of their community service obligation under the Clinton Administration's "ending" welfare program.*

Human resource centers would be best "extra-territorial", located in public schools but not subject to their command-and-control, governmental, often highly bureaucratic structures and rules. They may though draw on public funds as many not-for-profit organizations do. The said centers may be staffed and supervised by a new public (not-for-profit) agency; or administered in conjunction with existing bodies such as the YMCA; or run by a variety of associations, to be chosen by each school from an approved list which could include churches.

This social-change agent approach, which works on the cultural side, is designed to augment rather than replace policy measures that work directly on incentives and penalties.

2) Incentives and Penalties:

Prevention is typically better than treatment after the fact. The hard core of welfare clients are teens who have had one or more children while in school, and who have not completed school as a result. If one could significantly reduce the flow of these women into welfare (by having them complete high school and avoid pregnancies) there would be many fewer new welfare clients. The significance of deferring parenthood and completing high school is highlighted by a finding of the Casey Foundation quoted by William Galston: 79% of unmarried high school dropouts are living in poverty (compared to 8% of married graduates).

Two policy changes, in addition to the approach discussed above, would significantly contribute to the redress of this problem. First, one should seek to discourage premature parenting not only among teen women but also men. This can be done in part by an enactment of the full package of measures contained in the suggested federal legislation to arrange for child support insurance, including registration of fathers at birth and garnishing part of the wages of those who do not pay the child support that is due. More is to be gained here than the billions that now remain uncollected leading mothers to depend on public welfare; such an insurance, especially if widely publicized, will encourage young males to act more responsibly, the way shotgun marriages used to work. Fathers who make less than \$10,000 should not be exempted (on the grounds that if they lived with their children, they would share with them whatever income they had). To

encourage the cooperation of the mothers, part of the funds collected should be turned over to them.

Second, welfare recipients who are minors should be required to live with their parent (parents). This would decrease the allure of independence afforded by AFDC, and encourage parents to urge more actively their children to avoid pregnancies.

Comparison to the two-years-training and out approach.

The approach set forth here is designed to make welfare unattractive and reduce the pool of welfare clients, without dumping mothers with children into the streets.

Welfare clients who cannot find private sector jobs should be required to do community work now. This would make welfare less attractive than would the approach currently considered by the Clinton Administration, which calls for two years of training. Also, allowing for a transition out of welfare to community service now, if jobs are not available, would spare welfare clients the grave disappointment sure to follow if after two years of training they are unable to find jobs. In addition, it would save the public the billions the Administration would spend on training. And it would "end welfare as we know it" ahead of schedule.

If there is a shortage of community service jobs, welfare mothers who have infants (two years or younger) should provide childcare for welfare mothers who have older children, thus (a) helping reduce the costs of the total program and (b) keeping mothers of infants with them. (There is growing evidence that this

is very much in the child's, parent's and public's interest.)

A basic assumption behind the approach favored here is that any plan that assumes that a significant portion of welfare clients can find private-sector jobs (that will pay enough to keep them off of welfare), even after two years of training, is unrealistic. As it is there are some 8.7 million Americans -- many trained, able-bodied, and without children -- looking for work and unable to find it. Returning the economy to a job-rich pathway may well elude us in the foreseeable future. And the result of spending large amounts of money to place welfare clients in jobs is likely to be the displacement of others, resulting in a higher unemployment rate. Also imagine the anger of a working class person driven out of a job (or a prospective one) by a government subsidized welfare mother, less prepared for the job than the worker is, and "pampered" with child care, transportation, and other services not available to those merely unemployed.

Memo By Amitai Etzioni

Amitai Etzioni is a University Professor at The George Washington University and the director of the Center for Policy Research.

* Possibly one could draw on the military to help staff these centers. Many now in the military are particularly well suited because they are from compatible sociological backgrounds and have the proper experiences. The military might be encouraged to pick up some of the costs involved on the grounds that it would benefit from high school graduates who would be better prepared to serve their country.

THE WHITE HOUSE
WASHINGTON

September 17, 1993

MEMORANDUM FOR BRUCE REED

From: Chris Lin
Subject: Welfare Reform Concerns

During our most recent meeting on outreach for welfare, we started discussing phase two of welfare reform -- i.e., drafting policy papers and making decisions. Several red flags were immediately raised. I thought them important enough to break them out into a separate memo for you.

1. Policy vs. Politics

It was brought to my attention that the Welfare Working Group and Issue Group leaders were expected to draft options and proposals by October. And that decisions and a final proposal to the President were to be made by late fall. I realize that strict deadlines have never been set; however I am concerned that there is an expectation that we churn out the policy before we have sufficiently laid the groundwork for our outreach to the Congress (especially the Congressional Black and Hispanic Caucuses), to advocacy groups, and businesses. While the policy is moving quickly; substantive consultation with groups are moving at a slower pace. The advocacy groups and think tanks are being told we are "beginning our dialogue," while issue groups are preparing to draft policy documents. We need for policy development and political consultation to go hand in hand. My fear is that once there is paper, consultation will be "too little too late." Hopefully I'm just jumping the gun on this one. Perhaps I'm not.

2. Composition of Working Group Members and Steering Committee

As we move into "Phase 2" we are going to have to answer to the question: who is making these decisions? My concern springs from a comment made by Cong. Ford at the CBC meeting this week; that the CBC would find it difficult to support policy decided by a group (the Welfare Working Group) so lacking in minority representation. We need to think seriously on this comment. The HHS folk are planning to hold a meeting on this issue this coming Wednesday.

Both of these concerns were discussed at the outreach group meeting, however, it might be helpful for you to address them on a higher level from a White House Political standpoint....

cc: Alexis Herman



DEPARTMENT OF THE TREASURY
WASHINGTON

July 26, 1993

ASSISTANT SECRETARY

MEMORANDUM FOR BRUCE REED
DAVID ELLWOOD
MARY JO BANE
Co-Chairs, Working Group on Welfare Reform,
Family Support, and Independence

From: Alicia Munnell *AM*
Assistant Secretary for Economic Policy

Subject: Where We Go from Here: Some Suggestions

Summary

The purpose of this memorandum is to follow up on my remarks at the meeting of the Working Group on July 21. In general, the key building blocks of a respectable welfare system are in place, pending enactment, or under active consideration by Administration working groups. To complete the effort, our group needs to focus on five particular issues: coming up with a workable way to weave a two-year limit into the system, coordinating with health reform, coordinating with the Administration's rethinking of housing programs, assigning priority to prevention, and defining the budget constraint.

Discussion

As outlined by Paul Dimond, we are much closer to being able to present a comprehensive statement of the Administration's welfare policy than many may think. Consider the elements of current policy and related proposals the President has already put forward or is about to:

- The Family Support Act of 1988, with its philosophy of mutual obligation, was a genuine philosophical breakthrough. Its basic provisions provide a solid intellectual context and statutory foundation for welfare reform under President Clinton.
 - tougher child-support enforcement,
 - transitional child- and medical-care services for those who go to work and lose AFDC eligibility, and
 - the JOBS program, providing services designed to qualify welfare recipients for decent jobs and to assist them in getting hired.
- A substantially enriched EITC seems likely to emerge from this year's budget-reconciliation process to help make work pay for low-income families.
- Health care reform should effectively eliminate loss of medical care as a factor discouraging welfare recipients from pursuing opportunities to become self-sufficient in the job market.

- The President's has proposed movement toward full funding for Head Start and WIC and payment for meals at Head Start centers.
- The School-to-Work initiative, though modest, is a promising step toward reduced dependency in future generations, as will be a variety of other preventive initiatives currently under development.
- The Food Stamp Program provides nearly \$25 billion per year of assistance to the poor and the near poor, and the Administration is committed to the "Mickey Leland" proposal to expand the program.
- Proposals for more efficient and better-targeted housing assistance are being developed by the HUD Economic Independence Working Group.
- The Administration has put forward proposals for augmented child-care services to assist low-income parents in entering and remaining in the labor force.

Considering these elements, it is clear that we are 90 percent of the way to a relatively comprehensive policy that can be fairly characterized as ending welfare as we have known it. In completing the mission of the Working Group, five particular issues deserve priority attention:

(1) The most important aspect of the President's commitments that remains to be incorporated into a welfare-reform initiative is the two-year limit on the eligibility of most recipients for AFDC benefits. As we build on the discussion of this issue that began at the meeting on Wednesday, putting Bruce Reed's draft proposal on the table for consideration would be most helpful in focusing and structuring the deliberations.

(2) Since health care reform will be a key piece of the President's strategy for dealing with poverty in America, Ira Magaziner should be invited to brief the Working Group. The objective would be to ensure that we clearly understand what is being contemplated for the future of Medicaid and other aspects of the health care system with particular implications for low-income individuals and families.

(3) Subsidized housing is an important element of the welfare system, but all the benefits go to barely one-fifth of eligible families, and eligibility standards differ in significant ways from those for cash assistance. Chris Edley's HUD Economic Independence Working Group is addressing some of these issues, and coordination with the agenda of the Welfare Reform Working Group will be very important as both groups progress toward decisions on policy options.

(4) Enabling and strengthening incentives for people to avoid welfare should be a major theme of our recommendations. Priority should be given to the newly constituted Prevention Issue Group.

(5) Finally, speaking as an economist, it would be very helpful to have some sense of the budget constraint to which our deliberations are subject.

cc: Isabel Sawhill

File



UNIVERSITY PROFESSOR

PAGE 1 OF 3

May 14, 1993

TO:
Bruce Reed
Domestic Policy
The White House
FAX: 456-7739

FROM:
Amitai Etzioni



May 14, 1993

UNIVERSITY PROFESSOR

Bruce Reed
FAX: 456-7739

Dear Bruce:

This is to follow our discussion. Attached is a list of people for your consideration. A subset of these might be invited for an informal White House advisory group on rights, responsibilities and welfare reform. For the group to work it is quite necessary for you to give it a launching brief on what you (or you and others you may wish to designate from the Administration) see as the issues. Only with such a launch can the group feel that they would do their work, which they would do as volunteers, not as one more study group but one that will be listened to (although, of course, not necessarily heeded) in the highest circles. For the same reason I suggest that the first meeting take place within your building if at all possible.

The list is longer than might be necessary. Some people might well not be ideal for our purpose. Others may not be able to make it. The list includes Latinos and African Americans, New Democrats and some others, even one GOP-leaning expert. We did not identify an Asian American but would love to have such a person. Above all it is a list for discussion.

Several of the people I worked with before and they know the system from the ground up and are most useful. Unfortunately they are from out of town. The question of travel funds may arise. I am trying to resolve it. If you have suggestions they would be appreciated.

I strongly believe that I could help this group to form a useful set of recommendations. Let me hear what you think.

Sincerely,

A handwritten signature in cursive script, appearing to read "Amitai Etzioni".

Amitai Etzioni

ADMINISTRATION

David Ellwood
William Galston
Elaine Kamarck
Bruce Reed
Isabel Sawhill

OUTSIDE

Gordon Berlin
Manpower Demonstration Research
Corporation

Douglas Besharov
American Enterprise Institute

Gary Burtless
Brookings Institution

Ernesto Cortes Jr.
Texas Industrial Areas Foundation,
Austin, Texas

Cushing Dolbeare
Washington, DC

Timothy W. Griffith
Department of Human Resources
Maryland

Alan Houseman
Center for Law and Social Policy

A. Sidney Johnson
American Public Welfare Association

Michael Laracy
Department of Human Services
New Jersey

Sar Levitan
Center for Social Policy Studies

Will Marshall
Progressive Policy Institute

Milton Morris
Joint Center for Political and Economic
Studies

Richard P. Nathan
Rockefeller College, Albany, New York

Demetra Nightingale
Urban Institute

Franklin Raines
Washington, DC

Stanford Ross
Arnold & Porter

Audrey Rowe
Department of Income Maintenance
Connecticut

Kelly Thompson
American Public Welfare Association



cc: Reed
Way
file

NATIONAL ALLIANCE OF BUSINESS

25th Anniversary - A Better America Now!

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- Pedro F. Mata
Grace Group
- Jewell Jackson Mc Cabe
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Kemper Urege, Inc.
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HBM Corporation
- Alan L. Wartzel
Cannon City Stores, Inc.
- Raul Zagarra
National Council of La Raza

June 7, 1993

Ms. Carol Rasco
Assistant to the President for Domestic Policy
Executive Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Ms. Rasco:

I am delighted to provide you with the enclosed paper, *A Business Approach to Welfare Reform*.

This paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, the paper proposes the need for a business approach to welfare reform, because there can be no comprehensive attempt at reform without employer involvement.

For the past twenty-five years, the National Alliance of Business has worked with business and all levels of government to help citizens with special problems obtain training and jobs. In this, its 25th Anniversary year, the National Alliance of Business is rededicating itself to serving as the nation's catalyst for building an internationally competitive workforce. This mission includes all Americans because we cannot afford to lose the productive talents of any citizen.

Central to this mission, are the Alliance's efforts to improve local welfare-to-work programs and, thereby, our nation's welfare system. NAB comes to this discussion as the only organization representing the role of business in welfare-to-work programs. Much of the Alliance's involvement has been aimed at increasing participation by the private sector in the development of welfare-to-work programs.

Since August 1990, NAB has been the prime contractor to the U.S. Departments of Health and Human Services, Labor and Education for the development and delivery of training and technical assistance to state and local Job Opportunities and Basic Skills Training (JOBS) program operators. This contract has given NAB hands-on experience in implementing welfare-to-work programs at the national, state, and local level. Additionally, through its field offices, the Alliance has also been involved in numerous welfare-to-work projects that entail providing technical assistance to states. Clearly, the Alliance has a great deal of first-hand experience which it will contribute to the formulation of any welfare reform proposal.

Knowing of your deep commitment to providing education and training opportunities that help disadvantaged citizens move toward self-sufficiency, I want to share this paper with you. I hope that this paper will be of use to you in your deliberations about welfare reform. I look forward to hearing your comments and thoughts about this important issue.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William H. Kolberg
President

National Alliance of Business

**A BUSINESS APPROACH
TO
WELFARE REFORM**

June 4, 1993
Washington, DC



NATIONAL ALLIANCE OF BUSINESS

A BUSINESS APPROACH TO WELFARE REFORM

Executive Summary

Today there is widespread agreement that our welfare system must be improved. Created to address economic problems of the 1930s, Aid to Families with Dependent Children is no longer suited to social conditions of the 1990s. Congress took a major step toward reforming the welfare system with passage of the Family Support Act in 1988. Even so, welfare reform continues to remain high on the public policy agenda.

Growing dissatisfaction with the system prompted President Clinton's campaign pledge to "end welfare as we know it." To fulfill this pledge, the President has outlined several principles that will guide his welfare reform proposal. He would impose time limits on the receipt of benefits, expand the Earned Income Tax Credit, toughen child support, and increase education and training opportunities for welfare recipients.

A comprehensive reform of the welfare system will require a concerted effort by, and the active involvement of, both the public and private sector. Because a strengthened and expanded welfare-to-work program is widely recognized as crucial to reform, the business community must play a critical role in this effort. As a business-led organization involved in welfare-to-work programs nationwide, the National Alliance of Business (NAB) has developed this paper to provide a business approach to welfare reform efforts.

The paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, NAB proposes the need for a business approach to welfare reform because we believe there can be no comprehensive attempt at reform or any expectation of its success without employer involvement.



This approach to welfare reform recognizes that any new or reformed system must be firmly rooted in and connected to the local labor market. Any system of public assistance that is not inextricably bound to local economic conditions and labor needs will face significant barriers in helping to move its participants to productive employment and self-sufficiency.

Reforming the welfare system will be a large and complicated undertaking. It will require addressing issues not only specific to welfare but also related to child care, health care, transportation, housing, job training and education. But if a reformed welfare system does not have at its core assimilating welfare participants into the workforce, it will achieve only limited success. American business should take part in the welfare reform debate to ensure that the redesigned system encourages work and assists participants in becoming productive members of our society.

Background

A brief scan of the current public welfare system reveals four major weaknesses. First, welfare does not reinforce values most Americans believe are important: work, family, individual responsibility, and self-sufficiency. Welfare rules penalize savings, perpetuate dependency, discourage work, and isolate recipients. In short, welfare often rewards failure not success.

Second, welfare often penalizes marriage and underwrites single parenthood. Welfare rules have traditionally imposed a stiff "marriage" penalty: women who marry a man with a job usually exceed AFDC limits on household income and thus lose their benefits. Couples who choose to live together instead of marrying suffer no such loss of income.

Third, much of what the federal government spends on public assistance to the poor is lost in an uncoordinated and inefficient system. Because this money is dispensed through so many separate programs and delivery systems with their own rules and regulations, much of it is swallowed up by an ever expanding bureaucracy for delivering social services, and never reaches the poor.

Finally, and most important from a business perspective, welfare undercuts the incentive to work. The current system is



A Call for Reform

replete with rules and regulations that have the effect of discouraging those who wish to work from doing so. For many, staying on welfare is simply a matter of economics. When cash assistance, medical, transportation, housing, and child care benefits - many of which are cut for those moving off AFDC - are considered, welfare often offers a more stable income than work.

The costs of maintaining the current system must, then, be measured in both economic and social terms. Currently, Washington spends about \$150 billion a year on 75 means-tested programs for the poor. In addition, the indirect costs, in the form of higher taxes to pay for remedial education, emergency medical care, drug treatment, homeless shelters, police, courts, prisons, etc. are an increasing burden on the economy and on our society.

Even more significant, however, are the costs of losing the productive capacity of a large number of our citizens. This is a loss of the productive potential of millions of citizens who cannot, for lack of education and/or skills, compete in a global economy. Nor can these costs be measured simply in economic terms. The costs of continuing with the current system will drain our country of important human resources well into the 21st century.

A general consensus has been formed that there are deep structural flaws in our public welfare system as it currently operates. A closer look at common attitudes about welfare, however, reveals two general and distinct points of view regarding welfare recipients. Recent studies have shown that people generally view welfare recipients in one of two ways: as long-term, or "career," welfare recipients and as temporary, or "transitional," recipients. A focus group study done in California discovered that perceptions of welfare recipients generally determined attitudes about the system as a whole. Those who felt that most welfare recipients were long-term dependents of the system generally had more negative impressions than those who felt most welfare recipients were temporary participants. The significance of these findings is that while many people express general dissatisfaction with our welfare system, what is most objectionable is the long-term



dependency it allows and, at times, encourages. Thus any significant attempt at welfare reform must seriously address the long-term dependency that welfare encourages.

Welfare reform is certain to remain high on the public policy agenda as several reform proposals are being discussed and/or considered. President Clinton campaigned on the promise to "end welfare as we know it." Legislation has not yet been introduced, but the President has indicated the following principles will guide development of his welfare reform plan.

- **First, welfare should be a second chance not a way of life.** Under the Clinton plan, most recipients would have two years after they completed a training program before they would be asked to take a job either in the private sector or in public service. The President would guarantee that welfare recipients do not lose their access to health care and child care by moving into the workforce.
- **Second, every American who works full-time with a child in the home should not live in poverty.** The centerpiece of this proposal is an expansion of the Earned Income Tax Credit (EITC). The EITC is a tax credit for working families with incomes of less than \$22,370 and one child living at home. Under the Clinton plan the income threshold would be raised and the credit would be extended to poor workers who don't have children.
- **Third, federal child support enforcement would be dramatically toughened.** It is estimated that 15 million children have parents who could pay child support but do not. The President proposes having states establish paternity at the hospital and using the Internal Revenue Service to collect unpaid child support. His plan would also establish a national databank to track down deadbeat parents.
- **Fourth, education and training opportunities for welfare recipients would be expanded.** This step would build on the Family Support Act of 1988, which required states to move a portion of their welfare recipients into training programs and jobs.



Business Involvement in Welfare Reform

Under the framework of the Clinton plan, states would be accorded greater flexibility to experiment and design their own approaches to welfare reform. The President has promised to approve waivers to states for welfare reform programs that may not directly reflect the policies of his Administration, provided that there is an honest evaluation of each program.

It is in the interest of all concerned that the business community participate in any reform discussion so as to guarantee that any proposal is premised upon the goal of moving welfare recipients off public assistance and into productive employment. Because any earnest attempt at reforming the welfare system will include efforts to strengthen and expand successful welfare-to-work programs, employers' involvement is critical. Welfare-to-work programs lie at the intersection between social service agencies, education and training services, and the labor market. Meaningful business involvement can improve program efficiency and effectiveness and can significantly increase the chances that program participants will ultimately become independent from public assistance.

Welfare-to-work programs must be incorporated into our national effort to build a world class workforce. At a time when all resources of the nation's labor market must be better utilized to keep pace with global economic competitiveness, preparation of welfare recipients to meet the expanding human resource needs of business is critical. However, employment and training programs for welfare recipients will not be sufficient in and of themselves unless they leverage the interests, perspectives and resources of the business community.

Private sector employers know what job skills are needed in their industries and in their geographic areas. They understand local labor market trends that can help to guide program designs and training content. Just as business has a direct interest in welfare-to-work programs as a means to building a better workforce, so too does the nation need to develop the productive capacity of groups previously considered to be outside the mainstream of our economy to assure an adequate supply of skilled workers. Training welfare recipients to fill job vacancies in the private sector not only makes good social policy - we are dignified by our work - it is sound economic policy. In short,



A Framework for Welfare Reform

Principle 1

the business community has a stake in the success of welfare-to-work. The problems created by chronic unemployment and dependency are well documented. Because these problems demand the use of scarce resources, and because they contribute to social tensions which affect productivity and the general business climate, the public sector should be interested to have business's assistance in solving them.

Long-term welfare dependency and complex labor phenomena are issues too large and important for any one sector of society to address alone. Labor market and welfare issues are no longer just government problems. A public/private partnership based on the principles outlined below would bring the best leadership, resources, and commitment to the table in each local community to address the welfare issue.

Welfare reform should be an integral part of the effort to develop a comprehensive workforce development system that is firmly rooted in local labor market needs and opportunities.

If the United States is to remain competitive in world commerce in the 21st century, we need to invest in building the skills of our current and future workforce, and we must actively engage in partnerships to build a workforce development system that includes all our citizens. We must realize the need for the public and private sectors to collaborate on systems that optimize the full potential of our human resources.

Experts agree that we lack a coherent system for setting human resource goals and priorities at the community level and for linking employment, training, and education programs together with local employers to deliver services efficiently to meet these goals and priorities. A broad-based workforce development system would help to eliminate the inefficiencies in the current use of resources for public assistance and welfare-to-work programs. The system would be characterized by: a common point of intake; individualized assessment of clients to determine their service needs; a form of case management to see participants through the system; and a common system of placement that employers could readily access.



The lack of available resources at the state level has been a barrier to previous welfare reform efforts and to developing effective welfare-to-work programs. State budgets, severely pinched by the recession, have not been able to provide sufficient matching funds to use all of the available federal money. A comprehensive and well-coordinated workforce development system would increase the probability that adequate funding is available at the federal, state, and local level to meet the needs of our current and future workforce.

Another barrier to improved welfare-to-work programs is the lack of coordination between different federal and state agencies and the programs they administer. The result of this is more often than not an incoherent effort between different parts of the system that do not work together toward complementary goals. Welfare-to-work program administrators have expressed a great desire for a more integrated and better coordinated system. Legislative changes would be required to correct some of the problems, but with influence of the private sector, a workforce development system could accomplish much administratively to improve coordination and reduce paperwork. Such a system would provide the context for making decisions about investing in our human resources today for the benefit of our future economic competitiveness.

The crucial components of any welfare-to-work program are education and job training. These components, however, are also expensive. Viewed in the short term these services do not seem to justify their costs. Viewed in the long term as part of an overall effort to build an internationally competitive workforce, they are a wise investment in our future. A comprehensive workforce development system implemented at the state and local level would serve clients more efficiently.

The key component of a workforce development system should be a network of business-led Workforce Investment Councils to be established in every labor market in the country. The Councils would overcome the inefficiency of our current fragmented and frequently duplicative approach to local labor market program administration by overseeing the operation of a more efficient, integrated system of service delivery. In fact, several states have utilized the existing Private Industry Council system to serve this function.



Within a framework of federal and state policy leadership and support, the Councils would negotiate among existing federal, state, and local training and work-related education programs.

A restructured welfare program that is integrated into a larger workforce investment system would provide a more efficient way of moving participants into productive employment. Education and training programs would be responsive to local economic conditions and participants would be provided training appropriate to those conditions. Such a system would allow welfare to return to its intended role of providing participants with temporary assistance as they prepare to enter or reenter the workforce.

Principle 2

Welfare reform should build on the Family Support Act of 1988 to expand education and training programs that help welfare recipients become job-ready and employed.

In 1988, Congress enacted the Family Support Act (FSA), which established a new employment and training program for recipients of AFDC called the Job Opportunities and Basic Skills Training (JOBS) program. The purpose of JOBS is to assure that needy families with children obtain the education, training and employment that will help them avoid long-term welfare dependence. JOBS requires states to set up welfare-to-work programs, to fund the programs by matching federal dollars, and to compel some welfare recipients to participate in these programs. Through these programs, participants receive basic and vocational education, job skills and job readiness training, on-the-job training and community work experience. They are also eligible to receive support services, such as transportation, child care and Medicare up to a year after they complete training.

Perhaps the most significant aspect of JOBS is its emphasis on participant responsibility. JOBS stresses that welfare recipients have an obligation to pursue the opportunities and take advantage of the activities presented to them. One of the shortcomings of the current welfare system is the absence of expectations it places on participants. Only by moving towards a policy which recognizes and rewards participants' efforts to help themselves will we eliminate the long-term nature of public



assistance. To this end, the President's proposal to impose time limits on the receipt of welfare is a step in the right direction. However, without continuing and strengthening this emphasis on mutual obligation, as required under JOBS, time limits will only be partially effective.

The foundation upon which to build welfare reform is already in place. A coordinated, comprehensive welfare system can be constructed with refinements to the existing structures and can become an integral component of the workforce development system. JOBS is the culmination of a great deal of welfare experience and reflects what programs need, such as design flexibility and the encouragement to coordinate with other, appropriate agencies and community-based organizations. In fact, most interested parties believe that the ingredients for a successful welfare-to-work program are contained in JOBS.

Many observers also recognize that the potential for success in an expanded Family Support Act and JOBS program lies in their emphasis on individualized services and assistance. Many of the education and training programs in states, however, are not capable of addressing the unique needs of welfare recipients. Target groups from welfare-to-work programs differ from those that have traditionally been served effectively by education and training programs. When compared with other students in education and training programs, welfare recipients have generally been found to have lower average achievement, lower average motivation, greater need for support services, and a higher incidence of personal problems. Welfare-to-work programs should be designed with the flexibility necessary to address different needs.

Because of welfare recipients' special needs, states and localities have found it necessary to adapt existing education and training programs. Many education providers have found that welfare recipients by and large require more counseling than non-welfare recipients. Others have adapted their established curricula to meet the needs of welfare recipients. In some local education agencies in California, for example, educators decided to create classes expressly for adult welfare recipients. The Job Training Partnership Act (JTPA) is moving toward a system with an assessment process and an array of appropriate services that succeed in matching services to the person. The effort needs to be expanded to include JOBS participants.



Another significant aspect of the JOBS program is its emphasis on providing work experience. Many JOBS programs use Community Work Experience or Work Supplementation not as ends in themselves but as components of a program designed to prepare participants for work. As a component, work experience is a way for the participant to make choices about potential professions, become accustomed to the job readiness skills that a permanent position requires, and to develop additional skills. In addition, the program staff can use work experience as an assessment tool of a participant's training or education needs.

The Family Support Act of 1988, and specifically the JOBS program, lays the groundwork for reforming the welfare system. The Act's emphasis on participant responsibility, the importance it places on the provision of employment and training services to welfare recipients, and its encouragement of employment programs such as Community Work Experience and Work Supplementation, begin to move in the direction of a reformed and improved welfare system.

Principle 3

Public service employment should be evaluated by weighing the benefits it would provide against the costs it would impose.

The idea of mandating some type of work experience is controversial because it inevitably leads to a debate about public service employment. The President has said that under his plan after two years welfare recipients would be asked to take a job in either the private or public sector. Presumably, those unable to find private sector jobs would be placed in some type of public service employment. The questions associated with public service employment are too numerous to be discussed definitively in this paper, yet it is clear that, however well-designed and well-constructed a public service employment program is, it should not be a permanent alternative to unsubsidized private sector employment. Additionally, public service employment should not position welfare recipients against unionized workers, dislocated workers, and existing workers for jobs. In general an effective public service employment program will need to be carefully managed to avoid pitfalls of supplanting or replacing regularly funded private sector jobs. The benefits of public service employment are the



Principle 4

values and habits of work it instills, the sense of participant responsibility it imparts, and the skills and training it provides to participants.

Welfare reform should preserve the flexibility allowed to the states and should encourage state experimentation with their own welfare plans.

The environment for welfare reform experimentation was established by the Family Support Act of 1988 and by the federal government's response to requests from the states for waivers. The states have used this flexibility and made major changes to their welfare systems. For example, Wisconsin has been a leader among states experimenting with welfare reform. Widely known for its Learnfare program, which reduces welfare benefits for teenage truancy, Wisconsin has also proposed a more aggressive child support collection system than the one found in the Family Support Act.

In Ohio, teen parents receive a bonus in their welfare grant for being enrolled in a school program leading to a high school diploma or its equivalent and for meeting monthly attendance requirements. Maryland has proposed cutting benefits for recipients not receiving preventive health care or not keeping children in school. New Jersey is experimenting with denying benefits to mothers if they have additional children. Michigan has abolished its general assistance program, which provided benefits to adults with no children. Recently, Wisconsin became the third state to begin work on a time-limit plan, joining Vermont and Florida. Vermont was granted a waiver from federal rules to proceed with its plan, Florida will submit a waiver request shortly, and the Wisconsin legislature will soon vote on its time-limit proposal.

Much of the progress that has been made on welfare reform has been the result of ideas like these developed, tested, and refined at the state level. Almost every state has some experimental innovative approach in its welfare-to-work program and although many state experiments will be controversial, it is through state flexibility and experimentation that widely acceptable program solutions will be found. Allowing, indeed encouraging, these demonstrations to continue should be a key component of a reformed welfare system.



Principle 5

Welfare reform should preserve the safety net for children and the disabled. Furthermore, steps should be taken to address the root causes of poverty and avert welfare dependency before it begins.

The goal of all welfare-to-work programs should be to help participants find productive employment and become contributing members of our workforce and society. However, programs should not be considered to have failed if all participants in them do not reach this goal. There will still remain a segment of the welfare population which will have great difficulty becoming self-sufficient. There are a number of welfare recipients who cannot work because of age or disability. In the efforts to reform the welfare system it is essential that we not lose sight of our commitment to providing citizens a safety net below which no one is allowed to fall.

Today, the business community is defining its role in public policy by seeking greater involvement in school reform, vocational education, dislocated worker training programs, job-training for the disadvantaged, school-to-work and youth apprenticeship programs. As the business community continues to provide input into these and other critical issues affecting the quality of the American workforce, questions about long-term welfare dependence will be addressed. Many of the flaws of our welfare system today could be corrected by taking action sooner and addressing problems before they occur.

A Role for Business

Although the proposed framework for reform is primarily addressed to public-policy makers, there is a distinct but closely related role for the business community. As detailed earlier in this paper, business has a critical stake in the success of our welfare-to-work system. As this system is further integrated into a workforce investment strategy, the business community's stake becomes even higher and the benefit of having business involved in the design and implementation of welfare-to-work programs is even greater.

Businesses can help ease the transition from welfare-to-work by adopting voluntary "family friendly" policies that recognize the



barriers many welfare recipients face in gaining full-time employment. Many of the hurdles welfare recipients face in maintaining productive employment are only indirectly related to income. AFDC recipients often have child care, transportation, health care and other needs that prevent them from finding and maintaining full-time jobs. Recognizing the interrelationship between these issues and the welfare reform debate is a necessary first step in constructing a more enlightened welfare system. These are issues to be addressed by both the public and private sectors. There are, nevertheless, steps the business community can take voluntarily to remove some of the obstacles welfare recipients face on their path to self-sufficiency.

Many companies, large and small, have begun to adopt policies that provide support for employees struggling to balance family, health, transportation, and other concerns. These concerns are often what keep welfare recipients from maintaining employment. The extent to which businesses can address them will be a critical factor in the success of reformed welfare system.

Additionally, employers have a key role to play at the local, state, and federal levels in the design and implementation of welfare-to-work programs and welfare reform strategies.

At the local level, businesses are often the best predictor of labor market trends and needs. Businesses also know the skills required of the current and future workforce in their industries. The business community can bring this knowledge and experience to the development of effective welfare-to-work programs. Local private sector leaders can serve an important role as outside brokers, or barometers, for public programs related to employment and training. Very often it is the "neutral" business volunteer who motivates public agencies and officials to work more effectively and to coordinate resources more efficiently toward a common goal.

At the state level. Many of the most innovative ideas on welfare reform have emerged from state efforts to restructure their programs. States will continue to experiment with ideas and as such it is at the state level where business can have an impact on overall policy direction. Critical to the success of programs at this level is the ability to coordinate statewide public/private employment and training strategies.



Summary and Conclusions

At a time of limited public resources, coordination among job training and education programs is a critical common sense issue for employers. Welfare-to-work programs should be coordinated with other employment and training resources available for similar population groups. This can be done through comprehensive state-level coordination policies that provide criteria for coordination in the local planning process.

At the federal level. AFDC has been and remains a federally funded program. Overall policy decisions that impact welfare programs will be made in Washington. The business community can make its voice heard as the Administration, the Congress and national organizations frame a redesigned welfare system. Appropriate issues for the business community to raise at the federal level include: increasing incentives for welfare recipients to seek and maintain employment; creating incentives for employers to hire welfare recipients; developing program performance evaluation criteria; and simplifying program requirements.

President Clinton has indicated that welfare reform will be prominent on the domestic public policy agenda. There is nearly universal agreement that the current system has several fundamental problems and serves to perpetuate the conditions it was designed to correct. The question is no longer whether something needs to be done but rather what can be done.

The business community can help to answer this question by advocating policies that have productive employment as their end results. The issues confronted in moving welfare recipients into productive employment are directly related to issues in building a world-class workforce capable of competing in the global economy.

The debate on welfare reform will require that we address many broad issues including the proper role and responsibility of federal, state, and local governments, their relationship with the business community, the reciprocal obligations of those receiving public assistance, and the most appropriate way to empower those in poverty to take control of their own lives.



Gave a copy to Kathi Way

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



PHONE: (202)690-8794 FAX: (202)690-6518

Date: 5/5

From: David Wendell

To: Bruce Reed

Division: _____

Division: _____

City & State: _____

City & State: _____

Office Number: _____

Office Number: _____

Fax Number: _____

Fax Number: 456-7739

Number of Pages + cover 3

REMARKS: _____

MEMORANDUM

From: David T. Ellwood

Re: Delay of the UP Participation Requirements

Date: May 5, 1992

Enclosed are a set of talking points regarding the proposed rule change in the Family Support Act. If you have questions feel free to call me (690-6443) or Wendell (690-7409).

Talking Points Regarding Two Year Delay in Implementation of Unemployed Parent Participation Rates

The Family Support Act of 1988 requires states to serve specified percentages of the AFDC caseload under the JOBS program. (Each month states must serve at least 11% of the non-exempted caseload in 1993, 15% in 1994, and 20% in 1995). In addition to this overall participation requirement, starting in 1994 there is an additional requirement that a small class of cases--parents in two parent families with an unemployed worker (AFDC-UP)--be served in even higher percentages. In effect this creates sub-targets within the larger targets. As part of meeting their overall participation targets of 15% in 1994, states are also expected to serve 40% of the AFDC-UP caseload each month.

- o **The delay in the UP participation requirements in no way reduces the expectations of states, it only gives them more flexibility in who they serve. States strongly indicated that meeting the sub-targets for the AFDC-UP program would force them to provide less service to the long-term recipients who cost the system more and who need more service. Currently states direct the bulk of their JOBS resources to the federally mandated groups which the law currently requires to be served. These include families who have been receiving AFDC for at least 3 years and parents under age 24 who have not completed high school or limited work experience. This focus is supported by research findings showing that these welfare recipients are at greatest risk for long stays on welfare. Because of the imposition of rules to serve AFDC-UP participants in such large numbers, states would be required to divert resources away from long term recipients to UP cases, who do not have such long stays on welfare. Moreover, the orientation of many state programs would have to be changed causing major programmatic changes even as welfare reform is being developed.**
- o **States are already having a difficult time serving the longer-term single parent cases, and states are in the best position to decide which clients are better served. The rise in caseloads brought on by the recession and the requirements that state match Federal dollars have put severe burdens on state JOBS programs. As a result, many states have been having a hard time effectively serving the more disadvantaged single parent cases. The most recent figures show states have been able to draw down only 60% of their JOBS funds. This rule change gives states somewhat more flexibility to decide who to serve, but does not reduce the numbers who must be served.**

- o The UP program is only a small part of the AFDC cases nationwide (7%). Still, in some states with larger UP programs, the high participation requirements would require a major shift in focus and further strain state capacities.
- o The Administration is deeply committed to the Family Support Act and to its focus on high participation on the part of states and welfare recipients. Then Governor Clinton worked closely with Senator Moynihan on the design and development of the Family Support Act. The President regards it as a major advance in welfare policy. The administration remains strongly committed to expecting participation on the part of recipients. The goal is to make the Act work better in light of the experiences of the States with the program to date.

The headline in the New York Times (Delay Saught in Law Meant to Trim Welfare) was extremely misleading. The administration did not seek a delay in the Family Support Act at all. Nor did the administration seek to reduce overall participation requirements on states and recipients. The only change is increased flexibility in who gets served, so states can serve longer term clients first if they feel that is more appropriate.



AMERICAN PUBLIC WELFARE ASSOCIATION

Kevin W. Constantine, President

A. Sidney Johnson III, Executive Director

*Foster
Welfare*

May 5, 1993

The Hon. Donna Shalala
Secretary
Department of Health and Human Services
Hubert Humphrey Building Room 815F
200 Independence Avenue SW
Washington D.C. 20201

By Fax & Messenger

Dear Secretary Shalala:

On behalf of the state human service departments, I want to thank you for recommending that Congress delay for two years the 40% participation rate requirement for two-parent families under the Job Opportunities and Basic Skills Training Program. We are pleased that the House Ways and Means Subcommittee on Human Resources approved the 2-year delay, and anticipate that members of the full Ways and Means Committee will understand the importance of this action for their states.

This action was recommended by APWA's National Council of State Human Service Administrators at a meeting in December, and I enclose a copy of the resolution adopted at that time.

Like the Clinton Administration, the American Public Welfare Association is a very strong supporter of the Family Support Act of 1988, the JOBS Program, and the overriding goal of individual and family self-sufficiency. Like you, through the work of Governor Cuomo's task force, and like President Clinton in his leadership of the National Governors' Association, APWA was a leading advocate of the welfare reform embodied in the 1988 legislation.

The 2-year delay in the AFDC-UP participation rate requirement is a small change, but a critical one for states committed to meeting the goals of the Family Support Act. This is not a new position for states to take. If the 40% participation rate continues in force, states will be forced to make structural changes in their JOBS program to place greater emphasis on work placements for AFDC-UP families. This would undercut the kind of gains single-parent households -- by far the bulk of welfare recipients -- have made, as recorded in studies such as the recent report on California's GAIN program by the Manpower Demonstration Research Corporation.

MAY 05 '93 15:29 APWA

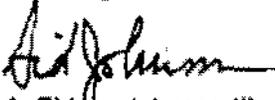
P. 3/4

Allocation of resources continues to be a critical issue for states. Due primarily to the prolonged recession, states have seen AFDC caseloads grow by 32% since July 1989. That amounts to nearly \$200 million a month in higher state costs. As a result of the fiscal pressures, many states have been unable to fully fund their JOBS programs. Given continuing fiscal strains and the continuing strong commitment to the JOBS programs, states seek maximum flexibility in marshalling resources. The 2-year delay in UP participation rates will help states continue to strengthen their JOBS programs to meet not just the letter but the spirit of the Family Support Act.

We appreciate your leadership and that of President Clinton in seeking this change. The JOBS program is clearly a partnership between the federal government and state and local public welfare agencies, and we are grateful for your appreciation of the administrative issues involved.

Thank you.

Best Regards,



A. Sidney Johnson III
Executive Director

cc: The Hon. Dan Rostenkowski
The Hon. Harold Ford
The Hon. Robert Matsui
The Hon. Daniel Patrick Moynihan
The Hon. Bob Dole

The logo for the American Public Welfare Association (APWA) features the letters "APWA" in a bold, serif font, centered within a solid black rectangular box.

AMERICAN PUBLIC WELFARE ASSOCIATION



**RESOLUTION CALLING FOR MORATORIUM ON
IMPLEMENTATION OF AFDC-UP
PARTICIPATION RATES**

WHEREAS, the Family Support Act of 1988 requires that states achieve a 40% participation rate for the AFDC unemployed Parent Program beginning in October 1993; and

WHEREAS, this rates increases to 75% in 1997; and

WHEREAS, there is no empirical evidence that high participation rates will result in improved outcomes for AFDC-UP participants; and

WHEREAS, in order to meet these rates states will have to fundamentally shift the resources and focus the direction of the JOBS program for AFDC recipients to serve AFDC-UP parents; and

WHEREAS, there are conflicting and incompatible requirements for target group expenditures, the overall participation rate requirement for JOBS and the participation rate for AFDC-UP that will make it impossible for states to continue to receive enhanced funding;

THEREFORE BE IT RESOLVED that the National Council of State Human Service Administrators seek legislation for a moratorium on implementation of the AFDC-UP participation rate requirements. The moratorium should remain in effect until legislation embodying President-elect Clinton's welfare plan can be enacted and implemented; and

BE IT FURTHER RESOLVED that APWA promptly communicate the concerns of states related to these issues to the new administration and its transition team.

Adopted by the National Council of State Human Service Administrators December 10, 1992.

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TO: *Bruce Reed* 456-7739
FROM: *Ray Boshara*
House Select Committee on Hunger

If there is a problem in transmission, call 202-226-5470.

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"Together we can stamp out hunger"

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MEMORITY STAFF DIRECTORTELEPHONE (202) 226-8460
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Mr. Bruce Reed
Deputy Assistant to the President
for Domestic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Bruce:

Rick Leach passed on your greetings to me. Congratulations to you on your appointment to serve in the White House.

From my conversations with Jeremy Ben-Ami at the transition office, I understand that the Administration is interested in following through on the Individual Development Account Demonstration and microenterprise proposals that the President talked about during the campaign. That is great news to all of us.

I am writing to let you know that the experts that Tony Hall and I worked with--Michael Sherraden, Bob Friedman, and Kathy Keeley--in developing our legislation will be in town on February 16, and the five of us would like to meet with you to discuss the various dimensions of the proposals (legislative strategy, cost, current State initiatives, timing, etc.). I have enclosed summaries of our bills (H.R. 455 and H.R. 456) for your review.

We are all very interested in working with you and others at the White House on these and other poverty alleviation ideas. Please call me at the Select Committee on Hunger at 226-5470 if you would like to get together on the 16th. Of course, if that day is not good, Tony Hall and I could meet with you on another day.

Best of luck in your new job. I look forward to hearing from you.

Sincerely,

Ramon J. Boshara, Jr.
Professional Staff Member

H.R. 455

January 6, 1993

Tony P. Hall, M.C.**Microenterprise and Asset Development Act**

Mr. Speaker. As Chairman of the House Select Committee on Hunger, I am pleased to introduce the Microenterprise and Asset Development Act. This legislation removes the penalties against those on AFDC who want to develop their own small business, or save for job training, education, or a better place to live. I am pleased to introduce this legislation with my colleagues Fred Grandy, Cardiss Collins, and Hunger Committee Ranking Minority Member Bill Emerson.

It should be noted that this proposal was passed by both the House and Senate last year as part of H.R. 11 (The Revenue Act of 1992), but was vetoed by the President. I am pleased to report that President-elect Clinton has voiced his support for this proposal.

This bill is the first of two "asset-development for the poor" proposals I am introducing today. The thrust of this legislation is to remove the restrictions on asset-accumulation by the poor. The idea behind the other bill--the Individual Development Account Demonstration Act--is to subsidize asset accumulation for the poor, just as the Federal Government does for the non-poor.

Federal anti-poverty policy, Mr. Speaker, should support asset-building activities, not penalize them. Because of the \$1,000 asset limit in AFDC, we are telling the poor that they cannot save for their children's education, that they cannot start their own business, or that they should sell everything they have just to get some temporary assistance. This traps people on welfare--which is both morally wrong and economically foolish.

The bill has two parts, both effective October 1, 1993. The first--Disregard of Income and Resources Designated for Education, Training, and Employment--allows recipients of AFDC to save up to \$10,000 in qualified asset accounts (IRAs, escrow accounts, saving bonds, etc.) that can be used only for; (1) education and training; (2) the improvement of employability (such as through the purchase of an automobile); (3) the purchase of a home; and (4) a change of the family residence. The bill also requires the Secretary of Health and Human Resources to report to the Congress on the need to revise the asset limit (presently \$1,500) on automobiles, and on the extent to which such a revision would increase the employability of recipients.

The second part--Disregard of Income and Resources Related to Self-Employment--allows recipients of AFDC to accumulate up to \$10,000 of the net worth (assets reduced by liabilities) of a microenterprise (a commercial enterprise which has 5 or fewer employees, one or more of whom owns the enterprise). The bill also states that the net profits (gross business receipts minus expenses relating to loan repayments, transportation, inventory, capital equipment, taxes, insurance, and amounts reinvested in the business) of a

microenterprise shall be taken into consideration in determining income eligibility. Both the net worth and net profit provisions are applicable for a period of time not to exceed two years. Finally, the bill stipulates that if at least three percent of the State's adult AFDC population participate in microenterprise activities, then microenterprise training (business counseling, marketing advice, help with securing loans, etc.) shall be offered through the JOBS Program; if participation is less than three percent, then the State has the option of offering such training.

It is crucial, Mr. Speaker, that we allow the poor to receive assistance while they are building up the assets they need to make it on their own--a small business, job training, education, and a safe place to live. I urge my colleagues to support this important legislation.

H.R. 456

January 6, 1993

Tony P. Hall, M.C.**Individual Development Account Demonstration Act**

Mr. Speaker, As Chairman of the House Select Committee on Hunger, I am pleased to introduce the Individual Development Account Demonstration Act. This legislation authorizes the Treasury Department to implement a five-year demonstration project that would provide incentives to a person with limited resources to accumulate enough savings to: (1) buy his or her first home; (2) go to college or receive long-term job training; (3) start a small business; or (4) set aside funds for retirement. I am pleased to introduce this legislation with the Hunger Committee Ranking Minority Member, Bill Emerson.

I am also pleased to report that President-elect Clinton supports this proposal.

This bill is the second of two "asset-development for the poor" proposals I am introducing today. While the thrust of the first bill--the Microenterprise and Asset Development Act--is to remove the restrictions on asset-accumulation by the poor, the idea behind the Individual Development Account Demonstration Act is to subsidize asset accumulation for the poor, just as the Federal Government does for the non-poor.

Mr. Speaker, America needs a new way of thinking about welfare. Traditional public assistance programs in America--which provide critically needed food, cash, health care and housing assistance--are humane and justifiable, and these important programs should be improved and expanded. But while such programs have sustained millions of low-income persons, too rarely have they made them strong. As a result, most low-income Americans remain in poverty, which is a drain on the nation, a loss of human resources, and an assault on human dignity.

Poverty rates remain high and welfare dependency continues, in part, because current welfare theory has taken for granted that a certain level of income or consumption is necessary for one's economic well-being. However, very few people manage to spend or consume their way out of poverty. Economic well-being does not come through spending or consumption; rather, it is achieved through savings, investment, and accumulation of assets, for assets can: improve economic stability, connect people with a viable, hopeful future, and improve the welfare of offspring.

The Federal government spends more than \$100 billion per year to provide middle- and upper-income persons many incentives to accumulate savings and assets (e.g., home mortgage interest deductions and tax deductions for retirement pension accounts), but such incentives and benefits are beyond the reach of most low-income persons. Indeed, under current welfare policies, poor families must deplete most of their assets before qualifying for public assistance.

Federal anti-poverty policy should therefore, Mr. Speaker, promote, not penalize, asset accumulation for the poor. I urge my colleagues to support this important legislation.

For the benefit of my colleagues, I have included a summary of the major provisions of the demonstration.

* *

SUMMARY OF THE INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION ACT

Purpose. Demonstration projects (conducted by private, non- and for-profit organizations) will be established to determine: (1) the social, psychological, and economic effects of providing individuals with limited means an opportunity to accumulate assets and; (2) the extent to which asset-based welfare policy may be used to enable individuals with low income to achieve economic self-sufficiency.

Applications. Grants shall be awarded on a competitive basis. Successful applicants will have received financial commitments from the State and private entities to carry out the project and will have demonstrated, in the judgment of the Secretary, an ability to: (1) assist participants in achieving self-sufficiency through the establishment and use of IDAs and; (2) responsibly administer the project. Applications must be submitted no later than April 1, 1994. Approval will be no later than June 1, 1994, with the projects beginning on July 1 of that year.

IDA Reserve Fund. Each project participating in the demonstration would establish an IDA Reserve Fund which consists of Federal, State, local, corporate, and private contributions as well as any funds originating from a non-designated use of an IDA. From the Reserve Fund, deposit subsidies would be made directly into an IDA.

Persons Eligible to Participate. The participating organization shall determine who may participate in the demonstration, but in all cases the individual selected will be a member of a household whose income is not more than 200 percent of the Federal poverty threshold and whose net worth is not more than \$20,000. Net worth is defined as the sum of the market value of assets owned by every member of the household minus liabilities owed by the household. Net worth (for purposes of this demonstration) excludes the first \$35,000 of home equity, equity in a vehicle, and equity in personal items (furniture, clothing, and jewelry).

Asset Tests in Other Programs. Funds in an IDA account (which are by definition restricted) shall be disregarded in determining eligibility for all means-tested public assistance programs.

General Oversight. A panel (established by the Secretary) composed of Federal and State officials, business leaders, and social policy innovators shall monitor the progress and provide general oversight of all of the demonstration projects. The panel will also develop general investment guidelines for amounts in IDAs and IDA Reserve Funds.

Evaluation. An independent research organization shall evaluate the demonstration projects, individually and as a whole. The research firm will be selected by the panel.

Authorization of Appropriations. Not more than \$100,000,000 for each of the fiscal years 1994 - 1998 are authorized to be appropriated to carry out the project.

Definition of IDA. An Individual Development Account (IDA) is an optional, earnings-bearing, tax-benefitted account in the name of one person. An IDA would be held in a licensed, Federally-insured financial institution. Amounts in an IDA can be withdrawn without penalty only for the following designated purposes: (1) first-home purchase; (2) post-secondary education (college\long-term training); (3) business development and; (4) retirement. An IDA can also be transferred without penalty to one's spouse or dependent for the same uses.

Contributions and Tax-Benefits. There is no limit on the amount of funds that may be deposited into an IDA, and deposits may come from a variety of sources. The amount allowable as a tax deduction for amounts paid into an IDA, however, shall not exceed \$2,000 per year (indexed for inflation), and shall be permitted for only the person in whose name the account has been established. (Married persons filing jointly could each take the full deduction, provided each is eligible.) Earnings on deposits to an IDA would also be exempt from taxation.

Withdrawals and Penalty for Non-Designated Use. Amounts withdrawn for a designated purpose will not be included in the gross income of the person in whose name the IDA has been established. Withdrawals from an IDA will be paid directly to the institution providing the designated service (e.g., to the mortgage provider for first-home purchase, to the university for post-secondary education). Withdrawals for any non-designated use (except in the case of death or disability) would: (1) trigger a 10 percent penalty; (2) require the inclusion in gross income of all amounts previously deducted or excluded; and (3) require the forfeiture of all deposit subsidies.

Deposit Subsidies. In order to stimulate savings of about \$2,000 per year per person for any of the designated purposes, deposits into an IDA would be matched in accordance with the table below. All matching amounts would be deposited directly into an IDA and would come from an IDA Reserve Fund established by the project participating in the demonstration.

<u>Income**</u>	<u>Matching Ratio</u>	<u>Maximum Match</u>
50% or less	9 to 1 (900%)	\$1,800
51% to 85%	5 to 1 (500%)	\$1,650
86% to 125%	2 to 1 (200%)	\$1,400
126% to 160%	1 to 2 (50%)	\$ 700
161% to 200%	1 to 5 (20%)	\$ 350

** Income of the individual as a percentage of the Federal poverty threshold.

Gordon Hodgson

3/10/93

MAR 11 1993

Mr. Bruce N. Reed
Deputy Assistant for Domestic Policy

Forwarded for your information
and possible interest and support.

Very respectfully,

Gordon Hodgson

WELFARE

MAR 11 1993

GORDON S. HODGSON

P.O. BOX 2136

FALLS CHURCH, VIRGINIA 22042

703/241-3780

March 9, 1993

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-0002

Dear Mr. President:

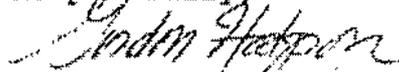
You have requested that citizens submit cost-effective suggestions to help solve domestic inner city problems. This proposal focuses on some of the military bases being considered for sale. Granted they can be sold to wealthy land developers who will most likely bulldoze and convert them into beautiful country club complexes but that will be a national tragedy. A unique window of opportunity exists now to convert selected bases into training and rehabilitation centers for the disadvantaged. This could be developed and financed within a framework of "Adopt a Base" corporate and individual fundraising and pro bono volunteer support. It could also be related in part to your National Service Program.

The bases would be designated MEAD Training Centers (MTC). The acronym M.E.A.D. stands for Motivation, Education, Attitude and Discipline. M.E.A.D. is the centerpiece and strength of this plan. And within the MTC gates, it will permeate every hour and every foot of space, to give new meaning and hope to inner city citizens of all ages.

If you find merit in the MTC concept, I offer my services as a volunteer. My education/employment background summary is enclosed. Three pragmatic qualifications are highlighted for your consideration: (1) I was raised in inner city L.A. during the depression years when there was no welfare; (2) I served in the Navy for thirty years which included a tour as Commanding Officer of the aircraft carrier, Franklin D. Roosevelt, so I'm familiar with military bases and the outstanding training of personnel based on MEAD principles; (3) I owe my country more than I can ever repay but I'd like to at least make a down payment.

I forwarded this proposal to President Bush but there was no interest or response. I'm trying again because you seem to have assigned a higher priority to these domestic problems.

Respectfully,


Gordon S. Hodgson

GSH:sdw

Enclosures

Gordon S. Hodgson
P. O. Box 2136
Falls Church, VA 22042

Ph. 703/241-3780

EDUCATION AND CAREER HIGHLIGHTS

EDUCATION:

University of California	B.A., Economics
Stanford University	M.A., Education
George Washington University	M.A., International Affairs
Navy Postgraduate School	
Naval War College	
National War College	
Two Honorary Doctorates in Literature and Science	

EXPERIENCE:

NAVY: SEA DUTY:

1. Jet Attack Squadron and Air Wing Commands on aircraft carriers in Pacific and Atlantic
2. Commanding Officer, USS. Franklin D. Roosevelt, Aircraft Carrier

SHORE DUTY:

1. Director, Naval Aviation Personnel, Requirements, and Training
2. Senior Research Fellow, National Security Affairs, National War College

CIVILIAN:

BUSINESS: President, Wendell Phillips Oil Company

ARCHEOLOGY: Executive Director/Trustee, American Foundation for the Study of Man

WRITINGS:

- Guiding Men as Well as Missiles
- Peacetime Peril at Sea
- Role of National Defense in a Strategy for Peace
- Worldwide Energy Problems and National Security
- U.S. Naval Institute Annual Essay Contest, Award Winner, 1965 and 1967
- Freedoms Foundation, Award Winner, 1967

SPORTS: TENNIS

- Member, U.S. Junior Davis Cup team
- Navy Winner, Pacific Fleet, Atlantic Fleet, Worldwide Seniors, singles and doubles

MEAD TRAINING CENTERS

The President has requested that citizens submit creative initiatives to help solve domestic inner city problems. This proposal utilizes military bases earmarked for closure. They would be renamed MEAD Training Centers (MTC).

The MTC will provide academic education, training, job skills and apprenticeship programs for the unemployed with emphasis on disadvantaged youth without regard to race, creed or color. The acronym M.E.A.D. stands for Motivation, Education, Attitude, and Discipline. It encompasses Work Ethic, Self Esteem, and Traditional Values. M.E.A.D. is the centerpiece of this proposal and the vital missing element in most education and social welfare programs. Unlike many inner city public schools, MTC education guidelines rejuvenate and augment the three R's with Rigid Rules and Respect. The essence of Mead Training Centers is derived from successful military training programs, especially the Marine Corps "boot camp".

Selected bases can also provide facilities for Day Care and Head Start, as well as provide rehabilitation and aid for juvenile offenders, the homeless and the elderly--in sum, all age groups living in poverty situations. Entrance to this program should be on a voluntary basis for all those who want the opportunity to succeed in the main stream of our society. It focuses on self improvement and empowerment projects.

Many of these programs have been implemented on a piecemeal basis but the need exists for a master plan. Thus far it has been analogous to iron filings spread on a table. If the filings are fused together we have a magnet with enormous power.

Present plans call for closing a large number of federally owned military bases. They will then probably be sold to wealthy developers who will convert many of them into housing and golf course complexes a la post World War II. They will proceed to bulldoze the outstanding training facilities, base housing and barracks, administrative office buildings, medical/dental departments, and extensive security systems. What a monumental waste of invaluable assets owned by we the people, the taxpayers.

Instead, selective bases should be dedicated to implementing academic education and blue collar apprentice training programs; and helping other disadvantaged groups escape from inner city poverty, crime, drugs, and general hopelessness. For example, the bases have the facilities to house and feed and rehabilitate the thousands of homeless, one third of whom are children. Isn't that more cost effective than county welfare agencies renting motel rooms in the ghetto areas for \$2,000 a month? The same cost-effectiveness applies to Head Start, Day Care Centers, the unskilled and unemployed, and juvenile school dropouts and delinquents. The cost-benefits of converting bases should be compared to planned expensive expansions of juvenile detention centers where the inmates sit around playing cards and rap about refining their crime techniques.

Most of these teenagers, boys and girls and unwed mothers, are not going to make it in the inner city environment no matter how much money the government invests in their welfare, training and summer jobs programs. Look at the record for the past thirty years. Hundreds of billions have been spent to improve the underclass but the bottom lines have been mostly negative--more unskilled, unemployed dropouts and homeless; more crime, drugs, poverty and hopelessness. It's like planting good grass and flower seeds in a bad soil environment. The results are mostly weeds. But, if you prepare the soil properly, the results can be analogous to the Miracle Gro advertisements.

This is not just theory talk like you often hear at seminars and conferences. For example, a high percentage of our military enlisted personnel were raised in inner city areas and many were high school dropouts with no skills and facing a bleak and troubled future. But after several months of a rigorous boot camp and a hard nosed 24 hours a day military discipline and training environment, their attitude and motivation changes dramatically. They are then ready and able to learn a military specialty and go on to serve their country with pride and distinction. All the experts agree that today we have the finest, most professional and dedicated military men and women in our history.

We now have a unique opportunity to change the base training missions from fighting wars overseas to solving underclass domestic problems at home. Instead of training courses to turn out Gunner's Mates, we can establish prep schools and "hands on" apprenticeship courses, inter alia, in carpentry, electronics, plumbing, landscaping, and infrastructure skills.

This plan calls for minimum government cost. Most of the military bases planned for closure are still operational. It can be a turn key operation. There are modern training, housing, medical, athletic and security facilities in place now. Trainees can provide base maintenance and other services as part of their apprenticeship programs. Instructors and supervisors can be recruited on a voluntary basis from retired military and civilian ranks plus part time pro bono medical, legal, accounting, mentor and motivational categories. We should also screen and retain existing base military and civilian surplus personnel whose strong suit is MEAD and roots are inner city. The main source of dollar and in kind contributions can be solicited from regional area large corporations who would have a major stake in hiring highly skilled, educated and motivated M.E.A.D. graduates. They are in short supply today and the curve is sloping downward.

Some of the MTC's could be classified as Prep Schools for specialized skills. For example, the Naval Air Station, Moffett Field, is located in the heart of Silicon Valley. This base could be "adopted" and financed by local computer and biotech companies such as Apple, Microsoft, and Hewlett-Packard. They would furnish instructors and the curriculum to include a balance of academic and "hands on" apprentice experience in computer science and biotechnology. They would also be a natural source to provide jobs to successful MEAD graduates.

A special dividend of the MTC is related to national defense. The Cold War is over but that does not mean we shouldn't keep our guard up and our powder dry. With the immediate availability of MEAD personnel, especially the retired military volunteers, the MTC's could be converted back rapidly to meet crisis and war mobilization requirements.

Another dividend could be the emergency availability of especially trained MTC personnel for man made or natural catastrophes such as the L.A. riots and Hurricane Andrew.

The criteria for base selection should depend on factors such as MTC adaptability, community support and, of primary importance, cost-effectiveness and financing. Ninety per cent of the funding should come from corporate, foundation and individual dollar and pro bono contributions. Within the framework of "Adopt a Base" programs, this assumes a personal interest and involvement from all concerned. For example, take the March Air Force SAC Base near Los Angeles. It might include Atlantic Richfield and other Fortune 500 corporations in southern California; military, defense, and teacher retirees living near the base, the professional sports teams in the area; and successful individual athletes, doctors, lawyers, and merchant chiefs who were raised in L.A.'s inner city. They often make the best role models and mentors and many are millionaires who would want to contribute time and money to help the disadvantaged.

Getting this project started would not have to be complex and time consuming if implemented by the private volunteer sector. You could begin by recruiting the services of three recently retired superstars in Business, Education, and the Military. They can take it from there to bring in their own team of volunteer assistants and establish an MTC network and action plan. At the other end of the spectrum, with a green light from Secretary of Defense, Les Aspin, closure bases should start now to develop their own grass roots "Adopt A Base" fundraising MTC plan and cost analysis. The working committees should include local and regional government and private sector representatives, e.g., ARCO for March AFB, and Johnson & Johnson for McGuire AFB in New Jersey.

The Fortune 500 Club is well aware that it is in their self-interest to support domestic projects of this nature, especially when they are involved in academic education and apprentice training under the MEAD umbrella.

